

# TGS-NOPEC Geophysical Company ASA

## INFORMATION TO THE OSLO STOCK EXCHANGE

### 1<sup>st</sup> Quarter 1999 Results

#### 1st Quarter 1999 Financial Highlights

**TGS-NOPEC sustains Net Operating Revenues in a weak market. The Company's backlog of committed prefunding for planned multi-client projects increased 27% during the first three months of 1999 to NOK 127 million. During the first three months of 1999, cash holdings increased 37% to NOK 230,3 million. Net cash holdings (cash less interest-bearing debt) per March 31<sup>st</sup>, 1999 were NOK 26,0 million.**

Net Operating Revenues during the first three months of 1999 were NOK 130,6 million, 3% lower than NOK 134,6 million during the first three months of 1998. Gross revenues decreased by 11%; down to NOK 138,3 million from NOK 155,6 million, reflecting the difficult market environment created by low oil prices, but the Company's percentage share of total sales increased as a result of its growth strategy.

Operating Profit before non-recurring items declined 21% from Q1 1998 to NOK 54,0 million in Q1 1999. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of NOK 87,1 million increased from 66% of Net Operating Revenues in Q1 1998 to 67% in Q1 1999.

TGS-NOPEC's main business is creating and selling non-exclusive (multi-client) seismic data. This activity accounted for virtually all revenues during 1998 and the first three months of 1999.

TGS-NOPEC continues its aggressive investment strategy in multi-client surveys (MCS). During Q1-1999, the Company invested NOK 44,4 million in the data library - an increase of 34% compared to Q1 1998. In accordance with the Company's accounting principles of matching costs with revenues derived from the investments, TGS-NOPEC amortised NOK 28,9 million of prior investments in the non-exclusive library during the quarter; 22% of Net Operating Revenues in Q1 1999 compared to 14% in Q1 1998, representing an increase of NOK 10,6 million.

Since current market conditions continue to make vessel capacity available at favorable prices, the Board of Directors has decided to cancel rigging of the *Atlantic Access* and offer it for sale. Based on preliminary offers from prospective purchasers, the Board determined in today's board meeting that a one-time, non-cash charge to earnings of NOK 7,4 million is necessary to bring the Net Book Value of the *Atlantic Access* down to the expected sales price.

After the write-down of the *Atlantic Access*, the Operating Profit for Q1 1999 was NOK 46,6 million, representing 36% of Net Operating Revenues.

Interest costs during the quarter increased over last year from the debt financing of the *Northern Access* rigging. The financial costs also show a foreign exchange loss, mostly unrealised, of NOK 4,0 million during Q1 1999 compared to a gain of NOK 2,8 million in Q1 1998. This is due to the change in exchange rate between the NOK/USD. As of the date of this notice, the exchange rate has changed in the favorable direction, so that the unrealised foreign exchange losses are lower than reported by March 31<sup>st</sup>, 1999.

Pre-tax profit for the three months ended March 31<sup>st</sup>, 1999 was NOK 40,6 million, compared to NOK 70,8 million for the same period last year.

Earnings per share after tax for the three months ended March 31<sup>st</sup>, 1999 decreased to NOK 1,12 from NOK 2,00 in the same period of 1998.

## Balance Sheet

As at March 31st, 1999, the Company's total cash holdings amounted to NOK 230,3 million. Total interest bearing debt was NOK 204,3 million; giving a net cash holding situation of NOK 26,0 million.

### The Multi-client Library:

Million NOK	Q1-99	Q1-98	Year 1998	Year 1997
Opening Balance	203,0	129,3	129,3	116,6
Investment	44,4	33,0	192,2	107,6
Amortisation	-28,9	-18,3	-118,5	-94,9
Net Book Value Ended	218,5	144,0	203,0	129,3

### Key MCS figures:

Net MCS Revenues for the period	130,6	134,6	555,6	490,8
Change in MCS Revenue	-3 %		13 %	
Change in investment in MCS	35 %		79 %	
Amortisation in % of Net Revenues	22 %	14 %	21 %	19 %
Increase in NBV during the period	8 %	40 %	57 %	11 %

### Operational Highlights

During the first quarter of 1999, TGS-NOPEC added 17,000 kms of 2D and 2,500 square kms of 3D to its library of marketed multi-client surveys.

After completing the 6,500 km Mahakam Delta 2D project in east Kalimantan, Indonesia, the *Odin Explorer* was laid up in Singapore during March.

TGS-NOPEC entered into a long term agreement with Schlumberger Geco-Prakla to jointly develop and market non-exclusive 3D surveys in Scandinavia.

### Outlook for 1999

TGS-NOPEC has firm plans in place to invest a minimum of NOK 240 million in multi-client surveys for the year, compared to total investments of NOK 190,2 million in 1998.

The Company's backlog of committed prefunding revenues increased by 27% from NOK 100 million as per December 31st, 1998 to NOK 127 million at the end of the first quarter.

After a lengthy period of low oil prices, cost cutting, and oil company merger and acquisition activity, TGS-NOPEC's management expects these disruptive market forces to decline and the exploration and production spending patterns to return to more normal levels during the latter part of 1999.

#### *Gulf of Mexico*

*Northern Access* returned to operations after engine room repairs in April and was joined by *Mezen* on the 12,000 km Phase 49 project. TGS-NOPEC is currently acquiring two new multi-client 3D surveys totalling 4,200 square kilometers in partnership with CGG and Eagle Geophysical.

#### *Nova Scotia*

The *Geco Sigma* has commenced the 27,000 km non-exclusive 2D survey TGS-NOPEC is acquiring in Nova Scotia in 1999, and will be joined by *Geco Rho* early in June. A highly successful licensing round in April confirmed the strong industry interest in this frontier area. The survey is highly pre-funded.

#### *Brazil*

Through a joint venture with Schlumberger Geco-Prakla, the two companies have started to acquire an 85,000 km non-exclusive 2D survey in Brazil. Geco-Prakla has deployed two vessels, and TGS-NOPEC will deploy the *Northern Access* in June. The TGS-NOPEC / Schlumberger joint venture is the first seismic operator to begin acquiring multi-client surveys offshore Brazil.

*Norway/UK*

TGS-NOPEC is continuing the acquisition of the TCC 98-99 program off Norway, and will expand it by adding at least three new surveys. Minimum acquisition plans for 1999 in the Norway/UK comprise 40,000 km non-exclusive 2D seismic and 50,000 kms non-exclusive Aeromag data. TGS-NOPEC is currently deploying the *Zephyr-1*, the *Akademik Lazarev* and the *Professor Polshkov* for this program. Under the previously announced cooperation agreement between TGS-NOPEC and Schlumberger Geco-Prakla for joint development of 3D multi-client surveys in Scandinavia, the companies started their first project in April, an 800 square kilometer survey on the southern portion of Halten Terrace.

Nærnes, May 19th, 1999

The Board of Directors of TGS-NOPEC Geophysical Company ASA

*TGS-NOPEC is a leading global provider of non-exclusive seismic data and associated products to the oil and gas industry. Oil companies use this seismic data to explore for oil and gas deposits. TGS-NOPEC specializes in the planning, acquisition, processing, interpretation, and marketing of non-exclusive surveys worldwide. TGS-NOPEC places a strong focus on providing high quality seismic data and the highest level of service to the industry. Other business markets include proprietary seismic acquisition and processing services, as well as gravity and aeromagnetic surveys.*

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# TGS NOPEC Geophysical Company ASA

## Consolidated Profit & Loss Accounts

(All amounts in NOK 1000's unless noted otherwise)		12 Months	
For the 3 months ended March 31st,	1.Q 1999	1.Q 1998	1998
<i>Operating Revenues</i>			
Sales	138 254	155 571	601 909
Income sharing & Royalties	-7 696	-21 005	-43 342
<b>Net Operating Revenues</b>	<b>130 558</b>	<b>134 566</b>	<b>558 567</b>
<i>Operating expenses</i>			
Materials	4 580	6 582	1 322
Amortisation of Seismic Library	28 991	18 281	118 494
Personnel costs	21 985	23 259	85 796
Other operating expenses	16 907	15 400	61 292
Depreciation	4 048	2 649	24 494
Write-down Atlantic Access	7 400	-	
<b>Total operating expenses</b>	<b>83 911</b>	<b>66 171</b>	<b>291 398</b>
<b>Operating profit</b>	<b>46 647</b>	<b>68 395</b>	<b>267 169</b>
<i>Financial income and expenses</i>			
Interest Income	2 150	2 304	11 561
Interest Expense	-4 156	-2 680	-10 089
Exchange gains/losses	-4 001	2 768	5 285
<b>Net financial items</b>	<b>-6 007</b>	<b>2 392</b>	<b>6 757</b>
<b>Profit before taxes</b>	<b>40 640</b>	<b>70 787</b>	<b>273 926</b>
Estimated Taxes	13 818	23 835	97 052
<b>Net Income</b>	<b>26 822</b>	<b>46 952</b>	<b>176 875</b>
EPS after tax	1,12		

# TGS NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

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

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

**31,03,99**    **31,12,98**

#### ASSETS

##### Long-term assets

###### *Intangible assets*

Goodwill	41 527	42 968
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###### *Fixed Assets*

Buildings	34 584	33 555
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Machinery and equipment	22 874	27 930
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Vessels	199 850	208 671
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###### *Financial Assets*

Long term receivables, included pre-payments	-	12 898
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##### **Total long-term assets**

**298 835    326 022**

##### Current assets

###### *Inventories*

Multiclient seismic Library, net	218 517	203 017
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###### *Receivables*

Accounts receivable	120 506	152 751
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Other short term receivables	44 036	22 352
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###### *Cash and cash equivalents*

Cash and cash equivalents (including money market funds)	230 349	167 593
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##### **Total current assets**

**613 408    545 714**

#### **TOTAL ASSETS**

**912 243    871 736**

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

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

**31,03,99 31,12,98**

#### LIABILITIES AND EQUITY

##### *Equity*

Share capital	24 001	23 925
Other equity	444 205	408 339
<b>Total equity</b>	<b>468 206</b>	<b>432 264</b>

#### Provisions and liabilities

##### *Provisions*

Deferred tax liability	21 067	27 741
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##### *Long term liabilities*

Mortgage loans/secured loans	155 882	156 441
Capitalised lease liabilities	36 630	37 418

##### *Current liabilities*

Short-term interest-bearing debt	11 941	-
Accounts payable and debt to partners	133 440	109 461
Taxes payable, withheld payroll tax, social security etc.	39 209	43 634
Other current liabilities	45 868	64 775

#### Total provisions and liabilities

**444 037 439 472**

### **TOTAL LIABILITIES AND EQUITY**

**912 243 871 736**