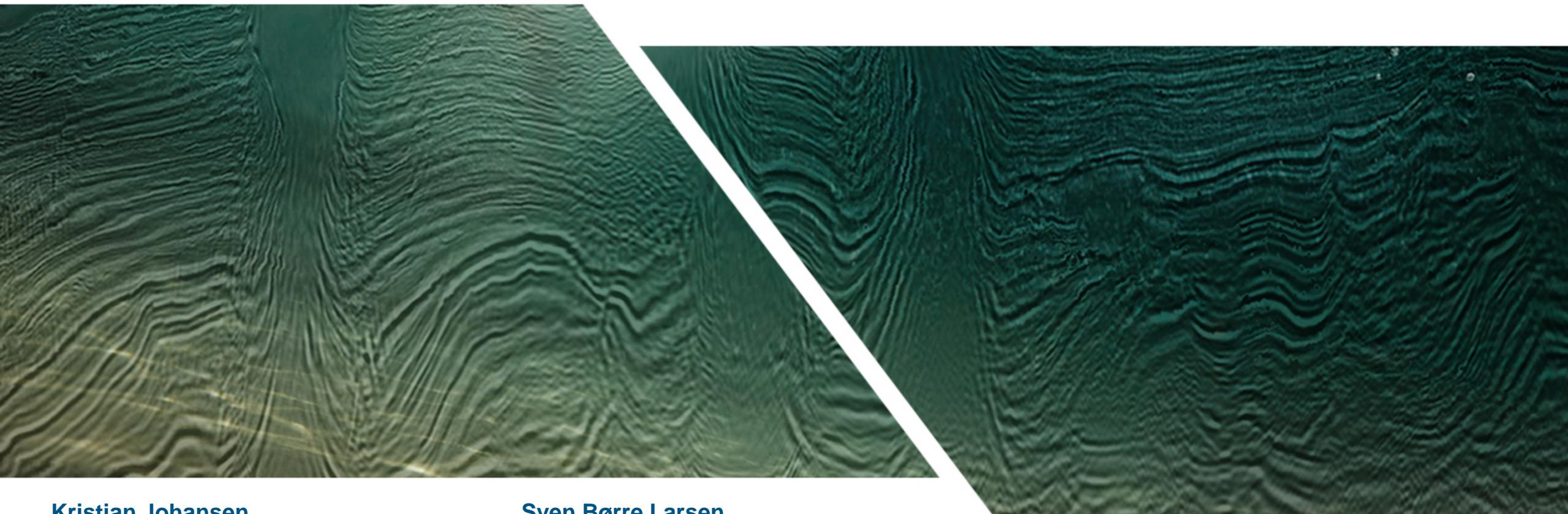




# Q3 2018 Earnings Release



**Kristian Johansen**  
CEO  
1 November 2018

**Sven Børre Larsen**  
CFO

# 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 principal 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.

# Q3 2018 Highlights

- Q3 net revenues of 141 MUSD, compared to 142 MUSD in Q3 2017
  - Net late sales of 106 MUSD, up 35% from 79 MUSD Q3 2017
  - Net pre-funding revenues of 33 MUSD were down from 62 MUSD in Q3 2017, funding 33% of TGS' operational multi-client investments for the quarter
  - Operational multi-client investments of 100 MUSD compared to 114 MUSD in Q3 2017
- Operating profit for the quarter was 24 MUSD compared to 26 MUSD in Q3 2017
- Earnings per share of 0.16 USD, up 78% from 0.09 USD in Q2 2017
- Free cash flow was 10 MUSD compared to (19) MUSD in Q3 2017
  - Cash balance of 322 MUSD at 30 September 2018 in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.20 per share, up 33% from Q3 2017

# Operational Highlights

# Q3 2018 Operations

## Western Hemisphere

Ramform Hyperion JV

Ramform Sterling JV

SCOOP/STACK Crew I

SCOOP/STACK Crew II

Permian Crew

TDI Brooks Proteus

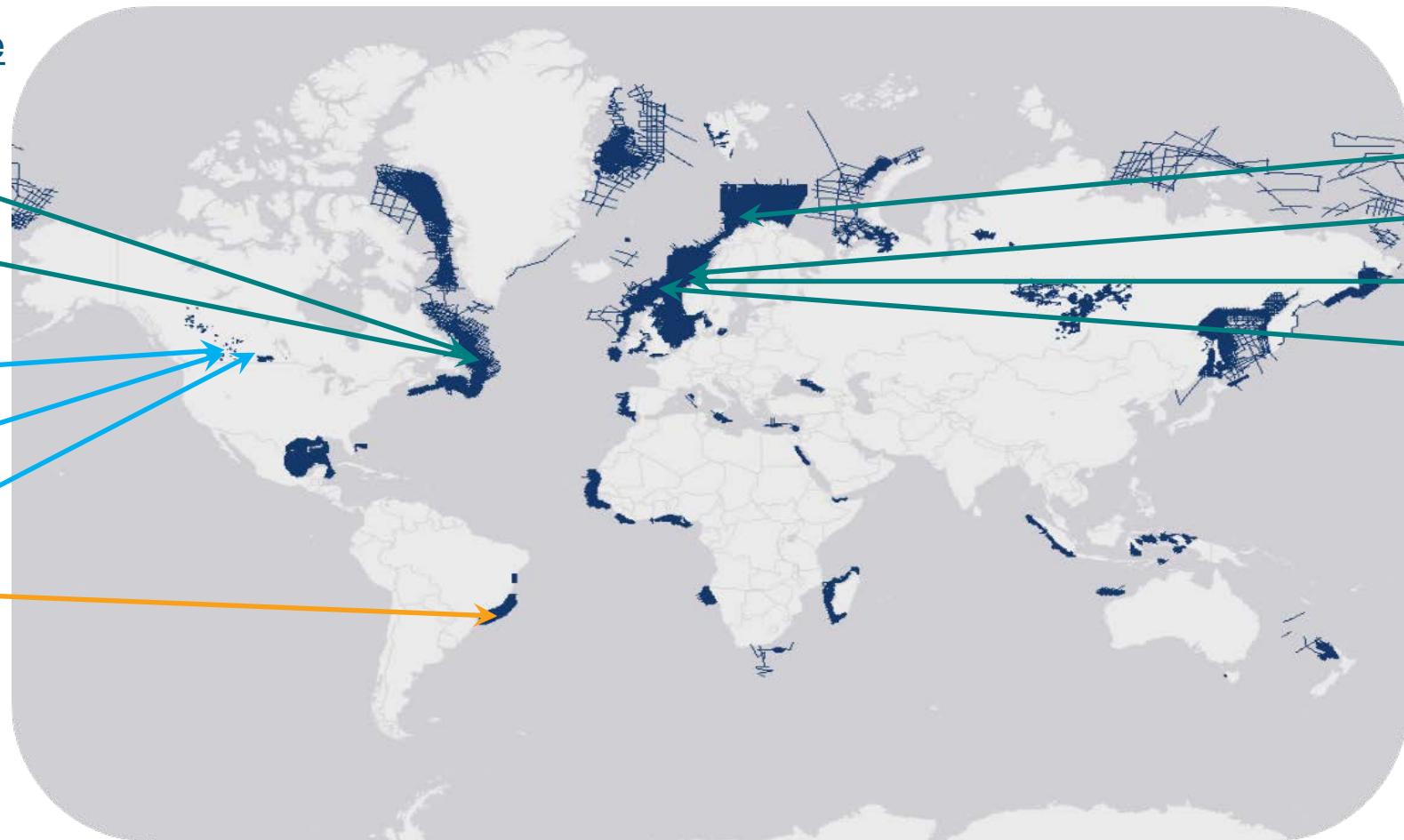
## Eastern Hemisphere

Ramform Atlas JV

Polar Duchess

Polarcus Adira

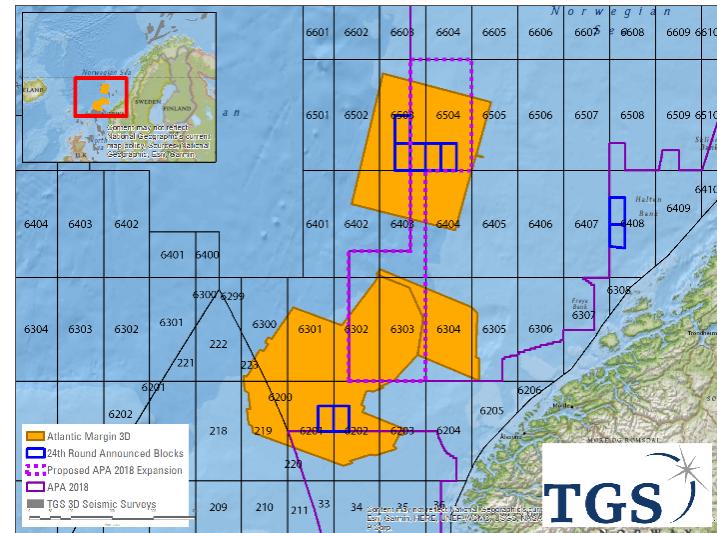
Polarcus Alima



# Q3 Activity – Norway / UK

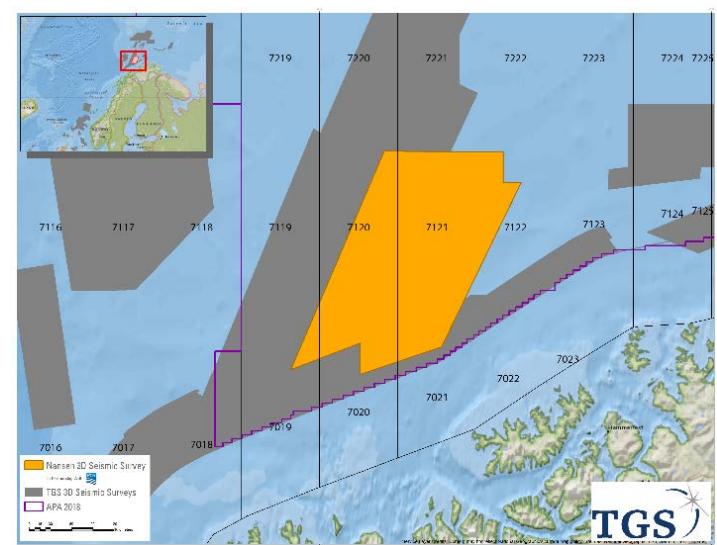
## Q3 Activity

- **Atlantic Margin 3D:** 45,500 km<sup>2</sup> multi-client 3D located in an under-explored area of the central-southern Norwegian Sea
- **Nansen 3D:** 4,200 km<sup>2</sup> multi-client 3D in collaboration with PGS, located in an active APA area of the Hammerfest Basin in the Barents Sea
- **Erlend Wild West 3D:** 1,900 km<sup>2</sup> multi-client 3D in the UK West of Shetland region, tying into TGS EW12 3D data



## Norway / UK Market

- Annual APA rounds in Norway / numbered rounds in UK
- Acreage turnover and farm-ins
- Small and mid-sized companies becoming increasingly important – 38 companies applied for acreage in APA 2018
- Increased number of exploration wells to be drilled



# Q3 Activity – Brazil

## Q3 Activity

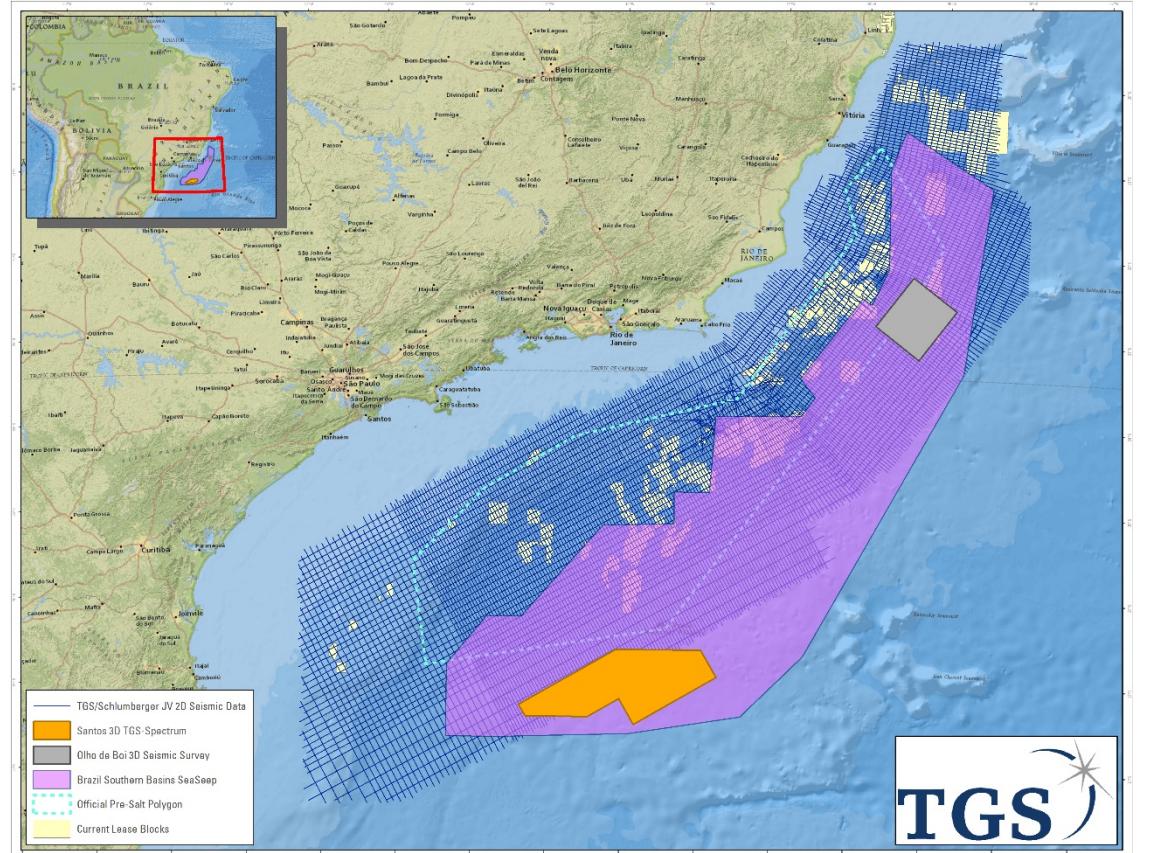
- **Brazil Southern Basins SeaSeep:** 200,000 km<sup>2</sup> multi-client multibeam and seep study in the Campos and Santos Basins

## New Project:

- **Santos Basin 3D:** 15,000 km<sup>2</sup> multi-client 3D in the southern Santos Basin, in collaboration with Spectrum

## Brazil Market

- License round transparency - calendar out to 2021
- Seismic permitting process becoming more streamlined
  - But environmental permit challenges remain
- Supermajor focus area leading to competitive bidding
- High degree of data saturation in core areas drives need for new technology



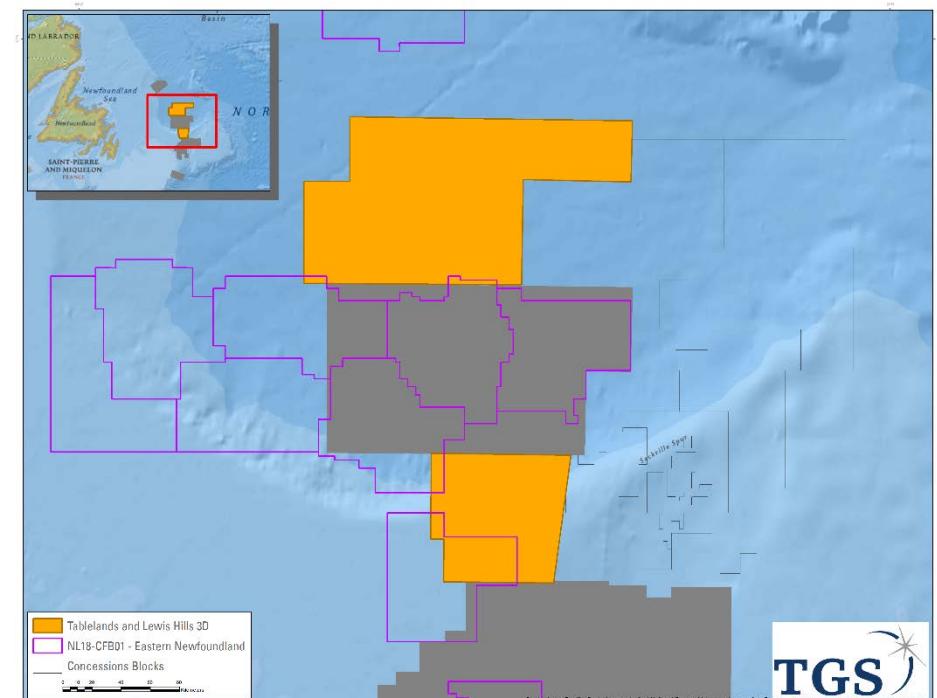
# Q3 Activity – East Canada

## Q3 Activity

- **Tablelands 3D:** 8,000 km<sup>2</sup> multi-client 3D located in Newfoundland area of the Flemish Pass and Orphan Basins, in collaboration with PGS
- **Lewis Hill 3D:** 3,400 km<sup>2</sup> multi-client 3D in the Newfoundland area of the Flemish Pass basin, in collaboration with PGS
- **Harbour Deep 3D / Cape Broyle 3D:** 2,700 km<sup>2</sup> of data in collaboration with PGS, completing 2017 surveys

## East Canada Market

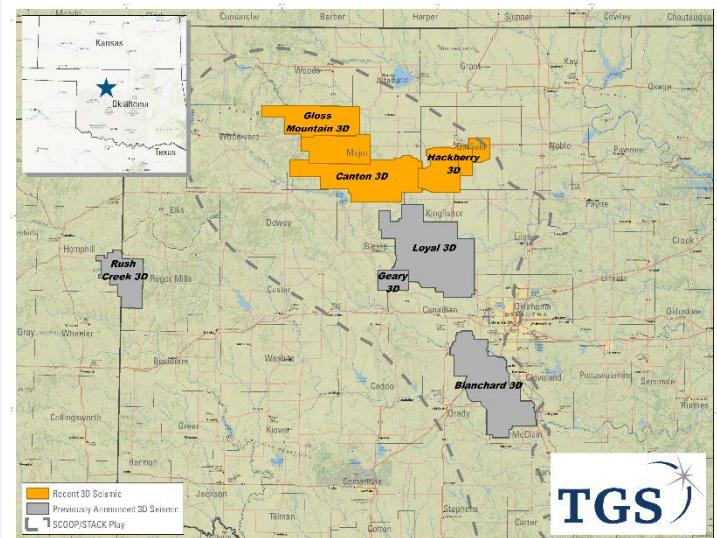
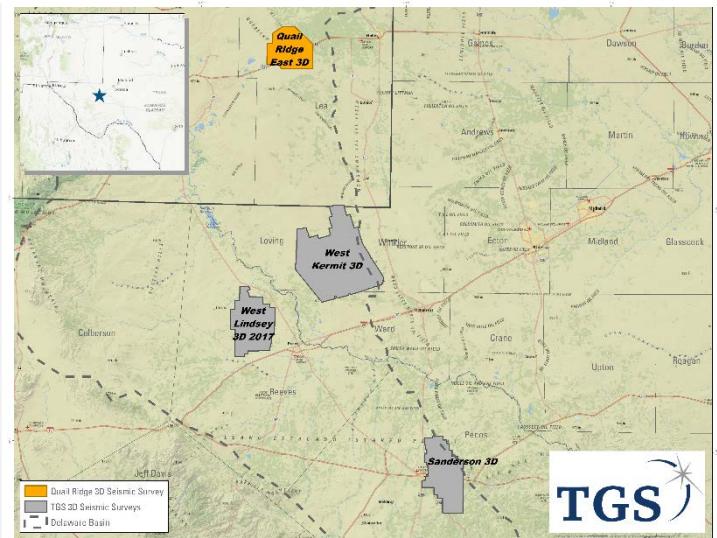
- Scheduled Land Tenure system
- Stability and attractive fiscal regime promotes exploration
- High prospectivity (proven by high profile discoveries) in frontier geography
- E&P focus area, even through down cycle



# Q3 Activity – North America Land

## Q3 Activity

- **Quail Ridge East 3D (Permian):** 330 km<sup>2</sup> high-resolution 3D multi-client project in the Delaware Basin, in collaboration with Fairfield Geotechnologies and part of a 5,000 km<sup>2</sup> Area of Mutual Interest
- **Hackberry Complex 3D (SCOOP/STACK):** 777 km<sup>2</sup> high-resolution 3D multi-client project in the Anadarko Basin
- **Canton 3D (SCOOP/STACK):** 1,166 km<sup>2</sup> high-resolution 3D multi-client project in the Anadarko Basin



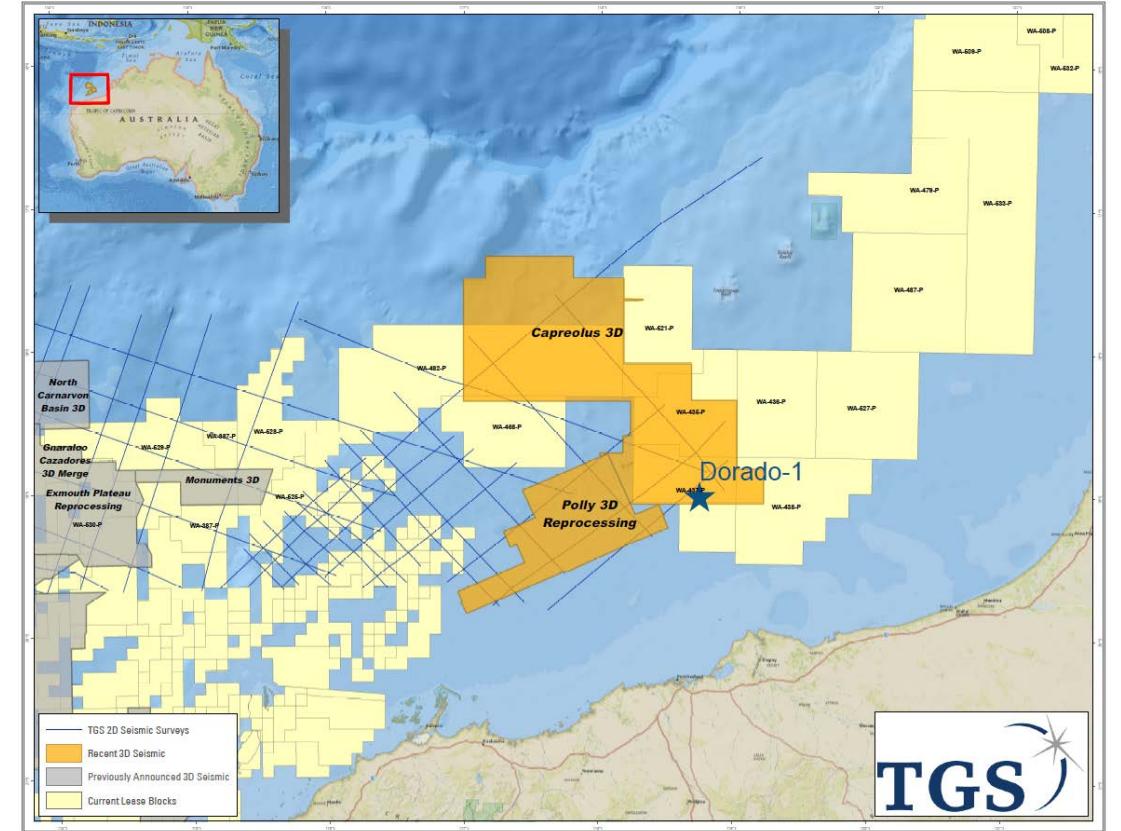
# Library M&A - Capreolus 3D

## Capreolus 3D

- Purchased from Polarcus in July 2018
- 22,130 km<sup>2</sup> 3D survey over underexplored Beagle and Bedout sub-basin, offshore north-west Australia
- Reprocessing of adjacent 7,970 km<sup>2</sup> Polly 3D
- Complementary to TGS' extensive 3D database in the neighboring Carnarvon Basin

## NW Australia market

- Quadrant Energy and Carnarvon Petroleum exploration success with Dorado-1 well
- Santos acquisition of Quadrant Energy





Financials

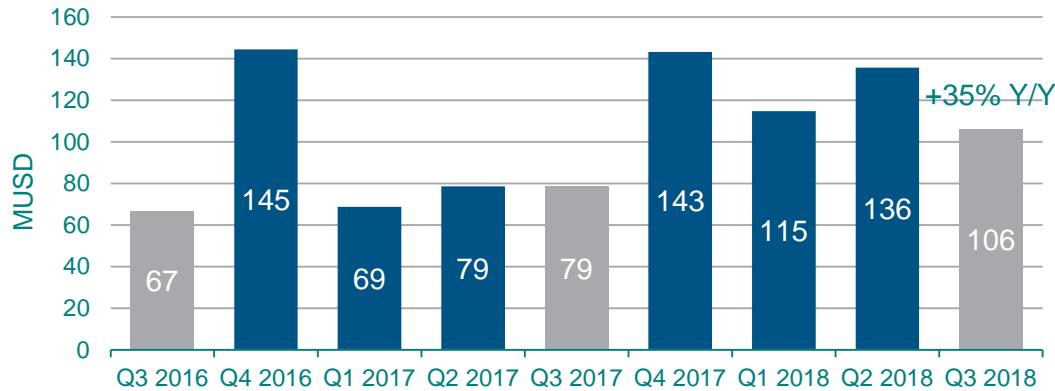
# Implementation of IFRS 15

- The accounting standard IFRS 15 regarding revenue recognition implemented from 1 January 2018
- Implications for TGS
  - Recognition of revenues related to Multi-client projects postponed until projects are delivered to customers
  - No amortization until completion of the project
  - No impact on sales from the library of completed surveys
- Internal reporting
  - TGS will continue to use the previous Percentage-of-Completion-method for internal segment and management reporting (referred to as *Segment Reporting*)
  - Provides the best picture of the performance and value creation of the business
- External reporting
  - Two sets of accounts: *Segment Reporting* and *IFRS Reporting*
  - Main focus in external communication will be on *Segment Reporting*

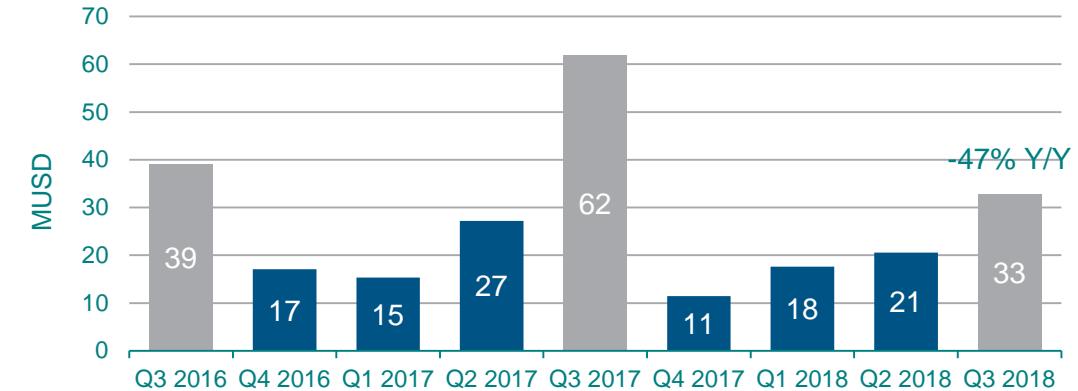
# Net Revenues

## Segment Reporting

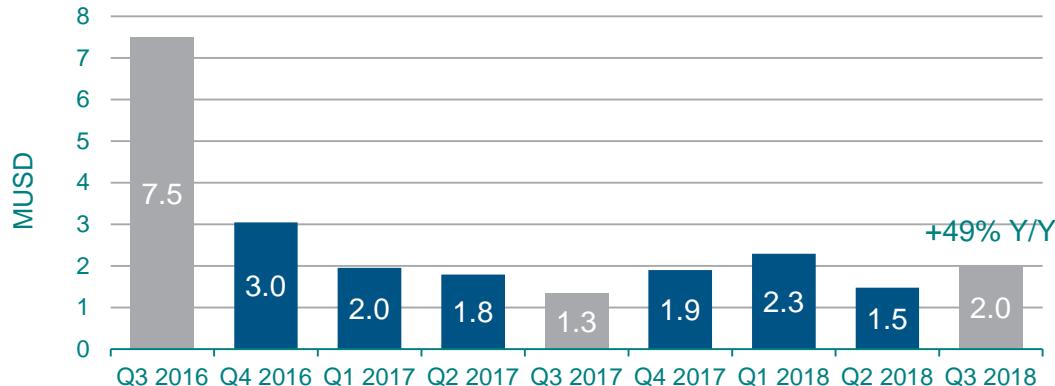
Late sales



Prefunding revenues



Proprietary revenues



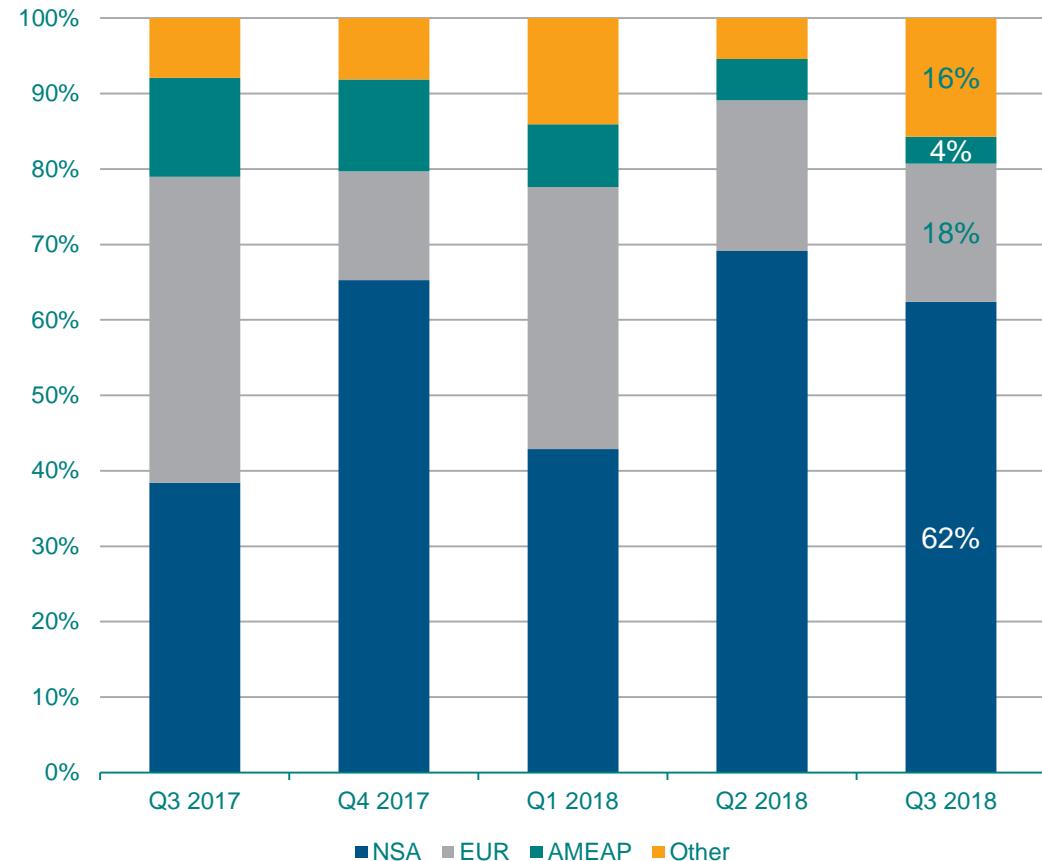
Total revenues



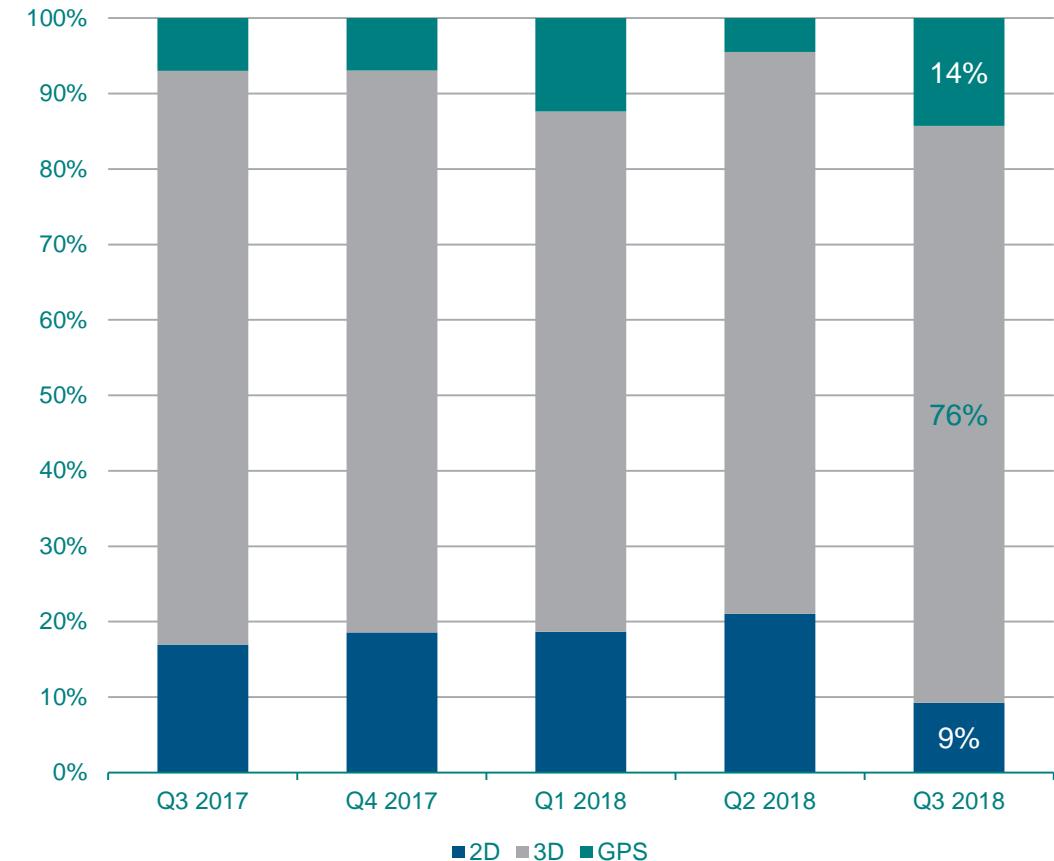
# Net Revenues Breakdown

## Segment Reporting

By Business Unit



By Technology

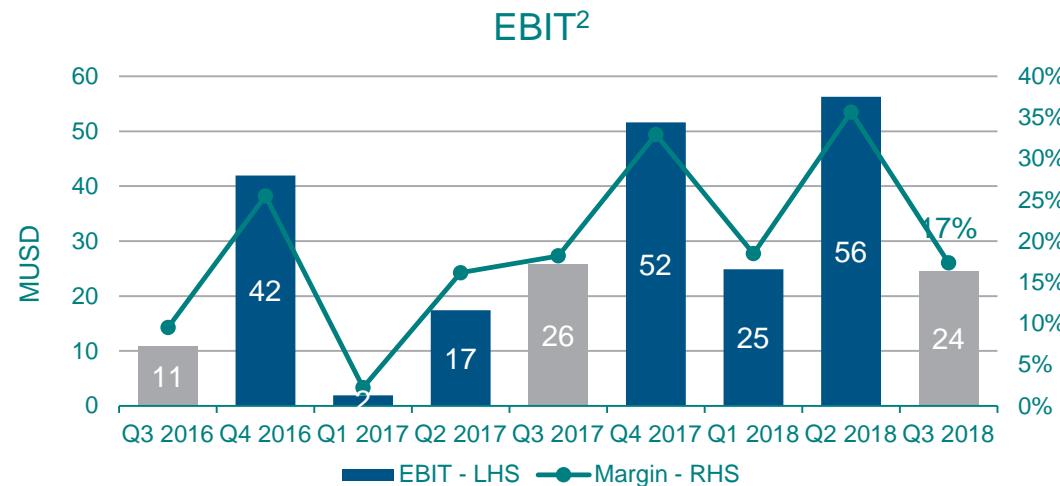
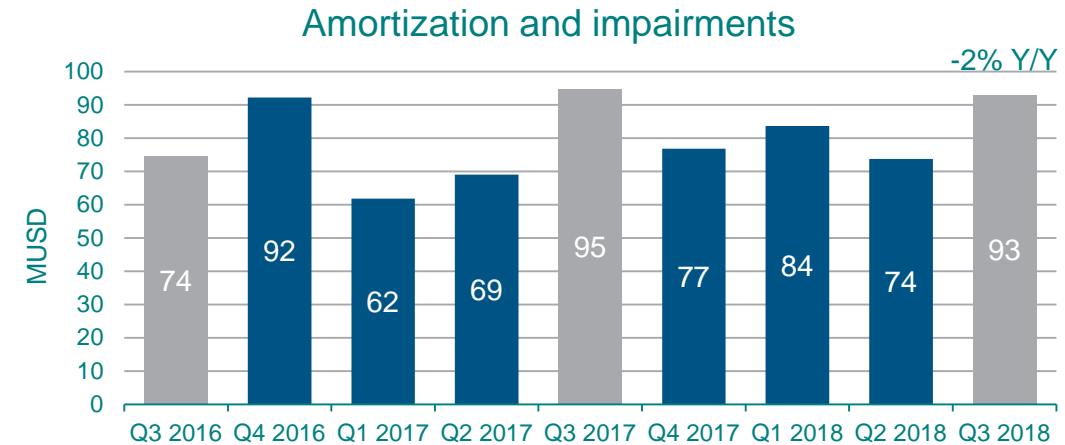


# Operating Expenses, EBIT, Free Cash Flow

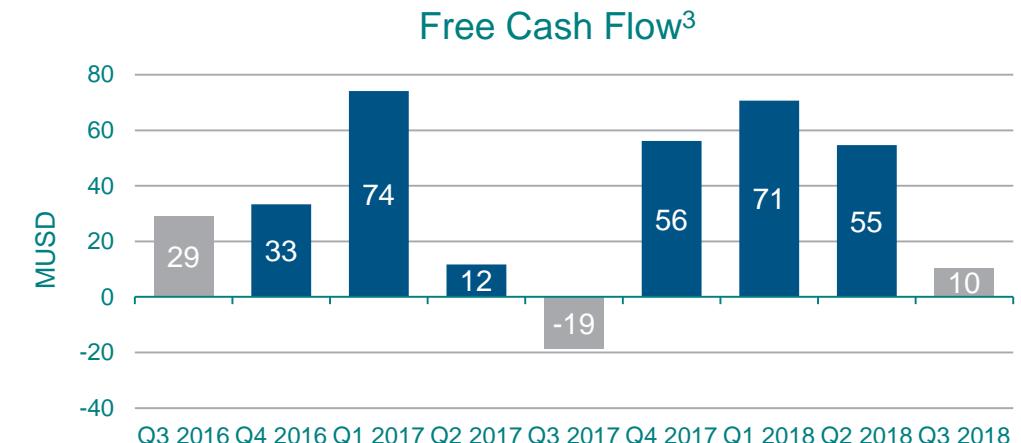
## Segment Reporting



1. Personnel costs and other operating expenses excluding restructuring charges and larger



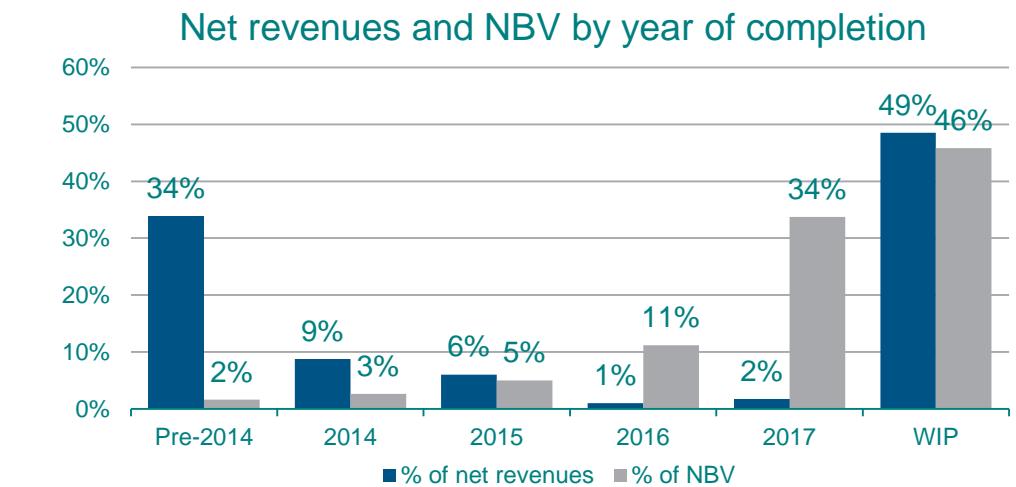
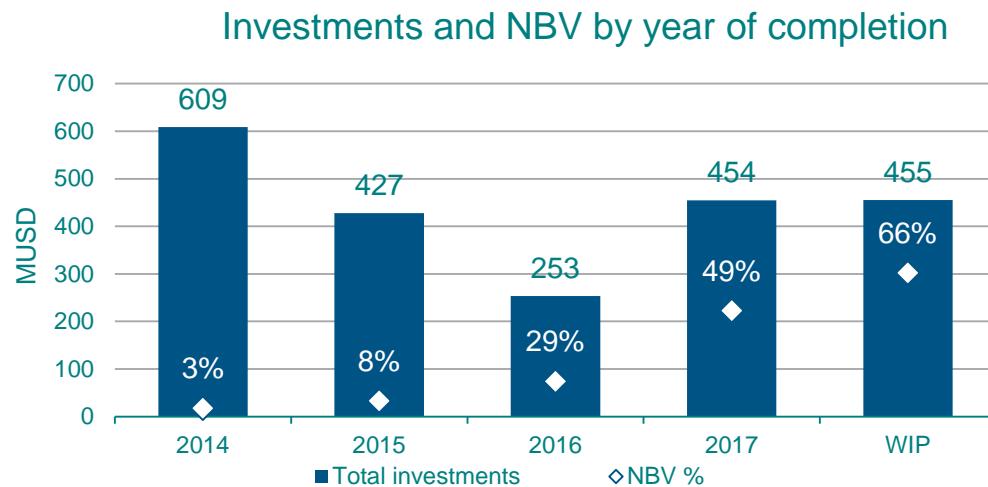
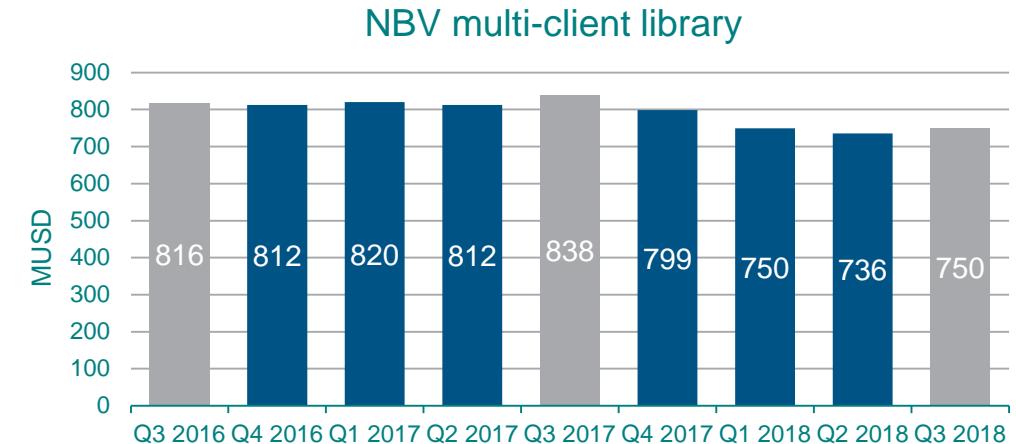
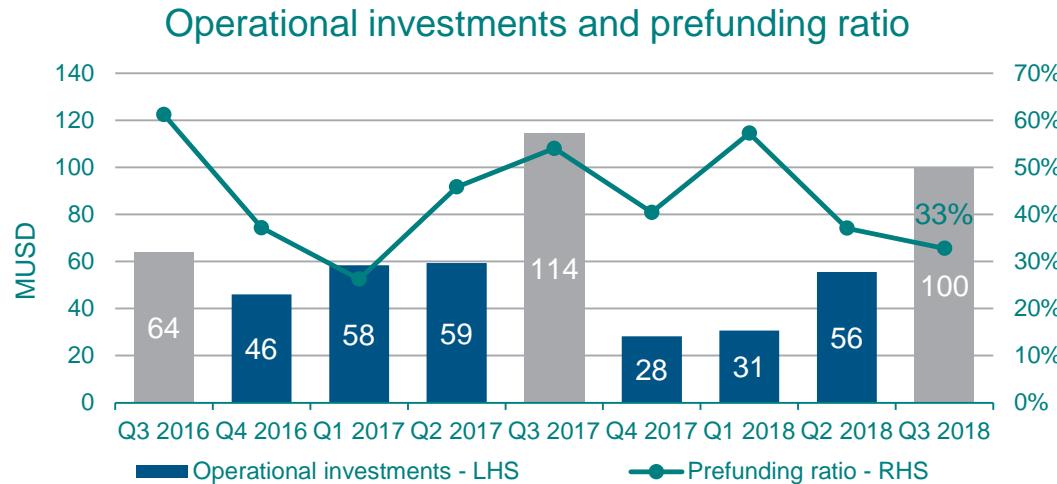
2. Earnings before interest and taxes excluding restructuring charges and larger impairments of operating items



3. Cash flow from operations minus operational investments in multi-client projects

# Multi-client Library

## Segment Reporting



# Income Statement

## Segment Reporting

(MUSD)		Q3 2018	Q3 2017	Change
<b>Net operating revenues</b>		<b>140.7</b>	<b>141.7</b>	<b>-1%</b>
Cost of goods sold		0.1	0.2	-43%
Amortization of multi-client library		92.9	94.7	-2%
<b>Gross margin</b>	<b>34%</b>	<b>47.8</b>	<b>46.8</b>	<b>2%</b>
Personnel cost		14.8	12.8	16%
Other operational costs		6.3	6.2	2%
Cost of stock options		0.0	0.1	-100%
Depreciation		2.2	2.0	11%
<b>Operating result</b>	<b>17%</b>	<b>24.4</b>	<b>25.8</b>	<b>-5%</b>
Net financial items		4.0	1.2	244%
<b>Result before taxes</b>	<b>20%</b>	<b>28.4</b>	<b>27.0</b>	<b>5%</b>
Tax cost	41%	11.6	17.5	-34%
<b>Net income</b>	<b>12%</b>	<b>16.8</b>	<b>9.4</b>	<b>78%</b>
EPS (USD)		0.16	0.09	78%
EPS fully diluted (USD)		0.16	0.09	78%

# Cash Flow Statement

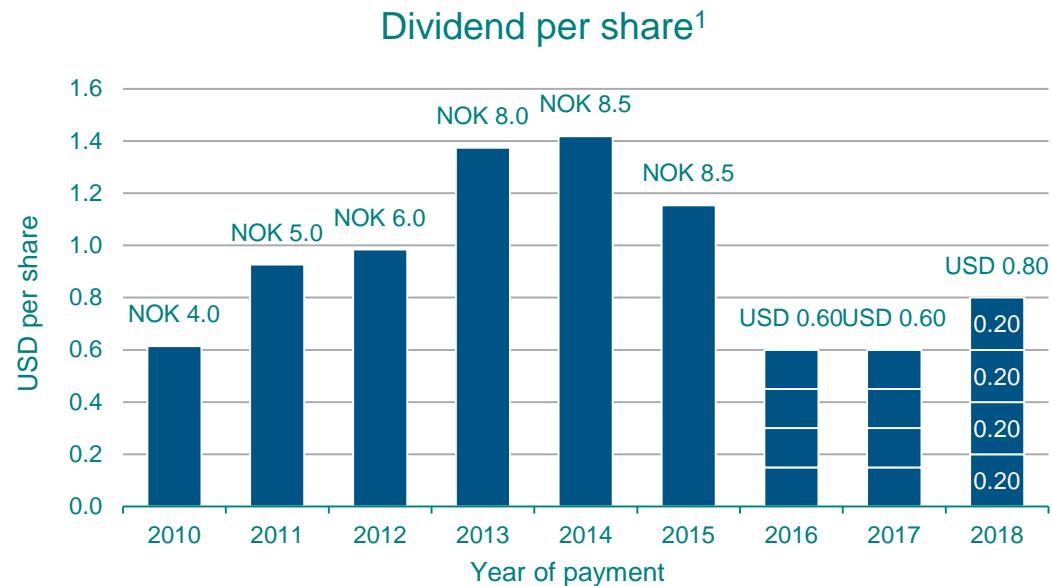
(MUSD)	Q3 2018	Q3 2017	Change
Received payments	128.8	114.5	12%
Payments for operational expenses	-32.3	-25.7	26%
Paid taxes	-0.4	-2.4	-84%
<b>Net cash flow from operating activities</b>	<b>96.1</b>	<b>86.4</b>	<b>11%</b>
Investment in tangible fixed assets	-2.2	-1.4	53%
Investments in multi-client library	-85.8	-105.1	-18%
Investments through mergers and acquisitions	-6.5	0.0	n/a
Interest income	3.8	0.8	388%
<b>Net Cash Flow from investing activities</b>	<b>-90.7</b>	<b>-105.7</b>	<b>-14%</b>
Net change in loans	0.0	0.0	n/a
Interest expense	-0.3	0.0	605%
Payment of dividends	-20.5	-15.3	34%
Paid in equity	0.0	0.0	n/a
<b>Net cash flow from financing activities</b>	<b>-20.8</b>	<b>-15.4</b>	<b>35%</b>
<b>Net change in cash and cash equivalents</b>	<b>-15.4</b>	<b>-34.7</b>	<b>-56%</b>

# Balance Sheet

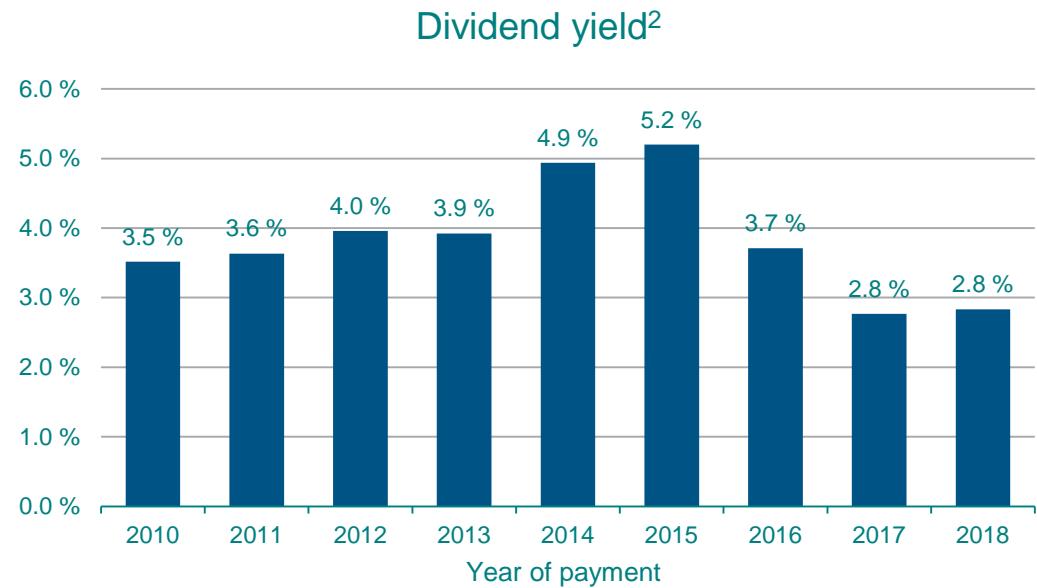
## Segment Reporting

(MUSD)	Q3 2018	Q3 2017	Change	Q4 2017
Goodwill	67.9	67.9	0%	67.9
Multi-client library	749.6	837.9	-11%	799.0
Deferred tax asset	0.7	5.5	-88%	4.4
Other non-current assets	28.2	30.0	-6%	29.2
<b>Total non-current assets</b>	<b>846.4</b>	<b>941.3</b>	<b>-10%</b>	<b>900.5</b>
Cash and cash equivalents	322.2	205.0	57%	249.9
Other current assets	275.7	271.7	1%	273.6
<b>Total current assets</b>	<b>597.8</b>	<b>476.7</b>	<b>25%</b>	<b>523.6</b>
<b>TOTAL ASSETS</b>	<b>1,444.3</b>	<b>1,418.1</b>	<b>2%</b>	<b>1,424.1</b>
 <b>Total equity</b>	 <b>1,221.8</b>	 <b>1,157.1</b>	 <b>6%</b>	 <b>1,200.1</b>
Deferred taxes	18.8	32.6	-42%	23.7
Non-current liabilities	4.8	4.8	-1%	5.3
<b>Total non-current liabilities</b>	<b>23.6</b>	<b>37.5</b>	<b>-37%</b>	<b>29.1</b>
Taxes payable, withheld payroll tax, social security	50.9	23.3	119%	0.0
Other current liabilities	148.0	200.2	-26%	194.9
<b>Total current liabilities</b>	<b>198.9</b>	<b>223.4</b>	<b>-11%</b>	<b>194.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,444.3</b>	<b>1,418.1</b>	<b>2%</b>	<b>1,424.1</b>

# Dividends

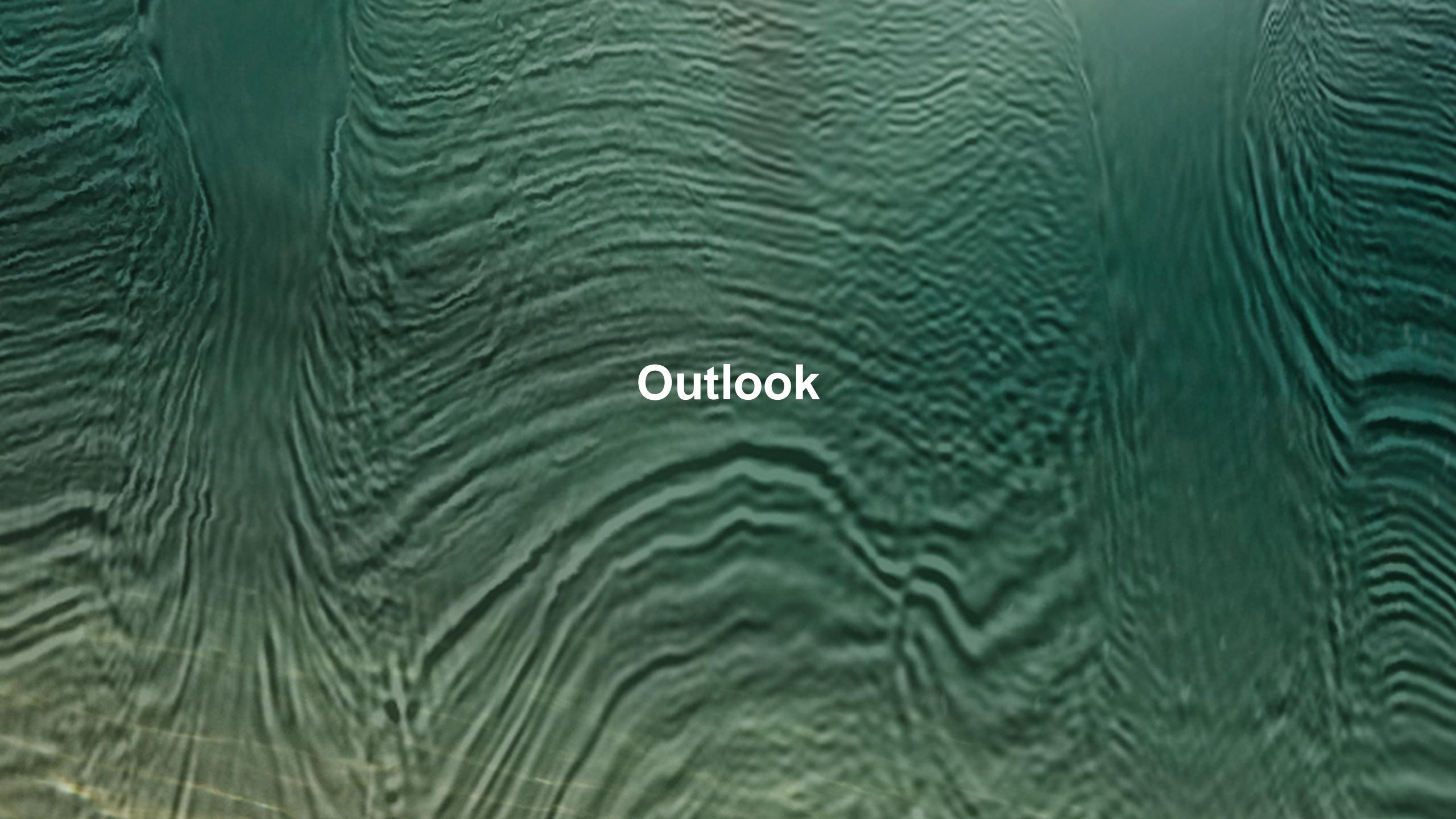


1. Quarterly dividends defined in USD from 2016. Annual dividends defined in NOK prior to 2016 – converted to USD with the FX rate at the ex-dividend dates



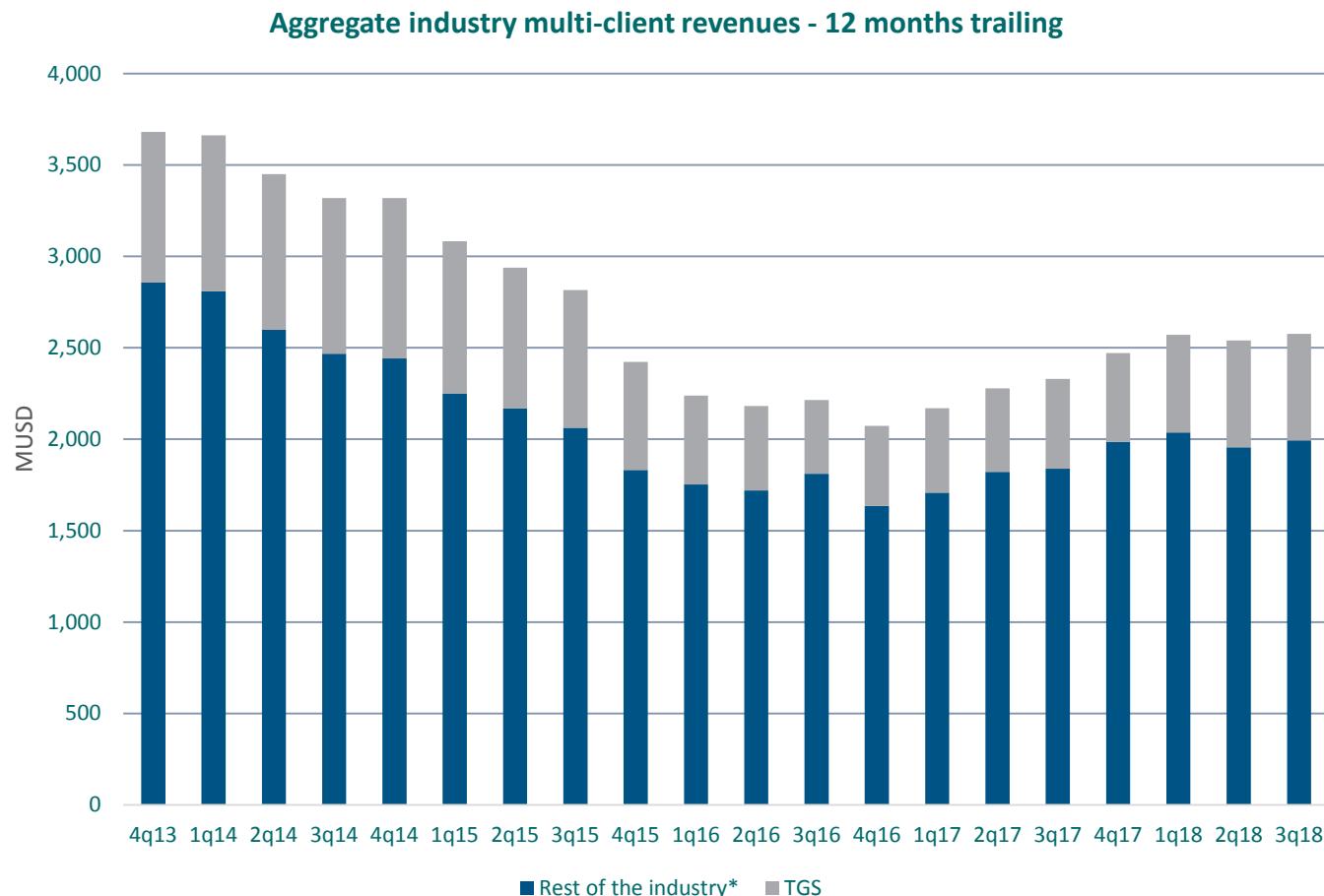
2. Yield based on share price at date of announcing the dividend. From 2016-18 yield is calculated using the average of the quarterly payments

- Quarterly dividend of USD 0.20 per share to be paid in Q4 2018
  - Ex-date 8 November 2018
  - Payment date 22 November 2018
- TGS aims to pay a cash dividend that is in line with its long-term underlying cash flow
  - Ambition to keep a stable quarterly dividend through the year
  - Actual quarterly dividend level paid will be subject to continuous evaluation of market outlook, cash flow expectations and balance sheet development



Outlook

# Multi-client spending still some way off pre-2015 levels

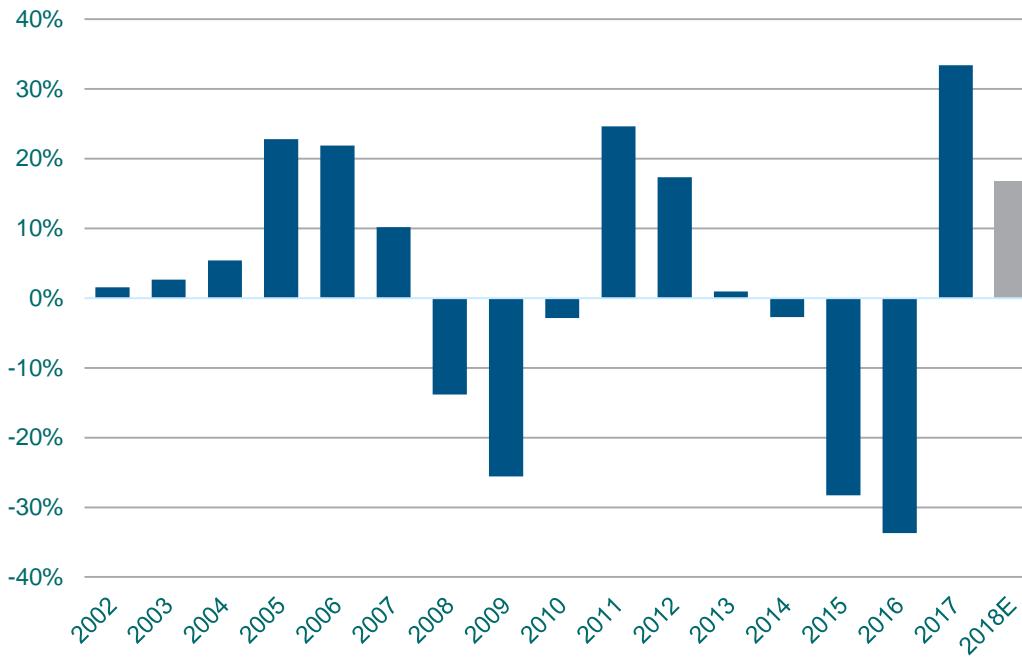


\*PGS, WesternGeco, CGG, Spectrum, ION, Seitel, Polarcus (Segment revenues); companies that have not yet reported Q3 2018 are included with revenue growth equal to the average of the others

- Multi-client seismic spend supported by proprietary “converted contracts” through down-cycle
- Despite substantial growth in industry multi-client revenues since 2016, numbers are still well below pre-2015 levels
- TGS has outgrown the industry substantially this year
- YTD 2018 growth:
  - TGS +29%
  - Rest of the industry\* +1%

# Increased activity not translating to supply-side recovery

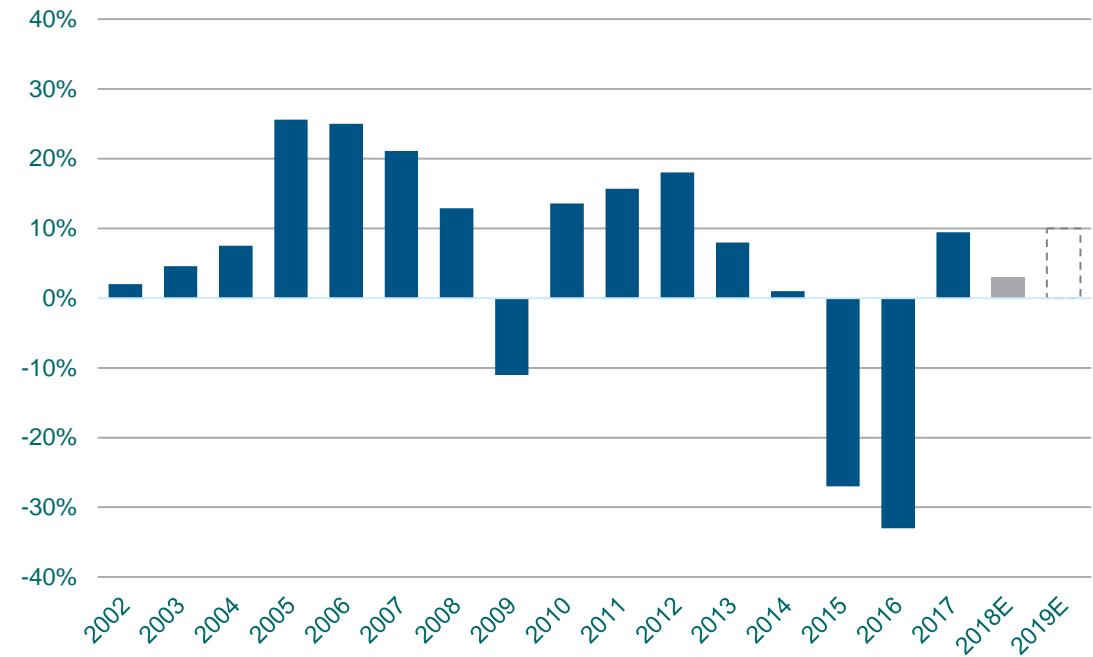
Y/Y change global E&P Activity



Source: Pareto E&P survey 2018

Significant increase in E&P activity...

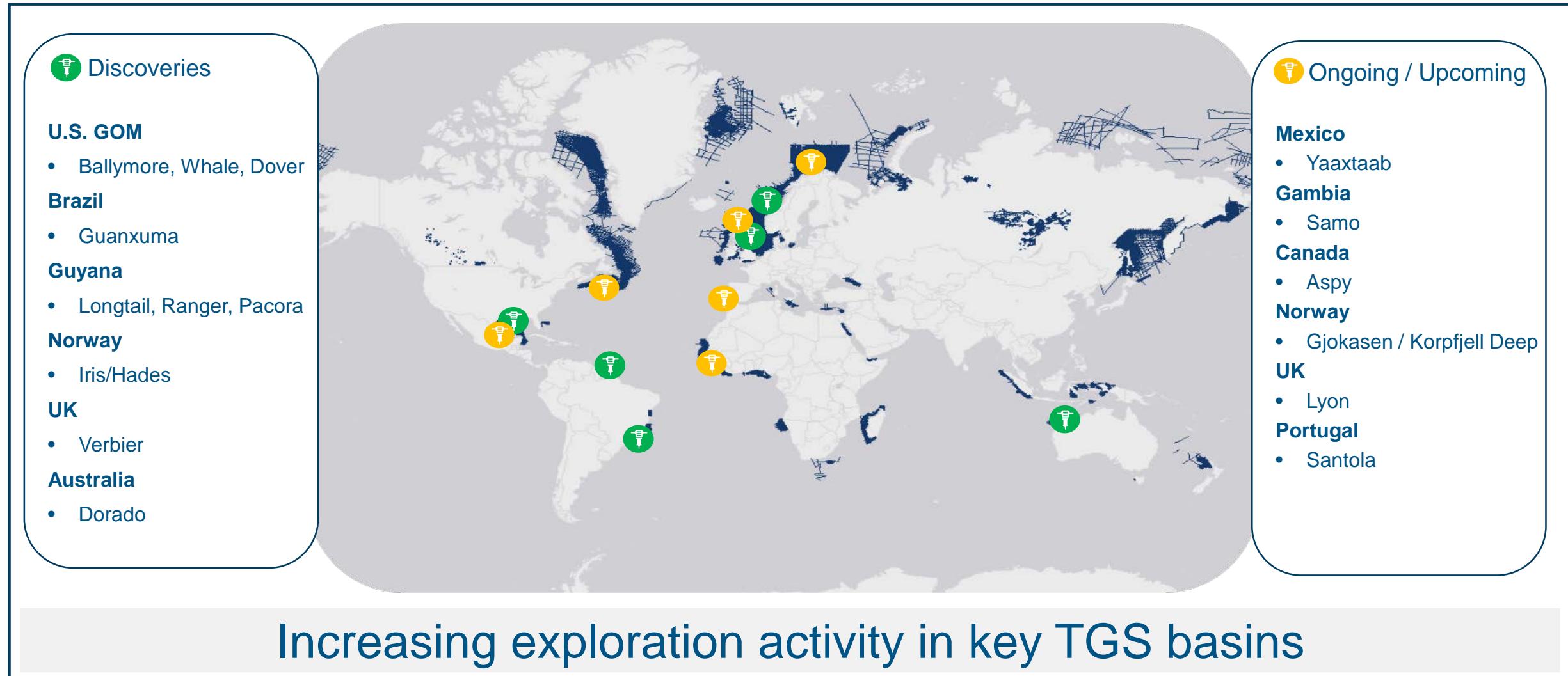
Y/Y change global E&P Spending



Source: Pareto E&P survey 2018

...but only modest increase in spending

# Strong alignment between TGS data and exploration activity



Increasing exploration activity in key TGS basins

# High activity related to acreage turnover and farm-ins



# License Round Activity

## North America

- Central & Western GOM Mar & Aug (2017-22 Plan)
- Newfoundland Labrador Nov 2018 (bids due)
- Nova Scotia Dec 2018 (3-Year Rolling Plan)
- Canada Onshore Monthly

## Latin America

- Brazil 6th Pre Salt Round 2019 (planned)
- Brazil 16th Round 2019 (planned)
- Brazil Permanent Offer Process Nov 2018 (continuous)
- Mexico Round 3.2 (onshore) & 3.3 (unconventional) delayed to Feb 2019
- Mexico Round 4 & Pemex Farm-outs – some uncertainty



## Europe

- Norway APA Q1 2019 (awards due)
- Norway 24<sup>th</sup> Round Complete
- UK 31st Round Nov 2018 (bids due)
- Greenland Dec 2018 (bids due)
- Denmark Feb 2019 (bids due)

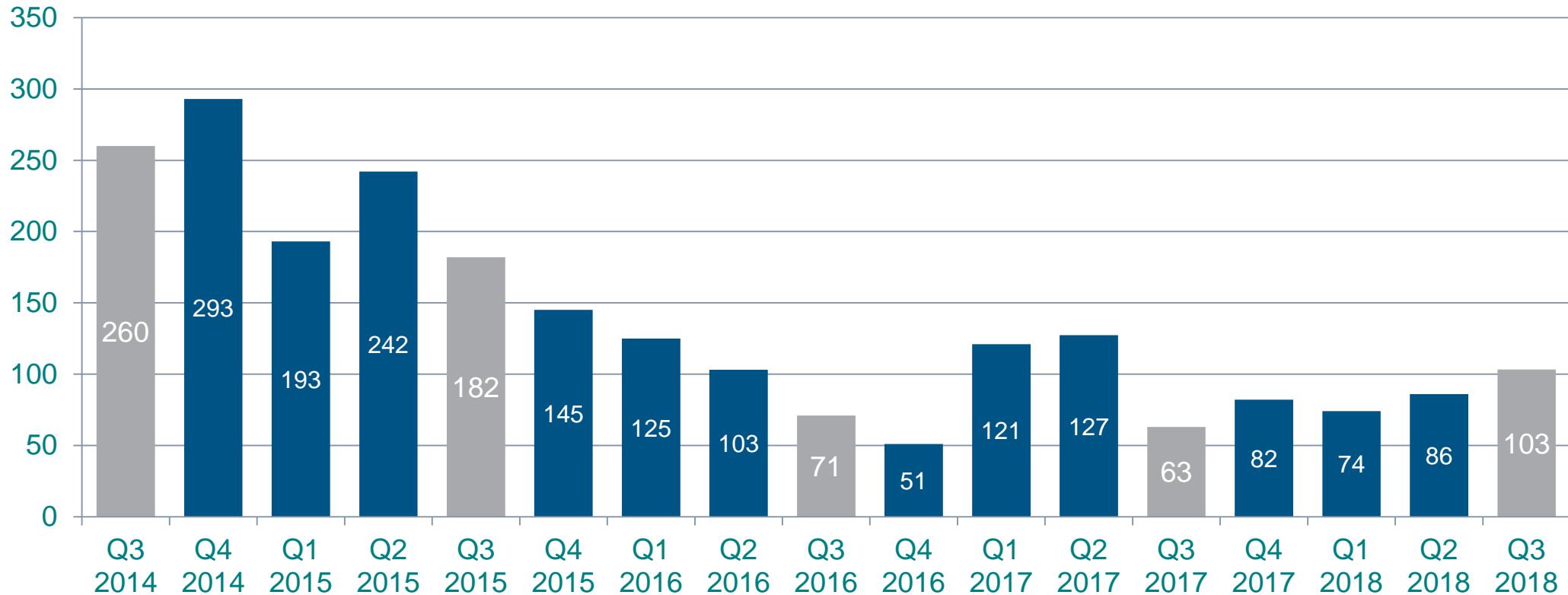
## Africa, Middle East, Asia Pacific

- Madagascar 2018 Nov 2018 (round launch)
- Australia 2018 Area Feb / Mar 2019 (bids due)
- Indonesia 2018 Round 2 Dec 2018 (bids due)

Good alignment with TGS library

# Backlog

Historical Backlog (MUSD) 2014 - 2018



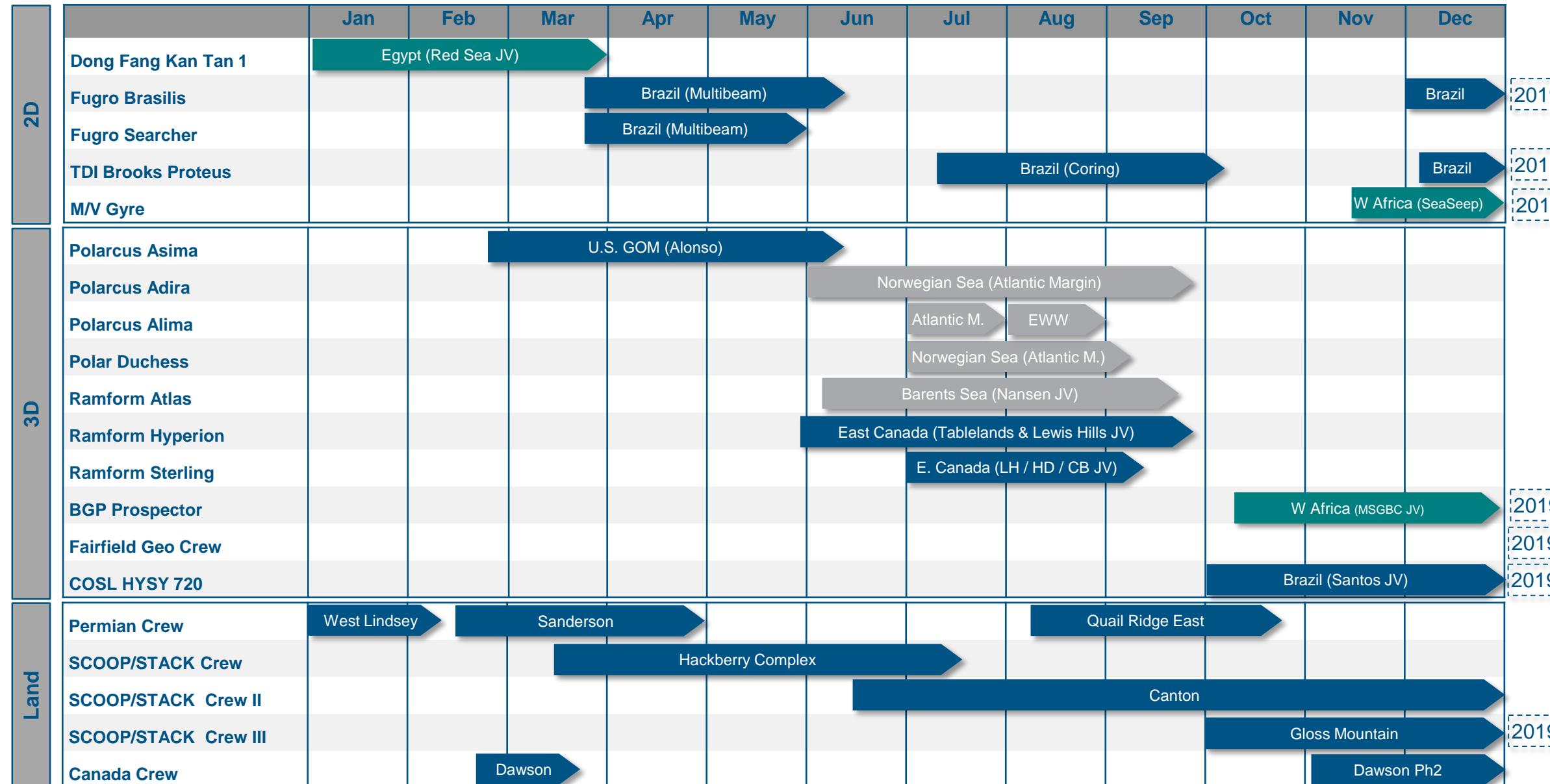
# 2018 Projects Schedule\*

\*Acquisition schedule excludes Fusion M-WAZ Reprocessing, other processing projects and GPS investments

NSA

EUR

AMEAP



# Q3 2018 Summary

- Another strong quarter for TGS despite cautious approach from E&P companies
  - Net revenues of 141 MUSD
  - Net late sales of 106 MUSD - up 35% Y/Y
  - EPS of 0.16 USD – up 78% Y/Y
  - Free cash flow of 10 MUSD - cash balance of 322 MUSD
- 2018 guidance:
  - New multi-client investments of approximately USD 260 million
  - Pre-funding of new multi-client investments expected to be approximately 40% compared to previous expectation of 45-50%
  - Amortization expected to be approximately USD 310 million
- At the current stage of the cyclical upturn, growth is driven by cash flow and acreage turnover
- TGS is well positioned to benefit from improved market conditions going into 2019, supporting further investment growth and continued industry-leading return on capital employed

# Appendix

# Income Statement

IFRS Reporting

(MUSD)	Q3 2018	Q3 2017	Change
<b>Net operating revenues</b>	<b>122.5</b>	<b>141.7</b>	<b>-14%</b>
Cost of goods sold	0.1	0.2	-43%
Amortization of multi-client library	74.1	94.7	-22%
<b>Gross margin</b>	<b>39%</b>	<b>48.2</b>	<b>46.8</b>
Personnel cost	14.8	12.8	16%
Other operational costs	6.3	6.2	2%
Cost of stock options	0.0	0.1	-100%
Depreciation	2.2	2.0	11%
<b>Operating result</b>	<b>20%</b>	<b>24.9</b>	<b>25.8</b>
Net financial items	4.0	1.2	244%
<b>Result before taxes</b>	<b>24%</b>	<b>28.9</b>	<b>27.0</b>
Tax cost	9%	11.6	-34%
<b>Net income</b>	<b>14%</b>	<b>17.3</b>	<b>9.4</b>
EPS (USD)	0.17	0.09	83%
EPS fully diluted (USD)	0.17	0.09	82%

# Balance Sheet

IFRS Reporting

(MUSD)	Q3 2018	Q3 2017	Change	Q4 2017
Goodwill	67.9	67.9	0%	67.9
Multi-client library	878.8	837.9	5%	799.0
Deferred tax asset	0.7	5.5	-88%	4.4
Other non-current assets	28.2	30.0	-6%	29.2
<b>Total non-current assets</b>	<b>975.6</b>	<b>941.3</b>	<b>4%</b>	<b>900.5</b>
Cash and cash equivalents	322.2	205.0	57%	249.9
Other current assets	275.7	271.7	1%	273.6
<b>Total current assets</b>	<b>597.8</b>	<b>476.7</b>	<b>25%</b>	<b>523.6</b>
<b>TOTAL ASSETS</b>	<b>1,573.5</b>	<b>1,418.1</b>	<b>11%</b>	<b>1,424.1</b>
<b>Total equity</b>	<b>1,134.6</b>	<b>1,157.1</b>	<b>-2%</b>	<b>1,200.1</b>
Deferred taxes	7.2	32.6	-78%	23.7
Non-current liabilities	4.8	4.8	-1%	5.4
<b>Total non-current liabilities</b>	<b>12.0</b>	<b>37.5</b>	<b>-68%</b>	<b>29.1</b>
Taxes payable, withheld payroll tax, social security	47.1	23.3	103%	25.2
Other current liabilities	379.7	200.2	90%	169.7
<b>Total current liabilities</b>	<b>426.8</b>	<b>223.4</b>	<b>91%</b>	<b>194.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,573.5</b>	<b>1,418.0</b>	<b>11%</b>	<b>1,424.1</b>

# Reconciliation

## Segment Reporting versus IFRS Reporting

### Reconciliation Q3 2018

Q3 2018 Income Statement (MUSD)	Segment	IFRS	
	Reporting	Diff. Reporting	
<b>Net revenues</b>	<b>140.7</b>	<b>-18.3</b>	<b>122.5</b>
Amortization and impairment of multi-client library	92.9	-18.7	74.1
<b>Total operating expenses</b>	<b>116.3</b>	<b>-18.7</b>	<b>97.6</b>
<b>Net income</b>	<b>16.8</b>	<b>0.5</b>	<b>17.3</b>
Q3 2018 Balance sheet (MUSD)	Segment	IFRS	
	Reporting	Diff. Reporting	
Multi-client library	749.6	129.2	878.8
<b>Total non-current assets</b>	<b>846.4</b>	<b>129.2</b>	<b>975.6</b>
Other equity	1,218.1	-87.1	1,131.0
<b>Total equity</b>	<b>1,221.8</b>	<b>-87.1</b>	<b>1,134.6</b>
<b>Non-current liabilities</b>			
Deferred taxes	18.8	-11.6	7.2
<b>Total non-current liabilities</b>	<b>21.1</b>	<b>-11.6</b>	<b>9.5</b>
Accounts payable and debt to partners	85.6	-45.8	39.8
Taxes payable, withheld payroll tax, social security	50.9	-3.7	47.1
Other current liabilities	62.5	277.4	339.9
<b>Total current liabilities</b>	<b>198.9</b>	<b>227.9</b>	<b>426.8</b>

# Thank you

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