TGS

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TGS EARNINGS RELEASE

4th QUARTER 2018 RESULTS

4th QUARTER 2018 FINANCIAL HIGHLIGHTS – SEGMENT REPORTING

(All amounts in USD 1,000 unless noted otherwise)	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Net operating revenues	**188,348**	**156,671**	**621,680**	**492,181**
-Net prefunding revenue	34,114	11,438	105,062	115,809
-Net late sales revenue	151,611	143,329	508,222	369,379
-Net proprietary revenue	2,623	1,904	8,396	6,993
Operating profit	**68,409**	**51,630**	**171,948**	**97,429**
-Operating profit margin	36%	33%	28%	20%
Pre-tax profit	**69,710**	**52,982**	**178,693**	**99,636**
Net income	**61,303**	**54,984**	**137,602**	**75,594**
EPS (fully diluted) (USD)	0.59	0.53	1.33	0.73
Operational investments in new projects	**63,353**	**28,137**	**256,926**	**260,277**
-Prefunding % on operational investments	54%	41%	41%	44%
Risk-sharing investments	**0**	**9,726**	**7,343**	**18,104**
Non-operational investments	**0**	**0**	**6,502**	**10,581**
Amortization	86,074	76,797	336,295	302,346
MC library net book value	**726,143**	**799,015**	**726,143**	**799,015**
Return on average capital employed[1]	18%	10%	18%	10%
Cash flow from operating activities	62,362	137,319	388,944	461,306
Free cash flow (after MC investments)	(18,454)	56,158	117,179	123,342
Cash balance	**273,527**	**249,917**	**273,527**	**249,917**

- Strong development in net revenues – y/y growth of 20% in Q4 and 26% in FY 2018
- Operating profit of USD 68 million and margin of 36% - highest in more than five years
- Strong cash flow supporting dividend growth of 35% – USD 0.27 per share to be paid in Q1 2019
- 2019 guidance:
  - Growth in multi-client investments of approximately 20%
  - Pre-funding of new multi-client investments expected to be 40-45%
  - Total amortization cost to be at approximately same level as 2018

[1] Trailing 12 months

CHANGE OF ACCOUNTING PRINCIPLES

TGS-NOPEC Geophysical Company ASA (TGS) and its subsidiaries have implemented the new revenue recognition standard, IFRS 15, effective January 1, 2018 as the external financial reporting method. This change impacts the timing of revenue recognition and amortization related to projects that are not yet completed. TGS will, for internal management reporting purposes, continue to use the revenue recognition principles applied historically. The numbers used for management reporting are referred to as "Segment reporting" in this report. See Note 2 for description of basis for preparation. See Note 7 for a description of the change in revenue recognition resulting from the implementation of IFRS 15. TGS will not restate prior periods.

FINANCIALS – SEGMENT REPORTING

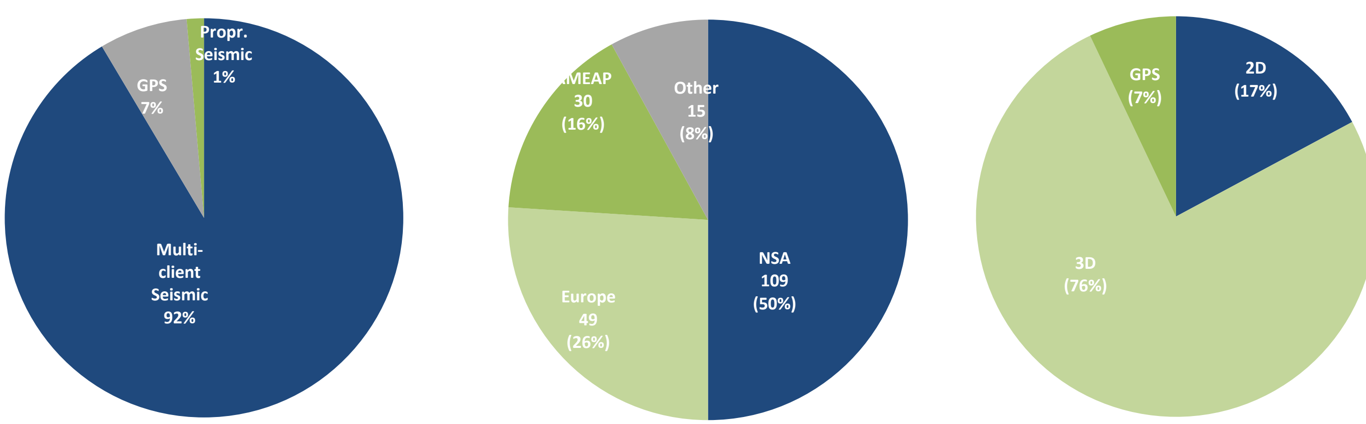
For internal reporting purposes TGS is using segment reporting with net revenues for projects in progress recognized based on Percentage of Completion. The discussion and analysis in this section are based on segment reporting.

Net operating revenues

Net operating revenues for Q4 2018 amounted to USD 188.3 million, an increase of 20% from the USD 156.7 million recognized in Q4 2017. Net pre-funding revenues totaled USD 34.1 million in the quarter (USD 11.4 million in Q4 2017) funding 54% (27%) of the USD 63.3 million (USD 28.1 million) of operational investments in the multi-client library.

Net late sales for the quarter amounted to USD 151.6 million, a growth of 5.8% compared to the USD 143.3 million booked in Q4 2017. Proprietary contract revenues increased by 37.8% to USD 2.6 million from USD 1.9 million in Q4 2017.

Revenue distribution



Source: TGS

Operational costs

Amortization of the multi-client library amounted to USD 86.1 million in Q4 2018, up from USD 76.8 million in Q4 2017.

Cost of goods sold (COGS) was USD 0.3 million for the quarter, compared to USD 0.1 million in Q4 2017. Personnel costs were USD 21.6 million compared to USD 17.4 million in Q4 2017. The increase is primarily due to higher costs related to performance-linked employee incentive plans. Other operating expenses were USD 9.8 million in Q4 2018 compared to USD 8.7 million in Q4 2017.

EBITDA and EBIT

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for Q4 2018 was USD 156.7 million (USD 130.5 million), corresponding to a margin of 83.2% (83.3%). Operating profit (EBIT) for the quarter amounted to USD 68.4 million (USD 51.6 million), implying a margin of 36% (33%).

Financial items

Net financial items for Q4 2018 totaled USD 1.3 million compared to USD 1.4 million in Q4 2017. The Company recorded a net currency exchange gain of USD 0.7 million in Q4 2018, mainly because of the strengthening of the USD versus NOK. TGS holds NOK bank accounts primarily to pay taxes and dividends in NOK.

Tax

TGS reports tax charges in accordance with the Accounting Standard IAS 12. Taxes are computed based on the USD value of the appropriate tax provisions according to local tax regulations and currencies in each jurisdiction. The tax charges are influenced not only by local profits, but also by fluctuations in exchange rates between the respective local currencies and USD. This method makes it difficult to predict tax charges on a quarterly or annual basis. Currency effects within the current year are classified as tax expenses.

Based on the corporate income tax rate in Norway (23% in 2018) and in the US (21% in 2018), TGS has assessed the normalized operating consolidated tax rate to be at approximately 23% for 2018.

The tax cost for Q4 2018 is USD 8.4 million (USD -2 million), corresponding to a tax rate of 12% (-4%). The tax cost in the quarter has been reduced by the depreciation of NOK versus USD, which has led to tax reducing losses in the NOK based tax accounts, which are not recognized in the consolidated USD based Group accounts. This has been partly offset by an increase of USD 4.4 million of tax related to IFRS adjustments in Q1-Q3 2018.

Net income and earnings per share (EPS)

Net income for Q4 2018 was USD 61.3 million (32.5% of net revenues), up from USD 55.0 million in Q4 2017. Quarterly earnings per share (EPS) were USD 0.59 fully diluted (USD 0.60 undiluted), which is up from USD 0.53 fully diluted (USD 0.54 undiluted) in Q4 2017.

Cash flow

Net cash flow from operations for the quarter, after taxes and before investments, totaled USD 62.4 million compared to USD 137.3 million in Q4 2017. Free cash flow amounted to USD -18.5 million versus USD 56.2 million in Q4 2017.

The Company's total cash holdings decreased by USD 48.6 million during the quarter and totaled USD 273.5 million as of 31 December 2018, compared to USD 249.9 million at 31 December 2017.

Multi-client library

The net book value of the multi-client library was USD 726.1 million as of 31 December 2018 compared to USD 799.0 million at 31 December 2017. Combined operational multi-client investments and risk-share investments amounted to USD 63.4 million in Q4 2018 (USD 37.9 million), while amortization was USD 86.1 million (USD 76.8 million) (see note 5 to the interim financial statements).

Backlog

TGS' backlog amounted to USD 63.0 million at the end of Q4 2018, a decrease of 39% from Q3 2018 and 23.1% lower than at the end of Q4 2017.

FINANCIALS - IFRS REPORTING

Following the implementation of the IFRS 15 accounting standard from 1 January 2018, the IFRS accounts are no longer the same as the accounts used for internal reporting. The discussion and analysis in this section are based on IFRS reporting.

Key figures - IFRS reporting[2]

(All amounts in USD 1,000 unless noted otherwise)	Q4 2018	Q4 2017[2]	YTD 2018	YTD 2017
Net operating revenues	**274,515**	**156,671**	**614,239**	**492,181**
Operating profit	**145,913**	**51,630**	**230,025**	**97,429**
-Operating profit Margin	53%	33%	37%	20%
Pre-tax profit	**147,216**	**52,982**	**236,771**	**99,636**
Net income	**124,876**	**54,984**	**178,800**	**75,594**
EPS (fully diluted) (USD)	1.21	0.53	1.73	0.73
MC Amortization	94,735	76,797	270,776	302,346
MC library ending net book value	**870,495**	**799,015**	**870,495**	**799,015**
Equity ratio	**77%**	**84%**	**77%**	**84%**

Income statement

Net revenues amounted to USD 274.5 million in Q4 2018, compared to USD 156.7 million in Q4 2017 an increase of 75.0%. Amortization of the multi-client library was USD 94.7 million versus USD 76.8 million in Q4 2017. The increase in net revenues is mainly related to the completion of two multi-client project in the quarter.

For the same reason operating profit also increased substantially. Operating profit totaled USD 145.9 million in Q4 2018 compared to USD 51.6 million in Q4 2017. This represents an increase of 160.0%

Net income amounted to USD 124.9 million in the quarter, while the same quarter of 2017 showed USD 55.0 million. This resulted in a fully diluted EPS of USD 1.21 compared to USD 0.53 in Q4 2017.

Balance sheet

The net book value of the multi-client library was USD 870.5 million as of 31 December 2018 compared to USD 799.0 million at 31 December 2017.

Total equity as of 31 December 2018 was USD 1,251.7 million, 77% of total assets. On 31 December 2017 total equity amounted to USD 1,200.1 million (84% of total assets). No new shares were issued in Q4 2018. As of 31 December 2018, TGS held 104,630 treasury shares.

[2] 2017 numbers are not restated

Change of accounting principles and other adjustments

In the fourth quarter TGS performed a review of the effects of the implementation of IFRS 15 Revenue and implemented a change in accounting principle related to amortization. TGS reviewed the timing of IFRS 15 revenue recognition and amortization between the quarters and made certain reallocations. None of the adjustments impact the segment reporting. Refer to note 8 to the consolidated interim financial statements for further information.

DIVIDEND

It is the ambition of TGS to pay a cash dividend that is in line with its long-term underlying cash flow. When deciding the dividend amount, the TGS Board of Directors will consider expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model.

As from 2016, TGS has paid quarterly dividends in accordance with the resolution made by the Annual General Meeting. The aim will be to keep a stable quarterly dividend in US dollars through the year, but the actual level paid will be subject to continuous evaluation of the underlying development of the company and the market.

The Board of Directors has resolved to pay a dividend of USD 0.27 per share in Q1 2019. The dividend will be paid in the form of NOK 2.30 per share on 28 February 2019. The share will trade ex-dividend on 14 February 2019.

OTHER MATTERS

TGS has entered into a new USD 100 million non-amortizing Revolving Credit Facility (RCF) with a three-years maturity. The facility replaces the previous USD 75 million facility. The purpose of the facility is to serve as bridging capital for potential extra-ordinary organic or inorganic investments, as well as increasing the financial flexibility in the Group.

OPERATIONAL HIGHLIGHTS

TGS had two 3D seismic vessels (both operated under joint venture agreements), one OBN crew consisting of two node handlers and three source vessels and one multibeam vessel in operation in Q4 2018. In addition, TGS had one onshore crew operating in the Permian, two in the SCOOP/STACK and one in Canada.

In December, TGS commenced a new SeaSeep project in the MSGBC (Mauretania, Senegal, Guinea-Bissau and Guinea-Conakry) Basin in West Africa. The program will cover an area of approximately 113,500 km^2 and will incorporate around 230 cores from the seabed, located based on multibeam backscatter anomalies. Final results will be available in Q2 2019.

Acquisition of the Jaan 3D survey in the southern portion of the MSGBC Basin from The Gambia through southern Senegal and the AGC zone, into Guinea-Bissau down to the Guinea transform fault started in Q4. The project consists of 11,135 km^2 of new acquisition complemented by reprocessing and full pre-stack merging of existing multi-client 3D and is being undertaken by TGS as operator and majority investor together with PGS and GeoPartners. Final data will be available in Q2 2020.

In November, TGS announced a strategic collaboration with Axxis Geo Solutions (AGS) for multi-client ocean bottom node projects in the North Sea. The area of mutual interest covers the core part of the central North Sea up to and including the Utsira area. Under this agreement, the parties will work together to develop opportunities to co-invest in multi-client ocean bottom node projects. TGS will have a right to process all new node data acquired under this collaboration. As part of this collaboration, TGS joined the 1,560 km Utsira node multi-client project. Acquisition commenced in the summer of 2018 and went on to December 2018 and will re-commence in Q2 2019.

In Latin America, activities halted in late Q3 for the Brazil Southern Basins SeaSeep project, but will continue in Q1 2019, which will ultimately cover 200,000 km^2 in the Campos and Santos basins of Brazil. Final product deliverables are expected to be available in Q4 2019. In the prospective southern Santos basin TGS, in a JV with Spectrum, continued to acquire the 15,000 km^2 Santos 3D program. Final data is expected to be available to clients in 2020.

During Q4, TGS in collaboration with Fairfield Geotechnologies completed the acquisition of the 330 km^2 Quail Ridge East 3D survey in the Delaware Basin, onshore U.S. Preliminary data expected to be available in Q1 2019 with final data expected in Q2 2019.

TGS was also active in the SCOOP/STACK play in the U.S. onshore. Acquisition continued for the 1,400 km^2 Canton 3D survey and 1,500 km^2 Gloss Mountain 3D survey. Preliminary data for both projects are expected to be available in Q1 2019 with final data expected in Q3 2019 for Canton and Q4 2019 for Gloss Mountain. These surveys build on TGS' already significant presence in the SCOOP/STACK play with the Hackberry Complex to the east and the Loyal, Geary and Blanchard surveys to the south.

The Geologic Products and Services Division (GPS) continued to add to its inventory of multi-client products in the quarter. The well data library grew with the addition of approximately 10,000 new digital well logs, 3,100 new enhanced digital well logs and 103,000 new Validated Well Headers.

OUTLOOK

Because of lower costs and higher oil prices E&P companies' cash flow has improved substantially over the past couple of years. With the market fundamentals continuing to improve, they are likely to come under increasing pressure to replenish reserves and secure growing production in the longer-term.

Our client base's continued focus on cost, capital discipline and more efficient use of technology fits well with TGS's strategy of making new generations of technology available at large scale through the multi-client model. Recent examples are the multi-client Ocean Bottom Node (OBN) projects initiated in the US GoM and the North Sea.

Building on this strategy, TGS is continuing to develop its technology offering. Several initiatives have been launched within the imaging area to make sure that TGS's position as a leading data processing company is further enhanced. Furthermore, TGS has added substantial resources to the data and analytics area over the past couple of years. Combining artificial intelligence (AI) and advanced data analysis capabilities with our strong geoscience knowledge and vast library of geophysical and geological data we are further enhancing the value offering to our clients.

TGS is well positioned to benefit from improved market conditions going into 2019, supporting further investment growth. TGS' counter-cyclical investment during the downturn, with high volumes of data acquired at record-low cost, bodes well for continued industry-leading return on capital going forward.

With respect to multi-client investments, TGS defined three areas of special focus in the next few years:

- Application of new technologies in mature basins
- Enhancing the presence in the South Atlantic basin
- Continuing growth onshore

TGS has already announced several projects falling under these categories and approximately USD 145 million of investments has been committed currently. The investment plan will continue to mature over the coming months. Financial guidance for 2019 is as follows:

- Growth in multi-client investments of approximately 20%
- Pre-funding of new multi-client investments expected to be 40-45%
- Total amortization cost to be at approximately same level as 2018

Asker, 6 February 2019

The Board of Directors of TGS-NOPEC Geophysical Company ASA

Henry H. Hamilton III Chairman	Mark S. Leonard Director	Wenche Agerup Director
Elisabeth Grieg Director	Torstein Sannes Director	Vicki Messer Director
Tor Magne Lønnum Director	Nils Petter Dyvik Director	Kristian Johansen Chief Executive Officer

ABOUT TGS

TGS provides multi-client geoscience data to oil and gas Exploration and Production companies worldwide. In addition to extensive global geophysical and geological data libraries that include multi-client seismic data, magnetic and gravity data, digital well logs, production data and directional surveys, TGS also offers advanced processing and imaging services, interpretation products and data integration solutions.

TGS-NOPEC Geophysical Company ASA is listed on the Oslo Stock Exchange (OSLO:TGS). TGS sponsored American Depositary Shares trade on the U.S. over-the-counter market under the symbol "TGSGY". Website: www.tgs.com

CONTACT FOR ADDITIONAL INFORMATION

Sven Børre Larsen, Chief Financial Officer **tel +47 90 94 36 73**

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	2018 Q4 Unaudited	2017 Q4 Unaudited	2018 Unaudited	2017 Audited
Net revenues	4	**274,515**	**156,671**	**614,239**	**492,181**
Operating expenses					
Cost of goods sold - proprietary and other		278	81	584	565
Amortization and impairment of multi-client library	5	94,735	76,797	270,776	302,346
Personnel costs		21,589	17,355	70,315	54,293
Cost of stock options		3	0	3	243
Other operating expenses		9,799	8,699	33,639	27,805
Depreciation, amortization and impairment		2,197	2,109	8,897	9,499
Total operating expenses		**128,602**	**105,041**	**384,213**	**394,752**
Operating profit	4	**145,913**	**51,630**	**230,025**	**97,429**
Financial income and expenses					
Financial income		1,033	1,576	6,980	2,998
Financial expenses		-383	-218	-991	-1,640
Net exchange gains/(losses)		652	-7	756	848
Net financial items		**1,302**	**1,353**	**6,746**	**2,207**
Profit before taxes		**147,216**	**52,982**	**236,771**	**99,636**
Taxes		22,339	-2,002	57,971	24,042
Net income		**124,876**	**54,984**	**178,800**	**75,594**
EPS USD		**1.22**	**0.54**	**1.75**	**0.74**
EPS USD, fully diluted		**1.21**	**0.53**	**1.73**	**0.73**
Other comprehensive income:					
Exchange differences on translation of foreign operations		-1,931	-1,032	-899	359
Other comprehensive income/(loss) for the period, net of tax		-1,931	-1,032	-899	359
Total comprehensive income for the period		122,945	53,952	177,901	75,952

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2018 31-Dec Unaudited	2017 31-Dec Audited
ASSETS			
Non-current assets			
Goodwill		67,925	67,925
Multi-client library	5	870,495	799,015
Other intangible non-current assets		8,366	9,045
Deferred tax asset		884	4,390
Buildings		3,518	5,213
Machinery and equipment		19,308	14,452
Other non-current assets		180	496
Total non-current assets		**970,674**	**900,536**
Current assets			
Accounts receivable		215,046	157,423
Accrued revenues		133,810	97,285
Other receivables		31,354	18,939
Cash and cash equivalents		273,527	249,917
Total current assets		**653,737**	**523,564**
TOTAL ASSETS		**1,624,412**	**1,424,100**
EQUITY AND LIABILITIES			
Equity			
Share capital		3,668	3,659
Other equity		1,248,031	1,196,443
Total equity	3	**1,251,699**	**1,200,102**
Non-current liabilities			
Long-term debt		2,500	2,500
Other non-current liabilities		2,514	2,850
Deferred taxes		29,261	23,721
Total non-current liabilities		**34,275**	**29,071**
Current liabilities			
Accounts payable and debt to partners		58,736	101,385
Taxes payable, withheld payroll tax, social security		27,062	25,197
Other current liabilities		252,639	68,345
Total current liabilities		**338,436**	**194,927**
TOTAL EQUITY AND LIABILITIES		**1,624,412**	**1,424,100**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2018 Q4 Unaudited	2017 Q4 Unaudited	2018 Unaudited	2017 Audited
Cash flow from operating activities:					
Received payments from customers		119,916	172,689	550,290	579,854
Payments for salaries, pensions, social security tax		-14,919	-12,973	-70,828	-56,567
Payments of other operational costs		-13,992	-21,022	-55,099	-49,559
Paid taxes		-28,643	-1,375	-35,419	-12,422
Net cash flow from operating activities [1]		**62,362**	**137,319**	**388,944**	**461,306**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-10,686	-1,541	-16,620	-9,919
Investments in multi-client library		-80,816	-81,161	-271,765	-337,964
Investments through mergers and acquisitions		0	-	-6,501	(7,776)
Interest received		1,382	1,559	6,980	2,958
Net cash flow from investing activities		**-90,120**	**-81,143**	**-287,906**	**-352,701**
Cash flow from financing activites:					
Interest paid		-383	-176	-991	-328
Dividend payments	3	-20,508	-15,295	-81,440	-62,767
Proceeds from share issuances	3	-6	3,948	4,971	13,141
Net cash flow from financing activites		**-20,897**	**-11,523**	**-77,460**	**-49,954**
Net change in cash and cash equivalents		**-48,655**	**44,653**	**23,578**	**58,651**
Cash and cash equivalents at the beginning of period		322,150	204,988	249,917	190,739
Net unrealized currency gains/(losses)		32	276	-20	527
Cash and cash equivalents at the end of period		**273,527**	**249,917**	**273,475**	**249,917**
1) Reconciliation					
Profit before taxes		147,216	52,982	236,771	99,636
Depreciation/amortization/impairment		96,932	78,906	279,672	311,846
Changes in accounts receivables and accrued revenues		-107,904	-15,639	-94,148	65,634
Unrealized currency gains/(losses)		1,085	-208	-899	-168
Changes in other receivables		-7	1,487	4,794	20,156
Changes in other balance sheet items		-46,317	21,166	-1,827	-23,376
Paid taxes		-28,643	-1,375	-35,419	-12,422
Net cash flow from operating activities		**62,362**	**137,319**	**388,945**	**461,306**

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ending 31 December 2018

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Closing balance per 31 December 2017	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,115,531**	**1,200,102**
Adjustments IFRS 15	-	-	-	-	-	-54,895	-54,895
Opening balance 1 January 2018	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,060,636**	**1,145,207**
Net income	-	-	-	-	-	178,800	**178,800**
Other comprehensive income	-	-	-	-	-899	-	**-899**
Total comprehensive income	**-**	**-**	**-**	**-**	**-899**	**178,800**	**177,901**
Paid-in-equity through exercise of stock options	9	-	4,584	-	-	-	**4,594**
Distribution of treasury shares	-	0.4	-	-	-	377	**377**
Deferred tax asset related to stock options	-	-	-	-	-	-	**-**
Cost of equity-settled long term incentive plans	-	-	-	5,526	-	-	**5,526**
Dividends	-	-	-	-	-	-81,906	**-81,906**
Closing balance per 31 December 2018	**3,672**	**-6**	**67,355**	**45,248**	**-22,473**	**1,157,907**	**1,251,699**

For the year ending 31 December 2017

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2017	**3,657**	**-21**	**58,107**	**36,964**	**-21,933**	**1,092,352**	**1,169,126**
Net income	-	-	-	-	-	75,594	**75,594**
Other comprehensive income	-	-	-	-	359	-	**359**
Total comprehensive income	**3,657**	**-21**	**58,107**	**36,964**	**-21,574**	**1,167,946**	**1,245,079**
Paid-in-equity through exercise of stock options	6	14	4,664	-	-	8,456	**13,140**
Distribution of treasury shares	-	0.4	-	-	-	250	**250**
Deferred tax asset related to stock options	-	-	-	-	-	26	**26**
Cost of equity-settled long term incentive plans	-	-	-	2,758	-	-	**2,758**
Dividends	-	-	-	-	-	-61,146	**-61,146**
Closing balance per 31 December 2017	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,115,532**	**1,200,102**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 General information

TGS-NOPEC Geophysical Company ASA (TGS or the Company) is a public limited company listed on the Oslo Stock Exchange. The address of its registered office is Lensmannslia 4, 1386 Asker, Norway.

Note 2 Basis for Preparation

The condensed consolidated interim financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with TGS' annual report for 2017 which is available at www.tgs.com.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for 2017 except for the implementation of IFRS 15 Revenue with effect from 1 January 2018 and the accounting policy change as described in Note 8. Following the implementation of IFRS 15, consolidated shareholders' equity has been reduced by USD 54.9 million as of 1 January 2018. None of the other new accounting standards or amendments that came into effect from 1 January 2018 have had a significant impact on the presentation of the financial statements during the quarter. See note 7 for further information.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2018	**102,345,890**
Issued 27 February 2018 for cash on exercise of stock options	73,600
Issued 1 June 2018 for cash on exercise of stock options	129,500
Issued 23 August for cash on vesting of Restriced share units	98,800
31 December 2018	**102,647,790**

Treasury shares	Number of shares
1 January 2018	**116,180**
Net change in period	-11,550
31 December 2018	**104,630**

The Annual General Meeting held 8 May 2018 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2017 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2019, but no later than 30 June 2019.

On 8 May 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.62) to the shareholders. The dividends were paid to the shareholders on 30 May 2018.

On 1 August, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.62) to the shareholders. The dividends were paid to the shareholders on 23 August 2018.

On 31 October 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.68) to the shareholders. The dividends were paid to the shareholders on 22 November 2018.

On 6 February 2019, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.27 per share (NOK 2.30) to the shareholders. The dividend will be paid to the shareholders on 28 February 2019.

Largest Shareholders as of 2 January 2018	Country	Account type	No. of shares	Share
1. FOLKETRYGDFONDET	Norway		10,549,898	10.3%
2. THE BANK OF NEW YORK MELLON SA/NV	Belgium	NOM	8,859,176	8.6%
3. STATE STREET BANK AND TRUST COMP	USA	NOM	3,832,624	3.7%
4. RBC INVESTOR SERVICES TRUST	UK	NOM	3,586,008	3.5%
5. VERDIPAPIRFONDET DNB NORGE (IV)	Norway		2,704,589	2.6%
6. STATE STREET BANK AND TRUST COMP	USA	NOM	2,486,005	2.4%
7. STATE STREET BANK AND TRUST COMP	USA	NOM	2,208,285	2.2%
8. PARETO AKSJE NORGE VERDIPAPIRFOND	Norway		1,949,649	1.9%
9. INVESCO FUNDS	BELGIUM		1,838,350	1.8%
10. JP MORGAN CHASE BANK NA LONDON	GREAT BRITAIN	NOM	1,570,628	1.5%
10 largest			**39,585,212**	**38.6%**
Total Shares Outstanding *			**102,543,160**	**100%**

* Total shares outstanding are net of shares held in treasury per 2 January 2019

Average number of shares outstanding for Current Quarter *	
Average number of shares outstanding during the quarter	102,473,619
Average number of shares fully diluted during the quarter	103,273,399

* Shares outstanding net of shares held in treasury per 31 December 2018 (104,630 TGS shares), composed of average outstanding TGS shares during the quarter

Share price information	
Share price 28 December 2018 (NOK)	208.80
USD/NOK exchange rate end of period	8.71
Market capitalization 28 December 2018 (NOK million)	21,433

Note 4 Segment information

TGS reports Segment information based on the information reported to the management. Segment revenues related to multi-client pre-funded contracts are measured by applying the percentage of completion method to estimated total contract revenues. As such the timing and assessment of amortization will follow the timing of revenue recognition. Management believes the segment reporting provides useful information as to the value generated by the company relative to the related activities and resources employed.

Q4 2018	North & South America	North America	Latin America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	98,921	89,399	9,521	45,112	28,371	15,944	188,348	86,168	274,515
Operating profit	41,736	38,892	2,844	23,303	20,876	-17,506	68,409	77,505	145,913

Q4 2017	North & South America	North America	Latin America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	102,953			21,908	19,005	12,805	156,671	0	156,671
Operating profit	51,329			7,935	9,303	-16,937	51,630	0	51,630

2018 YTD	North & South America	North America	Latin America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	356,395	303,557	52,838	144,137	52,717	68,431	621,680	-7,441	614,239
Operating profit	131,579	114,540	17,039	69,176	19,735	-48,543	171,947	58,078	230,025

2017 YTD	North & South America	North America	Latin America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	239,940			157,336	44,357	50,548	492,181	0	492,181
Operating profit	58,433			76,147	11,619	-48,770	97,429	0	97,429

There are no intersegment revenues between the reportable operating segments.

The Company does not allocate all cost items to its reportable operating segments during the year. Unallocated cost items are reported as "Other segments/Corporate costs".

Note 5 Multi-client library

(Numbers in USD millions)	Segment Q4 2018	IFRS Q4 2018	Q4 2017	Segment YTD 2018	IFRS 2018	2017
Opening balance net book value	**749.6**	**902.6**	**837.9**	**799.0**	**799.0**	**812.4**
Adjustment opening balance	(0.8)	(0.8)	-		78.9	-
Non-operational investments	-	-	-	6.5	6.5	9.5
Operational investments	63.4	63.4	38.0	256.9	256.9	279.4
Amortization and impairment	(86.1)	(94.7)	(76.8)	(336.3)	(270.8)	(302.3)
Closing net book value	**726.1**	**870.5**	**799.0**	**726.1**	**870.5**	**799.0**

(Numbers in USD millions)	Segment Q4 2018	IFRS Q4 2018	Q4 2017	Segment YTD 2018	IFRS 2018	2017
Net MC revenues	185.7	271.9	154.8	613.3	605.8	485.2
Change in MC revenue	20%		-4%	26%		11%
Change in MC investment	67%	67%	-57%	-20%	-20%	7%
Amort. in % of net MC revs.	46%	35%	50%	55%	45%	62%
Change in net book value	-3%	-5%	-5%	-6%	5%	-2%
Contract Revenues	2.6	2.6	1.9	8.4	8.4	7.0

Note 6 Related parties

No other material transactions with related parties took place during the quarter.

Note 7 Changes in accounting standards

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new revenue recognition standard, IFRS 15, which has been implemented with effect from 1 January 2018. The standard replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Standard is effective for annual periods beginning on or after 1 January 2018.

For late sales and proprietary sales, there are no material effects following the implementation of IFRS 15. Multi-client pre-funded contracts are considered to be "right to use licenses" under IFRS 15, meaning that all revenues related to these contracts will be recognized at the point in time when the license is transferred to the customer, which would typically be upon completion of processing of the survey and granting of access to the finished survey or delivery of the finished data, independent of services delivered to clients during the project phase. As such the implementation of IFRS 15 impacts the timing of revenue recognition and amortization on multi-client pre-funded contracts compared to previous accounting principles whereby revenue for these contracts was recognized over time as the acquisition and processing services were delivered. Revenue recognition on pre-funded contracts will typically be recognized later under IFRS 15 compared to the previous accounting principles.

The Company has elected to apply the modified retrospective approach for the transition under IFRS 15. Under this approach, the comparative periods will not be restated, and the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application on 1 January 2018. As a consequence, some multi-client pre-funding revenues and associated amortization which was recognized in prior periods has been reversed as at 1 January 2018 and were recognized in the income statement for 2018 and future periods, without prior periods being restated. In the financial statements for 2018 and subsequent periods, the effect of applying IFRS 15 in each period as compared to previous accounting principles will be disclosed.

Under this approach, the implementation effect reported in the opening consolidated shareholders' equity is a reduction of USD 55 million as of 1 January 2018.

Impact of changes in accounting standards on Consolidated Balance Sheet

(All amounts in USD 1,000s)	31-Dec-18 without adoption	Adjustments IFRS 15	31-Dec-18 as reported
Non-current assets			
Intangible non-current assets			
Multi-client library	726,143	144,352	870,495
Total non-current assets	**825,887**	**144,787**	**970,674**
Equity	**1,265,465**	**-13,765**	**1,251,699**
Non-current liabilities			
Deferred taxes	27,228	2,033	29,261
Total non-current liabilities	**32,242**	**2,033**	**34,275**
Current liabilities			
Accounts payable and debt to partners	87,382	-28,646	58,736
Taxes payable, withheld payroll tax, social security	27,062	-	27,062
Other current liabilities	67,542	185,097	252,639
Total current liabilities	**181,986**	**156,452**	**338,436**

Impact of changes in accounting standards on Consolidated Income Statement

(All amounts in USD 1,000s)	Q4 2018 without adoption	Adjustments IFRS 15	Q4 2018 as reported
Net revenues	**188,348**	**86,167**	**274,515**
Amortization and impairment of multi-client library	86,074	8,662	94,735
Total operating expenses	**119,940**	**8,662**	**128,602**
Taxes	8,407	13,932	22,339
Net income	**61,303**	**63,573**	**124,876**

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. The implementation of IFRS 9 has not had a significant impact on the Company's consolidated financial statements.

IFRS 16 Leases

The new IFRS standard on leases, IFRS 16 Leases, is effective from the financial year starting at 1 January 2019. The new standard is replacing IAS 17 Leases.

TGS Group has chosen the modified retrospective approach for the implementation of IFRS 16 Leases where comparative figures are not restated. TGS Group has a very limited number of leases and the impact on the group balance sheet and profit and loss accounts are limited. The estimated lease liability and corresponding value of right of use is USD 42 million. Total annual depreciation is estimated to USD 15 million and the estimated financial cost amounts to USD 1 million.

Note 8 Change in accounting policy and other adjustments

In the fourth quarter TGS amended its accounting principle related to the amortization of the multi-client library. Previously TGS recognized amortization on prefunded projects at the date of delivery based on an amortization model historically applied prior to the implementation of IFRS 15 Revenue followed by straight-line depreciation.

Under the new policy TGS tests prefunding projects for impairment at the date of delivery and then recognizes amortization on a straight-line basis over the useful life of the project. This change in accounting policy is considered to be closely linked to IFRS 15 and has been applied retrospectively in 2018. The impact of this change is illustrated in the table.

Other adjustments.

In addition, TGS performed a review of the implementation of IFRS 15 revenue and has made certain adjustments to the timing of revenue recognition and amortization between the quarters. None of the adjustments impact the segment reporting. The adjustments are illustrated in the table.

(All amounts in USD 1,000s)	Q1	Q2	Q3
Reported net revenues	106,722	121,539	122,454
Adjustments	-7,637	-13,785	10,430
Restated revenue	**99,086**	**107,754**	**132,884**
Reported amortization	72,419	53,315	74,118
Accounting policy change	1,433	-2,104	5,093
Other adjustments	-9,617	-3,306	-15,312
Restated amortization	**64,236**	**47,905**	**63,899**
Reported profit before tax	7,865	39,981	28,889
Adjustments	547	-8,375	20,649
Restated profit before tax	**8,411**	**31,606**	**49,538**
Reported tax expense	11,512	9,586	11,585
Adjustments	126	-1,926	4,749
Restated tax expense	**11,637**	**7,660**	**16,334**
Restated net income	**-3,226**	**23,946**	**33,204**
Reported Multi-client library	839,696	846,302	878,796
Adjustment Multi-client library	8,183	13,593	23,811
Restated Multi-client library	**847,879**	**859,895**	**902,607**

Note 9 Økokrim charges and related civil matters; draft tax ruling in Australia

Reference is made to Note 21 to the 2017 Annual Report, which includes a detailed description of charges issued by Økokrim in 2014 and certain subsequent civil claims, including a claim by the Norwegian Government for losses arising from alleged unwarranted tax refunds arising from the transactions with Skeie and the claims of joint responsibility by Skeie and certain affiliated persons, as well as DNB. This note provides an update as to any matters that have occurred since 31 December 2017.

In March 2017, TGS rejected the corporate fine of NOK 85 million issued by Økokrim on 2 March 2017, which is based on alleged violations of the Norwegian Tax Assessment Act. As a result, the matter was brought to trial, which commenced on 22 January 2018 and concluded 20 April 2018. On 5 October 2018, he Oslo District Court released its decision, holding TGS guilty and assessing a corporate fine of NOK 90 million (which was as expected, due to the rejection of the fine in March 2017). The decision was split, with the majority holding TGS guilty, and the minority finding no guilt. TGS has appealed the decision, and the appellate trial is expected to occur in late 2019. As a result of the appeal, the payment of any fine has been deferred.

Despite the court's decision, TGS maintains that it acted diligently in connection with the transactions with Skeie and did not commit the alleged violations of law. TGS believes that the court's reasoning in the case is both legally and factually inaccurate and is not reflective of the evidence presented at trial. Accordingly, the Company does not consider it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no provisions have been made.

The civil matters that have arisen in relation to the transactions that form the basis for the Økokrim charges, and the outcome of these matters, will depend in large part on the outcome of the Økokrim matter. Given the early stage of these proceedings, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's belief that the court's decision in the Økokrim case was erroneous and the appeal will confirm that TGS did nothing wrong, the Company also believes these claims of liability are not well-founded, and it intends to challenge the claims vigorously. As a result, the Company does not consider it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no provisions have been made.

Reference is made to the information disclosed regarding the draft tax ruling in Australia in Note 24 to the 2017 Annual Report. As discussed in Note 24, on December 20, 2017, the Australian Tax Office (ATO) issued a draft taxation ruling regarding the deductibility of costs incurred to collect multi-client seismic data. A final ruling has not yet been issued by the ATO, and TGS remains of the opinion the factual differences between the operations of TGS and the specific fact pattern in the draft ruling may result in a different technical position. Therefore, it is not probable that there will be an outflow of resources embodying economic benefits necessary to settle an obligation, and no provisions have been made.

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

TGS' financial information is prepared in accordance with IFRS. In addition, TGS provides alternative performance measures to enhance the understanding of TGS' performance. The alternative performance measures presented by TGS may be determined or calculated differently by other companies.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for TGS as it provides an indication of the profitability of the operating activities.

The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Prefunding percentage

The prefunding percentage is calculated by dividing the multi-client prefunding revenues by the operational investments in the multi-client library, excluding investments related to projects where payments to the vendors are contingent on sales (risk-sharing investments). The prefunding percentage is considered as an important measure as it indicates how the Company's financial risk is reduced on multi-client investments.

EBITDA

EBITDA means Earnings before interest, taxes, amortization, depreciation and impairments. TGS uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company's performance to other companies.

(All amounts in USD 1,000s)	Q4 2018 Segment reporting	Q4 2018 IFRS reporting	Q4 2017
Net income	61,303	124,876	54,984
Taxes	8,407	22,339	-2,002
Net financial items	-1,302	-1,302	-1,352
Depreciation, amortization and impairment	2,197	2,197	2,109
Amortization and impairment of multi-client library	86,074	94,735	76,797
EBITDA	**156,679**	**242,846**	**130,536**

(All amounts in USD 1,000s)	YTD 2018 Segment reporting	YTD 2018 IFRS reporting	YTD 2017
Net income	137,602	178,800	75,597
Taxes	41,090	57,971	24,042
Net financial items	6,746	-6,746	-2,207
Depreciation, amortization and impairment	8,897	8,897	9,499
Amortization and impairment of multi-client library	336,295	270,776	302,346
EBITDA	**530,631**	**509,698**	**409,277**

Return on average capital employed

Return on average capital employed (ROACE) shows the profitability compared to the capital that is employed by TGS, and it is calculated as operating profit divided by the average of the opening and closing capital employed for a period of time.

Capital employed is calculated as equity plus net interest-bearing debt. Net interest-bearing debt is defined as interest bearing debt minus cash and cash equivalents. TGS uses the ROACE measure as it provides useful information about the performance under evaluation.

(All amounts in USD 1,000s)	31-Dec-18 Segment reporting	31-Dec-18 IFRS reporting	31 December 2017
Equity	1,265,397	1,251,699	1,200,102
Interest bearing debt	2,500	2,500	2,500
Cash	273,527	273,527	249,917
Net interest bearing debt	-271,027	-271,027	-247,417
Capital employed	**994,370**	**980,673**	**952,685**
Average capital employed	973,528	966,679	965,535
Operating profit (12 months trailing)	171,947	230,025	97,429
ROACE	**18%**	**24%**	**10%**

Free cash flow (after MC investments)

Free cash flow (after MC investments) when used by TGS means cash flow from operational activities minus cash investments in multi-client projects. TGS uses this measure as it represents the cash that the Company is able to generate after investing the cash required to maintain or expand the multi-client library.

(All amounts in USD 1,000s)	Q4 2018	Q4 2017	2018 YTD	2017 YTD
Cash flow from operational activities	62,362	137,319	388,944	461,301
Investments in multi-client library	-80,816	-81,161	-271,765	-337,964
Free cash flow (after MC investments)	**-18,454**	**56,158**	**117,179**	**123,337**

Backlog

Backlog is defined as the total value of future revenue based on segment reporting from signed customer contracts.