

TGS EARNINGS RELEASE

1st QUARTER 2019 RESULTS

1st QUARTER 2019 FINANCIAL HIGHLIGHTS

IFRS (all amounts in USD 1,000 unless specified otherwise)	Q1 2019	Q1 2018
Net operating revenues	99,848	99,087
Operating profit (EBIT)	-487	8,622
- Operating profit margin	0%	9%
Net income	4,209	-3,225
EPS (fully diluted) (USD)	0.04	-0.03
Organic multi-client investments	36,806	30,732
Risk-sharing investments	1,039	3,486
Inorganic multi-client investments	0	0
Amortization of multi-client library	73,244	64,236
Multi-client library net book value	835,099	847,879
Free cash flow (after multi-client investments)	147,315	70,987
Cash balance	389,962	301,699
Return on average capital employed ¹	27%	12%

Segment reporting ² (all amounts in USD 1,000 unless specified otherwise)	Q1 2019	Q1 2018
Net operating revenues	109,865	134,759
- Net pre-funding revenues	13,565	17,602
- Net late sales	91,273	114,865
- Net proprietary revenues	5,027	2,291
Operating profit	16,853	24,902
- Operating profit margin	15%	18%
Amortization of multi-client library	65,922	83,628
Multi-client library net book value	698,070	749,655
Pre-funding rate	37%	57%

- Strong cash generation – Q1 2019 free cash flow of USD 147 million and cash balance of USD 390 million at the end of the quarter
- Substantial increase in revenue backlog and investment commitments during the quarter
- Agreement in principle to acquire Spectrum to cement the position as a leading provider of multi-client seismic data globally
- Dividend of USD 0.27 per share to be paid in Q2 2019, up 35% compared to Q2 2018

¹ 12 months trailing.

² Revenue recognition of projects in progress recognized on a Percentage of Completion basis. Please refer to note 4 for more details.

FINANCIALS - IFRS REPORTING

Following the implementation of the IFRS 15 accounting standard from 1 January 2018, pre-funding committed prior to start-up of the project or late sales committed in the work-in-progress phase are not recognized until delivery of the data to the customer. For internal reporting purposes, TGS still prepares accounts in accordance with historical practice, with sales committed prior to completion of the project recognized on a Percentage of Completion basis. The discussion and analysis in this section is based on IFRS reporting.

Net operating revenues and operating profit

Net revenues amounted to USD 99.8 million in Q1 2019, an increase of 0.8% from USD 99.1 million in Q1 2018. Revenues from projects completed during the quarter increased by USD 11.9 million compared to last year, while proprietary revenues grew USD 2.7 million. This was, however, largely offset by lower sales of vintage data.

Amortization of the multi-client library amounted to USD 73.2 million versus USD 64.2 million in Q1 2018.

Personnel cost totaled USD 15.1 million in Q1 2019, corresponding to a 2% decline compared to USD 15.5 million in Q1 2018. The decline is caused by lower bonuses to employees. Other operating expenses amounted to USD 5.7 million compared to USD 8.4 million in Q1 2018. The decline is a result of implementation of the IFRS 16 accounting standard for leases. In the quarter USD 3.3 million of lease expenses have been booked as depreciation and USD 0.4 million as lease interest instead of being part of other operating expenses. This has led to an increase in depreciation to USD 5.1 million in Q1 2019 from USD 2.3 million in Q1 2018.

Operating profit amounted to USD -0.5 million (margin of -0.5%) in the quarter compared to USD 8.6 million (9%) in the same quarter of last year.

Financial items and profit before tax

Net financial items for Q1 2019 totaled USD 6.0 million compared to USD -0.2 million in Q1 2018. The increase is a result of a combination of higher interest income, currency exchange gains and gains on financial instruments.

Pre-tax profit was USD 5.5 million in Q1 2019 compared to USD 8.4 million in Q1 2018.

Tax and net income

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 (22% in 2019) and in the US (21% in 2018), TGS has assessed the normalized operating consolidated tax rate to be at approximately 22% for 2019.

The tax cost for Q1 2019 was USD 1.3 million (USD 11.6 million in Q1 2018), corresponding to a tax rate of 24%.

Net income amounted to USD 4.2 million in Q1 2019, compared to USD -3.2 million in Q1 2018. This corresponds to a fully diluted EPS of USD 0.04 versus to USD -0.04 in Q1 2018.

Balance sheet

The Company continues to have a solid balance sheet with a cash position of USD 390.0 million as of 31 March 2019, an increase of USD 88.3 million from the USD 301.7 million of cash balance at the same point in 2018. Net interest-bearing debt was unchanged at USD 2.5 million, meaning that the net cash was USD 387.5 million (USD 299.2 million).

The net book value of the multi-client library was USD 835.1 million as of 31 March 2019 compared to USD 847.9 million as of 31 March 2018. The decline reflects a continued high amortization rate, combined with investments in new projects being done at substantially lower unit cost than the average of the surveys completed historically.

Total equity as of 31 March 2019 was USD 1,228.4 million, 77% of total assets. On 31 March 2018 total equity amounted to USD 1,124.4 million (75% of total assets). No new shares were issued in Q1 2018, and as of 31 March 2019, TGS held 104,630 treasury shares.

Cash flow

Net cash flow from operations for the quarter, after taxes and before investments, totaled USD 208.6 million compared to USD 102.7 million in Q1 2018. Free cash flow (cash flow from operations after investments in the multi-client library) amounted to USD 147.3 million versus USD 70.8 million in Q1 2018.

The Company's total cash holdings increased by USD 116.4 million during the quarter and totaled USD 390.0 million as of 31 March 2019, compared to USD 273.5 million at 31 December 2018.

FINANCIALS – SEGMENT REPORTING

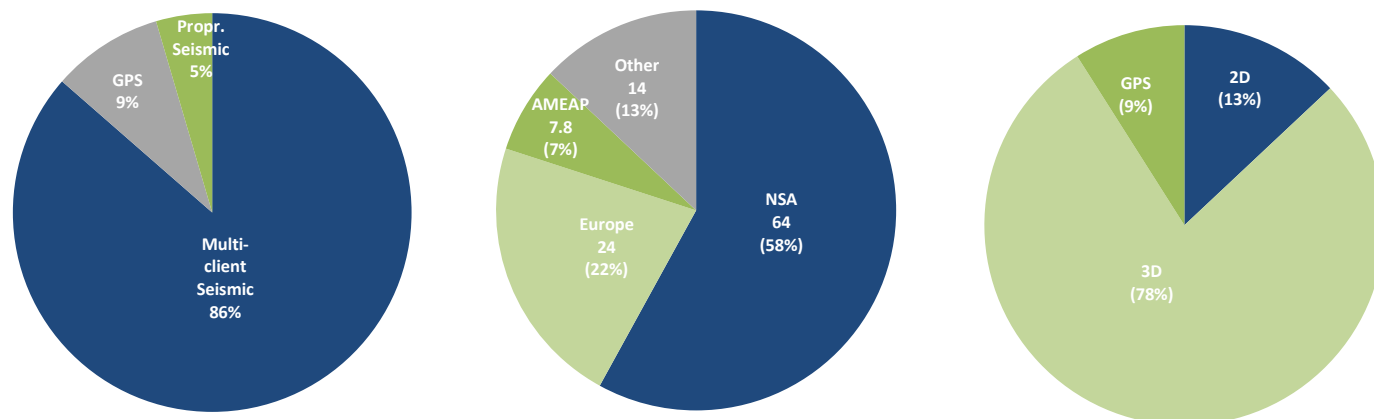
For internal reporting purposes TGS is using segment reporting with net revenues for projects in progress recognized based on Percentage of Completion (POC), as opposed to the IFRS accounts, where revenues are not recognized until the relevant project is completed. It is the Board's opinion that the POC methodology provides a better picture of the inherent risk and value creation of the business. The discussion and analysis in this section are based on segment reporting.

Net operating revenues

Net operating revenues for Q1 2019 amounted to USD 109.9 million, a decline of 18% from the USD 134.8 million recognized in Q1 2018. Net pre-funding revenues totaled USD 13.6 million in the quarter (USD 17.6 million in Q1 2018) funding 37% (57%) of the USD 36.8 million (USD 34.2 million) of organic investments in the multi-client library (excluding risk-share investments).

Net late sales for the quarter amounted to USD 91.3 million, a decrease of 21% compared to the USD 114.9 million booked in Q1 2018. Proprietary contract revenues increased by 119% to USD 5.0 million from USD 2.3 million in Q1 2018.

Revenue distribution



Source: TGS

EBITDA, amortization and operating profit

After subtracting operating costs as described in the IFRS section, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) totaled USD 87.9 million in Q1 2019 compared to USD 110.8 million in Q1 2018, a decline of 21%.

Amortization of the multi-client library amounted to USD 65.9 million in Q1 2019, down from USD 83.6 million in Q1 2018. The decline is largely explained by lower sales amortization due to lower prefunding revenues and lower impairment in Q1 2019 than Q1 2018.

Operating profit in Q1 2019 amounted to USD 16.9 million (margin of 15%), down from USD 24.9 million Q1 (margin of 18%) last year.

Multi-client library

Organic multi-client investments amounted to USD 37.8 million in Q1 2019, 11% higher than the USD 34.2 million invested in the same quarter last year. Of this, investments contingent of sales (risk share investments) accounted for USD 1.0 million versus USD 3.5 million in Q1 2018.

This resulted in a net book value of the multi-client library of USD 698.1 million as of 31 March 2019 compared to USD 749.7 million at 31 March 2018. The decline is due to conservative amortization policies, combined with low unit cost of new investments compared to historical averages.

Backlog

TGS' backlog amounted to USD 112 million at the end of Q1 2019, compared to USD 63 million at the end of Q4 2018 and 74 million at the end of Q1 2018.

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 Q2 2019. The dividend will be paid in the form of NOK 2.36 per share on 31 May 2019. The share will trade ex-dividend on 16 May 2019.

OTHER MATTERS

On 2 May 2019 TGS announced that it has agreed on the principle terms of the acquisition of Spectrum ASA ("Spectrum"), cementing the position as a leading multi-client seismic company globally. The transaction is expected to be completed as a statutory merger pursuant to Norwegian corporate law between TGS and Spectrum, with merger consideration to Spectrum shareholders in the form of 0.28x ordinary shares of TGS for each Spectrum share (the "Exchange Ratio"), in addition to a cash consideration of USD 0.27 multiplied by the Exchange Ratio subject to the transaction closing after the ex-date for the TGS dividend payable in Q3 2019 (expected to be early August 2019).

The transaction will enhance TGS' position as a leading multi-client geophysical data provider with a 2D and 3D seismic data library covering all major mature and frontier basins world-wide. Spectrum has successfully built a substantial presence in the South Atlantic and other important frontier regions. With TGS' extensive library and financial robustness, the combined entity will be well positioned to accelerate 3D seismic investment plans in an improving market. Furthermore, the combined libraries will have a scale that will help accelerate TGS' data analytics strategy.

OPERATIONAL HIGHLIGHTS

TGS had three 3D seismic vessels (two operated under joint venture agreements) and two multibeam / coring vessels in operation in Q1 2019. In addition, TGS had two onshore crews operating in the SCOOP/STACK.

In Q1, TGS continued its SeaSeep project in the MSGBC Basin in West Africa. The program will cover an area of approximately 113,500 km² and will incorporate around 230 cores from the seabed, located based on multibeam backscatter anomalies. Final results will be available in Q3 2019.

Acquisition of the Jaan 3D survey in the southern portion of the MSGBC Basin continued in Q1. The project consists of 11,135 km² 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 Latin America, activities re-commenced for the Brazil Southern Basins SeaSeep project in Q1. The project will ultimately cover 200,000 km² 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 km² Santos 3D program. Final data is expected to be available to clients in 2020. In March 2019, acquisition of TGS' new multi-client 3D seismic survey in the Campos Basin commenced. Final deliverables for the project, which will cover 11,200 km², are expected to be available in 2020, with fast track data available in Summer 2019 ahead of the planned license round.

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 7,900 new digital well logs, 3,800 new enhanced digital well logs and 47,100 new Validated Well Headers.

OUTLOOK

E&P companies' cash flow has improved substantially over the past couple of years, driven by lower costs and recovering oil prices. 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. Furthermore, many smaller E&P companies which paused spending during the downcycle, will ultimately return to exploration as they move back to a growth agenda. As a result, exploration budgets are likely to increase from the current unsustainably low levels.

In accordance with its counter-cyclical investment strategy, TGS has added substantial amounts of data to its multi-client library at an attractive unit cost through both organic and inorganic investments during the downturn. This, in combination with an efficient cost base, strong balance sheet and flexible business model, should put us in a unique position to benefit from improving market conditions in the future.

TGS has seen an increasing inflow of pre-commitments during the first four months of 2019. The company currently has committed approximately USD 240 million of multi-client investments for 2019 and the revenue backlog is approximately USD 112 million.

Financial guidance for 2019 is reiterated as follows:

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

Asker, 8 May 2019

The Board of Directors of TGS-NOPEC Geophysical Company ASA

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

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All statements in this earnings release 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.

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	2019 Q1 Unaudited	2018 Q1 Unaudited
Net revenues	4	99,848	99,087
<i>Operating expenses</i>			
Cost of goods sold - proprietary and other		1,112	122
Amortization and impairment of multi-client library	5	73,244	64,236
Personnel costs		15,148	15,506
Cost of stock options		0	0
Other operating expenses		5,704	8,350
Depreciation, amortization and impairment		5,126	2,251
Total operating expenses		100,334	90,465
Operating profit	4	-487	8,622
<i>Financial income and expenses</i>			
Financial income		6,463	583
Financial expenses		-610	-7
Net exchange gains/(losses)		162	-785
Net financial items		6,015	-208
Profit before taxes		5,529	8,412
Taxes		1,320	11,637
Net income		4,209	-3,225
EPS USD		0.04	-0.04
EPS USD, fully diluted		0.04	-0.04
<i>Other comprehensive income:</i>			
Exchange differences on translation of foreign operations		-1,398	-156
Other comprehensive income/(loss) for the period, net of tax		-1,398	-156
Total comprehensive income for the period		2,811	-3,381



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INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2019 31-Mar Unaudited	2018 31-Mar Unaudited	2018 31-Dec Audited
ASSETS				
Non-current assets				
Goodwill		67,925	67,925	67,925
Multi-client library	5	835,099	847,879	870,495
Other intangible non-current assets		8,488	8,838	8,366
Deferred tax asset		1,179	3,932	884
Buildings		3,245	4,786	3,518
Machinery and equipment		21,779	15,008	19,308
Right of use asset		32,575	0	0
Other non-current assets		166	468	180
Total non-current assets		970,455	948,836	970,676
Current assets				
Accounts receivable		106,678	143,763	215,046
Accrued revenues		89,333	90,922	133,810
Other receivables		39,781	21,079	31,353
Cash and cash equivalents		389,962	301,699	273,527
Total current assets		625,754	557,463	653,736
TOTAL ASSETS		1,596,209	1,506,298	1,624,412
EQUITY AND LIABILITIES				
Equity				
Share capital		3,668	3,662	3,668
Other equity		1,224,767	1,120,732	1,248,031
Total equity	3	1,228,434	1,124,393	1,251,699
Non-current liabilities				
Long-term debt		2,500	2,500	2,500
Other non-current liabilities		2,193	2,490	2,514
Lease liability		19,523	0	0
Deferred taxes		29,783	9,669	29,261
Total non-current liabilities		53,999	14,659	34,275
Current liabilities				
Accounts payable and debt to partners		853	45,417	39,922
Taxes payable, withheld payroll tax, social security		21,280	42,538	27,062
Other current liabilities		291,642	279,291	271,454
Total current liabilities		313,775	367,246	338,437
TOTAL EQUITY AND LIABILITIES		1,596,209	1,506,298	1,624,412



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INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2019 Q1 Unaudited	2018 Q1 Unaudited
Cash flow from operating activities:			
Received payments from customers		251,548	138,186
Payments for salaries, pensions, social security tax		-22,647	-21,241
Payments of other operational costs		-16,180	-13,995
Paid taxes		-4,129	-247
Net cash flow from operating activities ¹		208,592	102,704
Cash flow from investing activities:			
Received payments from fixed assets		0	32
Investments in tangible and intangible assets		-6,863	-2,735
Investments in multi-client library		-61,277	-31,873
Investments through mergers and acquisitions		0	0
Interest received		2,643	583
Net cash flow from investing activities		-65,497	-33,993
Cash flow from financing activities:			
Interest paid		-610	-45
Dividend payments	3	-27,451	-18,452
Proceeds from share issuances	3	0	1,725
Net cash flow from financing activities		-28,061	-16,772
Net change in cash and cash equivalents		115,034	51,939
Cash and cash equivalents at the beginning of period		273,527	249,917
Net unrealized currency gains/(losses)		1,401	-157
Cash and cash equivalents at the end of period		389,962	301,697
1) Reconciliation			
Profit before taxes		5,529	7,865
Depreciation/amortization/impairment		78,371	74,671
Disposals at cost price		4,653	582
Changes in accounts receivables and accrued revenues		152,845	20,023
Unrealized currency gains/(losses)		-2,797	1
Changes in other receivables		869	-926
Changes in other balance sheet items		-26,748	736
Paid taxes		-4,129	-247
Net cash flow from operating activities		208,592	102,704



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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2019

(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 as of 31 December 2018	3,672	-6	67,355	45,248	-22,473	1,157,907	1,251,699
Adjustements	-	-	-	-	-	-	-
Opening balance 1 January 2019	3,672	-6	67,355	45,248	-22,473	1,157,907	1,251,699
Net income	-	-	-	-	-	4,209	4,209
Other comprehensive income	-	-	-	-	-1,398	-	-1,398
Total comprehensive income	-	-	-	-	-1,398	4,209	2,811
Paid-in-equity through exercise of stock options	-	-	-	-	-	-	-
Distribution of treasury shares	-	-	-	-	-	-	-
Deferred tax asset related to stock options	-	-	-	-	-	-	-
Cost of equity-settled long term incentive plans	-	-	-	-	1,611	-	1,611
Dividends	-	-	-	-	-	-27,687	-27,687
Closing balance as of 31 March 2019	3,672	-6	67,355	45,248	-22,260	1,134,429	1,228,434

For the three months ended March 31, 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 as of 31 December 2017	3,663	-6	62,771	39,722	-21,574	1,115,531	1,200,102
Adjustements IFRS 15	-	-	-	-	-	-54,895	-54,895
Opening balance 1 January 2018	3,663	-6	62,771	39,722	-21,574	1,060,637	1,145,207
Net income	-	-	-	-	-	-3,225	-3,225
Other comprehensive income	-	-	-	-	-156	-	-156
Total comprehensive income	-	-	-	-	-156	75,594	-3,381
Paid-in-equity through exercise of stock options	2	-	1,708	-	-	-	1,710
Distribution of treasury shares	-	-	-	-	-	-	-
Deferred tax asset related to stock options	-	-	-	-	-	-17	-17
Cost of equity-settled long term incentive plans	-	-	-	1,317	-	-	1,317
Dividends	-	-	-	-	-	-20,446	-20,446
Closing balance per 31 March 2018	3,666	-6	64,479	41,039	-21,730	1,115,531	1,124,393



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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 Lensmannsliia 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 2018 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 2018 except for the implementation of IFRS 16 Leases with effect from 1 January 2019. Please see note 7 for further explanation.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2019	102,647,790
Shares issued during Q1 2019	0
31 March 2019	102,647,790

Treasury shares	Number of shares
1 January 2019	104,630
Net change in period	0
31 March 2019	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 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 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 dividends were paid to the shareholders on 28 February 2019.

On 8 May 2019, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.27 per share (NOK 2.36) to the shareholders. The dividend will be paid to the shareholders on 31 May 2019.

Largest Shareholders as of 1 April 2019	Country	Account		Share
		type	No. of shares	
1. FOLKETRYGDFONDET	Norway		10,561,898	10.3%
2. THE BANK OF NEW YORK MELLON SA/NV	Belgium	NOM	8,854,462	8.6%
3. STATE STREET BANK AND TRUST COMP	USA	NOM	4,706,201	4.6%
4. VERDIPAPIRFONDET DNB NORGE (IV)	Norway		3,343,687	3.3%
5. RBC INVESTOR SERVICE TRUST	GREAT BRITAIN	NOM	3,326,911	3.2%
6. STATE STREET BANK AND TRUST COMP	USA	NOM	2,623,735	2.6%
7. STATE STREET BANK AND TRUST COMP	USA	NOM	2,199,778	2.1%
8. PARETO AKSJE NORGE VERDIPAPIRFOND	Norway		1,834,649	1.8%
9. JP MORGAN SERCIRITIES PLC	BELGIUM		1,677,527	1.6%
10. JP MORGAN CHASE BANK NA LONDON	GREAT BRITAIN	NOM	1,628,628	1.6%
10 largest			40,757,476	39.7%
Total Shares Outstanding *			102,543,160	100%

* Total shares outstanding are net of shares held in treasury per 1 April 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 29 March 2019 (NOK)	235.30
USD/NOK exchange rate end of period	8.60
Market capitalization 29 March 2019 (NOK million)	24,153

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.

Q1 2019	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	64,014	24,065	7,833	13,953	109,865	-10,017	99,848
Operating profit	18,711	9,783	1,312	-12,953	16,853	-17,338	-487

Q1 2018	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	57,992	46,266	11,043	19,458	134,759	-35,672	99,087
Operating profit	13,483	23,167	-3,635	-8,113	24,902	-16,280	8,622

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".

(All amounts in USD 1,000s)	Q1 2019 As reported	Adjustments	Q1 2019 Segment
Net revenues	99,848	10,017	109,865
Amortization and impairment of multi-client library	73,244	7,323	65,922
Total operating expenses	100,334	7,323	93,012
Taxes	1,320	3,815	5,135
Net income	4,209	13,526	17,735

(All amounts in USD 1,000s)	31-Mar-19 As reported	Adjustments	31-Mar-19 Segment
Non-current assets			
<i>Intangible non-current assets</i>			
Multi-client library	835,099	-137,029	698,070
Total non-current assets	970,455	-137,464	832,991
Equity	1,228,434	27,223	1,255,658
Non-current liabilities			
Deferred taxes	29,783	1,781	31,565
Total non-current liabilities	53,999	1,781	55,780
Current liabilities			
Accounts payable and debt to partners	853	50,798	51,651
Taxes payable, withheld payroll tax, social security	21,280	-	21,280
Other current liabilities	291,642	-217,267	74,374
Total current liabilities	313,775	-166,469	147,306

Note 5 Multi-client library

(Numbers in USD millions)	Segment Q1 2019	IFRS Q1 2019	Segment Q1 2018	IFRS Q1 2018	Segment 2018	IFRS 2018
Opening balance net book value	726.1	870.5	799.0	799.0	799.0	799.0
Adjustment opening balance	-	-	-	78.9	-	78.9
Non-operational investments	-	-	-	-	6.5	6.5
Operational investments	37.8	37.8	34.2	34.2	256.9	256.9
Amortization and impairment	(65.9)	(73.2)	(83.6)	(64.2)	(336.3)	(270.8)
Closing net book value	698.1	835.1	749.6	847.9	726.1	870.5

(Numbers in USD millions)	Segment Q1 2019	IFRS Q1 2019	Segment Q1 2018	IFRS Q1 2018	Segment 2018	IFRS 2018
Net MC revenues	104.8	94.8	132.5	103.8	613.3	605.8
Change in MC revenue	-17%	-4%	57%	23%	26%	
Change in MC investment	11%	11%	-51%	-51%	-20%	-20%
Amort. in % of net MC revs.	63%	77%	63%	69%	55%	45%
Change in net book value	-4%	4%	6%	-4%	6%	5%
Contract Revenues	5.0	5.0	2.3	2.3	8.4	8.4

Note 6 Related parties

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

Note 7 Changes in accounting standards

IFRS 16 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. The reclassifications and adjustments on implementation are recognized in the opening balance of 2019. The Group will apply transition reliefs where the lease asset will be equal to the lease liability at the transition date.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

At 1 January 2019, TGS Group recognized lease liabilities for properties and other assets. The liabilities were measured at the present value of the remaining lease payments. The remaining lease payments were discounted using the incremental borrowing rate at 1 January 2019. The incremental borrowing rate applied was 4.45 %. At 1 January 2019 a lease liability of USD 36 million was recognized. A corresponding right-of-use asset was recognized measured at a value of USD 36 million.

Below is a reconciliation of total operating lease commitments as of 31 December 2018 to the lease liability recognized at 1 January 2019.

(All amounts in USD 1,000s)

Reconciliation of lease commitments to lease liabilities	01.01.2019
Non-cancellable operating lease commitments as at 31.12.2018	53,861
Adjustments for property tax and other lease related costs incl in lease commitment	-11,370
Discounting using the incremental borrowing rate	-6,607
Lease liabilities recognized at initial application	35,884
The weighted average incremental borrowing rate applied	4.45%
The right-of-use asset recognized at initial application	35,884
Amount recognized in retained earnings at initial application	-

Note 8 Økokrim charges and related civil matters; draft tax ruling in Australia

Reference is made to Note 23 to the 2018 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 2018.

In October 2018, the Oslo District Court issued its decision, holding TGS guilty and assessing a corporate fine of NOK 90 million (approximately USD 11 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, which deferred the payment of any fine. The appellate court, Borgarting Lagmannsrett, granted the appeal in March 2019 and the appellate trial is scheduled to start in November 2019.

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 26 to the 2018 Annual Report. As discussed in Note 26, 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.



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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)	Q1 2019 Segment reporting	Q1 2019 IFRS reporting	Q1 2018 Segment reporting	Q1 2018 IFRS Reporting
Net income	21,549	4,209	13,181	-3,225
Taxes	1,320	1,320	11,512	11,637
Net financial items	-6,015	-6,015	209	209
Depreciation, amortization and impairment	5,126	5,126	2,251	2,251
Amortization and impairment of multi-client library	65,922	73,244	83,628	64,236
EBITDA	87,902	77,884	110,781	75,109
	47%	33%	78%	53%

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-Mar-19 Segment reporting	31-Mar-19 IFRS reporting	31 March 2018 Segment Reporting	31 March 2018 IFRS Reporting
Equity	1,259,473	1,228,435	1,195,694	1,124,393
Interest bearing debt	2,500	2,500	2,500	2,500
Cash	389,962	389,962	301,699	301,699
Net interest bearing debt	-387,462	-387,462	-299,199	-299,199
Capital employed	872,011	840,974	896,495	825,194
Average capital employed	884,253	833,084	906,663	871,012
Operating profit (12 months trailing)	163,898	220,917	120,427	104,146
ROACE	19%	27%	13%	12%

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)	Q1 2019	Q1 2018	2019 YTD	2018 YTD
Cash flow from operational activities	208,592	102,704	208,592	102,704
Investments in multi-client library	-61,277	-31,873	-61,277	-31,873
Free cash flow (after MC investments)	147,315	70,831	147,315	70,831

Backlog

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