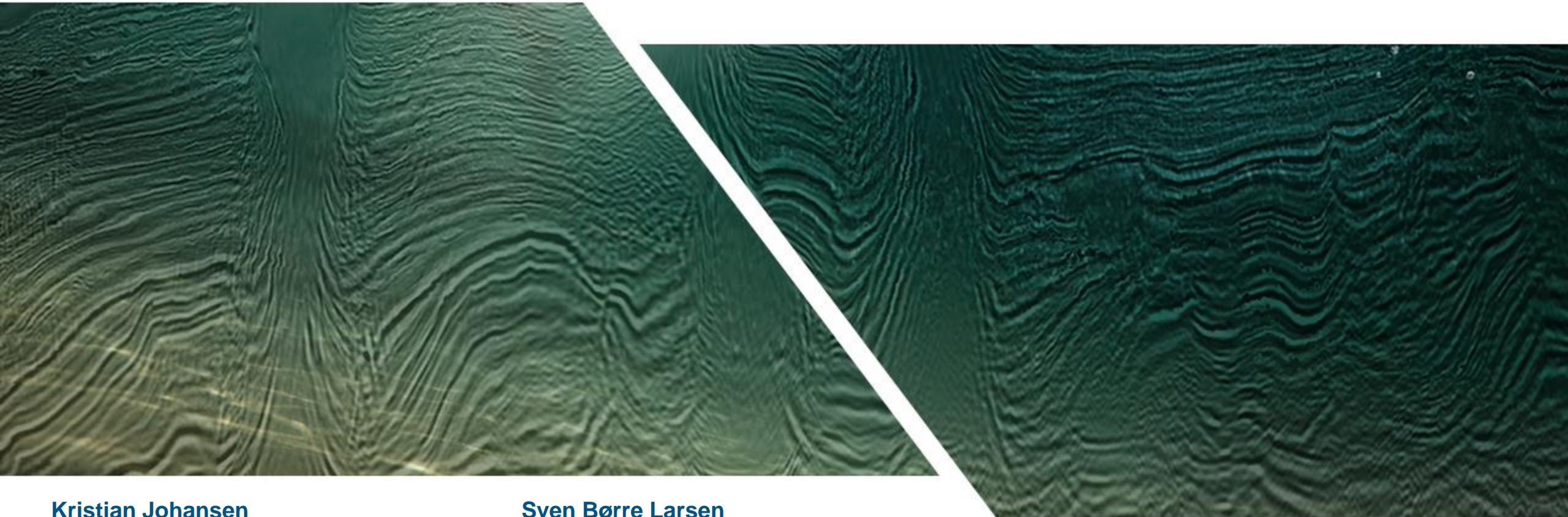




# Q1 2019 Earnings Release



**Kristian Johansen**  
CEO

Oslo, 9 May 2019

**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.

# Highlights

- Q1 net revenues of 110 MUSD, compared to 135 MUSD in Q1 2018
  - Net late sales of 91 MUSD versus 115 MUSD Q1 2018
  - Net pre-funding revenues of 14 MUSD were down from 18 MUSD in Q1 2018, funding 37% of TGS' operational multi-client investments for the quarter
  - Operational multi-client investments of 37 MUSD compared to 31 MUSD in Q1 2018
- EBITDA of 88 MUSD compared to 111 MUSD in Q1 2018
- Operating profit for the quarter was 17 MUSD compared to 25 MUSD in Q1 2018
- Earnings per share of 0.17 USD, up 34% from 0.13 USD in Q1 2018
- Free cash flow was 147 MUSD, up 108% from 71 MUSD in Q1 2018
  - Cash balance of 390 MUSD at 31 March 2019 in addition to undrawn 100 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.27 per share, up 35% from Q1 2018
- Agreement in principle to acquire Spectrum to cement the position as a leading provider of multi-client seismic data globally



The background of the slide features a complex, organic pattern of wavy, concentric lines in various shades of teal and green. These lines create a sense of depth and movement, resembling a topographical map or a microscopic view of a material. In the bottom-left corner, there is a small, faint grid pattern in a light yellowish-green color, which contrasts with the darker, more textured background.

# **Operational Highlights**

# Q1 2019 Operations

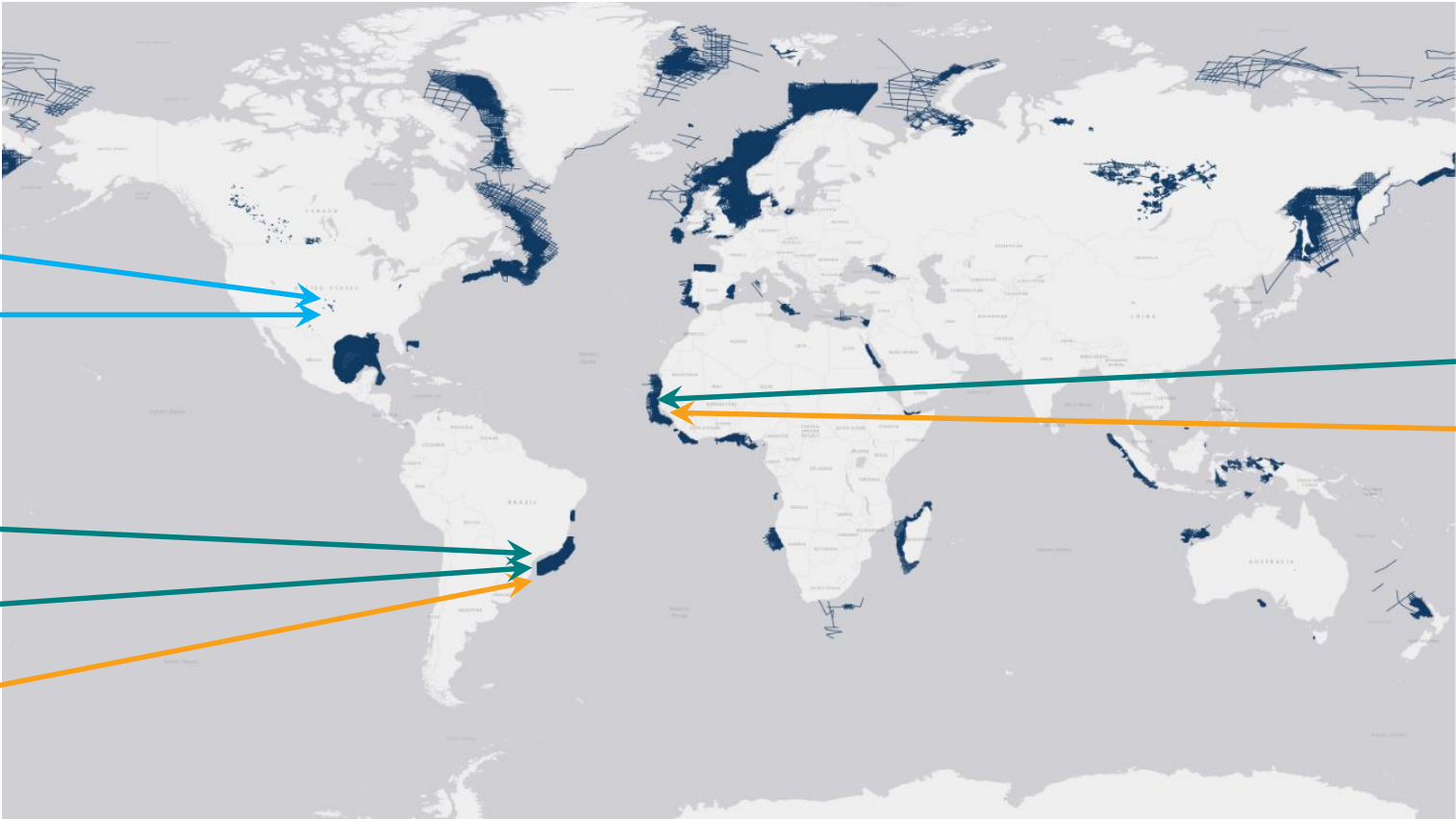
## Western Hemisphere

SCOOP/STACK Crew I  
SCOOP/STACK Crew II

HYSY 720 JV  
Amazon Warrior  
Fugro Searcher

## Eastern Hemisphere

BGP Prospector JV  
M/V Gyre





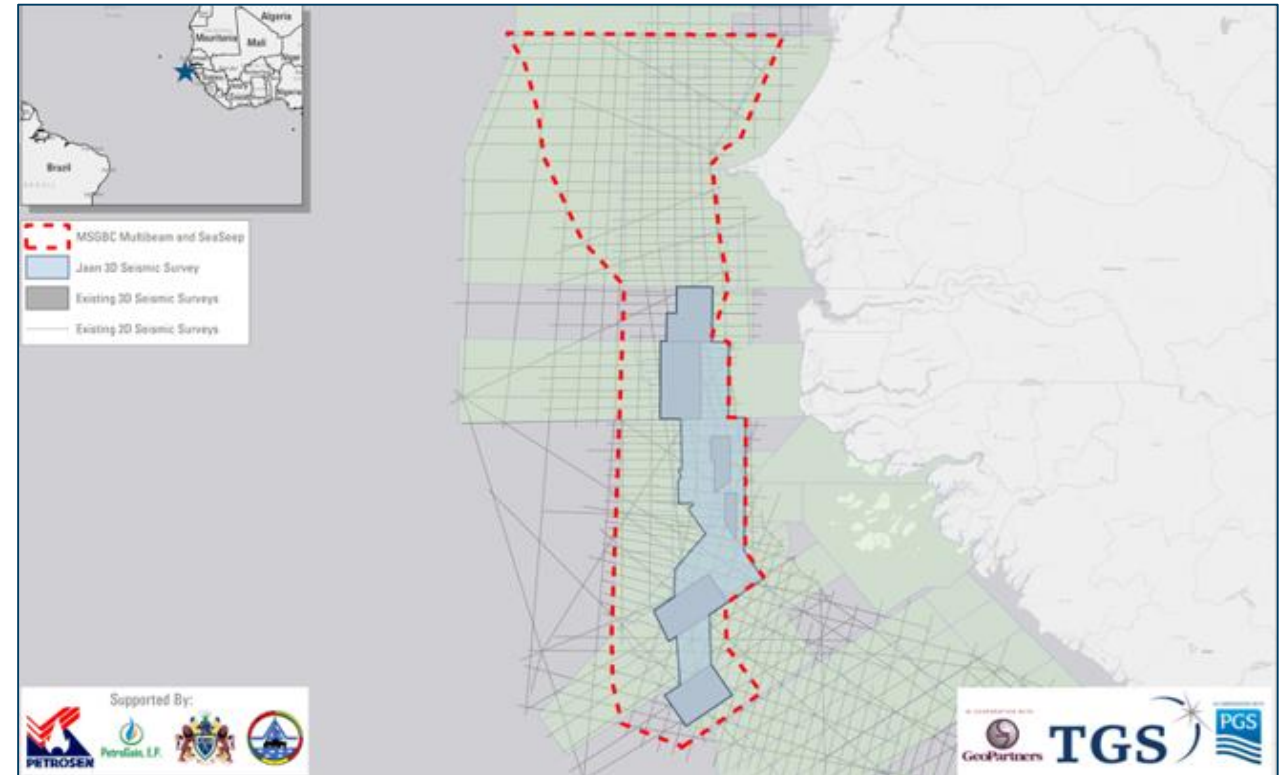
# Q1 Activity – North West Africa

## Q1 Activity

- **MSGBC SeaSeep:** 113,500 km<sup>2</sup> multi-client regional SeaSeep project in the North West Africa Atlantic Margin
- **Jaan 3D:** 28,300 km<sup>2</sup> multi-client 3D project in the southern portion of the MSGBC Basin in partnership with PGS and GeoPartners
  - 11,135 km<sup>2</sup> new acquisition, complemented by reprocessing and full pre-stack merging of existing multi-client 3D

## NW Africa Market

- Increased E&P company interest driven by exploration success
- Still some uncertainty on timing of license rounds



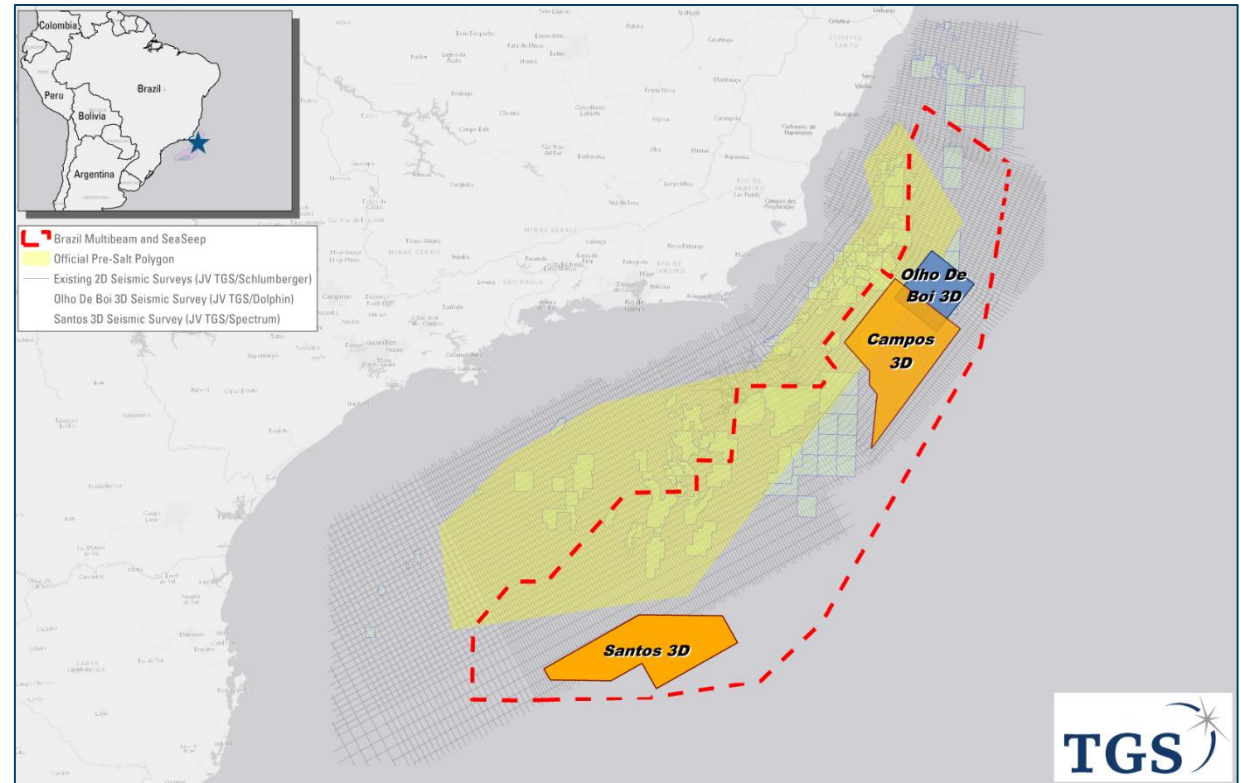
# Q1 Activity – Brazil

## Q1 Activity

- **Brazil Southern Basins SeaSeep:** 200,000 km<sup>2</sup> multibeam and coring project in Campos and Santos basins
- **Santos Basin 3D:** 15,000 km<sup>2</sup> multi-client 3D in the southern Santos Basin, in collaboration with Spectrum
- **Campos Basin 3D (new project announced in Q1):** 11,200 km<sup>2</sup> multi-client 3D in the Campos Basin in Brazil

## Brazil Market

- License round transparency - calendar out to 2021
- Seismic permitting process becoming more streamlined
  - Regulative process facilitates for collaboration and partnerships
- Supermajor focus area leading to competitive bidding



# Q1 Activity – North America Land

## Q1 Activity

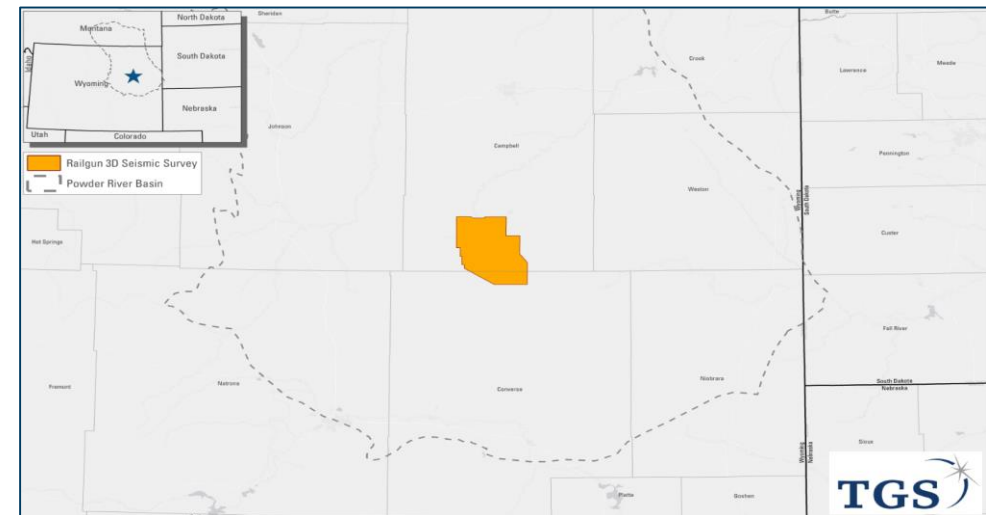
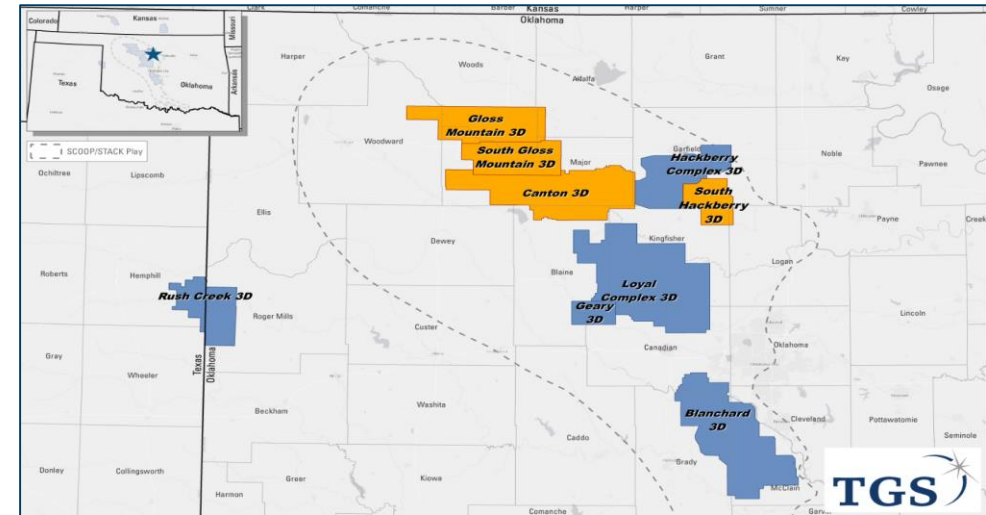
- **Gloss Mountain (SCOOP/STACK):** 1,500 km<sup>2</sup> high-resolution 3D multi-client project in the Anadarko Basin
- **Canton 3D (SCOOP/STACK):** 1,400 km<sup>2</sup> high-resolution 3D multi-client project in the Anadarko Basin

## New Projects Announced

- **Railgun 3D:** 680 km<sup>2</sup> high-resolution 3D multi-client project in the Powder River Basin
- **South Hackberry 3D:** 350 km<sup>2</sup> 3D multi-client project in the Anadarko Basin, which when merged with TGS' Hackberry Complex 3D will encompass ~1,060 km<sup>2</sup>

## Onshore Market

- Geological complexity in some plays - maximizing productivity from horizontals to minimize break even cost
- Acreage turnover and farm-ins
- Industry pressure to identify new geographic areas for growth



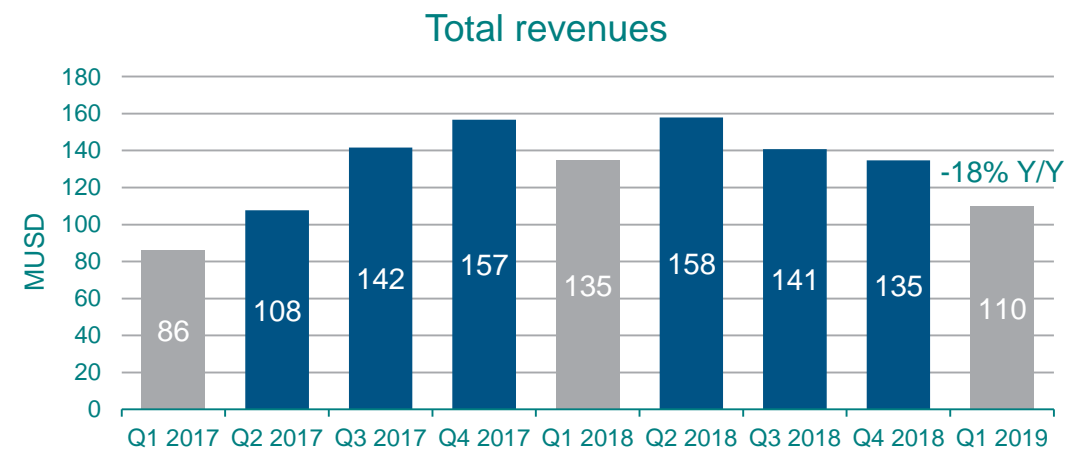
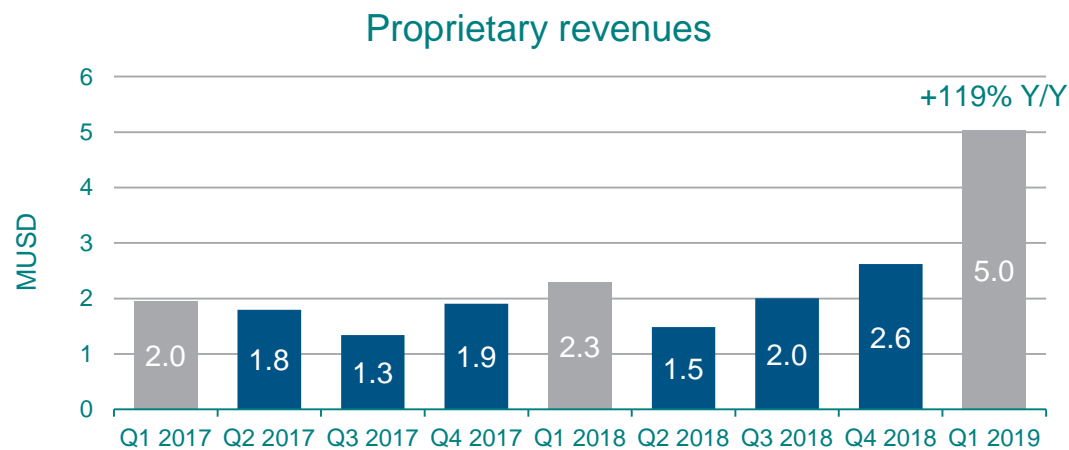
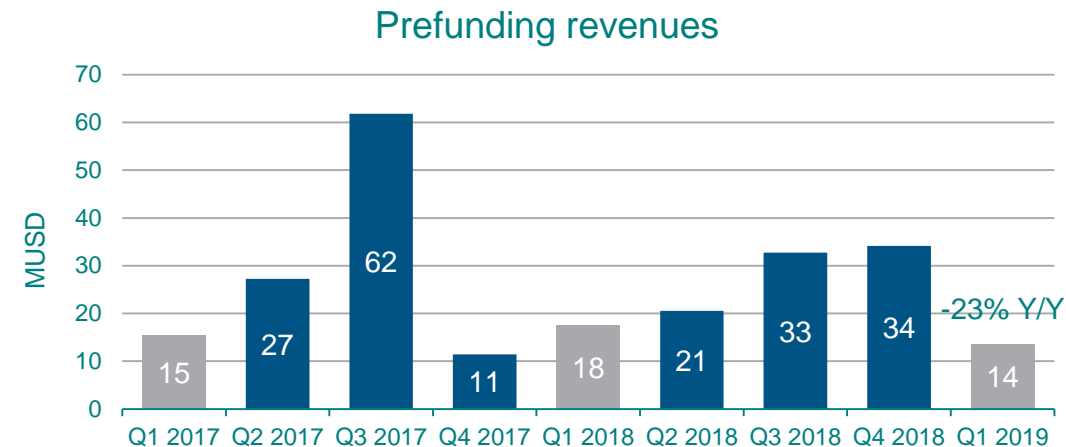
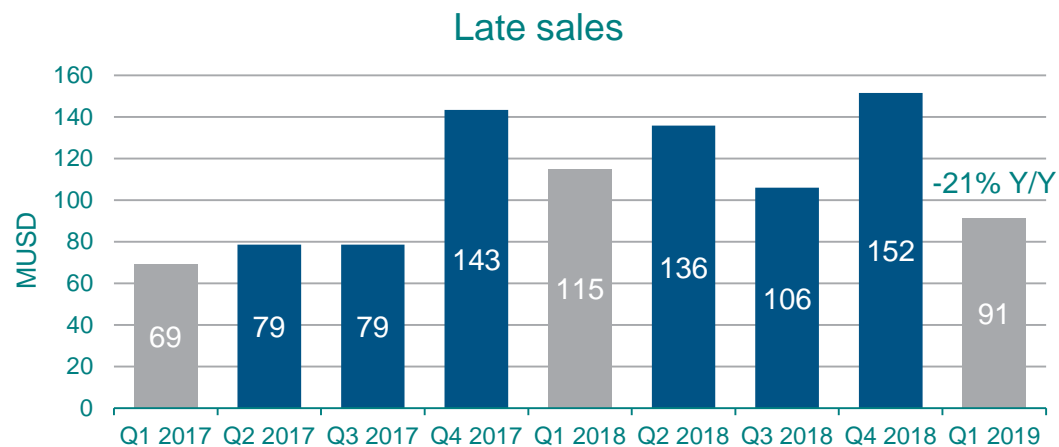




# Financials

# Net Revenues

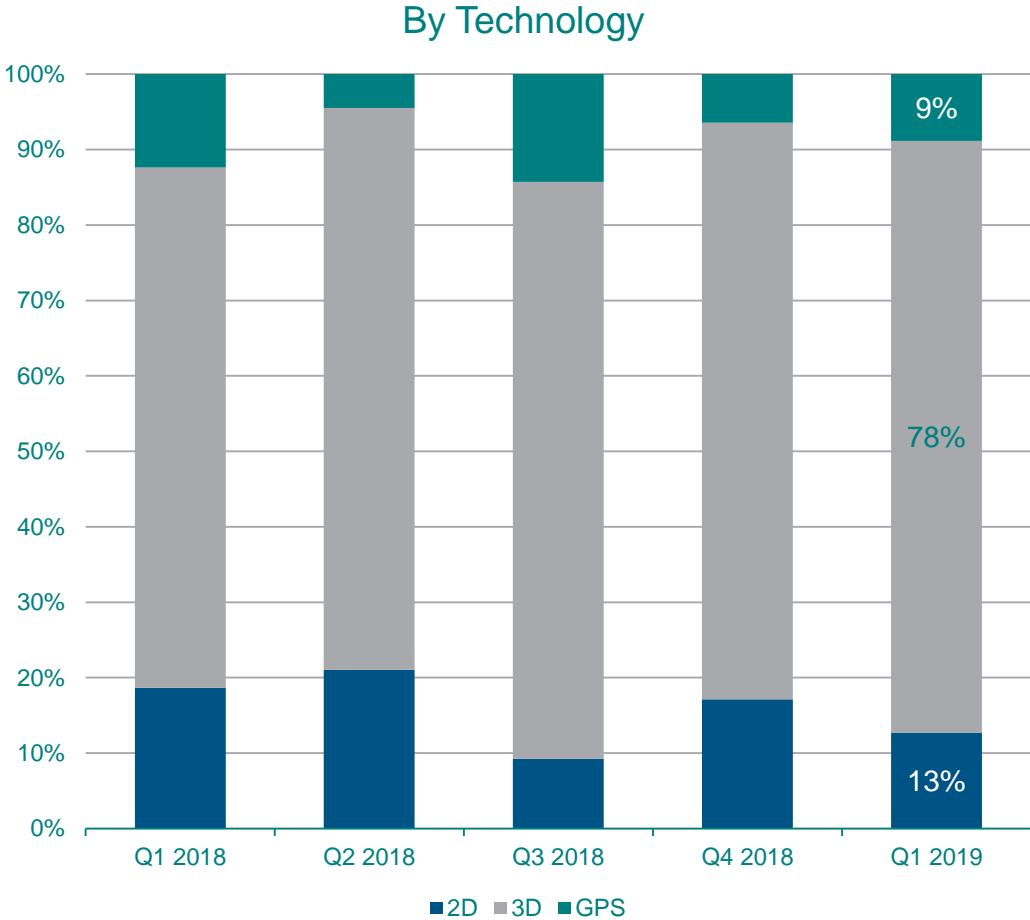
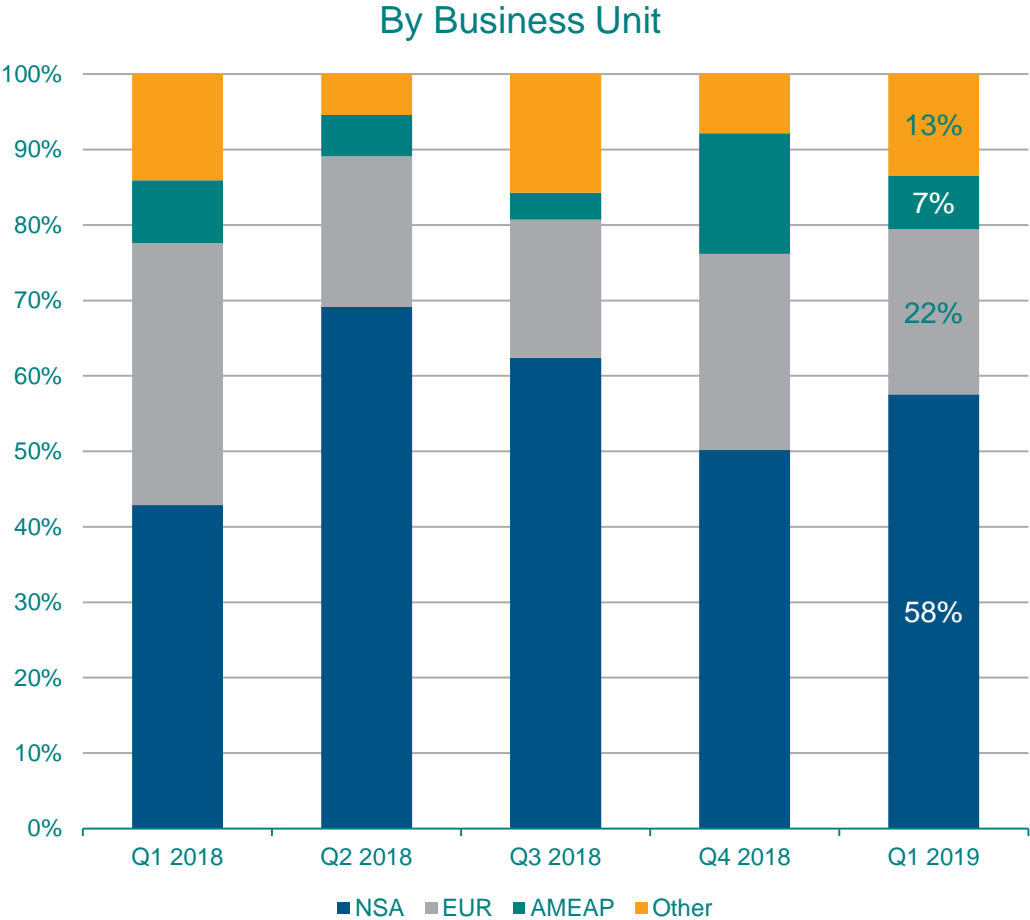
## Segment Reporting<sup>1</sup>



1. In segment reporting revenues related to projects in progress that have not yet been delivered to the customer(s) are recognized based on percentage of completion of the relevant projects, as opposed to the IFRS accounts, where revenue recognition is postponed until completion of the data.

# Net Revenues Breakdown

## Segment Reporting

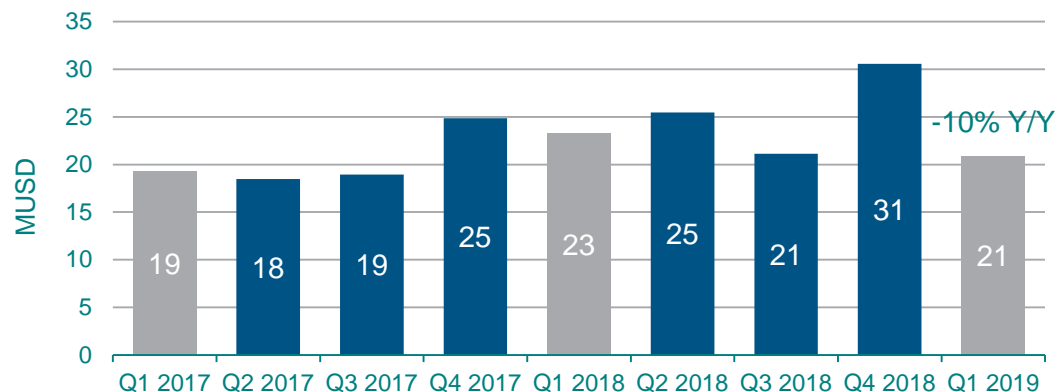




# Operating Expenses, EBIT, Free Cash Flow

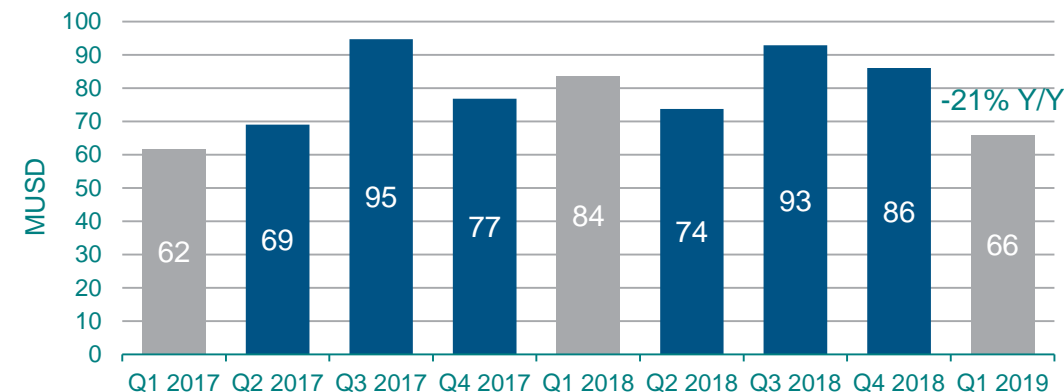
## Segment Reporting

Operating costs<sup>1</sup>

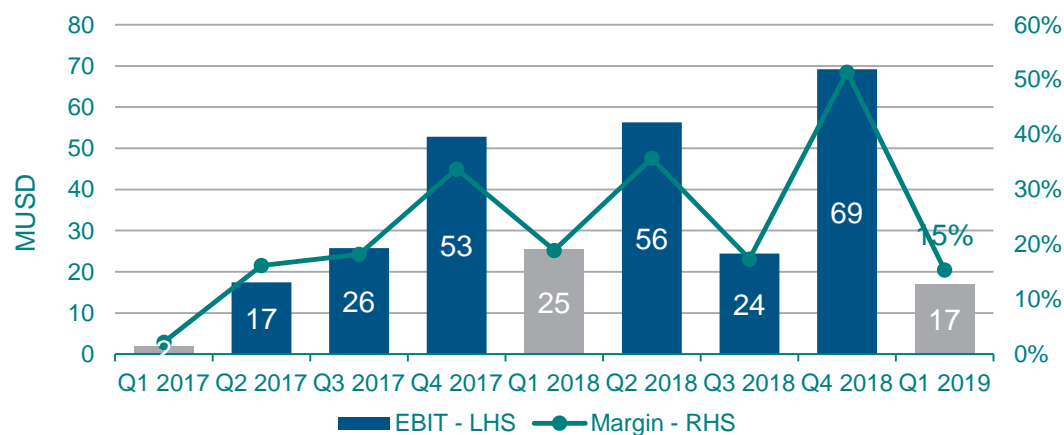


1. Personnel costs and other operating expenses excluding restructuring charges and larger impairments of operating items

Amortization and impairments

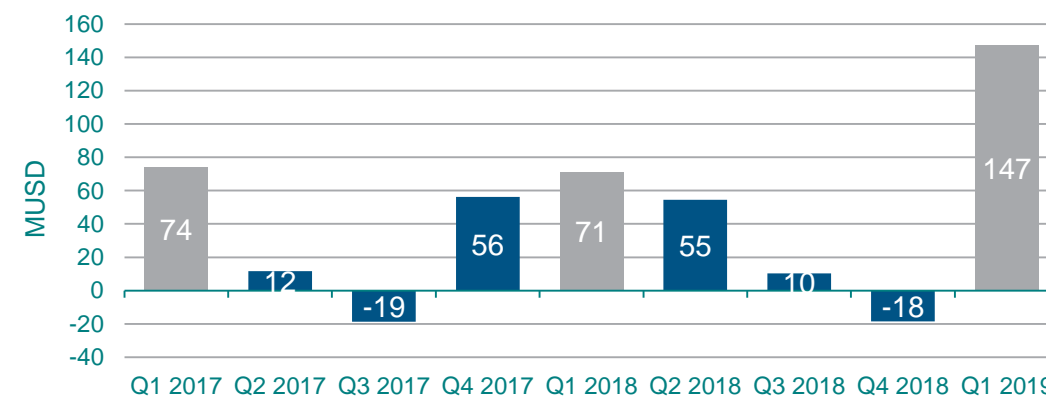


EBIT<sup>2</sup>



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

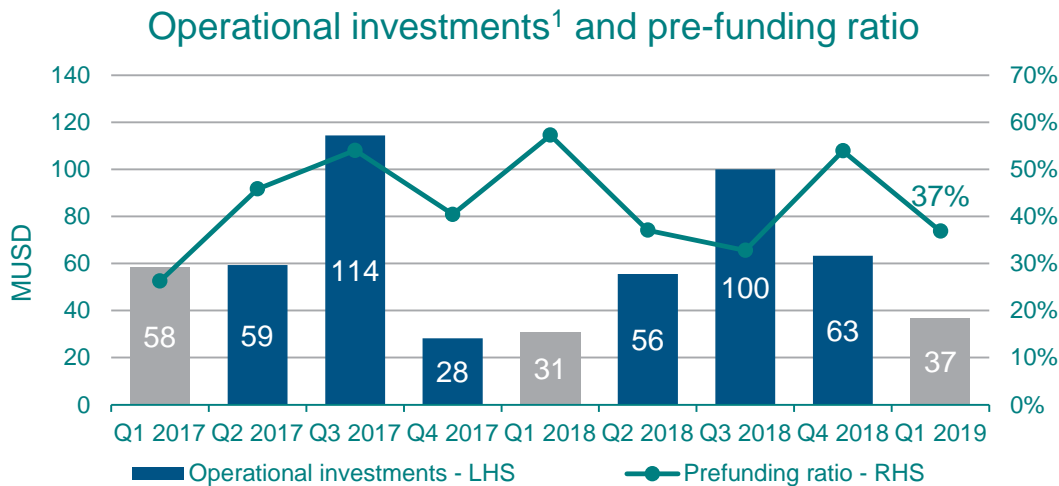
Free Cash Flow<sup>3</sup>



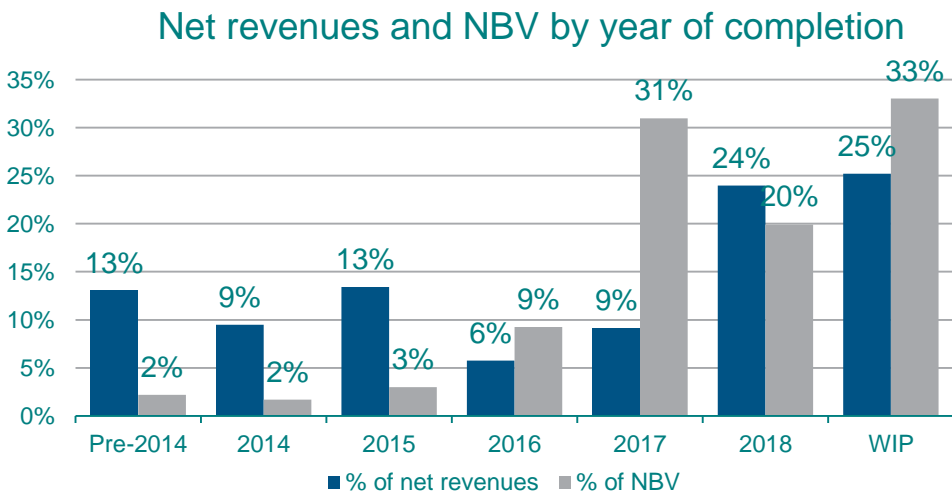
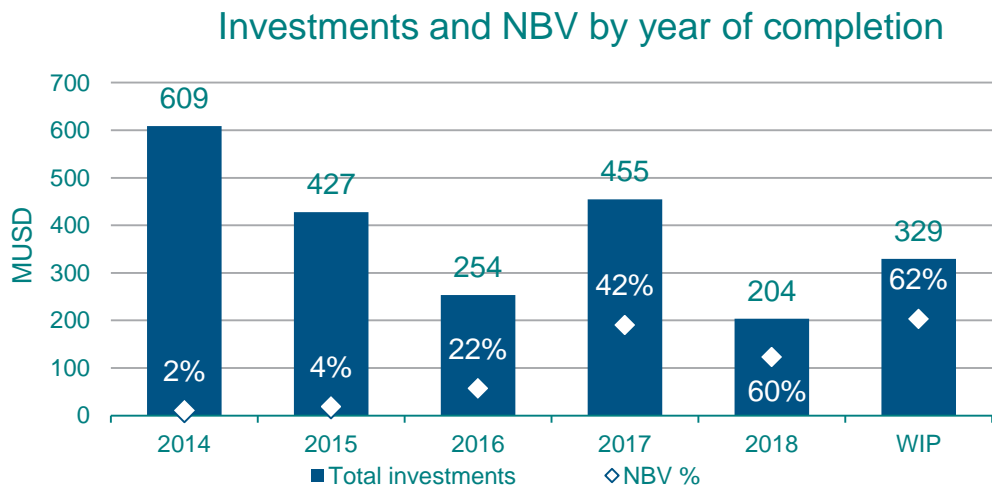
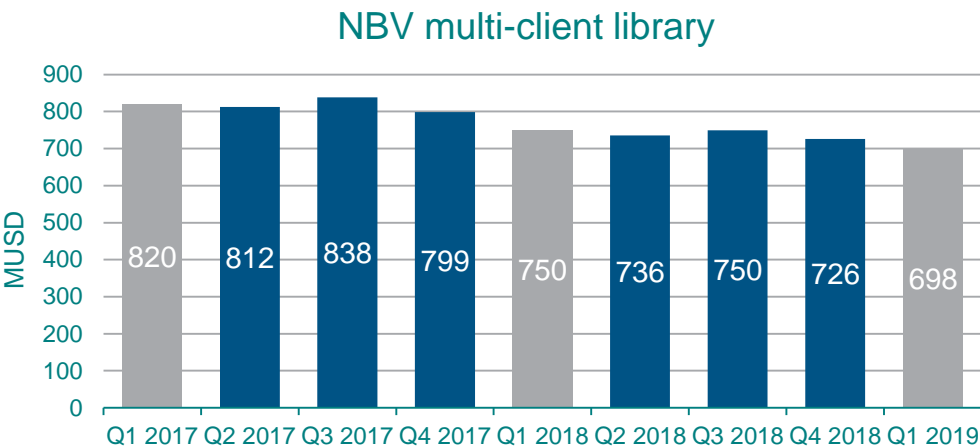
3. Cash flow from operations minus operational investments in multi-client projects

# Multi-client Library

## Segment Reporting



1. Organic multi-client investments excl. risk-share investments



# Income Statement

## Segment Reporting

(MUSD)		Q1 2019	Q1 2018	Change
<b>Net operating revenues</b>		<b>109.9</b>	<b>134.8</b>	<b>-18%</b>
Cost of goods sold		1.1	0.1	811%
Personnel cost		15.1	15.5	-2%
Other operational costs		5.7	8.3	-32%
Cost of stock options		0.0	0.0	-100%
<b>EBITDA</b>	<b>80%</b>	<b>87.9</b>	<b>110.8</b>	<b>-21%</b>
Amortization of multi-client library		65.9	83.6	-21%
Depreciation		5.1	2.3	128%
<b>Operating result</b>	<b>15%</b>	<b>16.9</b>	<b>24.9</b>	<b>-32%</b>
Net financial items		6.0	-0.2	n/a
<b>Result before taxes</b>	<b>21%</b>	<b>22.9</b>	<b>24.7</b>	<b>-7%</b>
Tax cost	22%	5.1	11.5	-55%
<b>Net income</b>	<b>16%</b>	<b>17.7</b>	<b>13.2</b>	<b>35%</b>
EPS (USD)		0.17	0.13	34%
EPS fully diluted (USD)		0.17	0.13	34%



# Cash Flow Statement

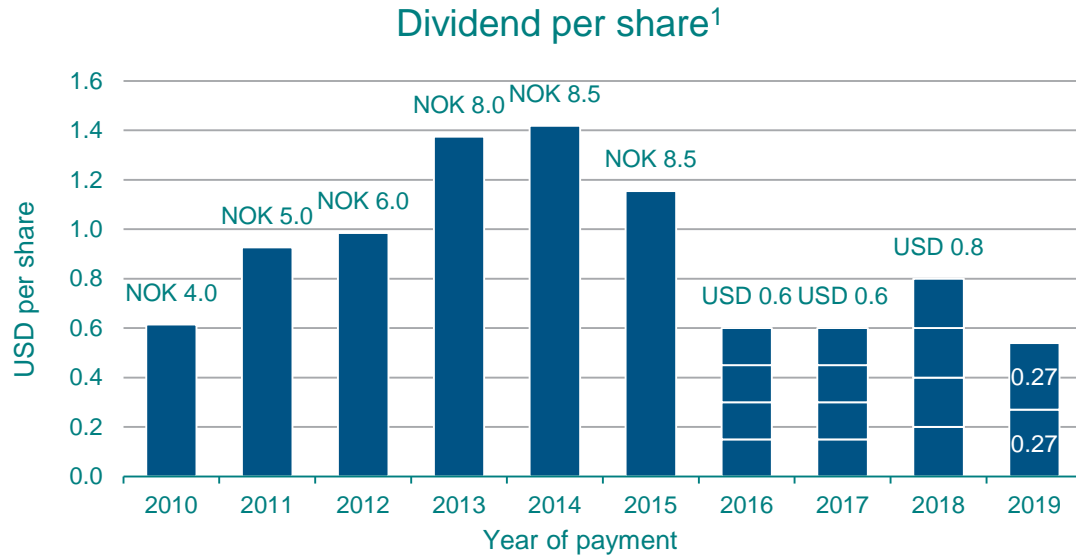
(MUSD)	Q1 2019	Q1 2018	Change
Received payments	251.5	138.2	82%
Payments for operational expenses	-38.8	-35.2	10%
Paid taxes	-4.1	-0.2	1572%
<b>Net cash flow from operating activities</b>	<b>208.6</b>	<b>102.7</b>	<b>103%</b>
Investment in tangible fixed assets	-6.9	-2.7	151%
Investments in multi-client library	-61.3	-31.9	92%
Investments through mergers and acquisitions	0.0	0.0	n/a
Interest income	2.6	0.6	353%
<b>Net Cash Flow from investing activities</b>	<b>-65.5</b>	<b>-34.0</b>	<b>93%</b>
Net change in loans	0.0	0.0	n/a
Interest expense	-0.6	0.0	1256%
Payment of dividends	-27.5	-18.5	49%
Paid in equity	0.0	1.7	-100%
<b>Net cash flow from financing activities</b>	<b>-28.1</b>	<b>-16.8</b>	<b>67%</b>
Net unrealized currency gains/(losses)	1.4	-0.2	n/a
<b>Net change in cash and cash equivalents</b>	<b>116.4</b>	<b>51.8</b>	<b>125%</b>

# Balance Sheet

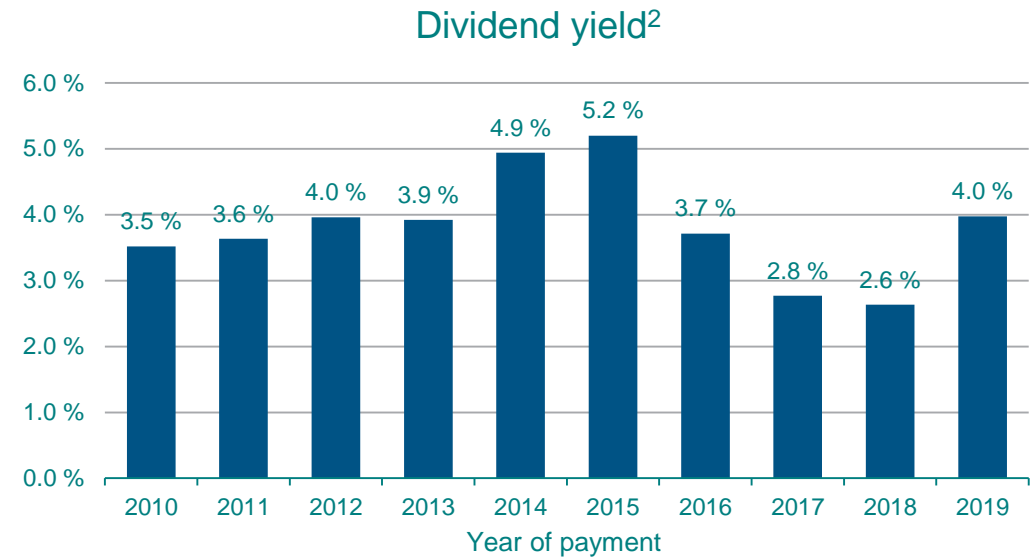
## Segment Reporting

(MUSD)	Q1 2019	Q1 2018	Change	Q4 2017
Goodwill	67.9	67.9	0%	31.5
Multi-client library	698.1	749.7	-7%	593.1
Deferred tax asset	0.7	3.9	-81%	14.5
Other non-current assets	66.3	29.1	128%	-633.8
<b>Total non-current assets</b>	<b>833.0</b>	<b>850.6</b>	<b>-2%</b>	<b>5.2</b>
Cash and cash equivalents	390.0	301.7	29%	4.4
Other current assets	235.8	253.9	-7%	-4.4
<b>Total current assets</b>	<b>625.8</b>	<b>555.6</b>	<b>13%</b>	<b>0.0</b>
<b>TOTAL ASSETS</b>	<b>1,458.7</b>	<b>1,406.2</b>	<b>4%</b>	<b>5.2</b>
<b>Total equity</b>	<b>1,255.7</b>	<b>1,195.7</b>	<b>5%</b>	<b>1,054.3</b>
Deferred taxes	31.6	21.1	50%	2.8
Non-current liabilities	24.2	5.0	385%	-2.8
<b>Total non-current liabilities</b>	<b>55.8</b>	<b>26.1</b>	<b>114%</b>	<b>0.0</b>
Taxes payable, withheld payroll tax, social security	21.3	44.4	-52%	0.0
Other current liabilities	126.0	140.0	-10%	68.4
<b>Total current liabilities</b>	<b>147.3</b>	<b>184.5</b>	<b>-20%</b>	<b>68.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,458.7</b>	<b>1,406.2</b>	<b>4%</b>	<b>1,122.6</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 0.27 per share to be paid in Q1 2019
  - Ex-date 16 May 2019
  - Payment date 31 May 2019
- 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

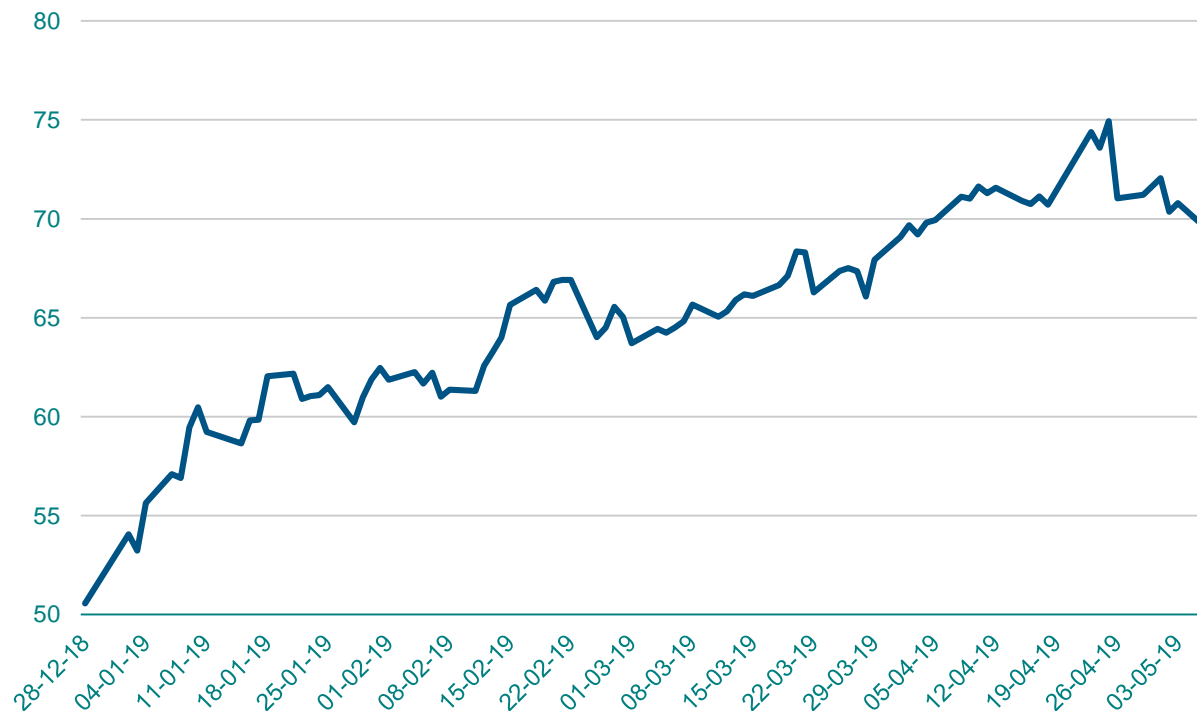




# Outlook

# Market outlook improving

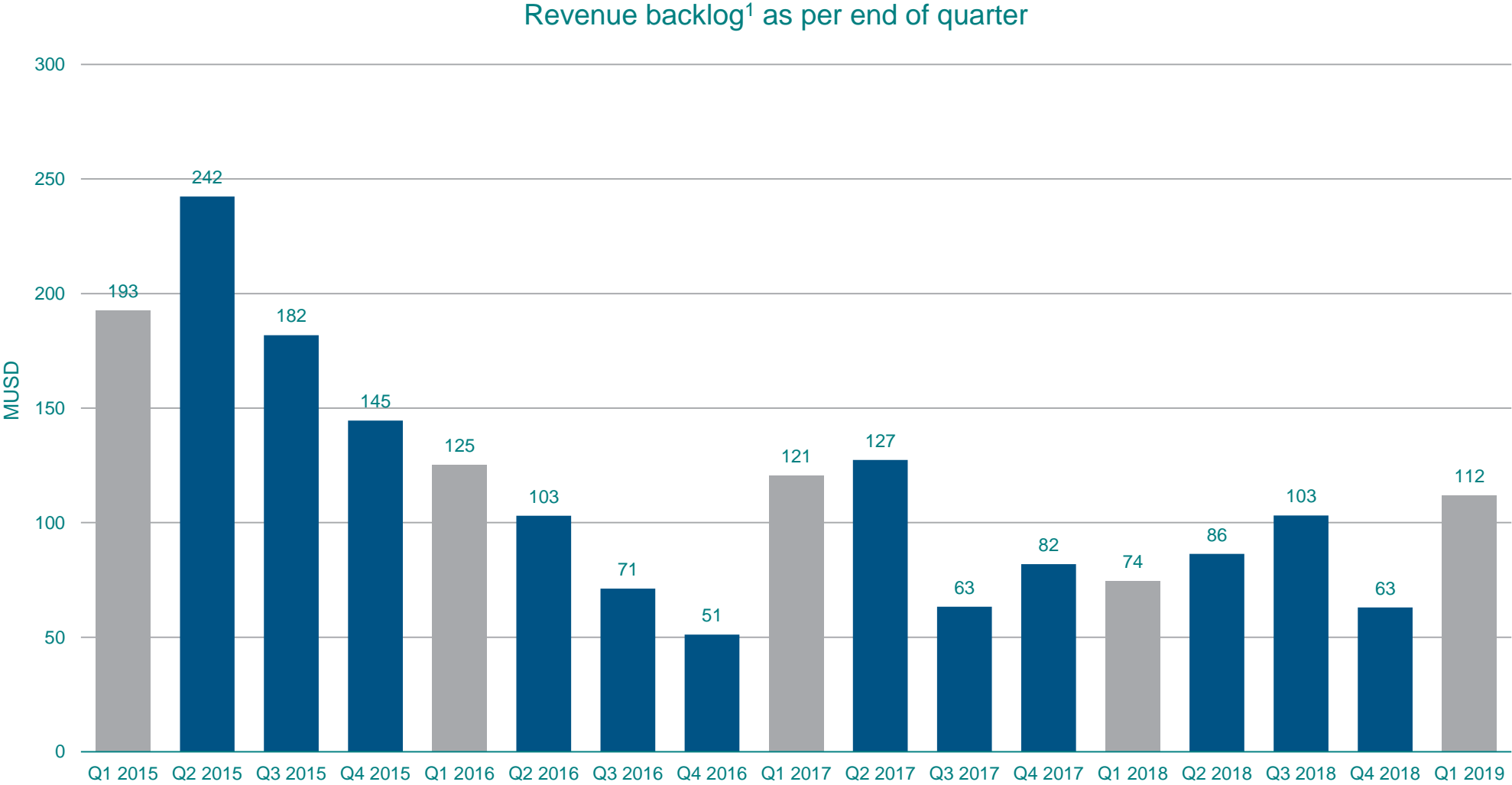
Recent oil price development  
Brent USD/bbl



- Positive YTD momentum in oil price
- Current price significantly above planning price
- Exploration spending expected to increase as deepwater activity picks up
- Reserve replacement ratios continue to be low causing reserves to decline

Source: Bloomberg

# Backlog

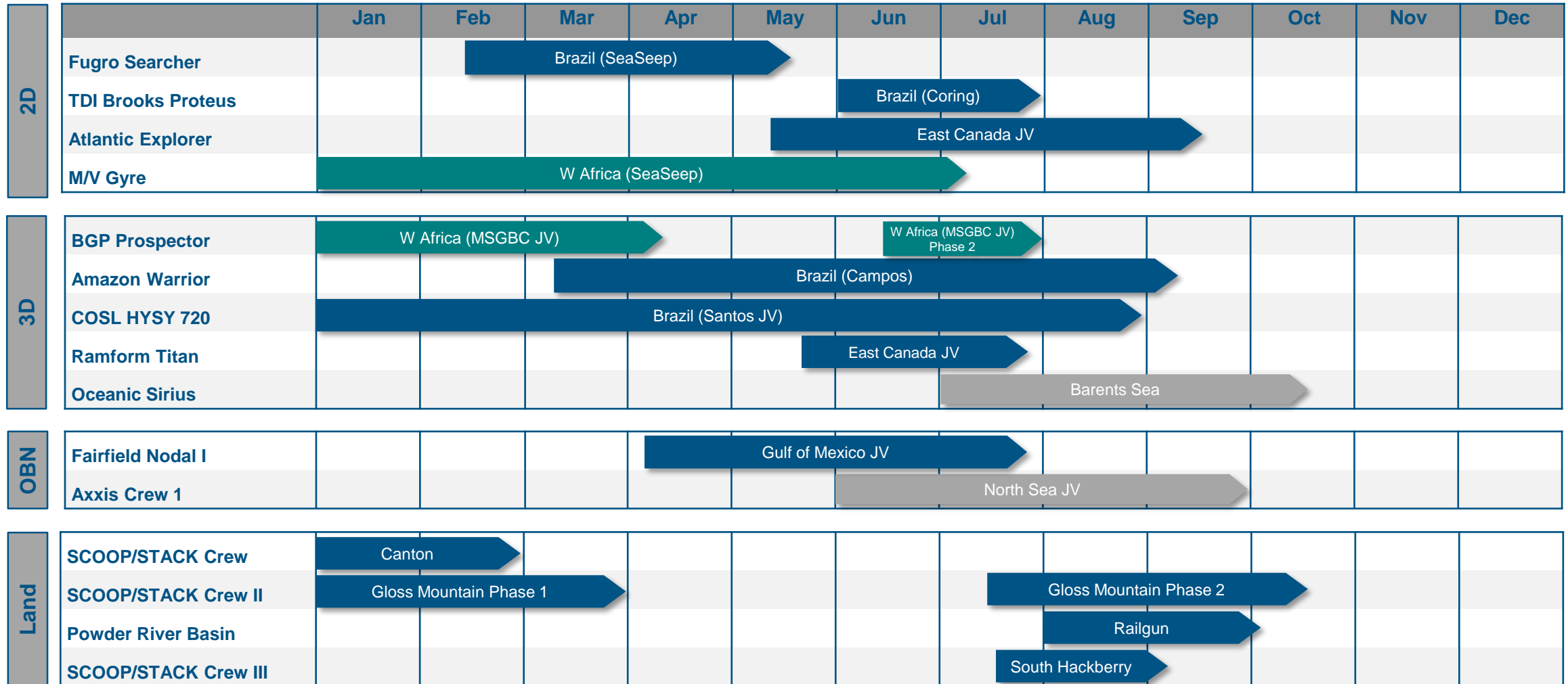


1. Sales committed by customers but not yet recognized in the Segment Reporting accounts



# ~USD 240 million of committed investments

 NSA
  EUR
  AMEAP



\*Acquisition schedule excludes processing projects and GPS investments



# **Spectrum transaction**

# Acquiring Spectrum to cement the position as a leading provider of multi-client seismic data

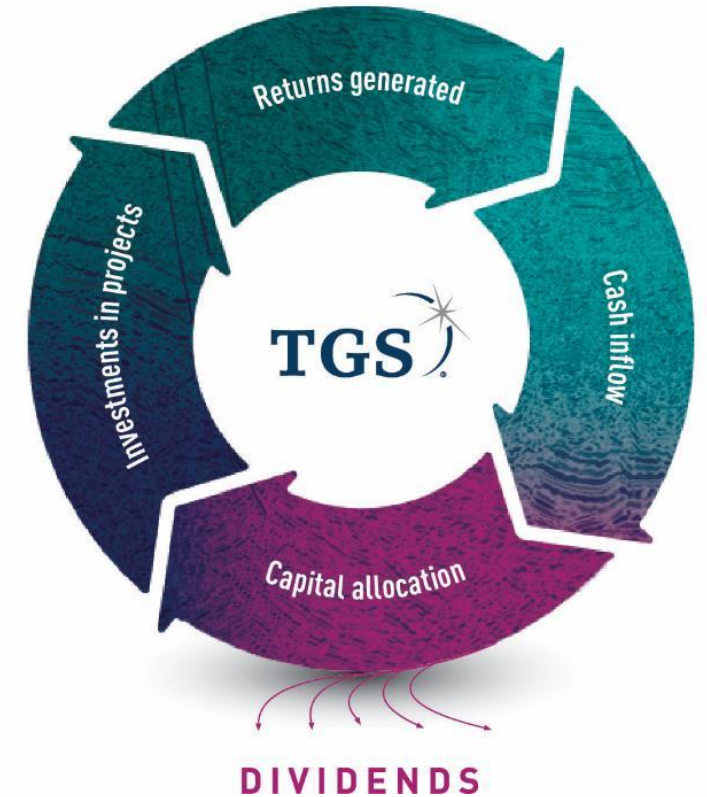
- Board of Directors of TGS and Spectrum have agreed to principle terms of an acquisition of Spectrum by TGS
- Transaction to be structured as a statutory merger between the companies
- TGS will be the surviving entity
- Pre-commitments from shareholders representing 34.1% of Spectrum
- The transaction is subject to definitive merger documentation, shareholder approval at EGM and other regulatory processes, with expected closing in Q3





# Strategic drivers

- Leading multi-client geophysical data in all major mature and frontier basins globally
- Spectrum owns the world's largest 2D library, which combined with TGS's financial robustness facilitate for acceleration of 3D investment plans
- Increasing MC footprint in South America with Brazil and Argentina being key areas for growth
- Scale is key to accelerate TGS' data and analytics strategy
- Significant cost synergies
- Accretive on earnings





# Transaction highlights

## Price

- Exchange ratio of 0.28x and cash component implies a transaction share price of Spectrum of NOK 62.4<sup>1</sup> per share
- Transaction market cap fully diluted of NOK 3,698 million
- Premium currently at 11%<sup>1</sup> compared to last close of Spectrum prior to announcement of the deal (Last 6 months VWAP 34%<sup>1</sup>) (Last 12 months VWAP 18%<sup>1</sup>)

## Financing

- Issuance of 16.6 million TGS shares, representing 13.9% ownership post transaction
- Additional cash consideration of USD 0.27 multiplied by the exchange ratio to be paid to Spectrum shareholders subject to the transaction closing after the ex-date for the TGS quarterly dividend payment in Q3 2019 (expected to be early August)

## Timing

- Announcement 2 May 2019
- Merger plan to be concluded and published during May
- Shareholder approvals (2/3 majority required to vote in favor of the transaction) from EGMs expected during June
- Closing in Q3 subject to regulatory approvals

1. Based on TGS reference share price of NOK 220.4 as of close 8 May 2019 and USD/NOK 8.77 as of CEST 16:00 8 May 2019  
Source: Norges Bank

# Delivering on the strategy

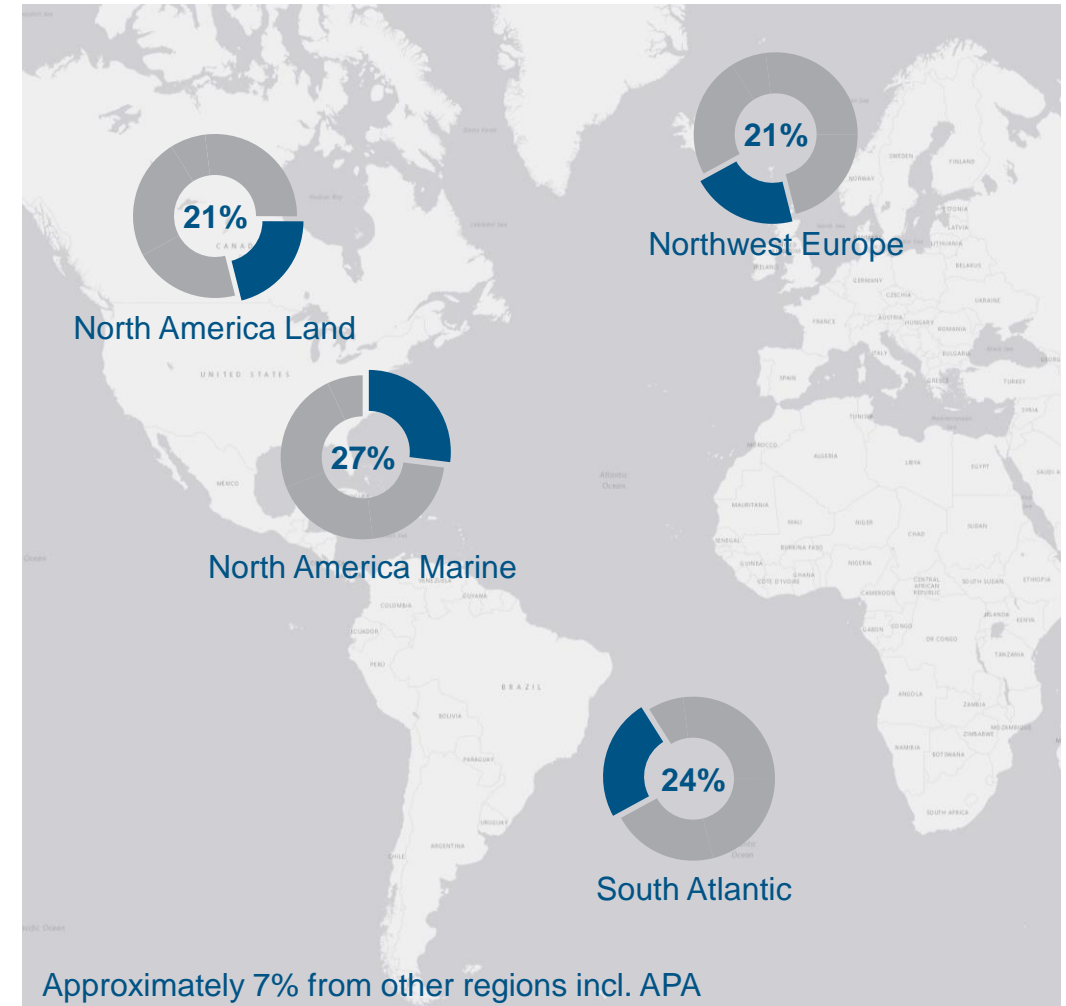
Spectrum transaction fits well with strategic plan presented in CMD on 7 February 2019



# Transaction establishes fourth main revenue generating hub

- Transaction fits with strategic ambition of growing exposure towards South Atlantic
- South Atlantic will be another main revenue generating hub for TGS
  - Alongside North America Land, North America Marine and Northwest Europe
- 20-25% of investments to be allocated to each of these hubs in the long run

Distribution of pro-forma 2018 Net Revenues



*Northwest Europe includes TGS EUR and SPU Northwest Europe units*

*North America Land includes TGS Land and GPS*

*North America Marine includes TGS NA and SPU NA*

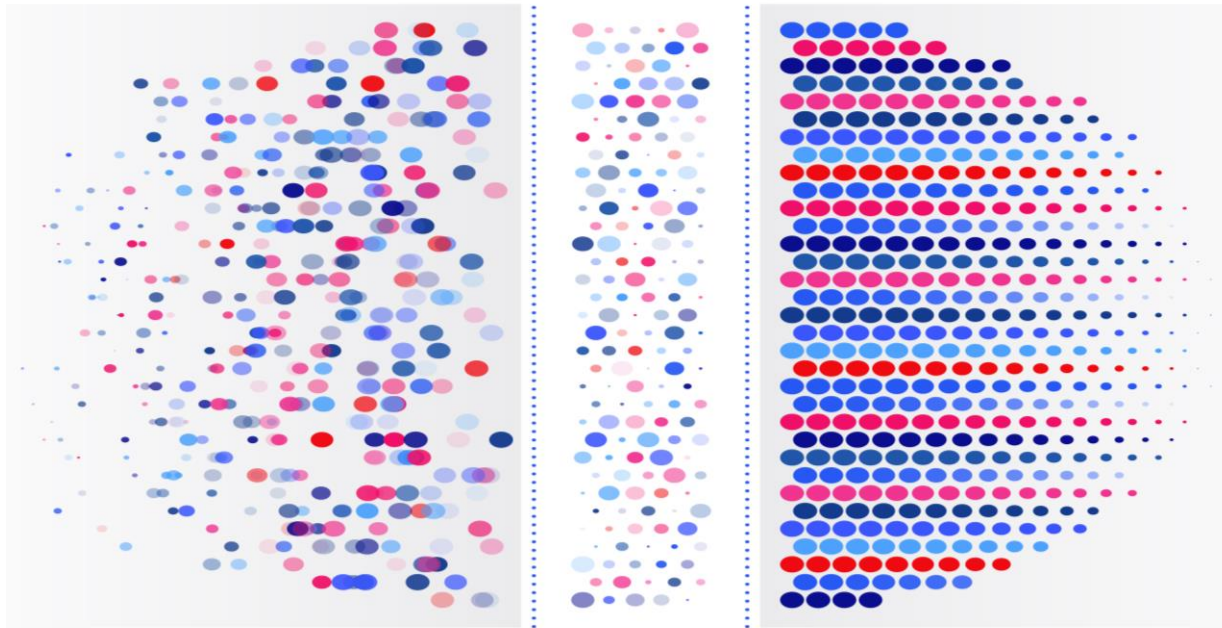
*South Atlantic includes TGS Latin America and AME and SPU South America and AME*

# Transaction accelerates ongoing Data & Analytics initiatives

BIG DATA ▶

ANALYTICS ▶

SOLUTION



- Progression within machine learning and artificial intelligence (AI) has made data the world's most valuable resource

*"One of the things we see at Google Cloud is that it's not the Company with the best algorithm that's going to win – it's the Company with the most data"*

*Darryl Willis, Google Cloud, VP oil, gas, and energy sector*

*"And just to give you a sense of the scale: What we can now do in 1 day used to take 7 years to do. That's the processing of all this information "*

*Doug Suttles, Encana, President and CEO*

- Business success defined by ability to collect, refine and use data
- Exponential growth in data volumes



# Substantial synergies and scale

## Cost synergies

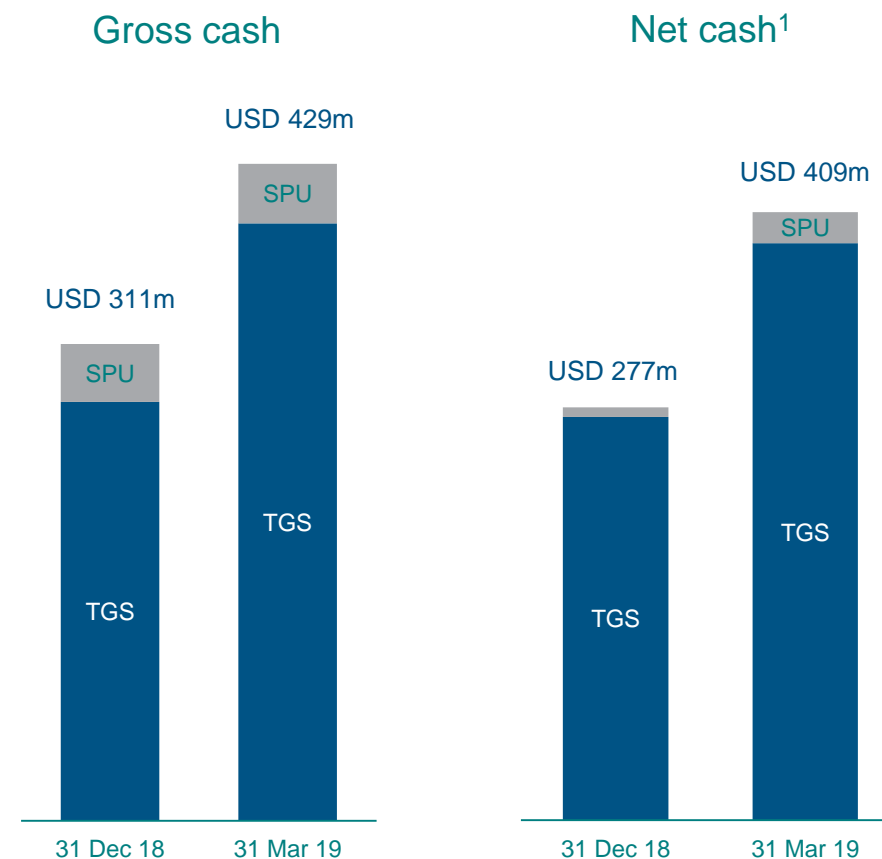
- Preliminary estimates of annual cash cost synergies of approximately USD 20 million (Opex and Capex)
- Processing software and hardware consolidation
- Consolidation of offices in key hubs
- Overlapping functions mainly in imaging and admin/support staff

## Scale advantages

- Strengthening of rapidly growing South Atlantic hub to create an ideal geographical portfolio
- True exploration partner for global E&P's with comprehensive database in all key markets
- World's largest 2D library
- Broader exposure to a more diversified client base in all regions
- Scale to capitalize on data & analytics trends

# Robust balance sheet provides platform for further growth

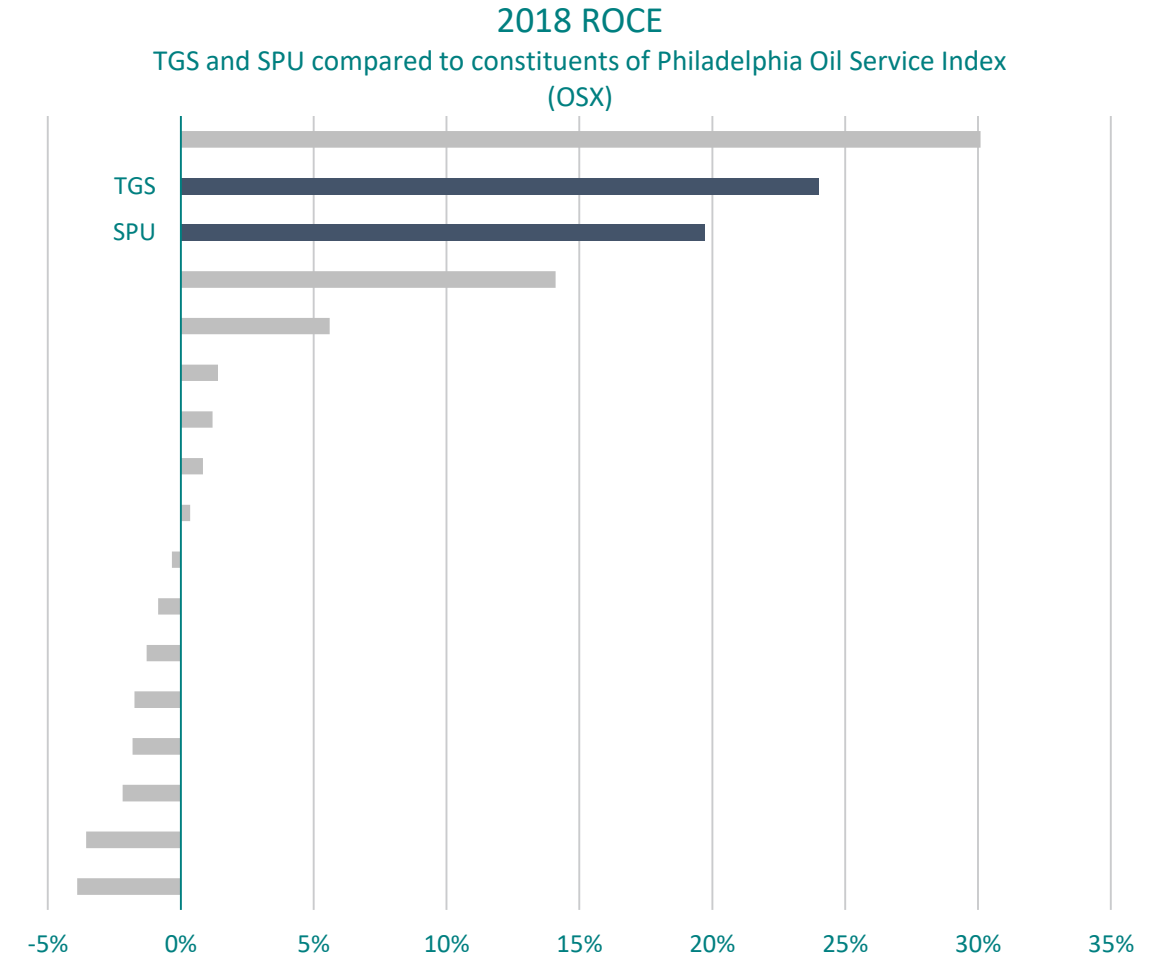
- TGS' solid balance sheet will be an enabler for the next steps in developing Spectrum's frontier portfolio
- The strong cash flow and robust balance sheet allows for continued investment growth, as well as increased shareholder distribution in the longer run



1. Cash less interest bearing debt

# Combination supports continued financial outperformance

- Combination of two profitable entities combined with significant synergies, will enable continued industry leading shareholder returns
- Strong cash position and track record of industry leading returns
- TGS remains committed to maintain existing dividend policy



Source: Bloomberg; TGS

# Summary

- Continuing to deliver strong cash flow
  - Free cash flow of 147 MUSD in Q1 2019
  - Cash position of 390 MUSD at end of quarter
- Solid order inflow in Q1 2019 – well on track for meeting 2019 guidance
  - Growth of approximately 20% in multi-client investments
  - Pre-funding rate of 40-45%
  - Amortization to be at approximately the same level as 2018
- Market outlook improving with increasing oil price
- Entered into agreement to acquire Spectrum
  - Establishing South Atlantic as the forth main revenue generating hub within TGS
  - Adding data volumes to accelerate data analytics strategy
  - Enhancing leading position in the global multi-client market



Thank you



# Income Statement

IFRS Reporting

(MUSD)		Q1 2019	Q1 2018	Change
<b>Net operating revenues</b>		<b>99.8</b>	<b>99.1</b>	<b>1%</b>
Cost of goods sold		1.1	0.1	811%
Personnel cost		15.1	15.5	-2%
Other operational costs		5.7	8.3	-32%
Cost of stock options		0.0	0.0	-100%
<b>EBITDA</b>	<b>78%</b>	<b>77.9</b>	<b>75.1</b>	<b>4%</b>
Amortization of multi-client library		73.2	64.2	14%
Depreciation		5.1	2.3	128%
<b>Operating result</b>	<b>0%</b>	<b>-0.5</b>	<b>8.6</b>	<b>-106%</b>
Net financial items		6.0	-0.2	n/a
<b>Result before taxes</b>	<b>6%</b>	<b>5.5</b>	<b>8.4</b>	<b>-34%</b>
Tax cost	1%	1.3	11.6	-89%
<b>Net income</b>	<b>4%</b>	<b>4.2</b>	<b>-3.2</b>	<b>n/a</b>
EPS (USD)		0.04	-0.04	n/a
EPS fully diluted (USD)		0.04	-0.04	n/a

# Balance Sheet

## IFRS Reporting

(MUSD)	Q1 2019	Q1 2018	Change
Goodwill	67.9	67.9	0%
Multi-client library	835.1	847.9	-2%
Deferred tax asset	1.2	3.9	-70%
Other non-current assets	66.3	29.1	128%
<b>Total non-current assets</b>	<b>970.5</b>	<b>948.8</b>	<b>2%</b>
Cash and cash equivalents	390.0	301.7	29%
Other current assets	235.8	255.8	-8%
<b>Total current assets</b>	<b>625.8</b>	<b>557.5</b>	<b>12%</b>
<b>TOTAL ASSETS</b>	<b>1,596.2</b>	<b>1,506.3</b>	<b>6%</b>
<b>Total equity</b>	<b>1,228.4</b>	<b>1,124.4</b>	<b>9%</b>
Deferred taxes	29.8	9.7	208%
Non-current liabilities	24.2	5.0	385%
<b>Total non-current liabilities</b>	<b>54.0</b>	<b>14.7</b>	<b>268%</b>
Taxes payable, withheld payroll tax, social security	21.3	42.5	-50%
Other current liabilities	292.5	324.7	-10%
<b>Total current liabilities</b>	<b>313.8</b>	<b>367.2</b>	<b>-15%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,596.2</b>	<b>1,506.3</b>	<b>6%</b>

# Reconciliation

## Segment Reporting versus IFRS Reporting

Q1 2019 Income Statement (MUSD)	Segment Reporting	Diff.	IFRS Reporting
<b>Net revenues</b>	<b>109.9</b>	<b>-10.0</b>	<b>99.8</b>
Amortization and impairment of multi-client library	65.9	7.3	73.2
<b>Total operating expenses</b>	<b>93.0</b>	<b>7.3</b>	<b>100.3</b>
Tax cost	1.3	0.0	1.3
<b>Net income</b>	<b>21.5</b>	<b>-17.3</b>	<b>4.2</b>

Q1 2019 Balance sheet (MUSD)	Segment Reporting	Diff.	IFRS Reporting
Multi-client library	698.1	137.0	835.1
<b>Total non-current assets</b>	<b>833.0</b>	<b>137.5</b>	<b>970.5</b>
Other equity	1,252.3	-27.5	1,224.8
<b>Total equity</b>	<b>1,259.4</b>	<b>-30.9</b>	<b>1,228.4</b>
<b>Non-current liabilities</b>			
Deferred taxes	27.8	2.0	29.8
<b>Total non-current liabilities</b>	<b>87.4</b>	<b>-28.6</b>	<b>58.7</b>
Accounts payable and debt to partners	51.7	-51.7	0.0
Taxes payable, withheld payroll tax, social security	21.3	0.0	21.3
Other current liabilities	74.5	218.0	292.5
<b>Total current liabilities</b>	<b>147.4</b>	<b>166.4</b>	<b>313.8</b>



Thank you



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