

# TGS-NOPEC Geophysical Company ASA

## 3<sup>rd</sup> Quarter 2001 Results

TGS-NOPEC delivers strong 3<sup>rd</sup> quarter results in line with Management's stated expectations.

### 3<sup>rd</sup> Quarter 2001 Financial Highlights

- ❖ **Net Revenues increased 33% to NOK 275,2 million and Operating Profit increased 21% to NOK 112,4 million compared to Q3 2000.**
- ❖ **Net Late Sales from the Multi-Client library increased 45% from Q3 2000 (NOK 130,5 million) to NOK 189,0 million.**
- ❖ **Third quarter EBITDA from operations of NOK 220,0 million was 80% of Net Revenues, up 26% from the same period last year (NOK 174,3 million).**
- ❖ **Net cash flow from Operating Activities was NOK 83,0 million in Q3 2001 and NOK 156,4 million for the 9 months ended September 30<sup>th</sup>, 2001. Cash holdings are at an all time high.**
- ❖ **Earnings per Share increased 34% to NOK 2,96 (NOK 2,77 fully diluted) for Q3 2001 from NOK 2,21 (NOK 2,10 fully diluted) in Q3 2000.**

*“This ranks as the best 3<sup>rd</sup> Quarter result in our Company's history,”* states Chairman David Worthington. *“We are especially pleased to deliver such strong results during a period of severe global economic disruption. Our financial health is stronger than ever, and we are well-positioned to capitalize on new opportunities for growth.”*

### Revenue Breakdown

Net Late Sales of NOK 189,0 million accounted for 69% of Net Consolidated Revenues. Net Early Participant revenues totaled NOK 68,4 million. Proprietary Contract Revenues in Q3 2001 were NOK 17,9 million, representing approximately 7% of total revenues. The Company had no proprietary contract revenues in Q3 2000.

The strong sales momentum in Europe continued during the 3<sup>rd</sup> quarter mostly due to oil company preparations for the 17<sup>th</sup> licensing round in Norway and the concession round in 2002 in Greenland. Year-to-date Europe revenues have increased 68% from the same period in 2000. Gulf of Mexico sales remained steady and Canada sales grew substantially from Q2 to Q3. Net Revenues from 3D represented 44% of Total Net Revenues and 47% of Net Multi-Client Revenues during the quarter. For the first nine months of 2001, 3D accounted for 42% of Net Revenues, compared to 24% for the same period last year.

### Operational Costs

The amortization charge associated with Net Multi-Client Revenues increased to 40% during Q3 2001. The corresponding amortization rate for Q3 2000 was 37%. This rate does fluctuate from quarter to quarter, depending on the sales mix of projects. For the first nine months of 2001, the amortization rate is 37%. Management still expects an average amortization rate of 35-40% for the full year 2001.

Operational costs payable for the quarter, excluding materials, were NOK 38,3 million compared to NOK 28,1 in Q3 2000. Costs of materials were NOK 17,0 million versus NOK 5,2 in Q3 2000 as a result of costs of vessels associated with the increased proprietary contract revenues. Personnel related costs and Other Operational costs totaled approximately 8% lower than in Q2 2001.

### Profit

Operating Profit for the quarter was NOK 112,4 million, representing 41% of Net Revenues and a 21% increase over Q3 2000 (NOK 93,1 million).

The quarterly Pre-tax Profit of NOK 110,3 million was 37% higher than the NOK 80,8 million reported in Q3 2000. EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) for the three months ended September 30<sup>th</sup> was NOK 220,0 million, 80% of Net Revenues, up 26% from NOK 174,3 in Q3 2000.

### Change in Exchange Rate/Financial Items

A portion of the increase in reported revenues stems from the change in exchange rate between the USD and the NOK. In Q3 2000, the average exchange rate was NOK 8,652 to the USD, while in Q3 2001 the corresponding rate was NOK 8,996 to the USD. This change eliminated, the increase in Net Revenues would have been approximately 28% and increase in EPS approximately 29%.

Had the exchange rate stayed the same in Q3 2001 as in Q2 2001, the Net Operating Revenues for the quarter would have been approximately NOK 281 million.

The rate of exchange between the USD and the NOK changed from 9,30 per June 30<sup>th</sup>, 2001 to 8,88 per September 30<sup>th</sup> 2001. In accordance with NGAAP, all balances in other currencies are recalculated at Balance Sheet Date to reflect the currency picture. As the Company's cash holdings in USD far exceed its debt in USD, the non-cash exchange gain of NOK 6,2 million associated with the USD 14,7 million loan per September 30<sup>th</sup> was eliminated by a non-cash exchange loss on the cash holdings. The net currency exchange loss was NOK 0,3 million in Q3 2001 compared to a loss of NOK 10,3 million in Q3 2000.

### Tax

Management estimates the tax rate for the year 2001 to be 34%. The Norwegian entity continued to earn taxable profits bringing the effective total tax rate down from 35,95% in Q1 2001 to 34,55% in Q2 2001 and 34,44% in Q3 2001. The year-to-date tax rate per September 30<sup>th</sup>, 2001 was 34,94%.

### Net Income and Earnings per Share (EPS)

Net Income for Q3 2001 was NOK 72,3 million, up 34% from the NOK 53,8 million reported in Q3 2000. Earnings per Share (EPS) were NOK 2,96 undiluted and NOK 2,77 fully diluted, up 34% and 32% respectively from reported in Q3 2000 (NOK 2,21 and NOK 2,10 per share). The average number of shares outstanding during the quarter was 24,427,000. The fully diluted average number of shares outstanding was 26,060,000.

### Business Segments and Investments

TGS-NOPEC's main business is developing, managing, conducting, and selling non-exclusive seismic surveys. This activity accounted for 93% of the Company's business during the quarter. Investments in the data library totaled NOK 136,8 million for the third quarter, 2% higher than in Q3 2000 (NOK 133,5 million). The year-to-date investments per September 30<sup>th</sup>, 2001 were NOK 418,8 million, 44% higher than for the first nine months of 2000, and well in line with the Company's stated 2001 investment plan. As previously stated, TGS-NOPEC management intends to continue investments in new seismic programs but the Company will also actively pursue opportunities to increase its ownership in existing surveys. The Company recognized NOK 68,4 million in Early Participant revenues during the quarter, funding approximately 50% of the Multi-Client investments for new surveys. Management expects somewhat lower pre-funding rates in the fourth quarter.

### Balance Sheet

As of September 30<sup>th</sup>, 2001, the Company's total cash holdings amounted to NOK 318,7 million compared to NOK 224,6 million on December 31<sup>st</sup>, 2000. The Company's cash holdings increased by NOK 72,1 million compared to June 30<sup>th</sup>, 2001.

Total interest bearing debt was NOK 158,6 million versus NOK 206,1 million per December 31<sup>st</sup>, 2000. Total Equity per September 30<sup>th</sup>, 2001 was NOK 1.026,4 million, 69% of Total Assets.

### The Multi-Client Library:

	9 Months		9 Months	Year	Year	Year	
Million NOKs	Q3-01	Q3-00	2001	2000	2000	1999	1998
Opening Balance	541,7	399,9	439,1	324,0	324,0	203,0	129,3
Investment	136,8	133,5	418,8	291,1	370,8	300,8	193,5
Amortization	- 102,9	- 76,6	-282,3	-158,3	- 255,8	-179,8	-119,8
Net Book Value Ended	575,6	456,8	575,6	456,8	439,1	324,0	203,0

**Key MCS figures:**

Net MCS Revenues for the period	<b>257,3</b>	207,5	<b>768,9</b>	494,2	769,0	574,2	555,6
Change in MCS Revenue	<b>24 %</b>	24 %	<b>56%</b>	20%	38 %	3 %	13 %
Change in investment in MCS	<b>2 %</b>	21 %	<b>44%</b>	19%	23 %	55 %	80 %
Amortization in % of Net MCS Revenues	<b>40 %</b>	37 %	<b>37%</b>	32%	33 %	31 %	22 %
Increase in NBV during the period	<b>6 %</b>	14 %	<b>26%</b>	41%	36 %	60 %	57 %

**Operational Highlights**

The Company added approximately 22,000 kms of 2D and 1,200 sq kms of 3D to its library of marketed surveys during the 3rd quarter. A total of seven different seismic vessels contributed to this effort. TGS-NOPEC completed the acquisition phase of two major new 3D surveys in the quarter: Flinders (Australia) and Grip High (Norway). Other areas of significant new activity included the Gulf of Mexico, Greenland, New Zealand, Portugal, Spain, Madagascar, and the eastern Mediterranean Sea. Additionally, the Company commenced well-funded PSDM and PSTM reprocessing projects on its highly successful NS-100 program offshore Eastern Canada.

**Outlook**

The Company's backlog of secured pre-funding for new projects declined seasonally during the quarter to NOK 107,9 million, but remains a healthy 28% above levels one year ago.

Due to seasonal weather conditions, the Company plans to reduce acquisition activity on new projects during the next two quarters, but increase activity on value-added and reprocessing projects during the same period. On top of this, the Company is pursuing opportunities to increase its equity ownership percentage of the marketed library. Management continues to focus on opportunities to grow the Company's 3D investments and revenue stream.

Recent announcements of blocks for Brazil's Round 4 and nominated blocks for Norway's 17<sup>th</sup> Round are positive drivers for TGS-NOPEC Late Sales. In view of seasonal buying patterns and year over year market improvement, management expects Net Revenues in Q4 to exceed Q4-2000 and Q3-2001 levels.

Demand for new seismic data remains firm. Global oil prices have recently deteriorated but currently remain above the threshold necessary to promote new exploration. Both the level of world oil demand and OPEC's ability to keep oil prices within its desired band are short-term uncertainties. In contrast, natural gas prices in North America have recently strengthened as production has dropped with the reduction in rig count. Despite volatility and uncertainty in commodity prices, oil companies need new drillable prospects and newer and better seismic data to develop those prospects. Management expects total exploration and production spending to increase only modestly in 2002. In such an environment TGS-NOPEC's strong balance sheet and flexible business model will be the catalysts for the Company's continued profitable growth.

*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, November 7th, 2001

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)				<b>9 Months</b>	<b>9 Months</b>	<b>12 Months</b>
		<b>Q3 2001</b>	<b>Q3 2000</b>	<b>2001</b>	<b>2000</b>	<b>2000</b>
<i>Operating Revenues</i>						
Sales		322 779	211 627	881 625	516 997	817 686
Income sharing & Royalties		-47 539	-4 104	-90 900	-17 854	-44 051
<b>Net Operating Revenues</b>		<b>275 240</b>	<b>207 523</b>	<b>790 725</b>	<b>499 143</b>	<b>773 636</b>
<i>Operating expenses</i>						
Materials		16 967	5 157	31 767	11 837	17 141
Amortisation of Seismic Libra		102 889	76 635	282 276	158 276	255 780
Personnel costs		24 454	19 393	81 298	59 280	88 960
Other operating expenses		13 835	8 689	38 975	31 509	44 939
Depreciation		4 666	4 544	13 168	13 239	17 708
Unusual Items		-	-	-	-	-
<b>Total operating expenses</b>		<b>162 811</b>	<b>114 418</b>	<b>447 484</b>	<b>274 141</b>	<b>424 527</b>
<b>Operating profit</b>		<b>112 429</b>	<b>93 105</b>	<b>343 241</b>	<b>225 002</b>	<b>349 109</b>
<i>Financial income and expenses</i>						
Interest Income		4 411	3 163	13 236	8 307	13 979
Interest Expense		-6 337	-5 216	-17 377	-14 324	-19 512
Exchange gains/losses		-251	-10 291	-1 365	-18 971	-13 207
<b>Net financial items</b>		<b>-2 177</b>	<b>-12 344</b>	<b>-5 506</b>	<b>-24 988</b>	<b>-18 740</b>
<b>Profit before taxes</b>		<b>110 252</b>	<b>80 762</b>	<b>337 736</b>	<b>200 014</b>	<b>330 368</b>
Tax provision		37 971	26 934	118 015	68 673	115 443
<b>Net Income</b>		<b>72 281</b>	<b>53 828</b>	<b>219 721</b>	<b>131 341</b>	<b>214 926</b>
EPS NOK	undiluted	2,96	2,21	9,00	5,42	8,85
EPS NOK	fully diluted	2,77	2,10	8,51	5,15	8,45



# TGS NOPEC Geophysical Company ASA

## Consolidated Balance Sheet

### Balance sheet as at September 30, 2001

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

**30,09,2001**    **30,09,2000**    **31,12,2000**

#### LIABILITIES AND EQUITY

##### *Equity*

Share capital	24 427	24 331	24 419
Other equity	1 002 007	709 674	781 871
<b>Total equity</b>	<b>1 026 434</b>	<b>734 005</b>	<b>806 290</b>

#### Provisions and liabilities

##### *Provisions*

Deferred tax liability	76 073	57 307	58 534
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##### *Long term liabilities*

Mortgage loans/secured loans	136 562	183 054	175 237
Capitalised lease liabilities	21 553	34 362	30 888

##### *Current liabilities*

Short-term interest-bearing debt	481	40 985	-
Accounts payable and debt to partners	152 958	108 021	114 946
Taxes payable, withheld payroll tax, social security etc.	745	11 380	35 399
Other current liabilities	66 202	65 980	83 644

<b>Total provisions and liabilities</b>	<b>454 574</b>	<b>501 089</b>	<b>498 648</b>
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<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1 481 008</b>	<b>1 235 094</b>	<b>1 304 938</b>
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# TGS NOPEC Geophysical Company ASA

## Consolidated Cashflow Statement

	9 Months		12 Months
(All amounts in NOK 1000's unless noted otherwise)	Q3 2001	2001	2000
<i>Cashflow from operating activities:</i>			
Received payments from sales	289 291	827 372	602 003
Payments for purchased seismic and services	-114 541	-392 307	-309 893
Payments for salaries, pensions, social security tax and tax deducted	-24 454	-81 298	-88 960
Received interest and other financial income	4 411	13 236	13 979
Interest payments and other financial cost	-6 588	-18 742	-22 441
Paid tax and government taxes	-48 581	-144 103	-86 797
Payments for other operating activities	-16 516	-47 771	-44 939
<b>Net cash flow from operating activities</b>	<b>83 022</b>	<b>156 387</b>	<b>62 952</b>
<i>Cash flow from investing activities:</i>			
Received payments from fixed assets		0	14 084
Investment in tangible fixed assets	-2 524	-14 722	-11 074
Investments in shares and partnerships			-1 590
<b>Net cash flow from investing activities</b>	<b>-2 524</b>	<b>-14 722</b>	<b>1 420</b>
<i>Cash flow from financing activities:</i>			
Net changes in short term loans			-18 813
New long term loans			26 497
Repayment of long term loans	-29 361	-48 010	-14 598
Demerger - decrease of equity	0	-577	
Received payments due to share offering	0	403	13 465
Currency exchange differences	20 940	599	35 438
<b>Net cash flow from financing activities</b>	<b>-8 421</b>	<b>-47 585</b>	<b>41 989</b>
<b>Net change in cash and cash equivalents</b>	<b>72 077</b>	<b>94 080</b>	<b>106 361</b>
Cash and cash equivalents at the beginning of period	246 606	224 603	118 242
<b>Cash and cash equivalents at the end of period</b>	<b>318 683</b>	<b>318 683</b>	<b>224 603</b>