



ALTERNATIVE PERFORMANCE MEASURES

TGS continued to perform in 2018 with 26% growth in segment revenues and improving margins.

Alternative Performance Measures

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 future sales. 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)

	2018	2017
Net Income	178,800	75,594
Taxes	57,971	24,042
Net financial items	(6,746)	(2,207)
Depreciation, amortization and impairment	8,897	9,499
Amortization and impairment of multi-client library	270,776	302,346
EBITDA	509,699	409,274

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 during 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 December 2018	31 December 2017
Equity	1,251,699	1,200,102
Interest-bearing debt	2,500	2,500
Cash	273,527	249,917
Net interest-bearing debt	(271,027)	(247,417)
Capital employed	980,672	952,685
Average capital employed	966,679	965,535
Operating profit	230,025	97,429
ROACE	24%	10%

Free cash flow (after multi-client 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)

	2018	2017
Cash flow from operational activities	273,062	461,306
Investments in multi-client library	116,690	(337,964)
Free cash flow (after multi-client investments)	113,960	123,342

Multi-client net revenues/average net book value ratio

The ratio is defined as the net revenues from multi-client revenues divided by the average of the opening and closing balance of the multi-client library.

(All amounts in USD 1,000s)

	2018	2017
Multi-client net revenues	605,844	485,188
Opening balance multi-client library	799,015	812,399
Closing balance multi-client library	870,495	799,015
Average net book value	834,755	805,707
Multi-client net revenues/average net book value ratio	0.73	0.60

Backlog

Backlog is defined as the total value of future net revenues from signed customer contracts.

Yield

Yield is defined as the dividend-per-share divided by the share price at the time of the dividend announcement. The 2018 dividend yield is annualized based on the weighted yield at the time of announcement of quarterly dividends.