

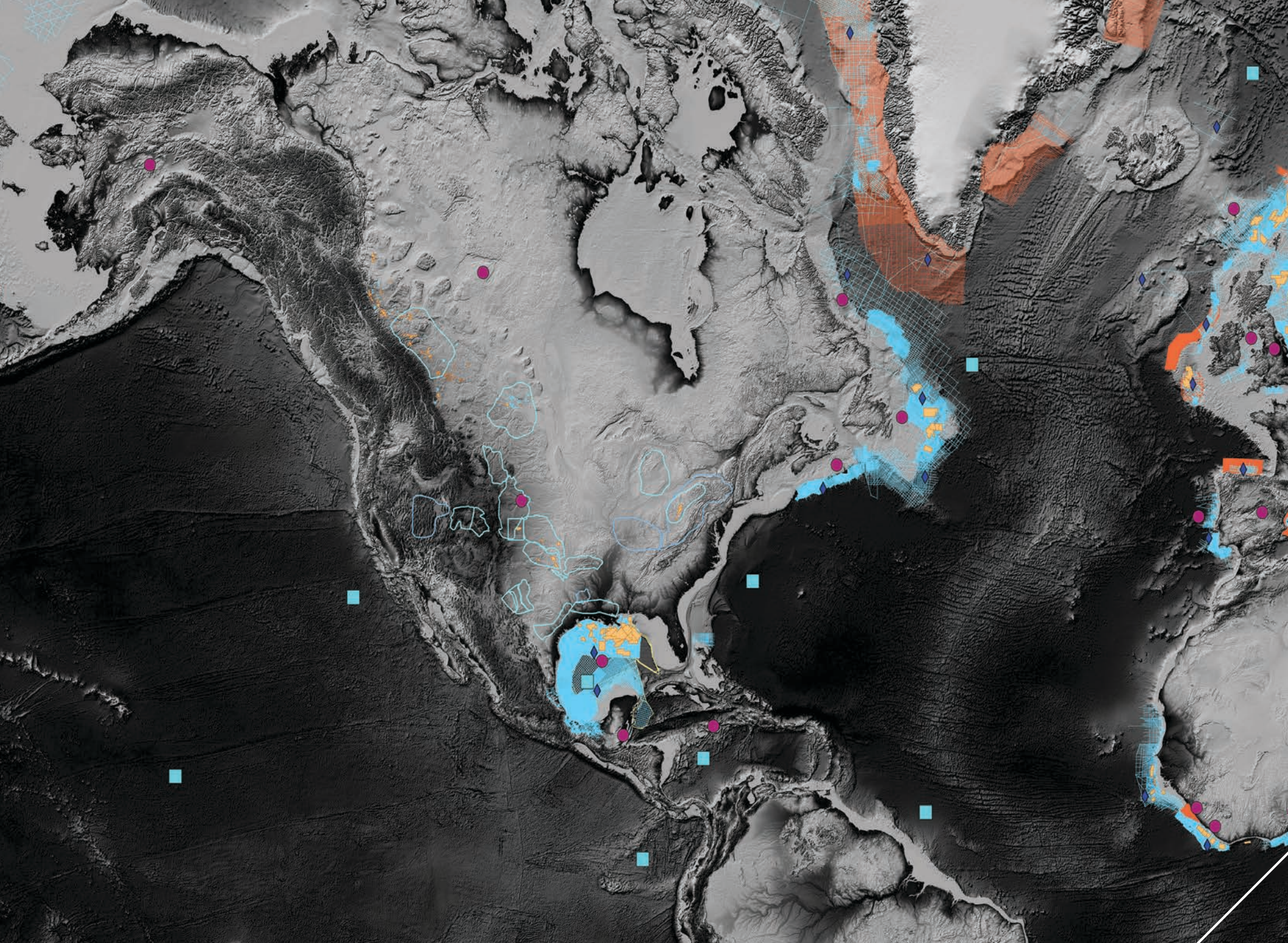
The background of the entire page is a detailed seismic map, likely of the North Atlantic region, showing various geological features like ridges, trenches, and faults in shades of blue and grey. A white diagonal line runs from the bottom left towards the top right, passing behind the year text.

# 2017

ANNUAL REPORT











# OUR MISSION

Energy starts with us.

TGS will be the leading energy information company with the best people, quality and service.

Our unique culture, people and quality library assure that we are the principal resource for global geoscientific data products and services in the oil and gas industry.



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# FINANCIAL HIGHLIGHTS

TGS' flexible, asset light business model and ability to rapidly adjust costs continue to allow us to deliver significant shareholder value even in a difficult market.



# 2017 Financial Highlights

[All amounts in USD 1,000s apart from EPS, ratios and dividend per share]

	2017	2016	2015	2014	2013
 Net operating revenues	<b>492,181</b>	455,991	612,347	914,785	883,444
 EBIT	<b>97,429</b>	53,035	(21,230)	294,516	386,976
 Pre-tax profit	<b>99,636</b>	52,675	(24,505)	288,327	381,460
 Net income	<b>75,594</b>	27,653	(28,347)	216,074	269,106
 EBIT margin	<b>20%</b>	12%	-3%	32%	44%
 Net income margin	<b>15%</b>	6%	-5%	24%	30%
 Return on average capital employed*	<b>10%</b>	5%	-2%	28%	42%
 Earnings per share	<b>0.74</b>	0.28	(0.28)	2.12	2.63
 Earnings per share fully diluted	<b>0.73</b>	0.28	(0.28)	2.09	2.59
 Total assets	<b>1,424,100</b>	1,476,575	1,455,247	1,767,618	1,736,257
 Shareholders' equity	<b>1,200,102</b>	1,169,124	1,198,088	1,339,201	1,292,979
 Equity ratio	<b>84%</b>	79%	82%	76%	74%
 Share buy-back	-	-	4.8	24.0	5.0
 Dividend per share (paid in year)	<b>USD 0.60</b>	USD 0.60	NOK 8.5	NOK 8.5	NOK 8.5

\* Return on average capital employed = EBIT/Average capital employed. Capital employed = Equity + Net interest bearing debt

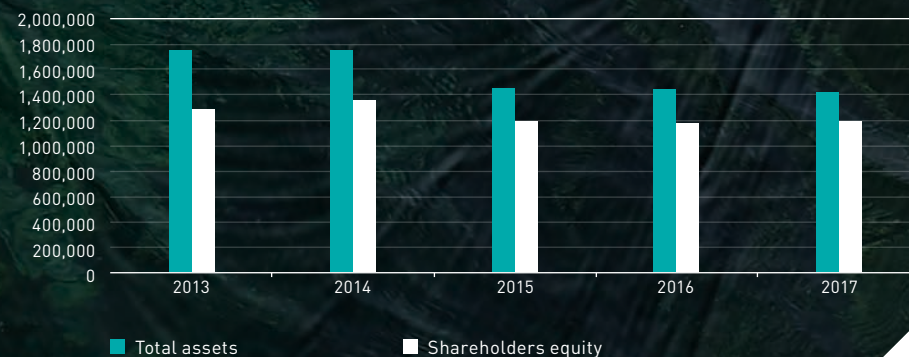
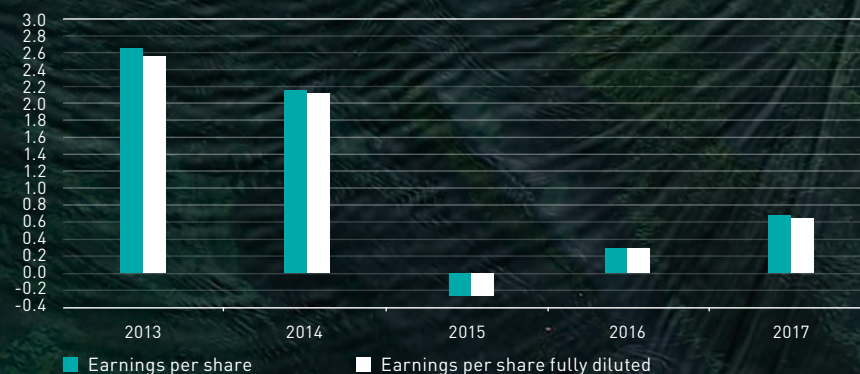
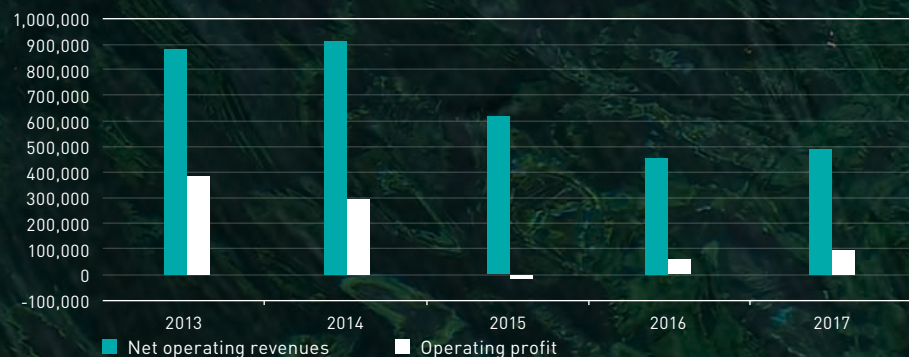
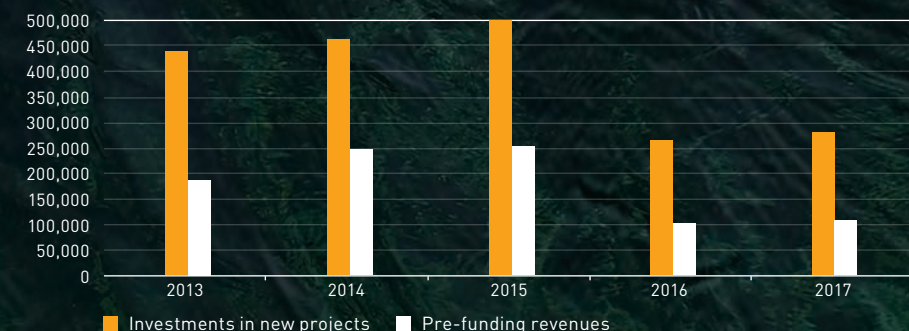
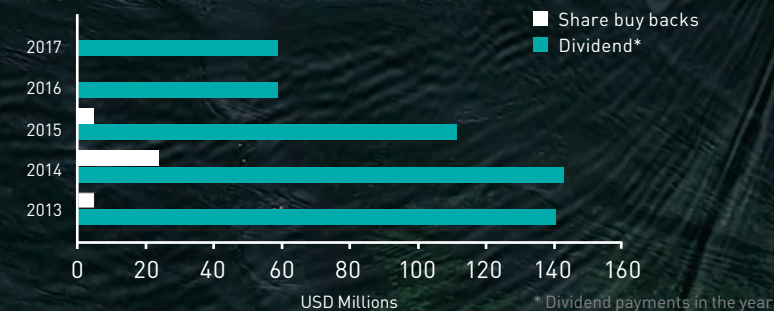


## Multi-client Library

	2017	2016	2015	2014	2013
Multi-client data purchased from third parties	9,522	166	26,407	-	-
Investments in new projects	279,440	271,010	501,653	462,318	438,869
Ending net book value	799,015	812,399	838,916	818,132	758,093
Prefunding % on operational investments*	44%	48%	52%	53%	42%

\*Defined in the Alternative Performance Measures section in Annual Report

## Cash Distribution to Shareholders







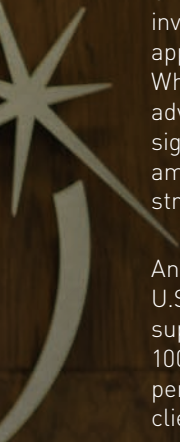
## Dear Fellow Shareholders

While the market for seismic data continued to be challenging in 2017, there are signs that we have passed the trough. The upwards development in the oil price during the year, strongly improved cash flow among our key clients, as well as unsustainably low global reserve replacement, make us optimistic to the long-term future of our industry.

Despite no significant growth in clients' exploration spending, TGS managed to grow free cash flow before dividend by 35% from 2016 to a level of USD 123 million. The strong cash flow enabled us to pay a dividend to our shareholders of USD 63 million and we are proud to be one of few international oil service companies who have maintained a dividend throughout the severe down cycle.

Our financial performance continues in the top end of the range in the oil service industry. In 2017, we converted as much as 22% of our net revenues to free cash flow, ranking TGS among the very best in the industry. Despite the challenging market, our Return on Average Capital Employed was 10.1%, meaning that TGS is one of few international oil service companies delivering a return above its cost of capital in 2017.





Once again TGS utilized its strong balance sheet to take a countercyclical investment approach. In late May, we increased our full-year investment guidance by approximately 20%, driven by new project opportunities with favorable economics. While our dollar investments remained lower than before the down cycle, we took advantage of favorable seismic acquisition rates, risk-sharing with suppliers and significant reductions in processing unit cost, which allowed us to increase the amount of data acquired in 2017 to the highest level since 2012. This highlights the strength of our flexible, asset-light business model.

An important milestone for TGS in 2017, was the entry into the Permian basin in U.S. onshore with the acquisition of the West Lindsey and West Kermit 3D projects, supported by a comprehensive digital well database. The Permian is approaching its 100<sup>th</sup> year of oil production. In 2017, production reached a record 2.8 million barrels per day, making it the world's second-most-prolific field. Some of our large offshore clients have recently announced aggressive production plans in the Permian basin, and we believe this will offer great opportunities for TGS in the future.

Another significant milestone for TGS in 2017, was the commencement of a large 3D survey in the central-southern Norwegian Sea called AM17. The 40,000 km<sup>2</sup> project is the single largest 3D survey carried out by any company in Northern Europe and covers largely open blocks in a relatively under-explored area with limited drilling to date.

In 2007 TGS acquired Houston based Parallel Data Systems, which gave us the foundation for TGS' high performance 3D imaging and data processing technologies. Ten years later, in 2017 TGS announced the new Fusion M-WAZ reimaging program comprising data covering 1,000 Outer Continental Shelf blocks in the U.S. Gulf of Mexico. This program will reprocess wide azimuth 3D data previously acquired by TGS and Schlumberger between 2008 and 2012 in the Mississippi Canyon, Atwater Valley and Ewing Bank areas using the latest imaging technology. The uplift in data quality is achieved through application of industry leading seismic processing algorithms, using our Houston super computer which, at more than 30 petaflops of compute power, is one of the largest in the World.

Big Data and Data Analytics have moved firmly into the energy industry vocabulary as both E&P companies and service companies seek to grow value through better understanding the huge volumes of data produced by our industry. TGS' vast global data library includes more than 3 million km of 2D seismic, almost 1 million km<sup>2</sup> of 3D seismic, and approximately 9 million digital well logs. Combined with our expertise in super computers and data management, TGS is well positioned to play an important role in the Big Data evolution that is spreading across our industry. We are actively discussing with our clients how TGS can work with them to help maximize the value that we extract from our data.

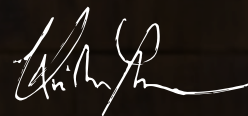
The Company has continued its' extraordinary focus on cost management. Reported operating expenses were down another 5% from 2016 to a level of 43% below the comparable cost in 2014. Strict cost control and staff reductions have been necessary to remain competitive throughout one of the worst downturns ever experienced in our industry. While the cost focus will remain, we are pleased to see a slightly improved future business climate allowing for selective hires of top talents.

TGS' flexible, asset-light business model and ability to adjust costs rapidly continue to allow us to deliver significant shareholder value even in a difficult market. In February 2018, we announced a 33% increase in our quarterly dividend. In May 2018, the Board will propose to the AGM authorization to pay further quarterly dividends for the following 12 months. Management's focus is to deliver long-term shareholder growth through a combination of value-creative investments and dividend payments to the shareholders.

As we look forward into 2018, market visibility remains limited but we see indications of a slight improvement in spending. The speed of the recovery will depend on the stability of commodity prices and a continued improvement of our clients' cash flow. Due to the cuts in exploration activity, discoveries of new hydrocarbon resources have been down to historically low levels over the past couple of years. This has driven reserve replacement ratios down to unsustainably low levels. Demand for hydrocarbons is expected to continue to increase, despite forecasted growth in electric vehicles and renewable energy resources. Energy companies will need to increase exploration efforts in order to grow production levels in the longer term to meet this demand. Geoscience information will be a critical tool to deliver future exploration success.

TGS has become the largest and most successful multi-client geoscientific data provider in the world. The employees of TGS are strongly committed to our core values of quality, service, integrity and profitable growth. Our financial platform and a highly competent organization position us well to handle both the up and down cycles in the industry.

On behalf of the TGS team, I would like to thank our shareholders and clients for your continued confidence in us. I would also like to thank our employees for all the hard work, passion and client focus during another challenging year for our industry.



**Kristian Johansen**  
Chief Executive Officer / TGS



# 2017 Highlights

## Offshore Marine Library

- Commenced 27,000 km<sup>2</sup> (1,166 OCS blocks) Fusion 3D M-WAZ reimagining program in collaboration with Schlumberger in Mississippi Canyon, Atwater Valley and Ewing bank areas of the U.S. Gulf of Mexico. The 3D M-WAZ data was previously acquired by TGS and Schlumberger between 2008 and 2012. Reimagining was more than 80% complete at the end of the year.
- Completed the acquisition of the 7,150 km<sup>2</sup> (306 OCS blocks) Revolution XII and XIII surveys in collaboration with Schlumberger in Green Canyon, Atwater Valley and Ewing Bank areas of the U.S. Gulf of Mexico. This survey, which utilizes Schlumberger's dual coil shooting acquisition technique will provide broadband, long-offset, full-azimuth data in an area that is expected to have high interest in upcoming licensing rounds.
- Completed acquisition of the 289,000 km<sup>2</sup> Otos multibeam and seep study including 350 cores and associated advanced geochemistry analysis, designed to mirror the successful Gigante multibeam and seep study in the Mexican Gulf of Mexico.
- Completed the 2017 seismic acquisition season Offshore Eastern Canada, in partnership with PGS. 22,000 km of new 2D data was added to the library, in addition to four 3D projects of approximately 18,000 km<sup>2</sup>. This marks the seventh consecutive season working in partnership with PGS in Canada. Following the most active year ever in this region, the TGS/PGS JV library will exceed 175,000 km of 2D data and 29,250 km<sup>2</sup> of 3D data. In addition, TGS has 83,700 km of vintage 2D data.
- Began acquisition of the 40,000 km<sup>2</sup> AM17 Atlantic Margin 3D, project in the central-southern Norwegian Sea. This is the largest 3D survey carried out by any company in Northern Europe, covering largely open blocks in a relatively under-explored area with limited drilling to date. 7,500 km<sup>2</sup> of the committed area remains to be acquired in 2018.
- Completed acquisition of the 5,400 km<sup>2</sup> Crean 3D multi-client survey located in the South Porcupine Basin, between the Porcupine High and the Irish Mainland Platform. This survey adds to TGS's Atlantic Margin offering and builds on the exploration success on the Newfoundland Labrador conjugate margin coupled with historical exploration in Atlantic Ireland.
- Completed acquisition of the 5,490 km<sup>2</sup> Carlsen 3D multi-client survey in open acreage located in the Southwest Barents Sea between the Norwegian Tromsø and Sørvestnaget Basins, expanding TGS' already extensive data coverage in the Barents Sea.
- Completed acquisition of the >24,000 km long offset 2D North-West African Atlantic Margin (NWAAM 2017) seismic survey, a collaboration with PGS and GeoPartners. This broadband 2D survey infills, extends and complements the NWAAM 2012 2D survey which supported recent commercial discoveries in this region.
- Commenced acquisition of the 10,000 km Red Sea 2D long-offset broadband seismic survey, in collaboration with Schlumberger. This project is part of an agreement entered with South Valley Egyptian Petroleum Holding Company (GANOPE) in which Schlumberger and TGS have a minimum 15-year period of exclusive multi-client rights in a ~70,000 km<sup>2</sup> open area offshore Egypt.

## Onshore Seismic Library

- Completed acquisition of the 1,050 km<sup>2</sup> West Kermit high-resolution 3D multi-client project in the Loving and Winkler counties, Texas, in the Delaware basin. This survey is TGS' first seismic project in the Permian Basin where TGS also has a comprehensive geological products database.
- Commenced acquisition of the 440 km<sup>2</sup> West Lindsey high-resolution 3D multi-client project in Reeves County, Texas to the southwest of West Kermit 3D. This is TGS' second Permian survey and is designed to image multiple zones from the Delaware sands through the prolific Wolfcamp, as well as deeper plays.
- Completed acquisition of the 200 km<sup>2</sup> Geary high-resolution 3D multi-client project in the Anadarko Basin, adding to TGS' dominant position in the SCOOP/STACK play which continues to see high level of client activity.
- Completed acquisition of the 107 km<sup>2</sup> Grayling high-resolution 3D multi-client project in West Central Alberta. This survey is adjacent to TGS' Kaybob and Bigstone surveys and further extends TGS' Duvernay library.
- Commenced acquisition of the 70 km<sup>2</sup> Dawson 3D high resolution multi-client project in North East British Columbia in the Montney Play, complementing TGS' existing footprint in this region.

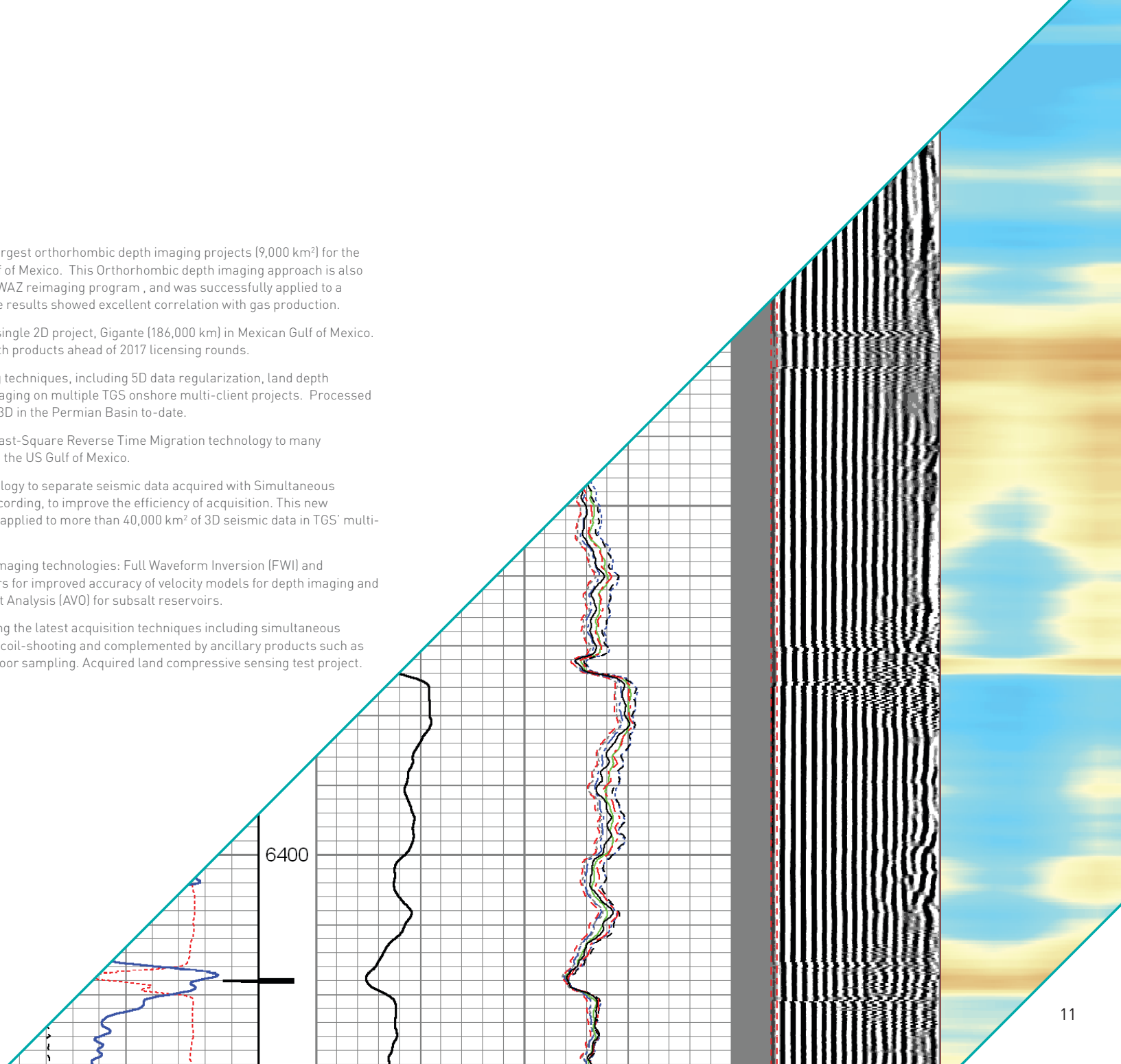
## Geological Data Library

- Continued expansion of the industry's largest library of digital well log data, including approximately 90,000 new digital Log ASCII Standard (LAS) wells, 7,000 new enhanced digital LAS+ well logs, 420,000 new Validated Well Headers as well as directional surveys, production data and multiple interpretive products.
- Obtained commercial authorization from the Mexican regulator Comisión Nacional de Hidrocarburos (CNH) to access its entire library of more than 30,000 wells in Mexico to process high-quality, high-value well data products. The first phase of processing is focused on all onshore and offshore exploration and appraisal wells, plus key development wells for bid rounds.
- Completed new multi-client interpretation studies in Norway, UK, Canada, Mexico, U.S. Gulf of Mexico and U.S. Onshore and continued with ongoing multi-client projects geared towards supplying customers with information on stratigraphy, structure, basin maturity and prospectivity.
- Completed joint venture agreement with BetaZi combining TGS' high quality well data with BetaZi's physics-based artificial intelligence and statistical methods to generate production forecasting and creating a series of pre-computed, comprehensive basin studies for the Permian and Anadarko basins.
- Completed development and implementation of a new map-based e-commerce website TGS R360, replacing LogLinePlus. R360 allows TGS customers access to our world-wide well data library 24/7.

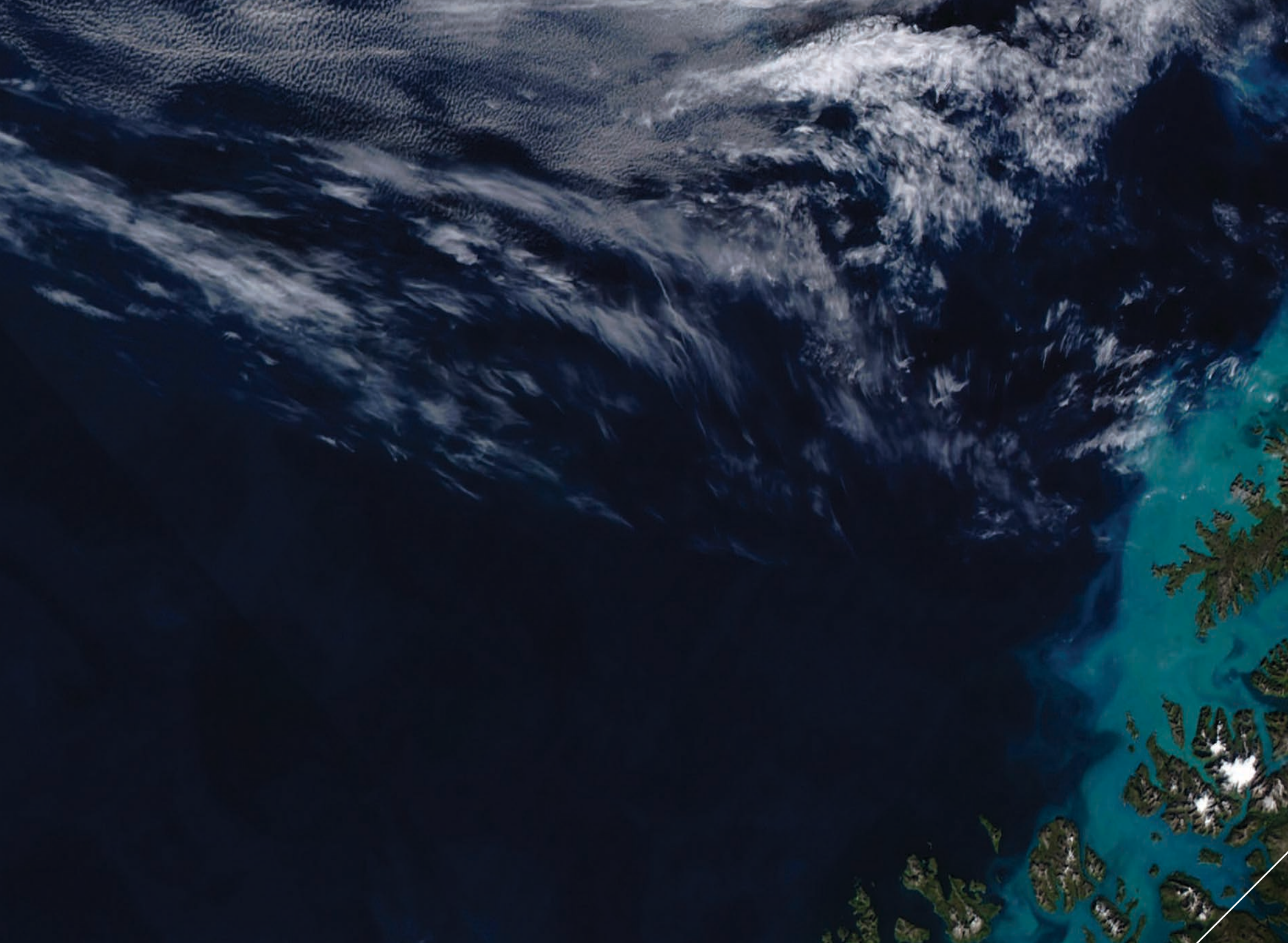


## Technology

- Completed one of the industry's largest orthorhombic depth imaging projects (9,000 km<sup>2</sup>) for the Declaration survey in the U.S. Gulf of Mexico. This Orthorhombic depth imaging approach is also being applied to the Fusion 3D M-WAZ reimagining program, and was successfully applied to a proprietary onshore project where results showed excellent correlation with gas production.
- Processed the industry's largest single 2D project, Gigante (186,000 km) in Mexican Gulf of Mexico. Delivered fast-track time and depth products ahead of 2017 licensing rounds.
- Applied latest onshore processing techniques, including 5D data regularization, land depth migration, and converted wave imaging on multiple TGS onshore multi-client projects. Processed TGS' largest proprietary onshore 3D in the Permian Basin to-date.
- Application of leading-edge 3D Least-Square Reverse Time Migration technology to many proprietary processing projects in the US Gulf of Mexico.
- Developed new deblending technology to separate seismic data acquired with Simultaneous Sources (SIMs) and continuous recording, to improve the efficiency of acquisition. This new technology has been successfully applied to more than 40,000 km<sup>2</sup> of 3D seismic data in TGS' multi-client 3D surveys.
- Applied two new high-end depth imaging technologies: Full Waveform Inversion (FWI) and Hessian-Based RTM Angle Gathers for improved accuracy of velocity models for depth imaging and enhanced Amplitude Versus Offset Analysis (AVO) for subsalt reservoirs.
- Acquired marine seismic data using the latest acquisition techniques including simultaneous sources, broadband, long offsets, coil-shooting and complemented by ancillary products such as multibeam and geochemical seafloor sampling. Acquired land compressive sensing test project.









An aerial photograph of a rugged, mountainous landscape. A river flows through the center, surrounded by steep, rocky slopes. The terrain is covered in sparse vegetation and patches of snow. A white diagonal line runs from the bottom left towards the top right, crossing the text.

# THIS IS TGS

## The Business of Better Decisions

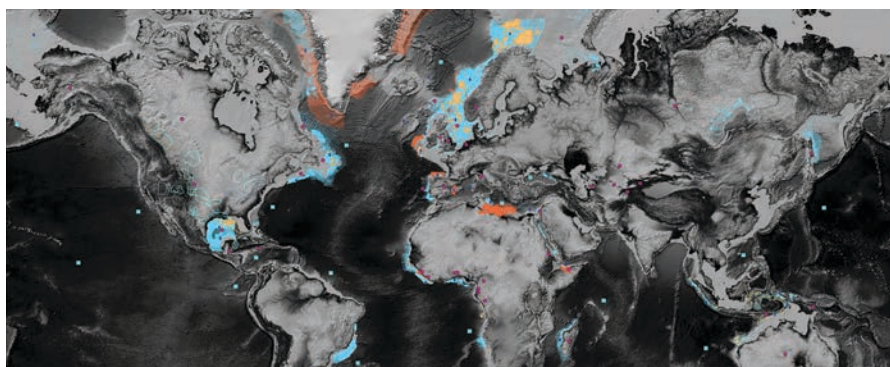
TGS provides the global energy industry with the right data, at the right time, in the right place.

Specializing in the design, acquisition and processing of global multi-client seismic surveys; TGS has become the largest and most successful multi-client geoscientific data provider in the world.



# This is TGS

TGS is the world's leading geoscience data company, known for its asset-light, multi-client business model and global data library. TGS employs approximately 600 employees and has its corporate headquarters in Asker, Norway and its operational headquarters in Houston, Texas, U.S.A. The company's other main offices are in Calgary, London and Perth, with employees located in other cities around the globe. The company's stock is traded on the Oslo Stock Exchange as part of OBX Index (25 most liquid shares at the OSE) with a market capitalization of approximately \$2.4 billion (December 2017). TGS' primary business is to provide geoscience data to energy companies worldwide. TGS offers extensive global libraries that include seismic data, magnetic and gravity data, multibeam and coring data, digital well logs and production data. Additionally, the company offers advanced processing and imaging services, interpretation products and data integration solutions.



## A Brief History

TGS was founded in Houston in 1981 and over time built the dominant 2D multi-client data library in the Gulf of Mexico. The company expanded further into North America and West Africa and added a substantial 3D portfolio in the Gulf of Mexico. Also in 1981, NOPEC was founded in Oslo and began building an industry-leading multi-client 2D database in the North Sea, with additional operations in Australia and the Far East. In 1997, NOPEC went public on the Oslo Stock Exchange. In 1998, the companies merged to form TGS-NOPEC Geophysical Company (TGS), creating a winning combination for investors, customers and employees. Since then, TGS has set the standard for geoscientific data around the world.

## Multi-client: Our Distinct Approach

Deepwater offshore wells can cost hundreds of millions of dollars to drill. Before taking on this risk, energy companies often look for assurance in the form of seismic and other geophysical data. These data types are becoming even more valuable as exploration moves into more geologically, environmentally and operationally challenging areas.

Typically, seismic data is delivered through either a proprietary or multi-client business model. For proprietary, the energy company contracts a seismic service company to acquire and process data on its behalf. By contrast, TGS works in the multi-client realm. We retain ownership and control of the data and can license it to multiple parties.

Energy companies often prefer multi-client over proprietary because the cost is substantially lower. Typically, one or more clients will commit to licensing the data before acquisition begins, which is called "pre-funding". Licenses sold after data acquisition has commenced are called "late sales".

TGS applies a firm definition to pre-funding, so our stakeholders can assess the level of risk in our business by seeing how much of our new project investments are covered by client commitments. TGS capitalizes its seismic investments to the balance sheet and amortizes each project during the work in progress (WIP) phase based on total cost versus forecasted total revenues. As from 2016, a straight-line amortization is applied after a project is completed. The straight-line amortization will be assigned over a remaining useful life, which for most marine projects is expected to be four years. Onshore and geological data investments are also booked to the balance sheet and amortized on a straight-line basis over seven years.

## Our Competitive Advantages

### Focus

Last year, over 98% of our revenues came from multi-client data sales. This is our lifeblood, and our entire company is intensely focused on developing the best multi-client projects to maximize returns and achieve long-term profitable growth. Our culture drives achievement because all employees have common goals and share in our success through profit-related bonuses.



### **Asset-Light**

TGS does not own acquisition equipment. Nor do we have seismic crews on the payroll. All data acquisition is outsourced, which gives us flexibility to execute only those projects that meet our investment criteria and align with client goals. We are not influenced by vessel or crew utilization targets. Instead, we only access these resources when needed, and we're free to use the most appropriate vendors and technologies to tackle specific imaging challenges. TGS is asset-light, which means low overhead and high stability regardless of industry cycles.

### **Quality Processing**

While acquisition is outsourced, TGS processes the data in-house. This is how we ensure our customers are getting the highest quality. Energy companies often consider processing capabilities when assessing whether to commit pre-funding to a project. As one of the industry's leading processing companies, we give them confidence to move forward. We also maintain our competitive edge by continuously investing in new computer capacity and R&D. In addition, we use custom developed algorithms to reprocess old data sets at low cost to attract additional sales from our library.

### **ROI Discipline**

TGS typically targets projects that will earn sales returns between 2 and 2.5 times the investment. On projects with lower targeted returns we require high levels of pre-funding to keep the investment attractive. An example of this is a project on acreage that has already been largely awarded to energy companies, meaning that late sales opportunities are later in the cycle when farm-ins, relinquishments and M&A create new activity. Conversely, we may accept lower pre-funding on projects where our confidence in rapid late sales is higher, such as when we make an investment in a region with frequent license rounds and high customer interest.

### **Renowned Library**

TGS has one of the largest and best performing multi-client data libraries in the world. This provides an ongoing revenue stream and re-processing opportunities. Exploring our own library also helps our project developers and interpretation teams to identify high-profile prospects for new surveys. In fact, most of our 3D seismic

investments are in areas where we previously acquired 2D data or have an extensive well data library.

### **Active Portfolio Management**

The multi-client business is a portfolio business. Some projects may underperform and others exceed expectations. A 3D project is a significant financial undertaking, and TGS has the means to invest in a broad portfolio of projects to balance risks and rewards.

### **Geographic Diversity**

TGS has a truly global data library. We strive to build and maintain leadership positions in both mature and frontier basins around the world. Our library covers a wide variety of exploration plays including deep water, pre-salt geologies, the Arctic and North America onshore. This diversity gives us significant stability and business continuity in the face of shifting markets, regional economic strain and geopolitical challenges.

### **Superior Team**

Our most important competitive advantage is our people. The outstanding work of our project developers, geologists, geoscientists, data processors, sales and support people has made TGS the leading multi-client player. They're the reason TGS delivers superior project quality and financial performance year after year.

### **Strategic Acquisitions**

While most of our growth has been organic, TGS has also expanded its business through acquisitions. These opportunities allow us to add data processing capabilities and new geoscience data types to our library. TGS will also purchase other multi-client libraries when the price is attractive and we see strong potential returns.



# Core Product Lines

## Geophysical Multi-client Data

For more than 36 years, TGS has provided multi-client seismic data to energy companies globally. Over that time we have built experience in exploration areas worldwide, established a vast global database, and become the leading multi-client data provider. We offer the most current data, acquired and imaged with the latest technologies.

In addition to seismic data, our geophysical library includes gravity, magnetics, seep, geothermal, controlled-source electromagnetic and multi-beam data. This library generates over 91% of our revenues and is organized by region: North and South America, Europe and Russia, Africa - Middle East and Asia Pacific.

Our multi-client success begins with a professional, geoscience and commercial approach to project development. When planning new seismic surveys, our first priority is to gain thorough geological and geophysical understanding. Our experienced project developers evaluate all available seismic, gravity, magnetic and geological data to set the project objectives and optimize the survey design. We also work closely with energy companies, local governments and geoscience specialists to address each survey's specific challenges. Our process ensures we acquire the right data to meet our clients' needs.

## Geological Multi-client Data

TGS also offers well data products, interpretive studies and services to help energy companies find and develop hydrocarbons. We have the industry's largest global collection of digital well logs, and our U.S. library has expanded to include nationwide production data, directional surveys and a custom well file database. Additionally, we offer clients robust data-application integration, with advanced platforms, interfaces and adapters.

In 2017, we added over 90,000 new Log ASCII Standard (LAS) wells, 420,000 validated well headers, 163,000 raster logs, 7,000 LAS+ wells, and 17,000 DS+ directional surveys. This solidifies our position as one of the largest providers of well data in North America and in over 34 countries worldwide.

## Imaging Services

TGS employs the latest processing technologies to deliver the imaging products demanded by energy companies. We invest substantially in developing new proprietary technologies and workflows, which we use to provide imaging solutions directly to clients and to process our own global multi-client database.

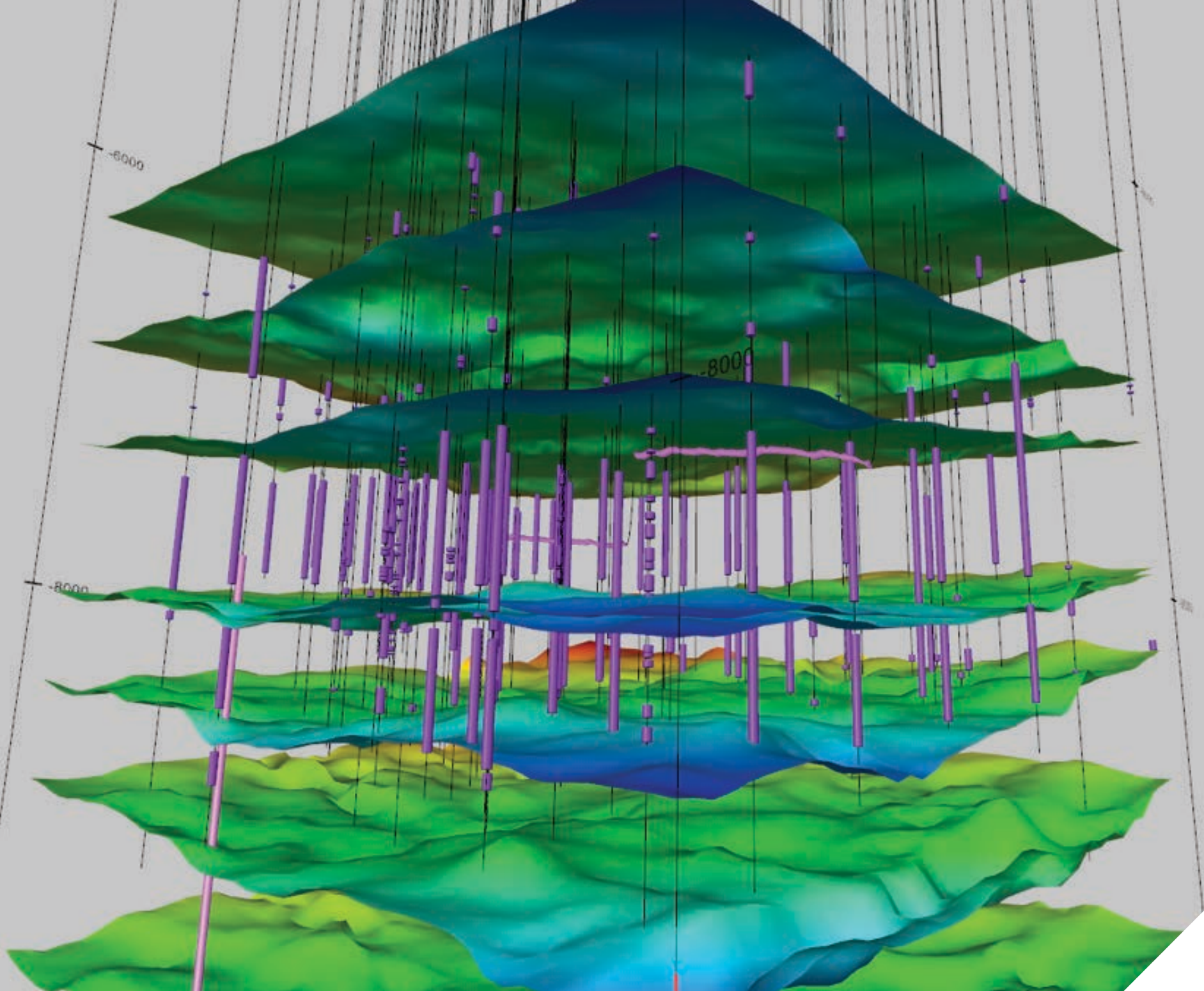
TGS has offerings for both 2D and 3D, including depth and time imaging, marine, land, ocean bottom cable and nodes, anisotropic imaging, transition zone, multicomponent, shear wave, 4D time-lapse, and wide-azimuth (WAZ) data processing. Our imaging teams have direct access to our well log database to calibrate seismic and well data.

In 2017 we processed 330,000 km of 2D marine data, 60,000 km<sup>2</sup> of 3D marine data and 33,000 km<sup>2</sup> of WAZ/Node and onshore data from basins around the world. During 2017 TGS maintained its position as one of the largest (top 20) compute centers globally. TGS also continued to advance its seismic processing algorithms and imaging technologies.

Recent TGS imaging advances include:

- Full Waveform Inversion (FWI) and Hessian-based RTM Angle Gathers: the latest depth-imaging technologies.
- New deblending technology to separate seismic data acquired with Simultaneous Sources and continuous recording.
- Inversion-based explicit 3D deghosting.







# Executive Management



Kristian Johansen

## CEO

Kristian joined TGS in 2010 as Chief Financial Officer and became Chief Operating Officer in early 2015 before being appointed Chief Executive Officer in March 2016. Prior to joining TGS, Kristian was the Executive Vice President and CFO of EDB Business Partner in Oslo (now Evry). Mr. Johansen also has experience from executive positions in the construction, banking and oil industries. A native of Norway, Kristian earned his undergraduate and Master's degrees in business administration from the University of New Mexico in 1998 and 1999.



Sven Børre Larsen

## CFO

Sven Børre Larsen, joined TGS in September 2015 as Chief Financial Officer. Prior to joining TGS, Sven was CFO of Prosafe, the world's leading owner and operator of semi-submersible accommodation vessels for the offshore oil and gas industry. He has also been CFO of Prosafe Production, which was one of the world's leading FPSO contractors. Sven holds a M.S. degree in Business with a specialization in finance from Bodo Graduate School of Business in Norway.



John A. Adamick

## Sr. VP Data & Analytics

John joined TGS in 1986 and has served the company in a variety of capacities. Most recently, he served as Senior Vice President Geological Products & Services before being appointed Sr. VP Data & Analytics in 2017. John holds a B.S. degree in Geology from Texas A&M University, an M.S. degree in Geology from Stephen F. Austin, and an Executive M.B.A. from Harvard University.



Katja Akentieva

## Sr. VP Onshore & GPS

Katja joined TGS in 2012 with the acquisition of Arcis and was appointed Managing Director Arcis and North American Arctic. Prior to joining Arcis in 2008, Katja spent 11 years with Schlumberger where she held various positions within geophysics, sales and business development based in the UK, Norway and Canada. Katja received her Master's degree in geology and geophysics from Moscow State University in 1996, she also holds a Bachelor's degree in Foreign Languages from Moscow State University and an MBA from the Erasmus University in the Netherlands.



Fredrik Amundsen

## Sr. VP Europe & Asia Pacific

Fredrik joined TGS in 2003 as Financial Controller and has since served TGS in a variety of capacities. These include Corporate Controller, Director of Finance, Director of Sales, and lately VP of Europe & Russia before being appointed Senior Vice President Europe and Asia Pacific in 2016. Fredrik received B.A (Hons) in Business Administration from Washington State University in 2001.





Zhiming Li

#### Sr. VP Data Processing and Research & Development

Zhiming joined TGS in 2007 as Senior VP of Data Processing, Research & Development. He has 32 years' experience in energy companies, geophysical companies and academia. In 2003, he became one of the partners of Parallel Data Systems, a premier depth imaging company acquired by TGS in 2007. He received a B.S. degree in Exploration Geophysics from East China Petroleum Institute in 1982 and a Ph. D. degree in Geophysics from Stanford University in 1986.



Knut Agersborg

#### VP Global Services

Knut joined TGS in 2005 as Manager of Operations. In December 2008, he was appointed Vice President Global Services. Knut has more than 30 years of industry experience including 22 years with Schlumberger/WesternGeco where he held senior managerial positions in Operations and Human Resources in Europe and North America. Knut graduated from Narvik University College in 1979 with a degree in Electronic Engineering.



Will Ashby

#### VP HR & Communication

Will joined TGS in 2011 with the acquisition of Stingray Geophysical. He has served TGS in a number of Director roles including M&A, Finance, and Investor Relations before being appointed Vice President HR & Communication. Prior to founding Stingray Geophysical, Will worked in various commercial positions with BP, TradeRanger and QinetiQ. Will received M.A (Hons) and B.A (Hons) degrees in Geography from the University of Oxford in 1997.



Tanya Herwanger

#### VP Africa & Middle East

Tanya joined TGS in 2014 as Corporate Counsel. In 2015, she made a cross function move to sales and business development and then in January 2016 was appointed Vice President for the Africa and Middle East business unit. Prior to joining TGS, she spent eight years with Schlumberger based in the US and in the UK. Tanya received her Law degree from the University of London, Queen Mary and Westfield College and professional legal qualifications from the Inns of Court School of Law in London and previously served as a dual qualified Solicitor in the UK and in her native home of Belize.



Tana Pool

#### VP General Counsel & Corporate Secretary

Tana joined TGS in 2013 as VP General Counsel and Corporate Secretary. She has over 23 years of legal experience, with significant knowledge of the energy and construction industries. Tana's previous experience includes over nine years of private practice in corporate and transactional law with several global law firms, including most recently Akin Gump Strauss Hauer & Feld LLP. Tana received her BBA degree in Accounting from Texas Tech University and her JD degree from the University of Houston Law Center.



# Board of Directors



Hank H. Hamilton III

## Chairman

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June 2009. He started his career as a Geophysicist with Shell Offshore (1981-1987) before he became employed by Schlumberger (1987-1995), where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International. He also serves on the Board of Odfjell Drilling. Mr. Hamilton was first elected as a director in 1998 and as Chairman in 2009.



Wenche Agerup

## Director

Born 1964. Ms. Agerup is EVP, General Counsel and Chief Corporate Affairs Officer of Telenor ASA. From 1997 to 2010, Ms. Agerup held various leading positions within Norsk Hydro ASA, including Plant Manager at Årdal Metal Plant in Norway and Project Director in Hydro UMC Joint Venture in Australia. From 2010 to 2015, Ms. Agerup was Executive Vice President, Corporate Staffs & General Counsel of Norsk Hydro and member of the Corporate Management Board, reporting to the Chief Executive Officer. Ms. Agerup serves as a board member of Statoil. She was first elected as a director in 2015.



Nils Petter Dyvik

## Director

Born 1953. Mr. Dyvik is educated from the Norwegian Business School (1974-1978) and received his MBA in Finance from the University of Wisconsin in 1979. Since 1996, he has served in various capacities for Wilh Wilhemsen, a global maritime company, most recently as Group CFO from 2007 to 2016. From 2002 to 2007, he served as CEO of Wallenius Wilhelmsen, from 1999 to 2002, as Deputy CEO of Wilh Wilhelmsen, and from 1996 to 1999, as Deputy CEO of Wilhelmsen Lines AS. Prior to joining Wilh Wilhelmsen, he served as CEO and Deputy CEO for Norwegian American Line from 1988 to 1996, and worked with Kreditkassen (Nordea) from 1986 to 1988, L.M. Skaugen from 1980 to 1986, and Saga Petrokjemi from 1979 to 1980. Mr. Dyvik has extensive board experience, and currently serves as the Chair of NorSea Group and Wilhelmsen Ferd Offshore AS and as a member of the Board for The Maritime Rescue School. He was first elected as a director in 2017.



Elisabeth Grieg

## Director

Born 1959. Ms. Grieg is currently CEO of Grieg International AS, co-owner of the Grieg Group and a member of the founding family. Ms. Grieg serves on the board of several of the Grieg Group companies. She has also been a board member of many prominent Scandinavian companies, such as Statoil, Norsk Hydro and Nordea AB, as well as a member of the corporate assembly of Orkla ASA. Ms. Grieg has chaired the board of GIEK (Norwegian Guarantee Institute for Export Credits) and been the President of the Norwegian Shipowners' Association. She was first elected as a director in 2015.





**Mark Leonard**

**Director**

Born 1955. Mr. Leonard is currently the President of Leonard Exploration, Inc. He retired in 2007 from Shell Oil Company after 28 years of service. During his tenure at Shell, Mr. Leonard held a number of executive positions including Director of New Business Development in Russia/CIS, Director of Shell Deepwater Services, Director of Shell E&P International Ventures and Chief Geophysicist for Gulf of Mexico. He was first elected as a director in 2009.



**Tor Magne Lønnum**

**Director**

Born 1967. Mr. Lønnum is currently Group Chief Financial Officer of Falck. Prior to joining Falck last year, he was CFO of Aimia Inc, and before that CFO in Tryg AS and Tryg Forsikring AS from 2011 to 2016. He was first elected as a director in 2013.



**Vicki Messer**

**Director**

Born 1949. Ms. Messer is currently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

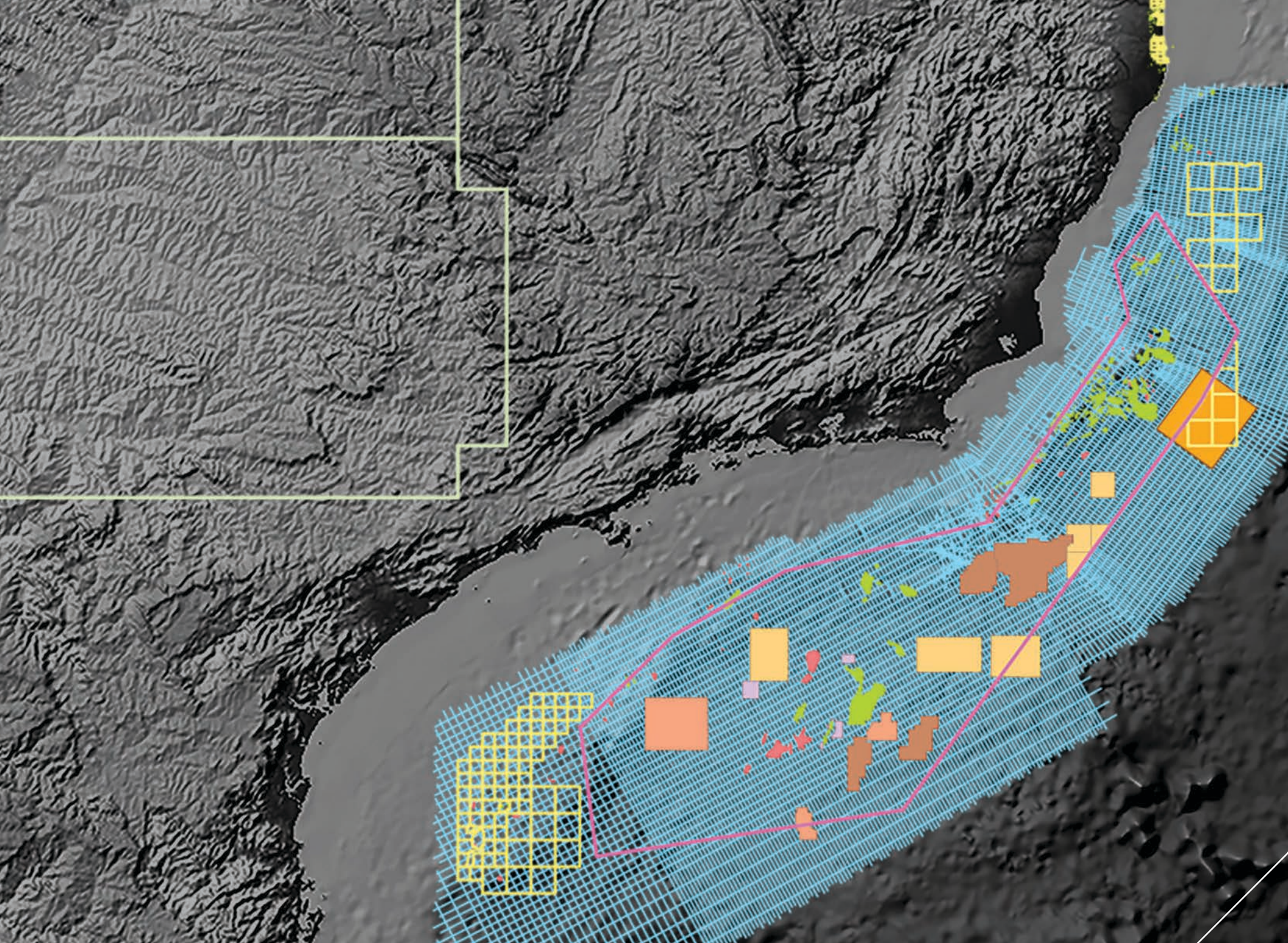


**Torstein Sanness**

**Director**

Born 1947. Mr. Sanness served as the Chairman of Lundin Norway from April 2015 to March 2017, when he moved to the board of International Petroleum Corp., a Lundin Group company. He previously served as the Managing Director of Lundin Norway from 2004 to 2015. From 2000 to 2004, he served as Managing Director of Det Norske Oljeselskap AS, and from 1972 to 2000, he served in various capacities for Saga Petroleum, working primarily in the exploration and development of Saga's oil and gas interests globally. Mr. Sanness serves as a board member for Panoro Energy ASA and Sevan Marine ASA. He was first elected as a director in 2016.









# BOARD OF DIRECTORS' REPORT

With an efficient cost base, strong balance sheet and flexible business model, TGS is in a unique position to continue enhancing its status as the world's leading multi-client geophysical company.



# 2017 Board of Directors' Report

TGS-NOPEC Geophysical Company ASA (the Parent Company, and together with its subsidiaries, TGS or the Company) is a leading resource for global geoscientific data products and services in the oil and gas industry. TGS specializes in the design, acquisition and processing of multi-client seismic surveys 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 offers advanced processing and imaging services, interpretation products, and data integration solutions. TGS operates globally and is presently active in North and South America, Europe, Russia, Africa, Asia and Australia.

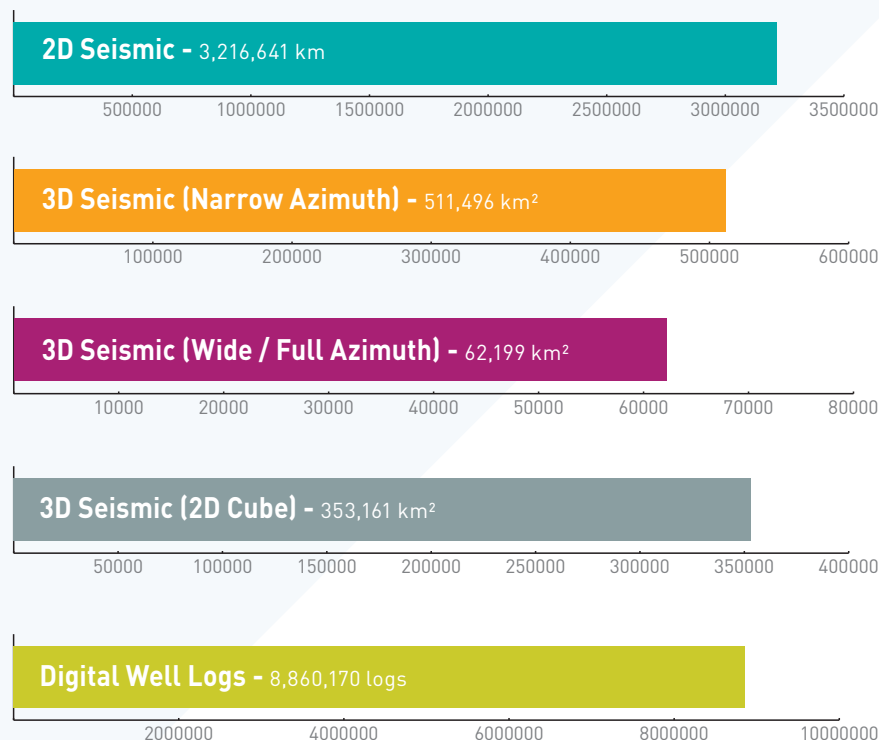
The corporate headquarters of the Parent Company and TGS are located in Asker, Norway. Its primary subsidiary, TGS-NOPEC Geophysical Company, is based in Houston, Texas, U.S.A. TGS also has regional offices in the United Kingdom, Canada, Australia, Brazil, Mexico, Singapore and elsewhere in the U.S. All financial statements in this report are presented on a going concern basis in accordance with the Norwegian Accounting Act section 3-3a, and the Board of Directors confirms that it is of the opinion that the prerequisites for a going concern assumption are indeed present.

## Operations

Although the underlying fundamentals improved slightly and revenues grew by 8%, 2017 was another challenging year for the seismic industry, impacted by continued low exploration activity among E&P companies.

TGS' geoscientific data library is one of the industry's most comprehensive multi-client resources, encompassing a wide range of geophysical, geological, gravity, magnetic and bathymetry data. The following table summarizes the data inventory at year-end.

TGS' primary focus is developing, managing and selling licenses of the Company's multi-client geoscientific data, which accounted for over 98% of revenues in 2017. Customer pre-funding of new multi-client projects reduces the Company's investment exposure, while late sales from its library of data products have historically provided the bulk of the revenue stream. Net late sales after partner



share was at USD 369.4 million in 2017, compared to USD 333.4 million in 2016. Pre-funding revenues of USD 115.8 million, representing an increase of 10% from USD 105.2 million in 2016, funded 44% of the operational investments in new multi-client data for 2017, compared to 48% in 2016. Proprietary contract revenues decreased by 60% mainly as a result of lower proprietary acquisition activity, but also as a result of lower revenues related to processing of seismic data on behalf of external customers. Proprietary contract revenues represented 1% of total net revenues in 2017 (2016: 4%).



## Revenue split



TGS generates revenues from a geographically diversified portfolio. In 2017 revenues from North and South America (NSA) decreased by 10% from 2016. Revenues from Europe and Russia (EUR) increased 44%, while revenues from Africa, Middle East and Asia Pacific (AMEAP) increased by 71%.

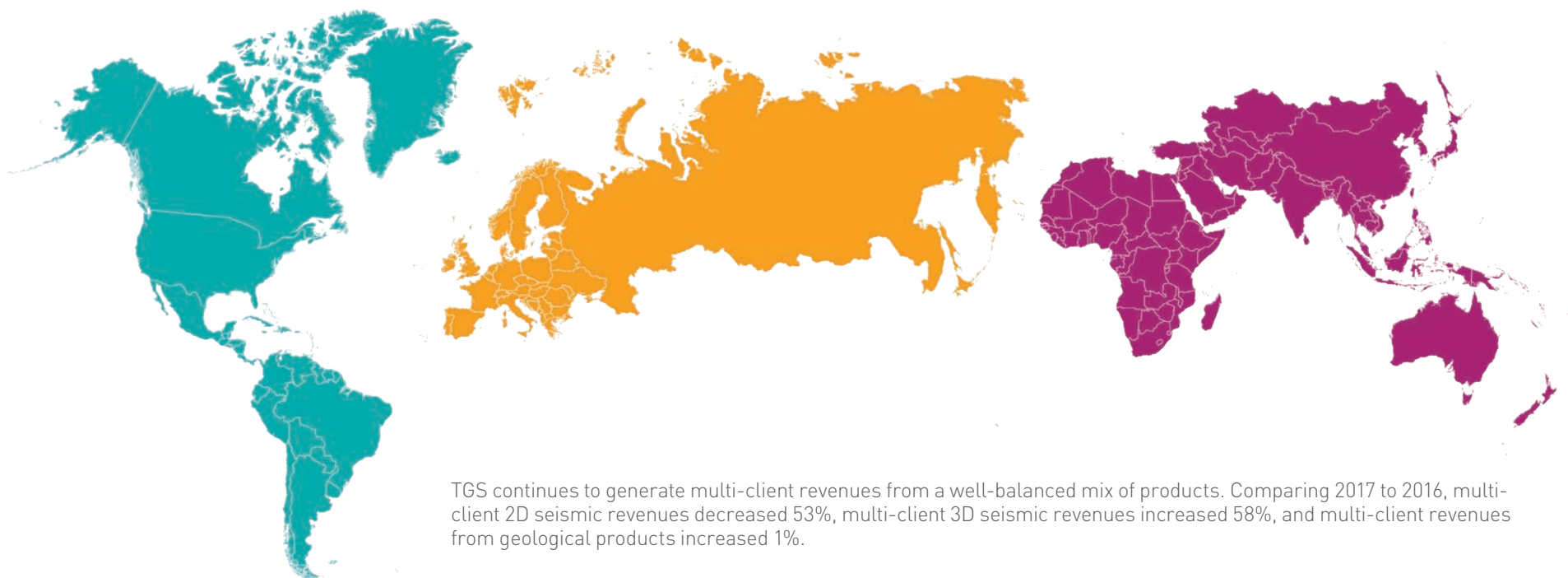
## Geographical split

**49%** North/South America

**32%** Europe/Russia

**9%** Africa/Middle East/Asia Pacific

**10%** Other



TGS continues to generate multi-client revenues from a well-balanced mix of products. Comparing 2017 to 2016, multi-client 2D seismic revenues decreased 53%, multi-client 3D seismic revenues increased 58%, and multi-client revenues from geological products increased 1%.



## Multi-client Geoscientific Data Library

TGS' library of multi-client seismic data, geological data and integrated products represents 56% of the total assets as of 31 December 2017 (55% in 2016). Seismic data, representing 91% of the library's net book value at year-end, is amortized on a project-by-project basis as follows:

- During the work in progress (WIP) phase, amortization is based on total cost versus forecasted total revenues of the project.
- After a project is completed it is amortized on a straight-line basis. The straight-line amortization is assigned over the remaining useful life, which for most marine projects is considered to be 4 years. For most onshore projects the useful life after completion is considered to be 7 years.

The well data library is amortized on a straight-line basis over seven years, while data purchased from third-parties follow a straight-line amortization profile over the remaining useful life.

## Commitments to Seismic Acquisition Capacity

TGS secures all seismic acquisition capacity from external suppliers, for both offshore and onshore projects. At year-end 2017, the Company had entered into commitments for one 2D vessel, two 3D vessels and two land crews. All these commitments will expire in 2018, and the amount committed, included contractual lease agreements, totaled USD 37 million (2016: USD 25 million).

As of 31 December 2017, the deferred part of contingent rent agreements which is contingent on future sales, totaled USD 13 million (2016: USD 25 million).

## Results from Operations, Operating Cash flows and Financial Position

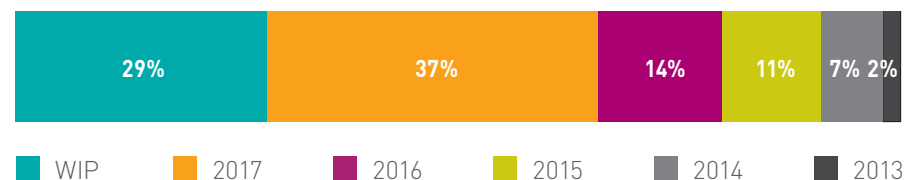
Net revenues in 2017 were USD 492.2 million, an increase of 8% compared to 2016 (USD 456.0 million). Operating profit (EBIT) for 2017 was USD 97.4 million compared to USD 53.0 million in 2016.

The 2017 Operating profit (EBIT) margin was 20% versus 12% in 2016. Pre-tax profit in 2017 was USD 99.6 million, up from USD 52.7 million in 2016. Net income was USD 75.6 million in 2017 compared to USD 27.7 million in 2016.

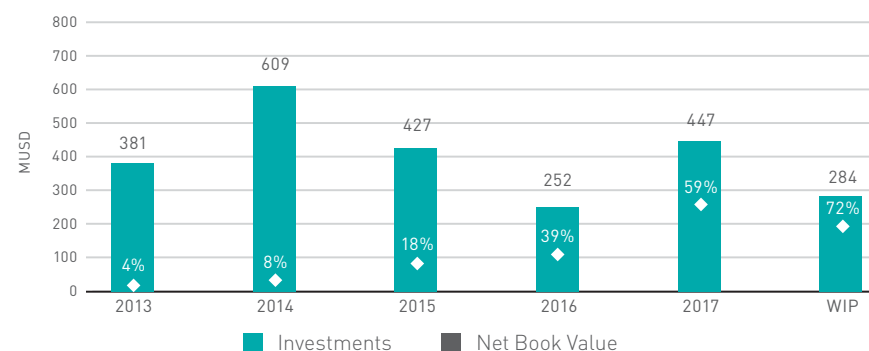
TGS' operating cash flow was USD 461.3 million in 2017, an increase of 42% from USD 324.4 million in 2016. Operating cash flow is significantly higher than the operating profit as non-cash expenses, in the form of amortization and impairments of the multi-client library, are the Company's largest expense item.

TGS has paid quarterly dividends since 2016. The Annual General Meeting held on 9 May 2017 resolved to renew the Board of Directors' authorization to distribute quarterly dividends. In 2017 TGS paid dividends totaling USD 62.8 million (equal to

## Net Book Value of Seismic Library by Year as a Percentage of Total

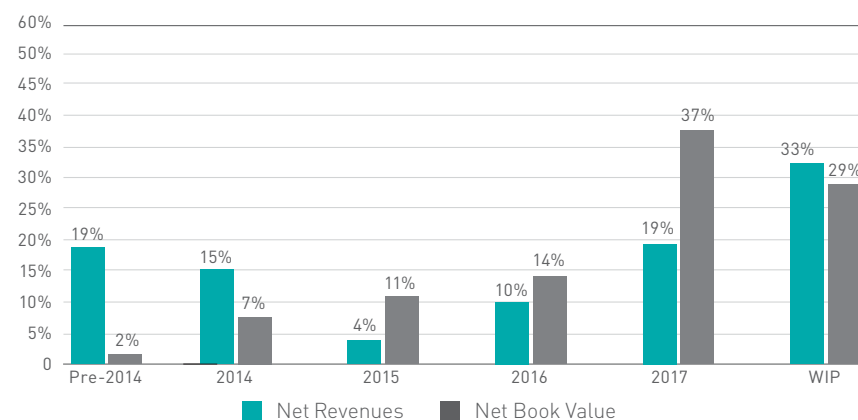


## Net Book Value as of 31 December 2017 vs. Investments per Year of Completion <sup>1)</sup>



<sup>1)</sup> Marine and onshore investments included. Well Data investments not included.

## 2017 Annual Net Revenues vs. Net Book Value per Year of Completion





USD 0.60 per share), up from USD 59.5 million (equal to USD 0.60 per share) paid in 2016.

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend equal to the NOK equivalent of USD 0.20 per share (NOK 1.57).

At year-end 2017 TGS had cash and cash equivalents of USD 249.9 million compared to USD 190.7 million at the end of 2016. TGS held current assets of USD 523.6 million and had current liabilities of USD 194.9 million. In addition, TGS had USD 75.0 million available under an undrawn Revolving Credit Facility.

As of 31 December 2017, total equity amounted to USD 1,200.1 million, corresponding to an equity ratio of 84% (2016: 79%).

TGS has implemented IFRS 15 Revenue from Contracts with Customers from 1 January 2018. For further details, please refer to note 1 in the consolidated financial statements.

Shareholders value metrics	2017	2016
Net revenues	492,181	455,991
Operating profit (EBIT) margin*	20%	12%
Multi-client net revenues / average netbook value ratio	0.60	0.53
Return on average capital employed (ROACE)*	10%	5%
Cash flow from operations after multi-client investments	123,342	91,069
Shareholders equity as % of total assets	84%	79%

\*Defined in the Alternative Performance Measures section in Annual Report.

## Mergers and Acquisitions

In 2017 TGS acquired the Norwegian and Barbados multi-client surveys of Multi-Client Geophysical ASA (MCG), which prior to the transaction had been acquired by Geoex Ltd, a UK based geophysical company.

In connection with the restructuring of the debt of Seabird Ltd. (Seabird), a Cyprus based geophysical company, TGS entered into an agreement in 2017 to exchange USD 5 million of outstanding bond debt owed to TGS by Seabird for Seabird's interest in its multi-client surveys.

In 2016, TGS, together with Petroleum Geo-Services, entered into an agreement to acquire the multi-client library of Dolphin UK Ltd. The transaction closed in Q1 2017.

The acquired multi-client surveys, totaling USD 9.5 million in 2017, are considered to be a good strategic fit for TGS and will add to the already strong position in areas such as the Barents Sea, the North Sea, NW Africa and Australia. Since 2015, TGS has been involved in a number of strategic library transactions and has taken over multi-client libraries from Polarcus, Dolphin, Multi-Client Geophysical and Seabird.

## Investments, Capital, Financing and Dividends

TGS is listed on the Oslo Stock Exchange with a market capitalization of USD 2.4 billion on 31 December 2017. As of year-end, TGS was the 18<sup>th</sup> largest company on the Oslo Stock Exchange and is part of the OBX index consisting of the 25 most liquid stocks in Norway. TGS did not issue any new equity during 2017, other than shares issued as part of employee long-term incentive programs. The Board does not anticipate issuing any new shares in 2018, apart from share issues as part of employee long-term incentive programs, unless necessary to finance the acquisition of a company or a major business opportunity.

During 2017 TGS invested USD 289.0 million (net of contingent rent investments and library acquisitions) in its multi-client library, compared to USD 271.0 million in 2016. Contingent rent investments amounted to USD 18.1 million in 2017 (2016: USD 50.7 million). The net book value of the multi-client library amounted to USD 799.0 million as of 31 December 2017 compared to USD 812.4 million as of 31 December 2016 after recognizing USD 294.8 million of amortization and USD 7.5 million of impairments (2016: USD 286.7 million of amortization and USD 11.0 million of impairments).

The Annual General Meeting held 9 May 2017 resolved to renew the Board of Directors' authorization to distribute quarterly dividends. 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.

In its meeting on 7 February 2018, the Board of Directors resolved to pay a dividend of USD 0.20 per share (NOK equivalent of 1.57 per share) in Q1 2018 based on the 2016 financial statements. The dividends were paid on 1 March 2018.

The Board will propose to the May 2018 Annual General Meeting that the Board should be authorized to distribute quarterly dividends on the basis of the 2017 financial statements.

## Risk Management and Internal Control

TGS' activities are heavily dependent on the spending budgets of its clients, which are exploration and production companies in the oil and gas industry. These



budgets are in turn largely a function of actual and/or expected shifts in oil and gas prices. Consequently, TGS' activities, opportunities and profitability are linked to the development of these prices. Under TGS' business model, discretionary investments in new multi-client projects are by far the largest use of cash. As TGS does not itself own seismic vessels or onshore seismic crews, but rather outsource these acquisition services on short-term contracts to vendors, the Company can quickly adjust its cash outflow in accordance with market fluctuations, thus mitigating part of the risk represented by movements in oil and gas prices.

TGS is exposed to financial risks such as currency, liquidity and credit risk. TGS' operational exposure to currency risk is low as significant portions of its revenues earned and costs incurred are in USD. However, as significant parts of the taxes are calculated and paid in NOK, fluctuations between the NOK and the USD result in currency exchange gains or losses. From 2016 the quarterly dividend payments have been linked to USD which has reduced the NOK exposure significantly.

Liquidity risk arises from a lack of correlation between free cash flow and financial commitments. As of 31 December 2017, TGS held current assets of USD 523.6 million, of which cash and cash equivalents represented USD 249.9 million, while current liabilities were USD 194.9 million. TGS also had unused credit facilities of USD 75.0 million at 31 December 2017. As a result, the Company considers its liquidity risk to be low.

TGS is exposed to credit risk through sales and receivables and uses its best efforts to manage this risk by monitoring receivables and implementing credit checks and other actions as deemed appropriate. In addition, excess cash is placed in either bank deposits or financial instruments that have a minimum rating of "investment grade". The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets, such as accounts receivables, other short-term receivables, and other non-current assets. TGS evaluates the concentration of risk with respect to trade receivables as low due to the Company's credit rating policies and as the clients are mainly large energy companies considered to be financially sound.

TGS is highly focused on maintaining adequate internal controls. The Company's primary business activity is building its multi-client geoscientific data library, which represents its largest financial asset, through multiple investments in new data for licensing to clients. TGS utilizes custom investment proposal models and reporting tools in order to assess and monitor the status and performance of the Company's multi-client projects. Reference is made to Note 13 to the consolidated financial statements and the more detailed information on risk management and internal control in the Corporate Governance section of the Annual Report.

## **Organization, Working Environment and Equal Opportunity**

Following restructuring and right-sizing initiatives at the start of the industry down-cycle, as well as more recent outsourcing projects, TGS' global workforce has been reduced by 37% from the peak. This has helped to reduce operating costs and has positioned the company to maintain profitability during this period of decreased spending from clients. The Board considers the organization to be optimally sized for the current environment and does not anticipate a significant increase in headcount in the immediate future, with any increased workload being managed through outsourcing and the use of contractors. In 2017, the Board targeted management to maintain good levels of employee engagement, with focus on communication, training and development, and compensation / rewards. The results from the annual employee engagement survey showed that Overall Engagement Capital (measured by an independent third party, CEB) increased to 61% in 2017 (from 60% in 2016), which is on a par with the cross-industry benchmark comprising 400 similar-sized companies from more than 20 industries. Furthermore, TGS maintained a very low level of staff turnover at only 6% (down from 8% in 2016) and was successful in attracting high performing individuals. The Board recognizes the importance of maintaining good employee engagement to ensure high levels of discretionary effort and employee retention. Therefore, employee engagement activities will continue to be a high priority in 2018.

The Parent Company had 41 employees as of 31 December 2017. At year-end, TGS had a total of 597 employees in the following locations: 391 employees in the United States, 41 employees in Norway, 99 employees in the United Kingdom, 51 employees in Canada, 11 employees in Australia and 4 employees in other countries. The average number of employees during 2017 was 605.

The Board considers the working environment in the Company to be good. The Board and management believe that employees of diversified gender, ethnicity and nationality are provided with equal opportunity and treated fairly within the Company.

At the end of 2017, women comprised 41% of the total workforce in the Company, which is slightly lower than the prior year (43% in 2016). The corresponding figure for managers is 29% at the end of 2017, which is unchanged from the prior year.

## **Health, Safety and Environmental Issues**

TGS interacts with the external environment through the collection of seismic, gravity and magnetic data and the operation of offshore vessels, land crews and aircraft. TGS is dedicated to safeguarding and maintaining the environment in which the Company works and providing a safe and healthy workplace



for employees and contractors through the active implementation of a comprehensive HSE Management System that includes appropriate policies and procedures. Not only does TGS comply with mandated legislation and local regulations, the Company also works closely with industry associations in an effort to investigate ways to mitigate the impact of seismic operations on the environment. TGS typically conducts environmental impact assessments as part of the permitting process prior to initiating seismic data acquisition. Additionally, TGS works with the vessel owners and seismic contractors through the Subcontractor Management System to ensure compliance under the TGS sustainability program.

In 2017, TGS employees worked 991,765 man-hours, and there were no recordable employee injuries. The injury frequency rate for 2017 was 0.00 (2016: 0.18 per million man-hours). The sickness absence frequency for TGS employees in 2017 was 1.15 % as compared to 1.11 % in 2016.

As part of the continuous improvement strategy, Management participates in audits of office locations. Furthermore, all TGS staff is required to complete relevant training modules and are assessed on active HSE commitment during annual performance reviews.

In 2017 all TGS Executive Team members conducted at least one HSE facility inspection each and all C-Level Executives, Seismic SVP's, as well as VP Global Services and Area Managers visited at least one seismic vessel or land crew each in 2017 in order to promote the importance of HSE. Moreover, all office locations performed at least one HSE related lunch and learn activity.

## Corporate Social Responsibility Report

TGS has prepared a Corporate Social Responsibility Report in accordance with the Norwegian Accounting Act, section 3-3c. It is the opinion of the Board of Directors that the Company complies with the reporting requirements. The report, including TGS' Corporate Social Responsibility policies, is included as a separate section of this Annual Report and on TGS' website at [www.tgs.com](http://www.tgs.com).

## Board Structure and Corporate Governance

The Board, of Directors consists of eight directors, each serving a one-year term. The Board's Audit and Compensation Committees are composed exclusively by independent directors. No material transactions other than the remuneration disclosed in note 7 have occurred in 2017 between the Company and its management, Directors or shareholders.

The independent Nomination Committee, elected by the shareholders, consists of the following members:

Tor Himberg-Larsen (Chairman), Christina Stray, and Herman Kleeven.

Himberg-Larsen and Stray were elected for a two-year term at the Annual General Meeting on 9 May 2017, while Kleeven was elected for a two-year term on 10 May 2016.

TGS emphasizes independence and integrity in all matters among the Board, management and the shareholders.

TGS conducts an active compliance program designed to continually inform and educate employees on ethical and legal issues. The Company employs a full-time Board-appointed compliance officer who reports quarterly on progress on compliance activities and objectives.

TGS has based its corporate governance policies and practices on the Norwegian Code of Practice for Corporate Governance published on 30 October 2014. It is the opinion of the Board of Directors that the Company complies in all areas with the Code of Practice and any subsequent amendments. A more detailed description of how TGS complies with the Code of Practice and the Norwegian Accounting Act's requirements for reporting on corporate governance is included in the Report on Corporate Governance included in this Annual Report and on TGS' website at [www.tgs.com](http://www.tgs.com).

## Salary and Other Compensation

TGS compensates its employees according to market conditions that are reviewed on an annual basis by the Compensation Committee. Compensation includes base salary, insurance and retirement benefit programs, a profit-sharing bonus plan based on the Company's performance and, in certain cases stock options plans or other long-term incentive programs. For further details please refer to item 12 in the Report on Corporate Governance and the Declaration on Executive Remuneration.

The members of the Board of Directors do not participate in any bonus plan, profit-sharing plan or stock option plan. In recent years, the directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. The remuneration is not related to the Company's financial result. Refer to note 7 to the Consolidated Financial Statements for details on the remuneration for 2017.



## Significant Litigation

The Board is regularly updated on significant litigation matters. As a result, at each meeting the Board receives an update on the Økokrim criminal charges and investigation as well as related civil claims. See note 21 to the Consolidated Financial Statements for further details.

## Outlook

In parallel with the substantial increase in the oil price since mid-2017, oil companies are to an increasing extent seeing the impact of the cost reductions and efficiency measures implemented over the past years, resulting in sharply increasing cash flows. Nevertheless, most of the oil companies that have made public outlook comments for 2018 have signaled a continued cautious approach towards exploration spending. As such, the demand for seismic data in 2018 is expected to remain weak in a historical perspective, although there could be upside to this assumption if the oil price remains stable at the current level or higher through the year.

As a result of the steep reduction in exploration spending over the past few years the global reserve replacement ratio has dropped to historically low levels. At some stage oil companies need to increase exploration efforts in order to meet the continued growth in demand as well as compensating the declining production at existing fields. Combined with the efficiency gains realized across the oil & gas industry during the downturn, this should lead to increases in the oil companies' exploration budgets in the long-term.

In accordance with its counter-cyclical investment strategy, the Company has over the past couple of years added substantial amounts of data to its multi-client library at attractive unit cost through both organic and inorganic investments. This should, in combination with an efficient cost base, strong balance sheet and flexible business model, put TGS in a unique position to continue enhancing its status as the world's leading multi-client geophysical company in the years to come.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks, uncertainties and assumptions that are difficult to predict because they relate to events, and depend on circumstances, that will occur in the future.

## Events after the Balance Sheet Date

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per shares (NOK 1.57) to the shareholders. The dividend payments of USD 18.5 million were made on 1 March 2018.

Following an employee stock option exercise on 22 February 2018, a total of 73,600 new shares in the Company were registered resulting in an equity increase of USD 1.7 million.

To the best of the Directors' knowledge, no other subsequent events have occurred that would impact the accounts as presented for 2017 have occurred since 31 December 2017.

## Annual result of the Parent Company and Allocation of Profit

The Board proposes that the Parent Company's net profit of USD 14.8 million shall be allocated as follows:

Allocated to Other Equity	USD 14.8 million
---------------------------	------------------

The Board of Directors resolved on 7 February 2018 to pay a quarterly dividend of USD 18.5 million (NOK equivalent of 1.57 per share) from the 2016 financial statements, which is covered by other equity.

The Board of Directors would like to thank all employees for their good efforts throughout the year.

Asker, 22 March 2018



Henry H. Hamilton III  
Chairman



Mark S. Leonard  
Director



Wenche Agerup  
Director



Elisabeth Grieg  
Director



Nils Peter Dyvik  
Director



Vicki Messer  
Director



Tor Magne Lønnum  
Director



Torstein Sanness  
Director



Kristian Johansen  
Chief Executive Officer



## Confirmation from the Board of Directors and CEO

We confirm, to the best of our knowledge that the financial statements for the period 1 January to 31 December 2017 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that this report of the Board of Directors with references to the notes to the accounts and the Corporate Governance section of the Annual Report includes a true and fair review of the development and performance of the business and the position of TGS, together with a description of the principal risks and uncertainties facing the Company.

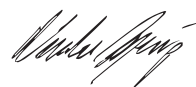
Asker, 22 March 2018



Henry H. Hamilton III  
Chairman



Mark S. Leonard  
Director



Wenche Agerup  
Director



Elisabeth Grieg  
Director



Nils Peter Dyvik  
Director



Vicki Messer  
Director



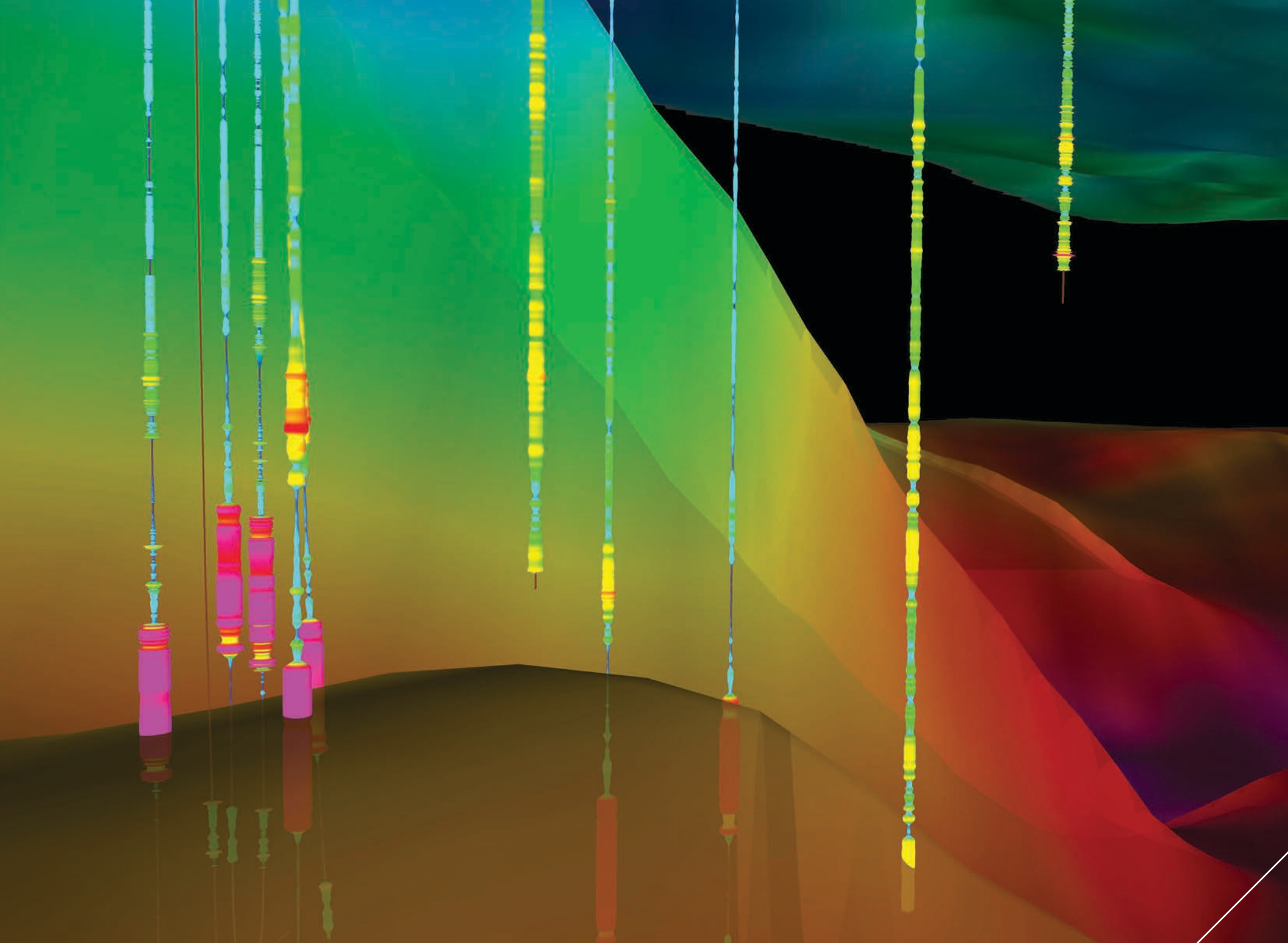
Tor Magne Lønnum  
Director



Torstein Sanness  
Director



Kristian Johansen  
Chief Executive Officer





# GROUP FINANCIALS

Despite the challenging market, TGS' Return on Average Capital Employed (ROACE) was 10.1%, meaning that TGS is one of few international oil service companies delivering a return above its cost of capital in 2017.

# Consolidated Statement of Comprehensive Income

(All amounts in USD 1,000s unless noted otherwise)

	Note	2017	2016
<b>Net revenues</b>	15,22	492,181	455,991
Cost of goods sold - proprietary and other		565	5,759
Amortization and impairment of the multi-client library	5,15	302,346	297,693
Personnel costs	7	54,293	51,670
Cost of stock options	7,8	243	751
Other operating expenses	19	27,805	35,039
Depreciation, amortization and impairment	4,5	9,499	12,046
<b>Total operating expenses</b>		394,752	402,956
<b>Operating profit</b>		97,429	53,035
Financial income	23	2,998	3,053
Financial expenses	23	(1,640)	(3,967)
Net exchange losses	23	848	553
<b>Net financial items</b>		2,207	(360)
<b>Profit before taxes</b>		99,636	52,675
Taxes	24	24,042	25,022
<b>Net income</b>		75,594	27,653
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		359	114
<b>Other comprehensive income, net of tax</b>		359	114
<b>Total comprehensive income for the period</b>		75,952	27,766
Net income attributable to the owners of the parent		75,594	28,220
Net income attributable to non-controlling interests		-	(567)
		75,594	27,653
Total comprehensive income attributable to the owners of the parent		75,952	28,333
Total comprehensive income attributable to non-controlling interests		-	(567)
		75,952	27,766
Earnings per share (USD)	9	0.74	0.28
Earnings per share, diluted (USD)	9	0.73	0.28



# Consolidated Balance Sheet

As of 31 December

(All amounts in USD 1,000s unless noted otherwise)

	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	5,6	67,925	67,925
Multi-client library	5	799,015	812,399
Other intangible non-current assets	5,6	9,045	9,009
Deferred tax asset	24	4,390	9,565
Buildings	4	5,213	6,759
Machinery and equipment	4	14,452	16,263
Other non-current assets	14	496	10,500
<b>Total non-current assets</b>		<b>900,535</b>	<b>932,420</b>
<b>Current assets</b>			
Accounts receivable	16	157,423	201,231
Accrued revenues	16	97,285	119,112
Other receivables	16	18,939	33,073
Cash and cash equivalents	11	249,917	190,739
<b>Total current assets</b>		<b>523,564</b>	<b>544,155</b>
<b>Total assets</b>		<b>1,424,100</b>	<b>1,476,575</b>

# Consolidated Balance Sheet

As of 31 December

[All amounts in USD 1,000s unless noted otherwise]

	Note	2017	2016
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	10	3,663	3,657
Treasury shares	10	(4)	(21)
Share premium	10	62,771	58,107
Other paid-in equity	10	39,722	36,964
<b>Total paid-in capital</b>		<b>106,152</b>	<b>98,707</b>
Other equity		1,093,957	1,070,426
<b>Equity attributable to owners of the parent</b>		<b>1,200,109</b>	<b>1,169,132</b>
Non-controlling interests	10	(7)	(7)
<b>Total equity</b>		<b>1,200,102</b>	<b>1,169,124</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term debt	14	2,500	
Other non-current liabilities	14	2,850	6,057
Deferred taxes	24	23,721	39,284
<b>Total non-current liabilities</b>		<b>29,071</b>	<b>45,341</b>
<b>Current liabilities</b>			
Accounts payable and debt to partners	17	101,385	116,534
Taxes payable, withheld payroll tax, social security	24	25,197	18,066
Other current liabilities	17	68,345	127,510
<b>Total current liabilities</b>		<b>194,925</b>	<b>262,110</b>
<b>Total liabilities</b>		<b>223,996</b>	<b>307,451</b>
<b>Total equity and liabilities</b>		<b>1,424,100</b>	<b>1,476,575</b>

Asker, 22 March 2018



Henry H. Hamilton III  
Chairman



Wenche Agerup  
Director



Nils Peter Dyvik  
Director



Tor Magne Lønnum  
Director



Kristian Johansen  
Chief Executive Officer



Mark S. Leonard  
Director



Elisabeth Grieg  
Director



Vicki Messer  
Director



Torstein Sanness  
Director



# Consolidated Statement of Changes in Equity

As of 31 December

[All amounts in USD 1,000s unless noted otherwise]

	Attributable to the owners of the parent							Non-controlling Interest	Total Equity
	Share Capital (par value at NOK 0.25)	Treasury Shares	Share Premium	Other Paid-in Capital*	Foreign Currency Translation Reserve	Retained Earnings	Total		
Balance 1 January 2017	3,657	(21)	58,107	36,964	(21,933)	1,092,359	1,169,132	(7)	1,169,124
Net income	-	-	-	-	-	75,594	75,594	-	75,594
Other comprehensive income	-	-	-	-	359	-	359	-	359
Total comprehensive income	-	-	-	-	359	75,594	75,953	-	75,952
Paid-in equity through exercise of stock options	6	14	4,664	-	-	8,456	13,141	-	13,141
Distribution of treasury shares	-	0.4	-	-	-	250	250	-	250
Deferred tax income related to stock options	-	-	-	-	-	26	26	-	26
Cost of equity-settled long-term incentive plans	-	-	-	2,758	-	-	2,758	-	2,758
Dividends	-	-	-	-	-	(61,146)	(61,146)	-	(61,146)
Balance 31 December 2017	3,663	(4)	62,771	39,722	(21,574)	1,115,538	1,200,114	(7)	1,200,102

	Attributable to the owners of the parent							Non-controlling Interest	Total Equity
	Share Capital (par value at NOK 0.25)	Treasury Shares	Share Premium	Other Paid-in Capital*	Foreign Currency Translation Reserve	Retained Earnings	Total		
Balance 1 January 2016	3,657	(26)	58,107	34,728	(22,047)	1,123,110	1,197,528	560	1,198,088
Net income	-	-	-	-	-	28,220	28,220	(567)	27,653
Other comprehensive income	-	-	-	-	114	-	114	-	114
Total comprehensive income	-	-	-	-	114	28,220	28,334	(567)	27,766
Paid-in equity through exercise of stock options	-	5	-	-	-	1,793	1,798	-	1,798
Distribution of treasury shares	-	0.4	-	-	-	156	156	-	156
Deferred tax income related to stock options	-	-	-	-	-	20	20	-	20
Cost of equity-settled long-term incentive plans	-	-	-	2,236	-	-	2,236	-	2,236
Dividends	-	-	-	-	-	(60,940)	(60,940)	-	(60,940)
Balance 31 December 2016	3,657	(21)	58,107	36,964	(21,933)	1,092,359	1,169,132	(7)	1,169,124

\* Other Paid-in Capital consists of costs related to stock options.

# Consolidated Statement of Cash Flow

(All amounts in USD 1,000s unless noted otherwise)

	Note	2017	2016
<b>Cash flow from operating activities</b>			
Received payments from customers		579,854	424,428
Payments for salaries, pensions, social security tax		(56,567)	(49,549)
Payments of other operational costs		(49,559)	(48,532)
Paid taxes	24	(12,422)	(1,981)
<b>Net cash flow from operating activities <sup>1)</sup></b>		<b>461,306</b>	<b>324,366</b>
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets		(9,919)	(8,128)
Investments in multi-client library		(337,964)	(233,297)
Investments through mergers and acquisitions		(7,776)	-
Interest received		2,958	1,429
<b>Net cash flow from investing activities</b>		<b>(352,701)</b>	<b>(239,996)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(328)	(400)
Dividend payments	10	(62,767)	(59,458)
Proceeds from share issuances		13,141	1,798
<b>Net cash flow from financing activities</b>		<b>(49,954)</b>	<b>(58,060)</b>
Net change in cash and cash equivalents		58,651	26,310
Cash and cash equivalents at the beginning of the period	11	190,739	162,733
Net unrealized currency gains/(losses)		527	1,698
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>249,917</b>	<b>190,739</b>
<b>1) Reconciliation</b>			
Profit before taxes		99,636	52,675
Depreciation/amortization/impairment	4,5,6	311,846	309,739
Changes in accounts receivables and accrued revenues		65,634	(42,696)
Net unrealized currency gains/(losses)		(168)	(1,576)
Changes in other receivables		20,156	11,892
Changes in other balance sheet items		(23,376)	(3,687)
Paid taxes	24	(12,422)	(1,981)
<b>Net cash flow from operating activities</b>		<b>461,306</b>	<b>324,366</b>



# Notes to Consolidated Financial Statements

(All amounts in USD 1,000s unless noted otherwise)

## 1. General Accounting Policies

### General Information

TGS-NOPEC Geophysical Company ASA (the Parent Company) is a public limited liability company incorporated in Norway on 21 August 1996. The address of its registered office is Lensmannslia 4, 1386 Asker, Norway. TGS-NOPEC Geophysical Company ASA is listed on the Oslo Stock Exchange ("TGS").

TGS-NOPEC Geophysical Company ASA and its subsidiaries (TGS or the Company) provide 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.

The consolidated financial statements of TGS were authorized by the Board of Directors on 22 March 2018.

### Basis of Preparation

The consolidated financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) in effect as of 31 December 2017 and consist of the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and notes to the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except financial investments available for sale and financial investments through profit and loss that have been measured at fair value. The financial statements of the subsidiaries have been prepared for the same reporting year as the Parent Company, using consistent accounting policies.

### Principles of Consolidation

#### *Companies Consolidated*

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017. Control is achieved when TGS is exposed, or has rights, to variable returns from its involvement with

the investee and has the ability to affect those returns through its power over the investee.

Specifically, TGS controls an investee if and only if TGS has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Consolidation of a subsidiary begins when TGS obtains control over the subsidiary and ceases when TGS loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date TGS gains control until the date TGS ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of TGS are eliminated in full on consolidation.

If TGS loses control over a subsidiary, the Company derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any retained investment is accounted for in accordance with the applicable IFRS.

#### *Presentation Currency*

TGS presents its consolidated financial reports in USD. The majority of TGS' revenues and expenses are denominated in USD, and USD is the functional currency for most of the entities in TGS, including the Parent Company. The financial statements of the Parent Company are presented separately in this Annual Report.

For presentation in consolidated accounts, the assets and liabilities of subsidiaries with functional currency other than USD are translated into USD at the rate of exchange prevailing at the reporting date and their statements of profit or loss

are translated at exchange rates prevailing at the dates of the transactions. Exchange rate differences arising from the translation to presentation currency are recognized in OCI.

#### **Foreign Currency**

Transactions in foreign currency are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in non-functional currencies are translated into functional currency spot rate of exchange ruling at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in non-functional currencies are recognized in the income statement.

#### **Significant Accounting Judgments, Estimates and Assumptions**

In the process of applying TGS' accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the consolidated financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which will form the basis for making judgments on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of judgment and estimation of uncertainties at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Impairment Evaluation of Multi-client Data Library**

TGS performed impairment reviews and determined the value in use of the multi-client library during 2017. The Company estimated value in use based on discounted estimated future sales forecasts. The underlying estimates that form the basis for the sales forecast depend on variables such as the number of oil and gas exploration and production (E&P) companies operating in the area that would be interested in the data, the overall E&P spending, expectations regarding hydrocarbons in the sector, whether licenses to perform exploration in the sectors exist or will be given in the future, expected farm-ins to licenses, relinquishments, etc. Changes in these estimates may potentially affect the estimated amount of future materially. The future sales forecasts are evaluated regularly and impairments are recognized in the period they occur.

A 10% reduction in the net present value of estimated future revenues for all multi-client projects as of 31 December 2017 would have resulted in further impairments of USD 0.3 million in 2017.

For details about the book value, amortization and impairment of the multi-client library, see Note 5.

For a detailed description of the accounting policies for the multi-client library see Summary of Significant Accounting Policies below.

#### **Impairment Evaluation of Goodwill**

TGS determines whether goodwill is impaired at least on an annual basis or when there are indicators that the carrying amount may not be recoverable. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Variables such as estimated future revenues, margins and estimated long-term growth are the key drivers for the basis of the value in use calculations. Future cash flows also depend on general development in E&P spending, the number of market participants and technological developments.

For details about the goodwill and impairment, see Note 6.

#### **Deferred Tax Assets**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognized for temporary deductible differences and carry forward tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

For details about the deferred tax assets, see Note 24.

#### **Contingent Liabilities**

The preparation of the financial statements has required TGS to make judgments, estimates and assumptions that affect the reported amounts of liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of liabilities in future periods.

On 2 March 2017, Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, issued a corporate fine of NOK 85 million (approximately USD 11 million) against TGS based on alleged



violations of the Norwegian Tax Assessment Act arising from a transaction for the license of seismic data entered into in 2009 with Skeie Energy AS, later known as E&P Holding AS (Skeie). The Company rejected the fine, and a trial regarding the alleged violations commenced 22 January 2018. The trial is expected to conclude in April 2018, with a decision from the court later in 2018. If TGS is convicted, the fine will increase to NOK 90 million. TGS has also been notified by the Government of Norway that it will hold TGS responsible for repayment of the refunds received by Skeie, which, at the time of notification, amounted to approximately NOK 326 million with interest. Other civil claims have been asserted against TGS by various other parties in relation to the Skeie transaction, all of which are predicated on whether the parties making the claims are ultimately held responsible for unwarranted tax refunds and suffer damages that can be attributed to TGS.

Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and the trial will confirm that TGS acted diligently in connection with the transactions with Skeie and no wrongdoing by the Company occurred. 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 the trial process, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's rejection of the fine and its assessment of the case at this point, it does not consider it probable that an outflow of resources embodying economic benefits will be required in connection with the criminal or civil proceedings and, accordingly, no provisions have been made.

See Note 21 for a further description of the above criminal and civil matters.

#### ***Provision for Impairment Losses of Accounts Receivables and Other Financial Assets***

TGS has made provisions for impairment losses of specific accounts receivables and other financial assets deemed uncollectible. When assessing the need for provisions, TGS uses all available information about the various outstanding receivables, including the payment history and the credit quality of the actual companies.

For details about the provision of impairment losses of accounts receivables, see Note 16.

#### ***Share-based Payments***

TGS measures the cost of stock options and other share-based payment plans granted to employees by reference to the fair value of the equity instruments at the date at which they are granted (equity-settled transactions) or at the end of each reporting period (cash-settled transactions). Estimating fair value requires an appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based

instruments. This also requires determining the appropriate assumptions in the valuation models including the expected life of the instruments, volatility and dividend yield.

For details about the share-based payments, see Note 8.

### **Summary of Significant Accounting Policies**

#### ***Revenue Recognition***

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to TGS and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, net of discounts and sales taxes or duty. The following describes the specific principles:

#### ***Work in Progress (WIP)***

Sales in the form of prefunding commitments from customers under binding contracts are recognized as revenue on a percentage of completion (POC) basis, normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project. Sales made prior to commencement of acquisition for each project are recognized on POC basis and presented as pre-funding revenues. Sales after the commencement, but while projects are in progress are also recognized on a POC basis and presented as late sales revenues. The amount of revenues for in progress projects not yet invoiced, is presented as accrued revenues in the balance sheet.

#### ***Finished Data***

Revenue is recognized for sales of finished data at the time of the transaction; i.e. when the client has gained access to the data under a binding agreement. Sales of finished data are presented as late sales revenues.

#### ***Volume Sales Agreements***

In certain situations, TGS grants licenses to the customer for access to a specified number of blocks of multi-client library within an area. These licenses typically enable the customer to select and access the specific blocks over a period of time. Revenue recognition for volume sales agreements is based on a proportion of the total volume sales agreement revenue, measured as the customer gains access to the data.

#### ***Revenue Sharing Arrangements***

TGS shares certain multi-client revenues with other companies (see joint arrangements below) and governments. Revenues are recognized on a net basis in accordance with applicable recognition principles.

### *Proprietary Contracts*

Revenue from proprietary contracts for clients is recognized in the same way as work in progress (POC) in accordance with the specific agreement.

### *Royalty Income*

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

### ***Cost of Goods Sold (COGS) – Proprietary Contracts and Other***

Cost of goods sold consists of direct costs related to proprietary contract work and costs related to delivery of geoscientific data.

### ***Multi-client Library***

The multi-client library includes completed and in-progress geophysical and geological data to be licensed on a non-exclusive basis to oil companies. The costs directly attributable to data acquisition and processing are capitalized and included in the library value. Costs directly attributable to data acquisition and processing includes mainly vessel costs, payroll and hardware/software costs. Data acquisition costs include mobilization costs incurred when relocating vessels to the survey areas. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization and impairment.

### *Amortization of Seismic Data*

During the work in progress phase, amortization is based on total cost versus forecasted total revenues of the project. Amortization is recorded in line with how revenues are recognized for each project during this phase.

After a project is completed, a straight-line amortization is applied. The straight-line amortization is assigned over a remaining useful life, which for most marine projects is considered to be 4 years. For most onshore projects, the remaining useful life after completion of a project is considered to be 7 years.

### *Amortization Policy on Seismic Data Purchased from Third Parties*

When purchasing seismic data from third parties, a straight-line amortization over the remaining useful life is recognized. The straight-line amortization is based on the fair value of the seismic data recognized on the date of the purchase.

### *Amortization Policy on Well Data Products*

The library of multi-client well logs is presented at cost, reduced by accumulated amortization. Amortization is recorded as a straight-line amortization over seven years.

### *Impairment Evaluation Multi-client Library*

When there are indicators that the net book value may not be recoverable, the library is tested for impairment either individually per project (seismic and interpretation reports) or at the cash generating unit level (well logs), as appropriate. Any impairment of the multi-client library is recognized immediately and presented as “Amortization and impairment of the multi-client library” in the statement of profit or loss.

For further information about impairment, see “Impairment of Non-Financial Assets” below.

For details about impairments of the multi-client library, see Note 5.

### ***Contingent rent agreements***

The Company has entered into agreements on rental of seismic vessels where a part of the rental payment is paid during the rental period, while the other part of the rent is deferred and contingent on a future sale. The balance of the other part of the rent will be paid as/if sales occur. The deferred payment is not considered to be a current liability, and no provision has been recognized as future payment is based on a future sales event. If and when sales occur TGS will recognize revenues with a corresponding investment recognition. The obligation to pay the remaining vessel rent will be recognized as a liability when the sales transaction occurs.

### ***Joint arrangements***

A joint arrangement is a contractual arrangement whereby TGS and other parties undertake an economic activity that is subject to joint control, i.e., when the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are classified as joint operations or joint ventures, depending on the rights to the assets and obligations for the liabilities of the parties to the arrangements. If the parties to the joint arrangement have rights to the net assets of the arrangement, the arrangement is a joint venture. However, if the parties have rights to the assets and obligations to the liabilities relating to the arrangement, the arrangement is a joint operation. Interests in joint ventures are accounted for using the equity method.

For certain multi-client library projects, TGS invests in the project with other parties and has cooperation agreements whereby revenues will be shared with other companies. These agreements are initiated and agreed as joint operations where both parties have rights to the assets and share in the liabilities. TGS recognizes its share of the investment in multi-client library, its share of revenues from the sale of the multi-client library, related amortization, and expenses. When TGS has a license to market and sell the seismic project, TGS enters into the license contracts with customers and invoices and collects payments from



the customer. The related account receivable is presented gross, while the portion due to the partner upon collection from the customer is presented as debt to partners. Similarly, when a partner holds the license and invoices and collects from the customer, TGS recognizes its share of related accounts receivables.

### ***Other Intangible Assets***

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The straight-line amortization method is used for most intangible assets as this best reflects the consumption of the assets.

### ***Research and Development Costs***

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when TGS can demonstrate:

- It is technically feasible to complete the product so that it will be available for use.
- Management intends to complete the product and use it.
- There is an ability to use the software product.
- It can be demonstrated how the product will generate future economic benefits.
- Adequate technical, financial or other resources to complete the development and to use the product are available.
- The expenditure attributable to the product during its development can be reliably measured.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

### ***Business Combinations and Goodwill***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When TGS acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the purchased business at fair value. This includes the separation of embedded derivatives in host contracts by acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 in the profit or loss. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill from a business combination is, from the acquisition date, allocated to each of TGS' cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of TGS are assigned to those units. Each unit, or group of units to which the goodwill is allocated, represents the lowest level within TGS at which the goodwill is monitored for internal management purposes.

Should part of an operation carrying goodwill be disposed of, the goodwill which is associated with the disposed operation is then included in book value of the operation when determining the gain or loss on the disposal. The goodwill disposed of in this circumstance is determined measured based on the relative

values of the operation disposed of and the portion of the cash generating unit retained.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the book value of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

### ***Tangible Non-Current Assets***

Tangible non-current assets are presented at historical cost less accumulated depreciation and accumulated impairment losses. Purchases which are expected to have a technical and economic life of more than one year are capitalized as tangible non-current assets. Depreciation begins when the assets are available for use. Tangible non-current assets held for sale are stated at the lower of book value and presumed market value and are not subject to depreciation.

### ***Impairment of Non-Financial Assets***

Disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Significant Accounting Judgments, Estimates and Assumptions - Note 1
- Tangible Non-Current Assets - Note 4
- Impairment Testing of Goodwill - Note 6

TGS assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, TGS estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows calculated in USD are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to

the asset.

TGS bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of TGS' CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, TGS estimates the asset's or the CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

For further information about impairment testing of the multi-client library, see "Impairment Test Multi-Client Library" above and Note 5.

### ***Provisions and Contingencies***

Provisions are made when TGS has a present obligation (legal or constructive) as result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are possible obligations as a result of a past event where the existence of the liability depends on the occurrence, or not, of a future event. An existing obligation, in which it is not likely that the entity will have to dispose economic benefits, or where the obligation cannot be measured with sufficient reliability, is also considered a contingent liability. Contingent liabilities are not recognized in the financial statements, but if material, disclosed in the accompanying notes. A contingent asset is not recognized in the financial statement, but disclosed if there is a certain degree of probability that it will be an advantage of TGS.

For a description of contingent liabilities, see Note 21.



## **Income Taxes**

### **Current Income Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where TGS operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### **Deferred Tax**

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities have been recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

TGS' legal entities that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

### **Share-based Payments**

Key employees of TGS receive remuneration in the form of share-based payments whereby employees render services as consideration for stock options, Performance Share Units (PSUs) and Restricted Share Units (RSUs).

The cost of equity-settled transactions (stock options, PSUs and the RSUs issued in 2015 to 2017) is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and TGS' best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 9).

In some tax jurisdictions, TGS receives a tax deduction in respect of remuneration in the form of stock options to employees. The tax deduction is not received until the stock options are exercised and is based on the intrinsic value of the award at the date of exercise. In accordance with IAS 12, the tax relief must be allocated between profit or loss and equity so that the amount of the tax deduction exceeding the cumulative cost of stock options expensed by the Company is recognized directly to equity.

The RSUs granted in 2014 were cash settled share-based payments. These RSUs vested and were paid out to the respective employees in 2017. The fair value of these RSUs were measured at the end of each reporting period and accrued over the period until the employees had earned an unconditional right to receive them. These fair values were expensed over the period until the vesting date with recognition of a corresponding liability. The ultimate cost of such a cash-settled transaction was the actual cash paid by TGS, which was the fair value at settlement date.

The fair values of the RSUs are recognized as personnel costs.

### ***Financial Investments and Other Financial Instruments***

TGS classifies financial investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on characteristics of the instruments and the purpose for which the investments were acquired. Management determines the classification at initial recognition. When financial assets or financial liabilities are recognized initially, they are measured at fair value plus, for all financial investments other than those at fair value through profit or loss, directly attributable transaction costs. The purchases and sales of financial assets or financial liabilities are recognized at the date of trade.

TGS does not have any hedge arrangements which qualify for hedge accounting.

#### ***Financial Assets at Fair Value Through Profit or Loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

#### ***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on loans and receivables, refer to Note 14 and 16.

#### ***Available-for-Sale Financial Assets***

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial measurement, the available-for-sale financial assets held are measured at fair value with unrealized gains or losses being recognized as OCI in the available-for-sale reserve, until the investment is derecognized or considered impaired at which time the cumulative loss is recognized in the income statement in finance cost and removed from the available-for-sale reserve. The investment is determined to be impaired when a negative development is considered significant or prolonged.

The fair value of financial investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined applying commonly used valuation techniques.

### ***Financial liabilities***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings.

#### ***Loans and borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

#### ***Derecognition of Financial Assets and Liabilities***

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired.
- TGS has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

#### ***Impairment of Financial Assets***

TGS assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective



evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or TGS of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### ***Pensions***

TGS operates defined-contribution plans in Norway, UK, USA (401k) and Australia where the Company covers the superannuation. Contributions are expensed to the income statement as they become payable.

### ***Leases – TGS as lessee***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases are recorded as assets and liabilities, and lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

### ***Cash and Cash Equivalents***

Cash and cash equivalents in the balance sheet comprise cash in bank accounts and on hand and short-term deposits with an original maturity of three months or less.

### ***Accounts Receivable and Other Receivables***

Receivables are measured at cost less any amounts expected to be uncollectible. Sales with deferred payments due to be settled more than twelve months or later are presented as non-current receivables.

### ***Treasury Shares***

TGS' equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of TGS' own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is

recognized in the share premium reserve.

### ***Dividends***

A dividend approved by TGS' shareholders is recognized as a liability in TGS' financial statements. A corresponding amount is recognized directly in equity.

### ***Cash Flow Statement***

The cash flow statement is compiled using the direct method.

### ***Changes in Accounting Policy and Disclosures***

TGS applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below.

- **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative:**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments did not have material impact on the Company's statement of cash flow.

- **Amendments to IAS 12 Income Taxes:**

Recognition of Deferred Tax Assets for Unrealized Losses The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

- **Annual Improvements Cycle - 2014-2016**

- **Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments did not have any effect on the Company's financial position as of 31 December 2017.

### ***New Standards and Interpretations Issued, but not Yet Effective***

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of TGS' financial statements are disclosed below. TGS intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 Financial Instruments**

In July 2014 the IASB issued the final version of IFRS 9. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The amendments are not expected to impact TGS' financial position or performance.

- **IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new revenue recognition standard, IFRS 15. 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.

The Company will implement IFRS 15 from 1 January 2018. For late sales committed after completion of the relevant projects and proprietary sales, there will be no material effects following the implementation of IFRS 15. Pre-funding revenues and late sales revenues from contracts committed prior to completion of multi-client projects are currently being recognized as the services are performed. Recognition of revenues of contracts committed prior to completion of multi-client projects have been subject to an in-depth analysis together with the other seismic companies. TGS is evaluating whether such contracts could be viewed as services contracts for which revenue should be recognized over time, i.e. continuing the current revenue recognition policy.

However, based on a current analysis of the contracts, there is a high risk that all multi-client pre-funding and late sale contracts committed prior to completion of projects are considered to be "right to use licenses", 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.

If it is concluded that pre-funding revenues and late sales revenues from contracts committed prior to completion of a projects will be recognized when the "right of use" license is transferred to the client, the Company will apply the modified retrospective approach for the transition. Under this approach, the comparative periods will not be restated, and the cumulative effect of initially applying IFRS 15 will be recognized at the date of initial application, i.e. in the 2018 opening balance. As a consequence, multi-client pre-funding revenues and late sales revenues from contracts committed prior to completion of a project and amortization that are recognized in prior periods will also be recognized in the statement of profit for 2018 and future periods, without those prior periods being restated. In the financial statements for 2018 and subsequent periods, the effect of applying IFRS 15 in such period as compared to applying the current policy will be disclosed.

Under this approach, the consolidated shareholders' equity will be reduced by approximately USD 55 million as of 1 January 2018.

- **IFRS 16 Leases**

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. TGS is currently assessing the impact of IFRS 16 which is effective from 1 January 2019 and is considering if current agreements are considered lease agreements and determining if any agreements are non-cancellable. Reference is also made to note 19 which describes the Company's operating leases during 2017.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on TGS.



## 2. Business Combinations

No significant business combinations, either individually or collectively, took place in 2017 or in 2016.

## 3. Segment Information

TGS' reporting structure, as reported to the executive management, is broken down into the geographic areas forming the operating segments, North and South America (NSA), Europe and Russia (EUR) and Africa, Middle-East and Asia/Pacific (AMEAP).

TGS' onshore seismic projects in North America are reported under the business segment NSA. This is due to the executive management structure and common economic characteristics like a similar core client base, common sales resources, and long-term rights to market and sell data in North America.

In addition to the operating segments, TGS has segments that do not individually meet the quantitative thresholds to produce reportable segments. The segments which are aggregated and form "Other segments/Corporate costs" include GPS Well Logs, GPS Interpretations, Global Services, Imaging, Data & Analytics, G&A and Corporate.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to the operating segments.

Transactions between operating segments are on an arm's-length basis in a manner similar to transactions with third parties. No inter-segment sales between the reportable segments have taken place during 2017 or 2016. Employee bonuses and cost related to share options are recognized within "Corporate costs".

2017	North & South America	Europe & Russia	Africa, Middle East & Asia/ Pacific	Other segments/Corporate costs	Consolidated
Net operating revenues	239,940	157,336	44,357	50,548	492,181
<b>Net external revenues</b>	<b>239,940</b>	<b>157,336</b>	<b>44,357</b>	<b>50,548</b>	<b>492,181</b>
Costs of goods sold-proprietary & other	71	445	30	19	565
Amortization and impairment of multi-client library	171,813	77,166	29,729	23,639	302,346
Operational costs	9,060	3,511	2,845	66,924	82,339
Depreciation, amortization and impairment	562	67	134	8,736	9,499
<b>Operating profit/(loss)</b>	<b>58,433</b>	<b>76,147</b>	<b>11,619</b>	<b>(48,770)</b>	<b>97,429</b>

Impairments of multi-client library totaled USD 7.5 million for 2017.

2016	North & South America	Europe & Russia	Africa, Middle East & Asia/ Pacific	Other segments/Corporate costs	Consolidated
Net operating revenues	267,007	109,168	25,939	53,878	455,991
<b>Net external revenues</b>	<b>267,007</b>	<b>109,168</b>	<b>25,939</b>	<b>53,878</b>	<b>455,991</b>
Costs of goods sold-proprietary & other	[10]	5,677	53	38	5,759
Amortization and impairment of multi-client library	171,754	60,658	39,844	25,438	297,693
Operational costs	12,531	3,506	6,020	65,402	87,458
Depreciation, amortization and impairment	643	158	154	11,091	12,046
<b>Operating profit/(loss)</b>	<b>82,090</b>	<b>39,170</b>	<b>(20,133)</b>	<b>(48,092)</b>	<b>53,035</b>

Impairments of multi-client library totaled USD 11.0 million for 2016.

A reconciliation of Operating profit/(loss) to Profit/(loss) before taxes is provided as follows:

	2017	2016
Operating profit for reportable segments	146,199	101,127
Operating profit for other segments/corporate costs	(48,770)	(48,092)
<b>Total segments</b>	<b>97,429</b>	<b>53,035</b>
Financial income	2,998	3,053
Financial expenses	(1,640)	(3,967)
Exchange gains/losses	848	553
<b>Profit/(loss) before taxes</b>	<b>99,636</b>	<b>52,675</b>

Total assets are not a part of the information regularly provided to executive management. TGS does not report a measure of liabilities for the reportable segments.

As the operating segments reported are broken down to geographic areas, there is no further breakdown of revenues to the customer's country of domicile.

Net revenues from one customer were above 10% of total revenues and amounted to USD 62.3 million in 2017, arising from sales in NSA and EUR. In 2016, net revenues from one customer exceeded 10% of total revenues and amounted to USD 52.9 million, arising from sales in all geographic areas (NSA, EUR and AMEAP).

Analysis of external revenues:

	2017	2016
2D seismic	85,028	182,260
3D seismic	363,469	230,662
Well logs and integrated products	43,685	43,070
<b>Total net revenues</b>	<b>492,181</b>	<b>455,991</b>
	2017	2016
Prefunding	115,809	105,198
Late sales	369,379	333,353
Proprietary	6,993	17,437
<b>Total net revenues</b>	<b>492,181</b>	<b>455,991</b>



## 4. Tangible Non-Current Assets

### 2017

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings <sup>2)</sup>	Total
Cost as of 1 January 2017	114,560	7,125	121,685
Additions	7,614	223	7,837
Disposals <sup>1)</sup>	(745)	(228)	(973)
Cost as of 31 December 2017	121,429	7,120	128,549
Accumulated depreciation as of 1 January 2017	98,297	366	98,663
Correction	(20)	46	26
Depreciation for the year	3,796	1,607	5,403
Accumulated amortization/depreciation on disposals	(422)	(112)	(534)
Capitalized to the multi-client library	5,326	-	5,326
Accumulated depreciation as of 31 December 2017	106,977	1,907	108,884
Net book value as of 31 December 2017	14,452	5,213	19,665
Useful life	2 to 7 years	3 to 12 years	

<sup>1)</sup> Losses on disposals during the year were recognized by USD 0.6 million <sup>2)</sup> Mainly leasehold improvements

### 2016

Acquisition Cost and Depreciation:	Machinery and Equipment	Buildings <sup>2)</sup>	Total
Cost as of 1 January 2016	140,653	12,947	153,600
Additions	7,723	11	7,734
Disposals <sup>1)</sup>	(33,816)	(5,833)	(39,649)
Cost as of 31 December 2016	114,560	7,125	121,685
Accumulated depreciation as of 1 January 2016	118,897	4,520	123,417
Depreciation for the year	7,371	1,617	8,988
Accumulated amortization/depreciation on disposals	(33,296)	(5,771)	(39,067)
Capitalized to the multi-client library	5,325	-	5,325
Accumulated depreciation as of 31 December 2016	98,297	366	98,663
Net book value as of 31 December 2016	16,263	6,759	23,022
Useful life	2 to 7 years	3 to 12 years	

<sup>1)</sup> No gains or losses were recognized during the year <sup>2)</sup> Mainly leasehold improvements

## 5. Intangible Assets

### 2017

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets <sup>2)</sup>	Total
Cost as of 1 January 2017	118,538	4,152,060	88,264	4,358,862
Acquisition of assets from third-parties	-	9,522	-	9,522
Additions <sup>1)</sup>	-	279,440	4,164	283,604
Cost as of 31 December 2017	118,538	4,441,022	92,388	4,651,949
Accumulated depreciation and impairment as of 1 January 2017	50,615	3,339,661	79,255	3,469,531
Amortization for the year	-	294,819	-	294,819
Impairment for the year	-	7,527	-	7,527
Accumulated amortization on disposals <sup>1)</sup>	-	-	(8)	(8)
Capitalized to the multi-client library	-	-	-	-
Accumulated depreciation and impairment as of 31 December 2017	50,615	3,642,007	79,247	3,771,869
Net book value as of 31 December 2017	67,925	799,015	13,141	880,080
Useful life		4 to 7 years	3 to 7 years	

<sup>1)</sup> Internally developed additions to the multi-client library represents USD 33.7 million <sup>2)</sup> Other intangible assets are internally developed software

### 2016

Acquisition Cost and Depreciation:	Goodwill	Multi-client Library	Other Intangible Assets <sup>2)</sup>	Total
Cost as of 1 January 2016	118,252	3,880,884	84,986	4,084,122
Acquisition of assets from third-parties	286	166	-	452
Additions <sup>1)</sup>	-	271,010	3,278	274,288
Cost as of 31 December 2016	118,538	4,152,060	88,264	4,358,862
Accumulated depreciation and impairment as of 1 January 2016	50,606	3,041,968	75,726	3,168,300
Amortization for the year	-	286,692	3,058	289,750
Impairment for the year	9	11,001	-	11,010
Capitalized to the multi-client library	-	-	471	471
Accumulated depreciation and impairment as of 31 December 2016	50,615	3,339,661	79,255	3,469,531
Net book value as of 31 December 2016	67,925	812,399	9,009	889,331
Useful life		4 to 7 years	3 to 7 years	

<sup>1)</sup> Internally developed additions to the multi-client library represents USD 70.8 million <sup>2)</sup> Other intangible assets are internally developed software



## 6. Impairment Testing of Goodwill and Other Intangible Assets

The table below shows goodwill by cash generating unit.

Specification of goodwill:	Imaging	GPS Well Logs	GPS Interpretation	Arcis	Other	Total
NBV as of 1 January 2017	27,928	12,791	7,558	18,581	1,067	67,925
Additions	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
NBV as of 31 December 2017	27,928	12,791	7,558	18,581	1,067	67,925

In accordance with IFRS, TGS tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The test is performed at year-end.

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGU) as referred to in the table above. GPS Well Logs, GPS Interpretations and Imaging form operating segments which are included in "Other segments/Corporate costs", while Arcis is part of "North & South America" in Note 3.

Goodwill for all the CGUs has been tested for impairment. Based on the impairment testing performed, no impairments have been recognized during 2017 (2016: USD 0 million).

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The pre-tax rate is calculated based on the local tax rates in the relevant tax jurisdictions. TGS bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of TGS' CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

### GPS Well Logs

The Geological Products & Services (GPS) Well Logs CGU offers the industry's largest collection of digital well logs. The well data library includes US production data, directional surveys and a custom well file database. The CGU does also offer data integration services.

The value in use of GPS Well Logs has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2018. The value in use

calculations has not assumed any growth in 2019. For the subsequent three years, an expected growth rate of 2% has been used, which is lower than the actual historical growth and reflects the uncertainty in today's market.

A terminal value in 2022 of the business unit was determined by discounting the projected cash flow in 2022 assuming a nominal growth of 2% limited to twenty years. The applied growth is lower than the historical growth and reflects the current market uncertainty. The terminal value and the cash flows in the five year projection period were discounted using a 11% (pre-tax) discount rate.

The impairment calculations are most sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate.

Management does not see any reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.

### Imaging

The Imaging CGU processes both 2D and 3D seismic data, with relevant products and services. In addition, research and development professionals are continually developing new technology and workflows for seismic imaging, as well as enhancing existing ones.

The value in use of the division has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2018. The value in use calculations have assumed 5% growth in 2019 and in 2020. For the subsequent two years, an expected growth rate of 2% has been used, which is lower than the historical growth and reflects the current market uncertainty.

A terminal value in 2022 of the business unit was determined by discounting the projected cash flow in 2022 assuming a nominal growth of 2%. The terminal value and the cash flows in the five years projection period were discounted using a 11% (pre-tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates, which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate.

Management does not see any reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.

### GPS Interpretation

The Geological Products & Services (GPS) Interpretations CGU offers interpretive studies and services to help energy companies find hydrocarbons.

The recoverable amount of GPS Interpretations has been determined based on additional sales of the multi-client library deriving from the interpretation work carried out by GPS Interpretations. The additional sales are estimated to be slightly higher than USD 2 million annually for the next five years.

A terminal value in 2022 of the business unit was determined by discounting the projected cash flow in 2022 assuming a nominal growth of 2%. The terminal value and the cash flows in the five years projection period were discounted using a 11% (pre-tax) discount rate.

Management does not see any reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.

### Arcis

The Arcis CGU comprises a land seismic business in Canada.

The value in use of Arcis has been determined based on revenue and cash flow projections from financial estimates prepared by management of the business unit. The approved budget has been used for 2018. The value in use calculations has assumed a growth rate of 2% for the subsequent four years, which is viewed as conservative based on current market expectations.

A terminal value in 2022 of the business unit was determined by discounting the projected cash flow in 2022 assuming a nominal growth of 2%. The terminal value and the cash flows in the five years projection period were discounted using a 12% (pre-tax) discount rate.

The impairment calculations are sensitive to the changes in the forecasted growth rates which are mainly influenced by future E&P spending and demand for TGS' products. In addition, the impairment calculations are sensitive to the discount rate.

Management does not see any reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.



## 7. Personnel costs / Number of Employees / Remuneration to Executive Management, Board of Directors and Auditors

	2017	2016
Payroll	73,000	67,133
Social security costs	5,552	5,286
Pension costs	3,281	3,184
Other employee related costs	5,948	6,452
Salaries capitalized to developed software	(1,384)	(1,366)
Salaries capitalized to multi-client library	(32,104)	(29,019)
Personnel costs	54,293	51,670
Cost of stock options (see Note 8)	243	751
Personnel costs and cost of stock options	54,536	52,421

The number of employees per 31 December 2017 was 597 versus 614 as of 31 December 2016. As of 31 December, USD 0.2 million in loans to employees were outstanding (31 December 2016: USD 0 million).

In 2017, TGS provided a Short-Term Incentive bonus plan that was funded by allocating 13.25% of operating profit among all full-time employees. A similar plan is in place for 2018, with an allocation of 12.75% of operating profit. Employees are eligible to participate in the bonus plan following a six months trial period. The bonus is payable quarterly and the amount paid is directly proportional to the actual operating profit of TGS. An individual employee's relative share of the bonus is based on level of responsibility, individual contribution, performance versus previous year goals and benchmark data. All bonuses earned in 2017 have been paid or accrued as of 31 December 2017. More information on the Short-Term Incentive is provided in the company's Declaration on Executive Remuneration.

The following table provides the stock, stock options, and warrants held by executive management:

Executive Management	No. of Shares Held 31/12/2017	No. of Options Held 31/12/2017	No. of Options Granted in 2017	No. of Options Exercised in 2017	PSUs awarded in 2017	Total balance of free-standing warrants related to PSUs/RSUs	WAEP <sup>1)</sup> (in NOK)
Kristian Johansen (CEO)	20,200	12,000	-	39,500	68,000	156,000	176.96
Sven B Larsen (CFO)	3,600	-	-	-	32,000	84,000	-
John Adamick (SVP Data & Analytics)	38,500	-	-	42,000	26,000	64,000	176.96
Knut Agersborg (VP Global Services)	4,700	-	-	42,000	23,000	58,000	176.96
Will Ashby (VP HR & Communication)	1,414	-	-	6,500	23,000	47,800	174.40
Katja Akentieva (SVP Onshore & GPS)	2,500	-	-	10,100	26,000	64,000	181.90
Zhiming Li (SVP Data Processing and Research & Development)	108,494	20,000	-	22,000	26,000	64,000	174.40
Tana Pool (VP General Counsel & Corporate Secretary)	1,575	-	-	-	23,000	58,000	-
Fredrik Amundsen (SVP Europe & Asia Pacific)	2,250	10,100	-	-	26,000	54,500	-
Tanya Herwanger (VP Africa & Middle East)	-	-	-	-	23,000	32,800	-

<sup>1)</sup> WAEP: Weighted average exercise prices on options exercised

The tables below show total expensed compensation to executive management:

### Executive Management 2017

Executive Management	Salary	Bonuses	Other Benefits	Payments from long-term incentive plans	Total Remunerations
Kristian Johansen	528	972	68	26	1,594
Sven B Larsen	366	272	18	-	656
John A. Adamick	242	257	25	70	594
Knut Agersborg	177	109	20	66	372
Katja Akentieva	298	203	22	14	537
Zhiming Li	342	288	22	41	693
Tana Pool	305	172	22	2	502
Will Ashby	243	100	16	60	419
Fredrik Amundsen	208	220	15	-	443
Tanya Herwanger (Executive from January 2017)	178	71	16	-	265

### Executive Management 2016

Executive Management	Salary	Bonuses	Other Benefits <sup>1)</sup>	Payments from long-term incentive plans	Total Remunerations
Kristian Johansen (CEO from 11 March 2016)	477	93	66	-	635
Sven B Larsen	328	25	18	-	372
John A. Adamick	247	25	6	30	310
Knut Agersborg	174	10	19	-	203
Katja Akentieva	288	20	18	-	326
Zhiming Li	336	28	24	30	418
Tana Pool	291	16	29	-	336
Will Ashby (Executive from April 2016)	218	20	14	-	252
Fredrik Amundsen (Executive from April 2016)	177	36	16	-	228
Stein Ove Isaksen (Executive until April 2016)	247	-	18	-	265
Robert Hobbs (CEO until 11 March 2016)	174	-	636	53	863
Genie Erneta (Resigned in June 2016)	134	-	192	15	341

<sup>1)</sup> Termination benefits are included in "Other Benefits" for Robert Hobbs and Genie Erneta



TGS awards its executives Long Term Incentives with performance metrics measured over a three year period. In 2017, a limited number of performance share units (PSUs) were issued to the executive management under the 2017 Long Term Incentive plan. The plan and status versus performance metrics is further described in the Declaration on Executive Remuneration. Each of the PSUs represent the right to receive the maximum of one share, and the 2017 plan is equity-settled. The 2017 plan also provides for the issuance of RSUs to non-executive key employees, as further described in the Declaration on Executive Remuneration.

The maximum amount payable to the CEO in case of termination of employment without cause or for good reason is one times the amount of his highest annual base salary in effect during the three years that immediately precede the date of termination spread over an ensuing one year period and conditional upon his continued compliance with restrictive covenants.

The maximum amount payable to the CFO in case of termination for any reason other than redundancy, gross misconduct or statutory retirement is one times the amount of his highest annual base salary in effect during the three years that immediately precede the date of termination spread over an ensuing one year period and conditional upon his continued compliance with restrictive covenants.

The amount payable in the case of termination associated with a “change of control” event is one times the highest gross annual compensation received during the three years immediately preceding the “change of control” event, paid as a lump sum.

No other members of the executive management team have employment agreements providing termination benefits.

The following set forth the compensation paid to the Board of Directors:

## Board of Directors 2017

	Director's Fee <sup>1)</sup>	Value of Shares Received <sup>2)</sup>	Total Remunerations
Hank Hamilton (Chairman of the Board)	200	-	200
Mark Leonard	36	29	64
Vicki Messer	36	29	64
Tor Magne Lønnum	36	29	64
Wenche Agerup	36	29	64
Elisabeth Grieg	36	29	64
Torstein Sanness	36	29	64
Nils Petter Dyvik (Director from May 2017)	18	29	47
Elisabeth Harstad (Director until May 2017)	73	-	73

## Board of Directors 2016

	Director's Fee <sup>1)</sup>	Value of Shares Received <sup>2)</sup>	Total Remunerations
Hank Hamilton (Chairman of the Board)	210	-	210
Elisabeth Harstad	62	-	62
Mark Leonard	35	21	56
Vicki Messer	35	21	56
Tor Magne Lønnum	35	21	56
Wenche Agerup	35	21	56
Elisabeth Grieg	35	21	56
Torstein Sanness (Director from May 2016)	18	21	38

<sup>1)</sup> The tables include Director's fees paid during the year. Directors receive fees on a bi-annual basis as decided by the AGM. Deviations in individual fees are related to the timing of the bi-annual payments.

<sup>2)</sup> In May 2017, each of the Directors, other than the Chairman received 1,650 restricted shares in TGS. One of the Directors was not permitted by her employer to own shares in other companies and received cash in lieu of restricted shares in an amount equal to the amount for which the other Directors would be able to sell their restricted shares for at the closing share price on the first day that a sale was permitted.

	No. of Restricted Shares Received during 2017	No. of Shares Held 31/12/2017
Hank Hamilton (Chairman of the Board )	-	1,352,400
Mark Leonard (Director)	1,650	20,500
Vicki Messer (Director)	1,650	11,400
Tor Magne Lønnum (Director)	1,650	8,200
Wenche Agerup (Director)	1,650	4,950
Elisabeth Grieg (Director)	1,650	4,295
Torstein Sanness (Director)	1,650	3,300
Nils Petter Dyvik (Director)	1,650	1,650

Compensation to the members of the Nomination Committee <sup>11</sup>	2017	2016
Tor Himberg-Larsen (Chairman)	23	25
Christina Stray	13	14
Herman Kleeven	14	11

<sup>11</sup> The table shows compensation paid during the year.

Auditor's fee	2017	2016
Statutory audit	419	444
Other attestation services	0	0
Tax advisory services	41	20
Other services outside the audit scope	0	0
<b>Total fees</b>	<b>460</b>	<b>464</b>

All amounts are exclusive of VAT.

## 8. Long Term Incentive Plans

From 2014 to 2017, TGS issued performance-based incentive awards, using metrics as described below and in the Declaration on Executive Remuneration. The incentive awards issued in 2014 were settled in cash, and the awards issued in 2015 to 2017 are settled in equity. Prior to 2014 TGS generally issued stock options as long-term incentives or, on occasion, stock appreciation rights. All stock options under the 2012 stock option plan expired in 2017, and only the 2013 stock option plan remains in effect at 31 December 2017.

When stock options are exercised, TGS issues new shares or transfers treasury shares. Options granted under the 2012 plan were secured by treasury shares. Options granted under the 2013 plan are secured by free-standing warrants.

In 2014 a limited amount of restricted share units (RSUs) were issued to key employees other than the executive management. The 2014 RSU plan was a cash-settled plan measured at the end of each reporting period and was paid out in 2017 when vested three years after grant.

From 2015 to 2017, a limited number of performance share units (PSUs) have been issued to executives, while a limited amount of restricted share units (RSUs) have been issued to key employees other than the executive management. Each of the PSUs and RSUs represent the right to receive the maximum of one share, and the awards are equity settled. The PSUs and the RSUs will vest three years after grant.

At any time prior to date where the actual shares are delivered to the holder, the Board of Directors may determine that the 2015 RSU and PSU holders are eligible for an additional discretionary cash bonus. In the 2016 and 2017 plans, a cash bonus equivalent to dividends paid on TGS' common shares is accrued and paid at settlement.

The actual number of shares to be received by holders of the 2017 PSUs are dependent on three performance metrics which are measured for the period 1 January 2017 through 31 December 2019 (2015 plan: 1 January 2016 through 31 December 2018);

- Relative return on average capital employed
- Absolute return on average capital employed
- Health, social and environmental metric

The performance metrics are described in more detail in TGS' Declaration on Executive Remuneration. If all the performance metrics are fully earned, the payout percentage will be at 100% which is equal to a total of 296,000 PSUs (2016 plan: 273,000 PSUs remain outstanding at 31 December 2017). The fair value of the PSUs granted in 2017 is measured based on the market value of the shares at the end of each reporting period including the net present value of expected dividends during the vesting period. The fair value reflects the expected result of the performance metrics.

The holders of the RSUs are eligible to receive one share per RSU on the vesting date, and the fair value of the RSUs granted in 2017 is measured based on the market value of the shares at the end of each reporting period, including the net present value of expected dividends during the vesting period. A total of 141,000 RSUs remain outstanding under the 2017 plan. (2016 plan: 143,000 RSUs)

The expense recognized for employee services during the year is shown in the following table:

	2017	2016
Expense arising from equity-settled share-based payment plans	2,988	1,975
Expense arising from cash-settled share-based payment plans	254	902

TGS' shares are traded in NOK at the Oslo Stock Exchange. TGS' functional currency is USD and the share-based payment plans will expose TGS for currency risk in relation to the amount of costs booked with fluctuations between NOK and USD.

The strike price of the outstanding stock options is equal to the market price of a share of common stock at market close the day prior to grant. The contractual life of an option is five years and there are no cash settlement alternatives.

The fair value of stock options granted is estimated at the date of the grant using the Black & Scholes model, taking into account the vesting pattern of each option. Fair values of the stock options have been determined by a level 3-technique from the fair value hierarchy, see also note 13.

The following table illustrates the number (No.) and weighted average prices (WAEP) of, and movements in, stock options, RSUs and PSUs during the year:

	2017		2016	
	No.	WAEP (NOK)	No.	WAEP (NOK)
Outstanding at 1 January	1,352,801	114.71	1,455,024	132.08
Granted during the year	437,000	0.25	416,000	0.25
Adjusted quantity due to performance criteria	(157,925)		(182,550)	
Forfeited during the year	(23,230)	170.49	(205,473)	108.30
Exercised during the year	(703,841)	154.79	(130,200)	113.80
Expired during the year	-		-	
Outstanding at 31 December	904,805	46.80	1,352,801	114.71
Exercisable at 31 December	232,300		644,250	

The weighted average remaining contractual life for the long-term incentive plans outstanding on 31 December 2017 is 1.59 years (2016: 1.32 years).

The weighted average fair value at 31 December 2017 of the PSUs and RSUs granted during 2017 was NOK 168.36. The weighted average fair value of the PSUs and RSUs granted during 2016 was NOK 139.25.

The strike price for outstanding options at the end of the year was NOK 181.90 (2016: NOK 174.40 - NOK 181.90):

The following table lists the input to the Black & Scholes model used for calculation of the share options granted in 2013:

	2013
<i>Expected volatility</i>	
For options vested after 3 year	0.41
For options vested after 4 year	0.48
<i>Expected risk-free interest rate</i>	
For options vested after 3 year	1.75%
For options vested after 4 year	1.90%
Expected life of options beyond vesting period (years)	1.00
Expected annual turnover of employees	1.00%
Dividend yield	0.00%
Model used	Black & Scholes

The expected life of the options is based on historical data and management's assessment. This is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also deviate from the actual outcome

The option plan is equity-settled and the fair values are measured at grant date.

The fair values of the PSUs and the RSUs are measured at every reporting date, and per 31 December 2017, the liabilities arising from the plans amounted to USD 0.4 million (2016: USD 1.8 million).



### Outstanding Stock Options as of 31 December 2017:

No. of Options	Exercise dates	Holders	Price/ conditions	Granted
232,300	See below <sup>1)</sup>	Key employees	NOK 181.90 Warrants expiring on 4 June 2018	8 August 2013
<b>232,300</b>				

### Outstanding PSUs and RSUs as of 31 December 2017:

No. of PSUs/RSUs	Exercise dates	Holders	Price/ conditions	Granted
105,080	See below <sup>2)</sup>	Key employees	Fair market value (FMV) of a share reduced for expected dividends	5 August 2015
100,000	See below <sup>3)</sup>	Executive management	Fair market value (FMV) of a share reduced for expected dividends, adjusted for performance criteria	5 August 2015
143,000	See below <sup>4)</sup>	Key employees	Fair market value (FMV) of a share including expected dividends	5 August 2016
273,000	See below <sup>5)</sup>	Executive management	Fair market value (FMV) of a share including expected dividends, adjusted for performance criteria	5 August 2016
141,000	See below <sup>6)</sup>	Key employees	Fair market value (FMV) of a share including expected dividends	4 August 2017
296,000	See below <sup>7)</sup>	Executive management	Fair market value (FMV) of a share including expected dividends, adjusted for performance criteria	4 August 2017
<b>1,058,080</b>				

<sup>1)</sup>The holders may request shares in exchange for the stock options as follows: Up to 50% beginning 8 August 2016 and 100% beginning 8 August 2017 less previously exercised.

<sup>2)</sup>The holders will receive one share per unit on 5 August 2018.

<sup>3)</sup>The holders will receive maximum one share per unit on 5 August 2018.

<sup>4)</sup>The holders will receive one share per unit on 5 August 2019.

<sup>5)</sup>The holders will receive maximum one share per unit on 5 August 2019.

<sup>6)</sup>The holders will receive one share per unit on 4 August 2020.

<sup>7)</sup>The holders will receive maximum one share per unit on 4 August 2020.

All stock options, PSUs and RSUs become immediately exercisable should a change of control occur as defined in the plan documents. The Company, at its sole discretion, may permit terminated employees to exercise vested options and/or exchange warrants if an active exercise period is in progress at the time employment is terminated or, provided the employment was not terminated for cause, during the first exercise period that begins after the termination date. The Board has allowed for extended periods for exercise in special circumstances.

## 9. Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of TGS by the weighted average number of ordinary shares outstanding (net of treasury shares) during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of TGS by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (stock options, RSUs and PSUs) into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2017	2016
Net profit attributable to ordinary equity holders of the Parent	75,594	28,220
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	101,979	101,556
Effect of dilution: Share options, RSUs and PSUs	1,026	398
Weighted average number of ordinary shares (excluding treasury shares) adjusted for effect of dilution	103,005	101,954
Basic earnings per share	0.74	0.28
Diluted earnings per share	0.73	0.28

On 22 February 2018, a total of 73,600 stock options were exercised. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

## 10. Equity and Shareholders Authorizations

### Ordinary Shares Issued and Fully Paid

	Number of shares	USD
1 January 2016	102,135,990	3,657
31 December 2016	102,135,990	3,657
Issued 20 February 2017 for cash on exercise of stock options	33,050	1
Issued 20 November 2017 for cash on exercise of stock options	176,850	5
31 December 2017	102,345,890	3,663

## Treasury Shares

TGS, from time to time, buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in M&A transactions, used in relation to exercise of employees' stock options, or eventually cancelled. As of 31 December 2017, TGS held 116,180 treasury shares, 0.1% of the total shares issued (2016: 533,500 shares, 0.5%).

The following table shows the movement of treasury shareholdings:

	Number of shares	USD
1 January 2016	673,600	26
Treasury shares used to cover option exercises and distributed to Board members (Note 7 and 8)	(140,100)	(5)
31 December 2016	533,500	21
16 February 2017, treasury shares transferred to cover exercise of stock options	(285,875)	(11)
10 May 2017, treasury shares distributed to Board members	(11,550)	(0.4)
24 May 2017, treasury shares transferred to cover exercise of stock options	(14,520)	(0.5)
31 May 2017, treasury shares transferred to cover exercise of stock options	(105,375)	(3)
31 December 2017	116,180	4

## Shareholders' Authorization to the Board to Increase Share Capital in the Company and to Issue Convertible Loans

By resolution of the Annual General Meeting held 9 May 2017, the Board is authorized to, on behalf of the Company, increase share capital of the Company by up to NOK 2,554,226 through one or more issuances of new shares or bonus issues. The subscription price and other subscription terms will be determined by the Board. The capital increase may be paid in cash, by set-off or by other contributions in kind. The authorization includes the right to incur special obligations on behalf of the Company, cf. Section 10-2 of the Norwegian Public Limited Liability Companies Act. The shareholders' pre-emptive rights pursuant to Sections 10-4, cf. Section 10-5 of the Norwegian Public Limited Liability Companies Act, to subscribe for any new shares may be deviated from by the Board. The authorization shall encompass share capital increases in connection with mergers, cf. section 13-5 of the Norwegian Public Limited Liability Companies Act. The authorization is valid until the Annual General Meeting in 2018, but no later than until 30 June 2018.

By resolution of the Annual General Meeting held 9 May 2017, the Board is also granted the authorization to issue loans for a total amount of up to NOK 2,250,000,000 with the right to require shares to be issued (convertible loans). The share capital may be increased by up to NOK 2,554,226, provided that the combined number of shares that are issued pursuant to this authorization

and the authorization to increase the share capital shall not exceed 10% of the Company's current share capital. The subscription price and other subscription terms will be determined by the Board. The shareholders' pre-emptive rights pursuant to section 11-4 of the Norwegian Public Limited Companies Act cf. sections 10-4 and 10-5, may be deviated from by the Board. The authorization is valid until the annual general meeting in 2018, but no later than 30 June 2018.

During 2017, the Company increased the share capital by NOK 52,475 of which NOK 44,212.50 came from share capital increases between 9 May 2017 and 31 December 2017. The Company did not issue any convertible loans between 9 May 2017 and 31 December 2017.

## Shareholders' Authorization to the Board to Buy Back Shares in the Company

By resolution of the Annual General Meeting held 9 May 2017, the Board is authorized to acquire, on behalf of the Company, the Company's own shares up to 10% of the nominal value of Company's share capital, which pursuant to the current nominal value is up to NOK 2,554,226. The limitations shall be adjusted in the event of share consolidation, share splits, and similar transactions. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of acquisition plus 5%. The lowest price is equal to the current nominal value and shall be adjusted in the event of share consolidation, share splits, and similar transactions. Acquisition and sale of the Company's own shares can take place in the manner which the Board of



Directors considers to be in the Company's best interest. The authorization can be used one or several times. This authorization shall be valid until the Annual General Meeting in 2018, however no longer than until 30 June 2018.

The Company did not acquire any shares for treasury between 9 May 2017 and 31 December 2017.

### Shareholders' Authorization to the Board to Distribute Dividends

The Annual General Meeting held 9 May 2017 authorized the Board of Directors to distribute quarterly dividends on the basis of the 2016 financial statements. The Board shall, when using the authorization, pass its decision in accordance with the Company's approved dividend policy. The authorization shall be valid until the Company's annual general meeting in 2018, but no later than 30 June 2018.

The authorization has been used for the following quarterly dividends:

- On 9 May 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.30) to the shareholders.
- On 2 August 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.19) to the shareholders
- On 25 October 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.20) to the shareholders
- On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.57) to the shareholders

### The 20 Largest Shareholders as of 31 December 2017 as Registered with VPS:

	Name	Country		Shares	%
1	FOLKETRYGDFONDET	NORWAY		10,703,770	10.5%
2	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	8,992,358	8.8%
3	RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	4,222,992	4.1%
4	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,864,493	3.8%
5	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,001,276	2.9%
6	SANTANDER SECURITIES SERVICES, S.A	SPAIN	NOM	2,890,593	2.8%
7	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	2,268,028	2.2%
8	CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	1,853,040	1.8%
9	PARETO AKSJE NORGE	NORWAY		1,784,486	1.7%
10	INVESCO FUNDS	BELGIUM		1,642,506	1.6%
11	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	1,630,515	1.6%
12	RBC INVESTOR SERVICES BANK S.A.	LUXEMBOURG	NOM	1,462,189	1.4%
13	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	1,448,955	1.4%
14	SWEDBANK ROBUR SMABOLAGSFOND	GREAT BRITAIN		1,418,871	1.4%
15	THE NORTHERN TRUST COMP, LONDON BR	GREAT BRITAIN	NOM	1,413,117	1.4%
16	HSBC TRINKAUS & BURKHARDT AG	GERMANY	NOM	1,376,215	1.3%
17	JPMORGAN CHASE BANK, N.A., LONDON	GREAT BRITAIN	NOM	1,352,898	1.3%
18	HAMILTON, HENRY HAYWOOD	U.S.A.		1,352,400	1.3%
19	VERDIPAPIRFONDET DNB NORGE (IV)	NORWAY		1,264,291	1.2%
20	THE NORTHERN TRUST COMP, LONDON BR	GREAT BRITAIN	NOM	1,092,447	1.1%
<b>20 largest shareholders</b>				<b>55,035,440</b>	<b>53.8%</b>
<b>Total number of shares, par value of NOK 0.25</b>				<b>102,229,710</b>	<b>100.0%</b>

Norwegian shareholders held 27,140,207 [26.6%] of TGS' outstanding shares (excluding treasury shares) as of 31 December 2017. Shares held in treasury as of 31 December 2017 were 116,180.

## 11. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and high liquid instruments purchased with maturities of three months or less.

Cash and cash equivalent	2017	2016
Bank deposits	249,487	190,416
Restricted cash deposits	430	323
Total cash bank deposits	249,917	190,739

The bank deposits are mainly denominated in USD and NOK. Restricted cash deposits are for employee tax withholdings.

## 12. Related Parties

### Terms and Conditions of Transactions with Related Parties

No material transactions took place during 2017 or 2016 with related parties. See Note 7 for further information of the remuneration to the Board of Directors and to the executive management.

See Note 20 for further information about the subsidiaries. Internal transactions are eliminated in the consolidated financial statements and do not represent transactions with related parties.

## 13. Financial Risk Management Objectives and Policies

TGS has various financial assets such as accounts receivables, cash and financial investments available for sale, which arise directly from its operations. These are mainly held in USD, which is the functional currency to most of TGS' entities. TGS' principal financial liabilities comprise of trade payables and other current liabilities. TGS does not hold any currency or interest rate swaps.

It is, and has been, TGS' policy that no trading in derivatives shall be undertaken. The main risks arising from the financial risk management are currency risk, liquidity risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

### Currency Risk

Major portions of TGS' revenues and costs are in US dollars. Due to this, TGS' operational exposure to exchange rate fluctuation is low. However, as the Parent Company pays taxes in Norwegian kroner to Norwegian Tax Authorities and dividends to shareholders in Norwegian kroner, fluctuations between the NOK and the USD impact currency exchange gains or losses on the tax expense and financial items of the consolidated accounts. For deferred tax liabilities calculated in NOK, a change of 10% on the NOK/USD currency exchange rate could have an impact on net income of approximately USD 1.7 million (2016: USD 0.4 million) with a corresponding effect to profit or loss.

### Liquidity Risk

Liquidity risk arises from a lack of correlation between cash flow from operations and financial commitments. Per the balance sheet date, TGS held current assets of USD 523.6 million, of which cash and cash equivalents represent USD 249.9 million and other current assets represent USD 273.7 million. In comparison current liabilities amounted to USD 194.9 million. TGS had USD 75.0 million in undrawn credit facilities. As of 31 December 2017, TGS considers the liquidity risk to be low.

The table shows a maturity analysis for the different financial items:

2017	0-6 months	6-12 months	> 1 year	Total
Accounts payable and debt to partners	101,385	-	-	101,385
Other non-current liabilities	-	-	2,850	2,850
Long-term debt	-	-	2,500	2,500
<b>Total</b>	<b>101,385</b>	<b>-</b>	<b>5,350</b>	<b>106,735</b>
2016	0-6 months	6-12 months	> 1 year	Total
Accounts payable and debt to partners	116,118	416	-	116,534
Other non-current liabilities	-	-	6,057	6,057
Long-term debt	-	-	-	-
<b>Total</b>	<b>116,118</b>	<b>416</b>	<b>6,057</b>	<b>122,591</b>

### Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. TGS' clients are oil and gas companies. TGS is exposed to credit risk through sales and uses best efforts to manage this risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the table below and the carrying value of the accounts receivables and other short-term receivables

disclosed in note 16. TGS evaluates the concentration of risk with respect to trade receivables as low due to the company's credit rating policies and as the clients are mainly large oil and gas companies considered to be financially sound.

TGS from time to time accepts extended payment terms on parts of firm commitments from clients. To the extent these terms do not carry an interest compensation to be paid by clients, the revenues recognized by TGS are discounted to reflect this element. TGS may also seek extra security from the clients in certain cases, such as pledges, overriding royalty interest agreements (ORRIs) or carried interests in an exploration license held by the client or a conversion right to equity.

As of 31 December 2017, none of the outstanding accounts receivables were secured by ORRIs (2016: USD 0 million).

For details of the accounts receivables including aging, please see note 16.

For details on other financial assets, please see note 14 .

### Capital Management

The goals for TGS' capital management of funds held are to:

1. Protect and preserve investment principal
2. Provide liquidity
3. Return a market rate of return or better

As of 31 December 2017, total equity represented 84% of total assets (2016: 79%).

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.

Since 2016, TGS has paid quarterly dividends. The Annual General Meeting held 9 May 2017 renewed the Board of Directors' authorization to distribute quarterly dividends.

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.

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of USD 0.20 (NOK 1.57) per share. The dividend was paid to the shareholders on 1 March 2018.

### Fair Value of Financial Instruments

Set out below is a comparison by class of the book value and fair value of the financial instruments that are carried in the financial statements.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, accounts receivables and other short-term receivables approximate their carrying amounts largely due to the short-term maturities of these instruments
- Fair value of other financial non-current assets is evaluated by TGS based on parameters such as interest rates and the individual creditworthiness of the counterparty
- Fair value of other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities
- Fair value of the long-term debt is determined by using the discounted cash flow method that reflects the issuer's borrowing rate at as at the end of the reporting period

### Fair Value Hierarchy

TGS uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Other non-current assets comprise account receivables with extended payment terms and loans. Any revenue share associated with these receivables is presented as "Other non-current liabilities". Fair values of the two loans to E&P Holding AS and Skeie Energy AS (see note 14) and the receivables with extended payment terms have been determined by using a level 3-technique. The fair values are considered to be equal to net book values as the discount rate applied is consistent with the current interest rate. The fair value of the long-term debt has been determined by using a level 2-technique.



				Financial Instruments by Category				
2017	Note	Carrying Amount	Fair Value	Cash and Cash Equivalents	Loans and Receivables	Assets/Liabilities at Fair Value Through the Profit and Loss	Interest Bearing Loans	Other Financial Liabilities
Financial Assets								
Other non-current assets	14	496	496	-	496	-	-	-
Total		496	496	-	496	-	-	-
Financial Liabilities								
Other non-current liabilities	14	2,850	2,850	-	-	-	-	2,850
Long-term debt	14	2,500	2,500	-	-	-	2,500	-
Total		5,350	5,350	-	-	-	2,500	2,850

				Financial Instruments by Category				
2016	Note	Carrying Amount	Fair Value	Cash and Cash Equivalents	Loans and Receivables	Assets/Liabilities at Fair Value Through the Profit and Loss	Interest Bearing Loans	Other Financial Liabilities
Financial Assets								
Other non-current assets	14	10,500	10,500	-	10,500	-	-	-
Total		10,500	10,500	-	10,500	-	-	-
Financial Liabilities								
Other non-current liabilities	14	6,057	6,057	-	-	-	-	6,057
Long-term debt	14	-	-	-	-	-	-	-
Total		6,057	6,057	-	-	-	-	6,057

## 14. Other Non-current Assets and Liabilities

Other non-current assets comprise account receivables with extended payment terms and loans. Any revenue share associated with these receivables is presented as "Other non-current liabilities".

None of the non-current receivables are due as of 31 December 2017.

Other non-current liabilities of USD 0.8 million are due in 2019 and USD 0.6 million are due in 2020. USD 1.5 million are due during the years 2021-2025.

TGS has interest bearing loans to E&P Holding AS and Skeie Energy AS. The two loans with a total value of gross USD 42.1 million (net to TGS of USD 29.4 million) are recognized at USD 0 million as of 31 December 2017 (2016: USD 0 million), net of provision for impairment. One of the loans was written off as uncollectible during 2016, see table below.

### Other Non-current Assets

	2017	2016
Other non-current receivables	496	10,500
Interest bearing loans	21,100	42,128
- Provision for impairment of interest bearing loans	(21,100)	(21,100)
Interest bearing loans written off during the year as uncollectible	-	(21,028)
<b>Total other non-current assets</b>	<b>496</b>	<b>10,500</b>

### Non-current Liabilities

As of 31 December 2017, TGS has recognized other non-current liabilities of USD 2.9 million which primarily represent non-current restructuring liabilities.

### Long-term Debt

In 2017, subsidiaries of the Company, together with subsidiaries of Petroleum Geo-Services ASA (PGS), concluded the joint acquisition of a majority of the multi-client library of Dolphin UK Ltd. The total acquisition price paid by the TGS entities for the 50% interest acquired amounted to USD 5.8 million, USD 3.3 million of which was paid in cash at closing, with the balance of USD 2.5 million payable in January 2021 under a promissory note guaranteed by the Company. The principal amount of USD 2.5 million bears interest at a fixed rate of 3.5% per annum.

## 15. Joint Operations

As part of its multi-client business, TGS invests in some of the multi-client projects as joint operations. Projects considered as joint operations are typically seismic projects organized between two parties where a vessel owning company provides the vessel used to acquire the seismic, while TGS provides the data processing services. Both parties have rights to the assets and liabilities relating to these arrangements.

TGS has not established any material legal entities together with other companies with the purpose of acquiring a seismic project.

The table below provides TGS' share of revenues, amortization, impairment and net book value of the multi-client library at year-end for projects considered as joint operations:

	2017	2016
Gross revenues (projects invoiced by TGS)	275,817	222,177
Revenue share (projects invoiced by TGS)	(112,727)	(99,628)
Net revenues (projects invoiced by TGS)	163,090	122,549
Net revenues (projects invoiced by partner)	40,177	15,886
Net revenues joint operations	203,267	138,435
Amortization	117,593	68,053
Impairment	4,829	529
Net book value of multi-client library (joint operations) as of 31 December (recognized by TGS)	261,077	215,899

## 16. Accounts Receivables and Other Current Receivables

Accounts receivables are stated in the balance sheet at net realizable value.

The amount of revenues for in progress projects not yet invoiced, is presented as accrued revenues in the balance sheet.

Other short-term receivables consist primarily of prepayments made for multi-client projects during the seismic data acquisition phase.

For certain multi-client library projects, TGS has cooperation agreements whereby revenues are shared with other companies and/or governments. In such situations accounts receivables are presented gross for projects where TGS issues the licence agreement and is responsible for invoicing, while the related partner share is presented within "Accounts payable and debt to partners". See note 22 for a breakdown of gross revenues and revenue share and note 15 for gross revenues and revenue share from projects considered as joint operations.

In cases where extended payment terms have been agreed, the implied interest is reflected in the stated amount.

	2017	2016
Accounts receivables	158,844	204,912
- Provision for impairment of accounts receivables	(1,421)	(3,681)
Accounts receivables - net	157,423	201,231
Accrued revenues	97,285	119,112
Other current receivables	18,939	33,073
<b>Total</b>	<b>273,647</b>	<b>353,416</b>

The aging of the accounts receivables (nominal amounts) is as follows:

	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	Over 90 days
2017	256,129	227,705	15,226	6,483	2,379	4,336
	Total	Not due	< 30 days	30 - 60 days	60 - 90 days	Over 90 days
2016	324,024	259,200	31,438	12,634	6,113	14,639

Provisions for accounts receivables are based on an individual assessment. Receivables with impairment provisions are all within the aging group "Over 90 days".

Movements on TGS' provision for impairment of accounts receivables are as follows:

	2017	2016
As of 1 January	3,681	7,649
Provision for receivables impairment	94	2,546
Receivables written off during the year as uncollectible	(374)	(6,514)
Amount collected	(1,980)	-
<b>As of 31 December</b>	<b>1,421</b>	<b>3,681</b>

The provision for impaired receivables has been included in "Other operating expense" in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

For a description of credit risk, see Note 13.

## 17. Accounts Payables and Other Current Liabilities

	2017	2016
Accounts payable and debt to partners	101,385	116,534
Other current liabilities	68,345	127,510
<b>Total accounts payable and other payables</b>	<b>169,730</b>	<b>244,044</b>

Accounts payables are non-interest bearing and are normally settled on 30-day terms.

Other current liabilities consist of accrued expenses and deferred revenues.



## 18. Bank Overdraft Facility and Guarantees

### 3 Year Term Secured Revolving Credit Facility:

In January 2016, TGS entered into an amended and restated revolving credit facility of USD 75.0 million. The terms for Eurodollar borrowings range from Libor +1.75% to Libor +2.25%, depending on TGS' Leverage Ratio, multiplied by the Statutory Reserve Rate, as such terms are defined in the revolving credit facility. For unused commitments, TGS will pay a facility fee between 0.20% and 0.30% per annum, depending on the company's Leverage Ratio. TGS has the right to prepay Eurodollars borrowings with a 3 day notice. With respect to USD 10 million of the USD 75 million commitment, TGS must maintain a cash deposit of USD 10 million to access this portion of the commitment. As of 31 December 2017 TGS had not drawn on the facility.

The facility is secured by a lien on the assets of the material wholly owned subsidiaries of the Parent Company (TGS-NOPEC Geophysical Company, A2D Technologies Inc. and Volant Solutions Inc.) and is guaranteed by the Parent Company and certain other wholly owned subsidiaries.

### Guarantees

As of 31 December 2017, one bank guarantee have been issued on behalf of TGS of a total of USD 0.2 million related to a seismic program (2016: USD 0.9 million).

Under section 479A of the UK Companies Act 2006; five of TGS' subsidiaries, TGS Geophysical Company (UK) Limited (Registration number: 05731700), TGS Geophysical Investments Limited (Registration number: 09281097), Aceca Limited (Registration number: 03672833), TGS-NOPEC Geophysical Company Limited (Registration number: 02896729) and Magsurvey Limited (Registration number: 04568744) have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by TGS to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2017 in these subsidiaries. TGS can make an annual election to support such guarantees for each financial year.

## 19. Commitments and Contingencies

### Operating Leases

As of the end of 2017, TGS had entered into commitments for two 3D vessels, one 2D vessel and two land crews. All of these commitments will expire in 2018, and the amount committed, included contractual lease agreements, totaled USD 37 million (2016: USD 25 million).

In addition, TGS has entered into commercial leases on certain office premises and for office equipment and hardware. The leases for premises expire between 1-10 years and have renewal options. There are no restrictions placed upon TGS by entering these leases.

Operating leases of USD 7.1 million were recognized as expenses in 2017 (2016: USD 10.0 million).

Future minimum payments for operating leases (excluding vessels) as of 31 December are as follows:

	2017	2016
Within one year	16,972	16,491
After one year but not more than five years	42,292	47,133
More than five years	6,757	18,637
	<b>66,021</b>	<b>82,261</b>

### Contingent rent agreements

As of 31 December 2017, the deferred part of contingent rent agreements which is contingent on future sales, totaled USD 12.6 million (2016: USD 25.4 million).

## 20. Subsidiaries

As of 31 December 2017, TGS consists of:

Company Name	Country of Incorporation	Shareholding and voting power
TGS-NOPEC Geophysical Company ASA	Norway	Parent Company
TGS AP Investments AS	Norway	100%
Maglight AS	Norway	100%
TGS Contracting AS	Norway	100%
Marine Exploration Partners AS	Norway	100%
Aceca Norge AS	Norway	100%
TGS-NOPEC Geophysical Company , Ltd.	UK	100%
TGS Geophysical Investments, Ltd.	UK	100%
Aceca Ltd.	UK	100%
TGS Geophysical Company (UK) Ltd	UK	100%
Magsurvey, Ltd.	UK	100%
TGS-NOPEC Geophysical Company	USA	100%
A2D Technologies, Inc.	USA	100%
Parallel Data Systems, Inc.	USA	100%
Volant Solutions Inc.	USA	100%
Digital Petrodata LLC	USA	100%
TGS Alaska Company	USA	100%
TGS Mexico Contracting LLC	USA	100%
Calibre Seismic Company	USA	50%
TGS do Brasil Ltda	Brasil	100%
TGS-NOPEC Geophysical Company PTY, Ltd.	Australia	100%
TGS-NOPEC Geophysical Company PTE, Ltd.	Singapore	100%
TGS Canada Ltd.	Canada	100%
Arcis Seismic Solutions Corp.	Canada	100%
Arcis International Ltd.	Cyprus	100%
TGS-NOPEC Geophysical Company Moscow, Ltd.	Russia	100%
NOPEC Geophysical Company S. de R.L. de C.V.	Mexico	100%
TGS-Petrodata Offshore Services Ltd.	Nigeria	49%

## 21. Contingent Liabilities

### Økokrim Charges and Related Civil Matters

On 6 May 2014, TGS was notified that Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, charged TGS for violations of the Norwegian Tax Assessment Act and the Norwegian Securities Trading Act related to a transaction entered into in May 2009 with Skeie Energy AS, later known as E&P Holding AS (Skeie). The charge claims that TGS contributed to unwarranted tax refunds received by Skeie under the Norwegian Petroleum Tax Act through licenses of seismic data to Skeie, which included licenses to existing TGS multi-client data primarily in the North Sea and the Barents Sea and prefunding of a large 3D survey in the Hoop area of the Barents Sea. The surveys licensed by Skeie have since been licensed to multiple customers and are located in a very prospective area. Skeie paid for the licenses partially in cash, with the remaining amount of USD 42.1 million (net to TGS of USD 29.4 million) payable at the end of 2010. Due to Skeie's failed attempt to raise new capital, the loan was not repaid at the maturity date, and the loan was restructured into two loans from Skeie and an affiliated company during 2011. TGS has actively pursued collection of the loans, but despite these efforts, the loans were not repaid and the Company has written off as uncollectible one of the loans and has taken a reserve for the full amount of the other loan.

On 2 March 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 11 million) against TGS based on the alleged violations of the Norwegian Tax Assessment Act. Økokrim dismissed the charges against TGS for market manipulation in violation of the Securities Trading Act due to insufficient evidence. The Company rejected the fine, and a trial regarding the alleged violations commenced 22 January 2018. The trial is expected to conclude in April 2018. If TGS is convicted, the fine would increase to NOK 90 million.

Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and the trial will confirm that TGS acted diligently in connection with the transactions with Skeie and no wrongdoing by the Company occurred. Given the early stage of the trial process, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's rejection of the fine and its assessment of the case at this point, it does not consider it probable that an outflow of resources embodying economic benefits will be required in connection with criminal charges and, accordingly, no provisions have been made.

TGS has also been notified of various claims or potential claims, asserting liability on TGS' part in relation to the 2009 transaction with Skeie. The claims are generally predicated on whether the parties making the claims are ultimately held

responsible for all or any part of the unwarranted tax refunds and suffer damages that can be attributed to TGS. The following summarizes the claims and potential claims:

- Skeie and two affiliated parties have notified TGS of potential claims of joint responsibility for losses arising from the tax refunds received by Skeie.
- In May 2016, the Norwegian Government notified TGS of a claim of compensation in connection with the Government's alleged losses arising from tax benefits received by Skeie under the Petroleum Tax Act for the purchase of seismic data from TGS. The Government alleges TGS aided and abetted Skeie in obtaining unwarranted tax refunds, and claims the amount of the unwarranted tax refunds plus interest, which totaled approximately NOK 326 million at the time of the notice. TGS has granted the Government a three-year extension of the statute of limitations for legal actions relating to the claim. Similar claims were made by the Government against other parties involved with Skeie.
- In October 2016, Skeie Technology, one of the Skeie affiliates and a guarantor of certain of Skeie's obligations, filed a writ of summons against TGS and certain other parties, seeking a declaratory judgment of joint liability for losses that, through its parent company guarantee, may be suffered by Skeie Technology as a result of the acquisition of seismic data by Skeie from TGS in 2009. The court in this case has stayed the proceedings pending the resolution of the Økokrim matter. No specific damages have been asserted in the writ. Skeie Technology was successful in a court proceeding during 2017 by the Norwegian Government that sought to enforce the parent company guaranty for repayment of the tax refunds. The ruling has been appealed by the Government.
- On 26 March 2017, TGS received notice from DNB that it will hold TGS responsible for any amounts payable by DNB to the Norwegian Government. DNB received notice from the Norwegian Government in December 2016, claiming liability for repayment of the tax refunds under a provision in the Tax Payment Act due to DNB's status as a pledgee of the tax refunds. In April 2017, the parties entered into a mutual standstill agreement to stop the tolling of the statute of limitations for three years. In November 2017, TGS received notification that, notwithstanding the standstill, DNB had filed a claim against TGS and various other parties for responsibility for any amounts that DNB may owe in relation to this matter. This claim initially arose out of the claims against Skeie Technology by the Norwegian Government in connection with Skeie Technology's parental guarantee, but the DNB claim has now been severed as a separate case. TGS has requested a stay in the proceedings of this case.



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 Økokrim allegations lack merit, and the trial will confirm that TGS did nothing wrong, the Company also believes these civil 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 obligations and, accordingly, no provisions have been made.

## 22. Gross and Net Revenues

TGS shares certain multi-client revenue with other companies (joint operations – see note 15) and the governments in certain countries. Operating revenue is presented net of portion shared. The table below provides the breakdown of gross revenue for 2016 and 2017.

	2017	2016
Gross revenues from sales	605,928	571,642
Revenue sharing	(113,747)	(115,651)
<b>Net revenues</b>	<b>492,181</b>	<b>455,991</b>

Revenue sharing does also include amounts not considered to be classified as joint operations as reported in Note 15.

## 23. Financial Items

	2017	2016
Interest income	2,958	3,029
Exchange gains	2,664	3,677
Other financial income	-	25
<b>Total financial income</b>	<b>5,622</b>	<b>6,731</b>
Interest expense	(328)	(992)
Exchange loss	(1,815)	(3,124)
Other financial expenses	(1,271)	(2,974)
<b>Total financial expenses</b>	<b>(3,414)</b>	<b>(7,090)</b>
<b>Net financial items</b>	<b>2,207</b>	<b>(360)</b>

## 24. Tax Expense and Deferred Tax

	2017	2016
<b>Profit before taxes</b>		
Norway	52,207	35,560
Outside Norway	47,428	17,115
<b>Total profit before taxes</b>	<b>99,636</b>	<b>52,675</b>
<b>Current taxes</b>		
Norway	22,103	-
Outside Norway	11,588	14,344
<b>Total current taxes</b>	<b>33,691</b>	<b>14,344</b>
<b>Changes in deferred taxes</b>		
Norway	2,755	14,548
Outside Norway	(12,404)	(3,871)
<b>Total changes in deferred taxes</b>	<b>(9,649)</b>	<b>10,678</b>

<b>Income tax expense reported in the income statement</b>	<b>24,042</b>	<b>25,022</b>
--	---------------	---------------

	2017	2016
<b>Tax expense related to other comprehensive income</b>		
Tax expense - other comprehensive income	-	-

	2017	2016
Profit before taxes:	99,636	52,675
Expected income taxes according to corporate income tax rate in Norway	23,896	13,169
Tax rates outside Norway different from 25%/27%	6,527	3,674
Adjustment in respect of current income tax of previous year	(4,360)	1,201
Deferred tax asset related to stock options	217	(136)
Change in deferred tax asset not recognized	93	(163)
Non-taxable income	(1,720)	(2,177)
Withholding taxes expensed	316	2,922
Effect of change in tax rates	(11,742)	-
Non-deductible expenses	1,496	3,164
Currency effects	9,321	3,369
<b>Income tax expense</b>	<b>24,042</b>	<b>25,022</b>
<b>Effective tax rate in %</b>	<b>24%</b>	<b>48%</b>

## Comments on Selected Line Items in the Preceding Table

### *Tax Rates Different from the Norwegian Tax Rate*

The tax rates for subsidiaries outside Norway are on average higher than the Norwegian 24% (2016: 25%) tax rate. The most significant effects relate to the US subsidiaries, which had a tax rate of 35% in 2017.

### *Deferred Tax Asset Related to Stock Options*

In some tax jurisdictions, TGS receives a tax deduction in respect of remuneration in the form of stock options. TGS recognizes an expense for employee services in accordance with IFRS 2 which is based on the fair value of the award at the date of the grant. The tax deduction is not received until the stock options are exercised and is based on the intrinsic value of the award at the date of exercise. In accordance with IAS 12, the tax relief must be allocated between profit or loss and equity so that the amount of the tax deduction exceeding the cumulative cost of stock options expensed by TGS is recognized directly to equity.

### *Deferred Tax Asset Not Recognized*

Deferred tax assets are not recognized for carry forward of unused tax losses when TGS cannot demonstrate that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

TGS has unused tax losses and deductible temporary differences of USD 28.6 million (2016: 22.0 million) where no deferred tax assets were recognized in the balance sheet, all outside Norway.

### *Effect of change in tax rates*

The effect of change in tax rates does mainly relate to deferred tax liability positions in the US measured at 21% compared to the previous US corporate income tax rate at 35%.

### *Non-deductible expenses*

Non-deductible expenses consist of various types of expenses and payments of various local taxes, which are not deductible for tax purposes in the tax jurisdictions where TGS operates.

### *Currency Effects*

TGS entities that do not have their tax base in USD are exposed to changes in the USD/tax base-currency rates. Effects within the current year are classified as tax expense.

## Tax Effect of Temporary Differences and Tax Loss Carry-forwards as of 31 December

	2017	2016
<i>Differences that give rise to a deferred asset or a deferred tax liability:</i>		
Multi-client library/well logs	16,309	36,140
Fixed assets	(15,358)	(27,068)
Revenues on seismic projects in the work in progress phase	(28,278)	(73,009)
Goodwill and intangibles	(3,243)	(3,433)
Accruals	8,942	10,248
Interest deductions carried forward	-	1,025
Accounts receivable	(2,441)	(1,961)
Tax losses carried forward	2,074	25,884
Deferred revenue	507	603
Stock options	70	295
Withholding taxes carried forward	1,890	1,354
Other	197	204
<b>Total net deferred tax liability</b>	<b>(19,331)</b>	<b>(29,718)</b>
Of which:		
<b>Deferred tax asset</b>	<b>4,390</b>	<b>9,565</b>
<b>Deferred tax liability</b>	<b>23,721</b>	<b>39,284</b>
<i>Change in net deferred tax liability</i>	<i>2017</i>	<i>2016</i>
As of 1 January	29,718	19,856
Recognized in profit or loss	(9,649)	10,678
Withholding taxes recognized as deferred tax assets	(536)	(17)
Currency effects	(202)	(799)
<b>As of 31 December</b>	<b>19,331</b>	<b>29,718</b>

## Comments on Selected Line Items in the Preceding Table

### *Recognition of Deferred Tax Assets on Tax Losses Carried Forward*

Deferred tax assets are capitalized to the extent it is probable that TGS will have taxable profits and the carry forward tax losses can be utilized. Deferred tax losses on carry forward tax losses are recognized for United Kingdom (USD 2.3 million).

### *Withholding Taxes Carried Forward - Recognized as Deferred Tax Assets*

Withholding taxes carried forward and recognized as deferred tax assets relate to Norway. The full amount carried forward of USD 1.9 million has to be utilized no later than 2020.

### *Temporary Differences Group's subsidiaries*

No deferred tax has been recognized in respect of temporary differences related to unremitted earnings of the Group's subsidiaries where remittance is not contemplated and where the timing of distribution is within the control of the Group.

### **Draft Taxation Ruling in Australia**

On 20 December 2017, the Australian Tax Office (ATO) released for public comment a draft taxation ruling (2017/D11 Income tax: capital allowances: expenditure incurred by a service provider in collecting and processing multi-client seismic data).

The preliminary contention of the Commissioner in the draft ruling is that costs associated with the collection of multi-client data are not immediately deductible for income tax purposes but rather are depreciable over, generally, 15 years. The draft ruling is proposed to apply for any seismic data the taxpayer started to hold after 14 May 2013. TGS has an opposing view of the application of the law, and has, in line with industry practice, deducted such costs in the year they have occurred. The Company is of the opinion that there is a good basis to support its tax treatment of the costs that are dealt with in the draft ruling for prior income years.

TGS has submitted its comments to the ATO and expressed that the draft ruling has incorrectly characterized the activities of companies like TGS, and that the application of the income tax act is incorrect.

Even if the draft ruling is finalized in its current form, TGS is of the opinion that the factual differences between the operations of TGS and the specific fact pattern in the draft ruling and the possibility that this difference in fact patterns may result in a different technical position to that outlined in draft ruling, do not make it probable that there will be an outflow of resources embodying economic benefits that will be required to settle an obligation. Accordingly, no provisions have been made.

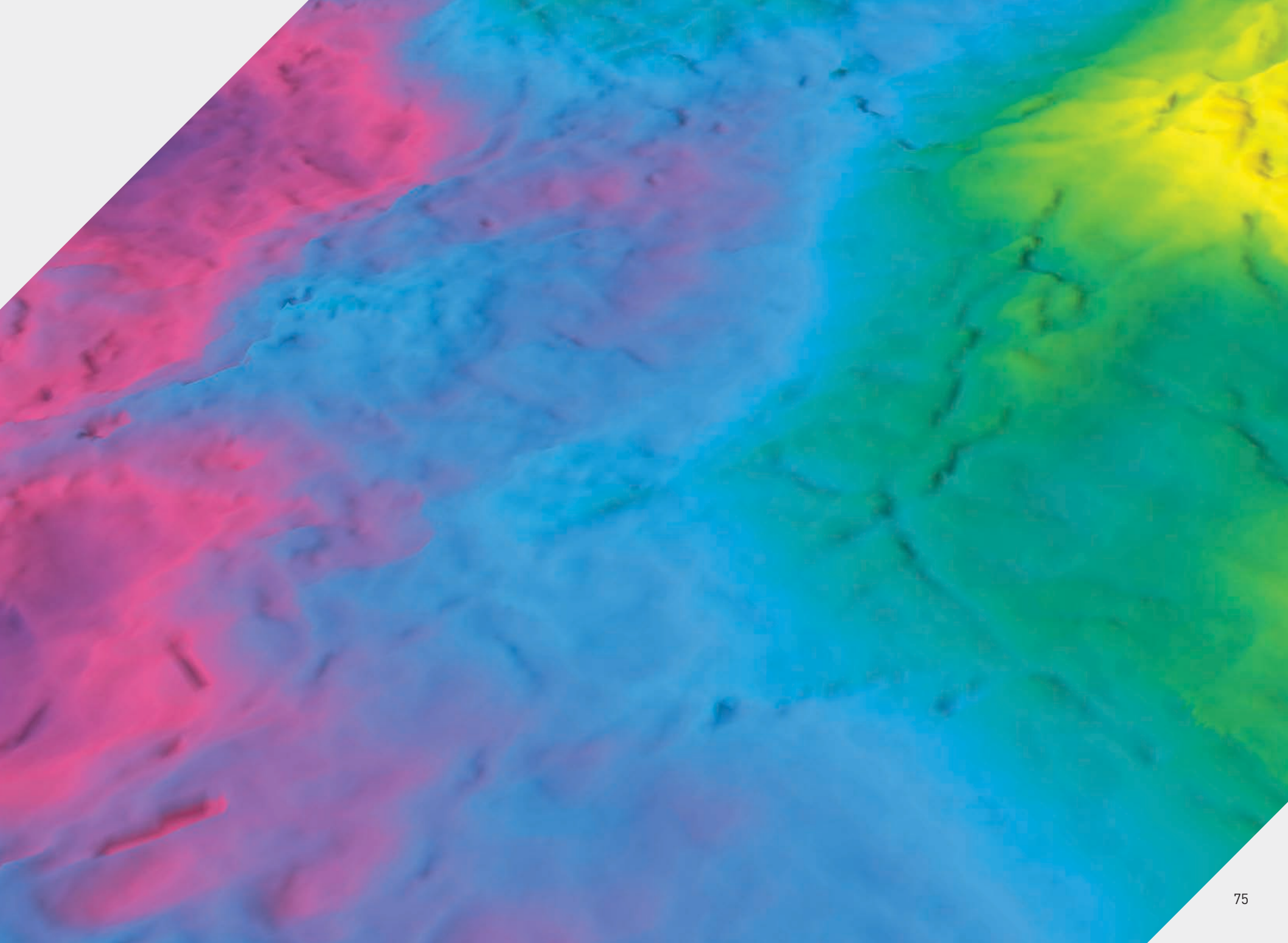
## 25. Events After the Balance Sheet Date

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per shares (NOK 1.57) to the shareholders. The dividend payments USD 18.5 million were made on 1 March 2018.

Following an employee stock option exercise on 22 February 2018, a total of 73,600 new shares in the Company were registered resulting in an equity increase of USD 1.7 million.

To the best of the management's and the directors' knowledge, there are no other significant subsequent events not described in this Annual Report have occurred since 31 December 2017 that would impact the financial statements as presented for 2017.














# ALTERNATIVE PERFORMANCE MEASURES

Despite no significant growth in clients' exploration spending, TGS managed to grow free cash flow before dividend by 35% from 2016 to a level of USD 123 million.



# Alternative Performance Measures

## Definitions – Alternative Performance Measures

The European Securities and Markets Authority (ESMA) has published guidelines on Alternative Performance Measures which came into force in 2016.

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. 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)

	2017	2016
Net Income	75,594	27,653
Taxes	24,042	25,022
Net financial items	(2,207)	360
Depreciation, amortization and impairment	9,499	12,046
Amortization and impairment of multi-client library	302,346	297,693
<b>EBITDA</b>	<b>409,275</b>	<b>362,774</b>

## 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 December 2017	31 December 2016
Equity	1,200,102	1,169,124
Interest bearing debt	2,500	-
Cash	249,917	190,739
Net interest bearing debt	(247,417)	(190,739)
<b>Capital employed</b>	<b>952,685</b>	<b>978,385</b>
<b>Average capital employed</b>	<b>965,535</b>	<b>1,006,870</b>
Operating profit	97,429	53,035
<b>ROACE</b>	<b>10%</b>	<b>5%</b>

### Free cash flow (after multi-client investments)

Free cash flow (after multi-client 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)

	2017	2016
Cash flow from operational activities	461,306	324,366
Investments in multi-client library	(337,964)	(233,297)
<b>Free cash flow (after multi-client investments)</b>	<b>123,342</b>	<b>91,069</b>

### 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)

	2017	2016
Multi-client net revenues	485,188	438,555
Opening balance multi-client library	812,399	838,915
Closing balance multi-client library	799,015	812,399
Average net book value	805,707	825,657
<b>Multi-client net revenues/average net book value ratio</b>	<b>0.60</b>	<b>0.53</b>

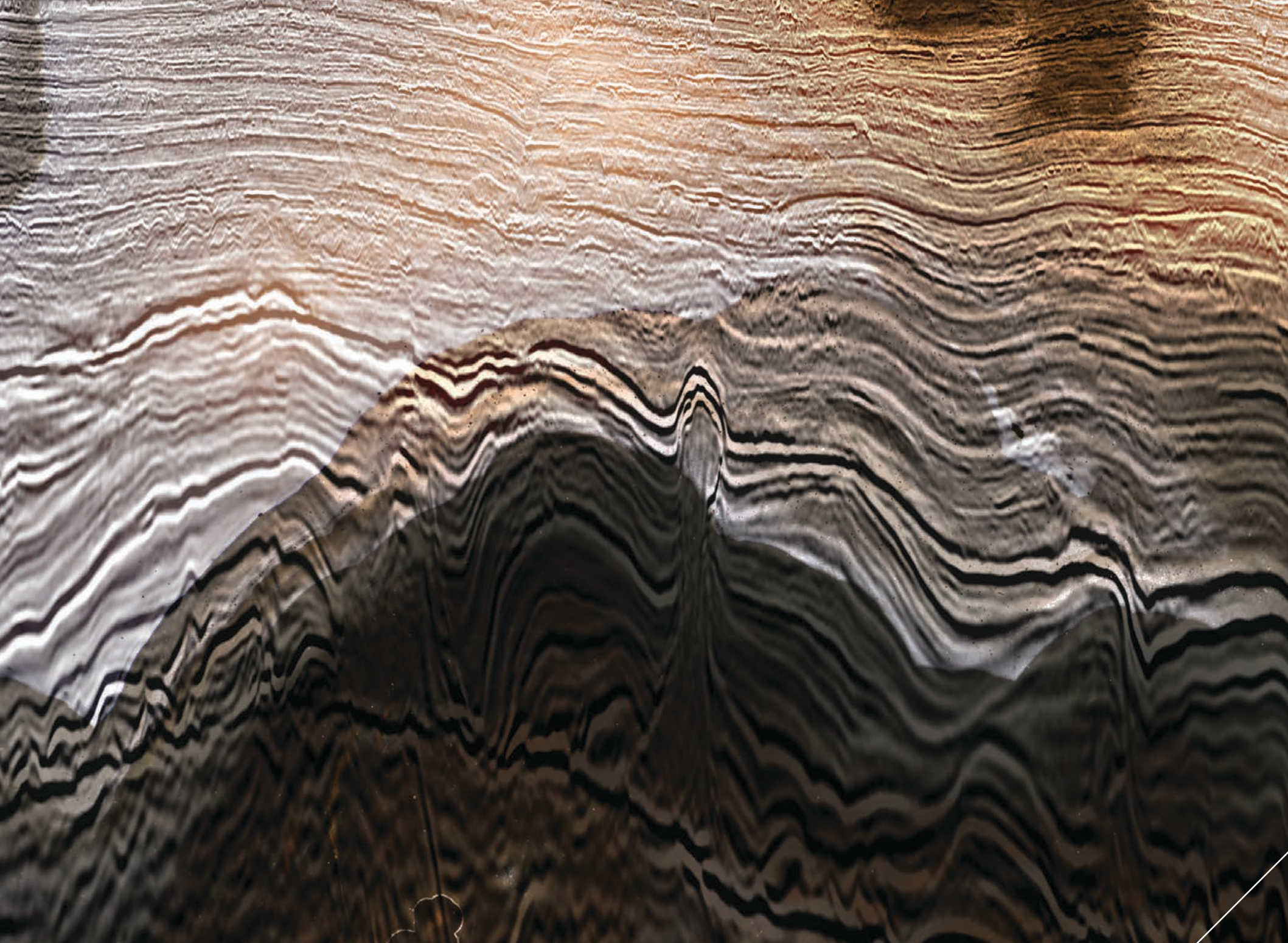
### Backlog

Backlog is defined as the total value of future revenue 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 2017 dividend yield is annualized based on the weighted yield at the time of announcement of quarterly dividends.







The background of the slide is a close-up photograph of a wood grain, showing wavy, concentric patterns in shades of brown and tan. A thin, white diagonal line runs from the bottom left corner towards the top right, passing behind the main title.

# PARENT COMPANY FINANCIALS

In 2017, TGS converted as much as 22% of net revenues to free cash flow, ranking TGS among the very best in the industry.

# Income Statement

Parent Company

(All amounts in USD 1,000s)

	Note	2017	2016
Net revenues	17	309,859	222,122
<b>Net revenues</b>		<b>309,859</b>	<b>222,122</b>
Cost of goods sold - proprietary and other		449	5,675
Amortization and impairment of the multi-client library	3	207,127	181,548
Personnel costs	4	9,511	7,199
Cost of stock options	4	36	80
Other operating expenses	13, 18	50,177	30,716
Depreciation, amortization and impairment	2, 3	476	635
<b>Total operating expenses</b>		<b>267,776</b>	<b>225,853</b>
<b>Operating profit/(loss)</b>		<b>42,083</b>	<b>(3,731)</b>
Interest income	15	1,969	568
Financial income	15	831	23,851
Exchange gains	15	1,161	1,674
Interest expenses	15	(6,971)	(4,164)
Financial expenses	15	(7,434)	(13,287)
<b>Net financial items</b>		<b>(10,445)</b>	<b>8,643</b>
<b>Profit before taxes</b>		<b>31,638</b>	<b>4,911</b>
Taxes	16	16,830	2,740
<b>Net income</b>		<b>14,808</b>	<b>2,171</b>
Profit/(loss) for the year is proposed allocated as follows:			
To/(from) other equity	6	14,808	2,171
<b>Total allocated</b>		<b>14,808</b>	<b>2,171</b>

# Balance Sheet

Parent Company

As of 31 December.

(All amounts in USD 1,000s)

	Note	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Intangible non-current assets</b>			
Multi-client library	3	497,720	514,057
Deferred tax asset	16	1,890	5,321
<b>Total intangible non-current assets</b>		<b>499,611</b>	<b>519,377</b>
<b>Tangible non-current assets</b>			
Machinery and equipment	2	1,048	1,466
<b>Total tangible non-current assets</b>		<b>1,048</b>	<b>1,466</b>
<b>Financial non-current assets</b>			
Investments in subsidiaries	7	119,395	128,969
Other non-current assets	19	-	7,690
<b>Total financial non-current assets</b>		<b>119,395</b>	<b>136,659</b>
<b>Total non-current assets</b>		<b>620,053</b>	<b>657,503</b>
<b>Current assets</b>			
<b>Receivables</b>			
Accounts receivable	9	164,440	186,591
Current receivables group companies	10	63,200	118,924
Other receivables	9	6,206	5,012
<b>Total receivables</b>		<b>233,846</b>	<b>310,527</b>
Cash and cash equivalents	8	69,974	50,859
<b>Total current assets</b>		<b>303,820</b>	<b>361,386</b>
<b>Total assets</b>		<b>923,873</b>	<b>1,018,889</b>



# Balance Sheet

Parent Company

As of 31 December.

[All amounts in USD 1,000s]

	Note	2017	2016
<b>Equity and Liabilities</b>			
<b>Equity</b>			
<b>Paid-in capital</b>			
Share capital	5, 6	3,663	3,656
Treasury shares held	5, 6	(4)	(19)
Share premium	6	62,771	58,107
Other paid-in capital	6	6,992	6,011
<b>Total paid-in capital</b>		<b>73,422</b>	<b>67,756</b>
<b>Retained earnings</b>			
Other equity	6	111,260	154,098
<b>Total retained earnings</b>		<b>111,260</b>	<b>154,098</b>
<b>Total equity</b>		<b>184,682</b>	<b>221,854</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other non-current liabilities	19	-	2,483
Deferred tax	16	9,111	-
<b>Total non-current liabilities</b>		<b>9,111</b>	<b>2,483</b>
<b>Current liabilities</b>			
Accounts payable and debt to partners		46,306	60,130
Current liabilities group companies	10	630,592	635,069
Taxes payable	16	3,753	-
Social security, VAT and other duties		662	493
Provisions for dividends	6	20,446	15,240
Other current liabilities	11	28,322	83,619
<b>Total current liabilities</b>		<b>730,080</b>	<b>794,552</b>
<b>Total liabilities</b>		<b>739,191</b>	<b>797,034</b>
<b>Total equity and liabilities</b>		<b>923,873</b>	<b>1,018,889</b>

Asker, 22 March 2018



Henry H. Hamilton III  
Chairman



Wenche Agerup  
Director



Nils Peter Dyvik  
Director



Tor Magne Lønnum  
Director



Kristian Johansen  
Chief Executive Officer



Mark S. Leonard  
Director



Elisabeth Grieg  
Director



Vicki Messer  
Director



Torstein Sanness  
Director

# Statement of Cash Flow

Parent Company

(All amounts in USD 1,000s)

	Note	2017	2016
<b>Cash flow from operating activities</b>			
Profit before taxes	16	31,638	4,911
Depreciation/amortization/impairment	2, 3	207,603	182,183
Impairment shares in subsidiaries and receivables	7, 10	7,139	(33,260)
Unrealized currency gain/(loss)		(527)	(1,698)
Changes in accounts receivables and accrued revenue		32,291	56,496
Changes in other receivables		(2,382)	10,216
Changes in other balance sheet items		46,100	(94,498)
Received taxes		-	405
<b>Net cash flow from operating activities</b>		<b>321,861</b>	<b>124,755</b>
<b>Cash flow from investing activities</b>			
Investment in tangible assets	2	(57)	(22)
Investments in multi-client library	3	(248,587)	(59,640)
Investments in subsidiaries	7	-	-
Interest received	15	1,969	568
<b>Net cash flow from investing activities</b>		<b>(246,675)</b>	<b>(59,094)</b>
<b>Cash flow from financing activities</b>			
Interest paid	15	(6,971)	(4,164)
Dividend payments	6	(62,767)	(59,458)
Purchase of treasury shares	6	-	-
Proceeds from share offerings	6	13,141	1,798
<b>Net cash flow from financing activities</b>		<b>(56,598)</b>	<b>(61,823)</b>
<b>Net change in cash and cash equivalents</b>		<b>18,588</b>	<b>3,837</b>
Cash and cash equivalents at the beginning of the period	8	50,859	45,323
Exchange rate effects		527	1,698
<b>Cash and cash equivalents at the end of the period</b>		<b>69,974</b>	<b>50,859</b>

# Notes to Parent Company Financials

[All amounts in USD 1,000s unless noted otherwise.]

## 1. General Accounting Policies

### General Information

TGS-NOPEC Geophysical Company ASA (TGS or the Company) is a public limited company incorporated in Norway on 21 August 1996. The address of its registered office is Lensmannsli 4, 1386 Asker, Norway. The Company is listed on the Oslo Stock Exchange ("TGS").

The Company's financial statements were authorized by the Board of Directors on 22 March 2018.

TGS has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

### Reporting Currency

The Parent Company, TGS-NOPEC Geophysical Company ASA, reports its financial results in USD, which is the Company's functional currency.

### General Accounting Policies

The financial statements are prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The notes are an integral part of the financial statements.

### Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's accounting principles, management is required to make estimates, judgments and assumptions that affect the amount reported in the financial statements and accompanying notes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which will form the basis for making judgments on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of judgment and estimation of uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment Evaluation of Multi-client Data Libraries*

TGS performed impairment reviews and determined the value in use of the multi-client library during 2017. The Company estimated value in use based

on discounted estimated future sales forecasts. The underlying estimates that form the basis for the sales forecast depend on variables such as the number of oil and gas exploration and production (E&P) companies operating in the area that would be interested in the data, the overall E&P spending, expectations regarding hydrocarbons in the sector, whether licenses to perform exploration in the sectors exist or will be given in the future, expected farm-ins to licenses, relinquishments, etc. Changes in these estimates may potentially affect the estimated amount of future materially. The revenue estimates are evaluated regularly and impairments are recognized in the period they occur.

For details about the book value, amortization and impairment of the multi-client library, see Note 3.

#### *Provision for Impairment of Losses of Accounts Receivables*

The Company has made provisions for impairment losses of specific accounts receivables deemed uncollectible. When assessing the need for provisions, the Company uses all available information about the various outstanding receivables, including the payment history and the credit quality of the actual companies.

#### *Share-based Payments*

The Company measures the cost of stock options and other share-based payment plans granted to employees by reference to the fair value of the equity instruments at the date at which they are granted (equity-settled transactions) or at the end of each reporting period (cash-settled transactions) in accordance with NRS 15A (IFRS 2). Estimating fair value requires appropriate valuation model to value the share-based instruments. The values are dependent on the terms and conditions of the granted share-based instruments. This also requires determining the appropriate assumptions in the valuation models including the expected life of the instruments, volatility and dividend yield.

#### *Contingent Liabilities*

The preparation of the financial statements has required TGS to make judgment, estimates and assumptions that affect the reported amounts of liabilities and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount in future periods.



## Summary of Significant Accounting Policies

### Revenue Recognition

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to the Company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received, net of discounts and sales taxes or duty. The following describes the specific principles:

#### Work in Progress (WIP)

Sales in the form of prefunding commitments from customers under binding contracts are recognized as revenue on a percentage of completion (POC) basis normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project. Sales made prior to commencement of acquisition for each project are recognized on a POC basis and presented as pre-funding revenues. Sales after the commencement, but while projects are in progress are also recognized on a POC basis and presented as late sales revenues. The amount of revenues for in progress projects not yet invoiced, is presented as accrued revenues in the balance sheet.

#### Finished Data

Revenue is recognized for sales of finished data at the time of the transaction; i.e. when the client has gained access to the data under a binding agreement.

#### Volume Sales Agreements

In certain situations TGS grants licenses to the customer for access to a specified number of blocks of multi-client library within an area. These licenses typically enable the customer to select and access the specific blocks over a period of time. Revenue recognition for volume sales agreements is based on a proportion of the total volume sales agreement revenue, measured as the customer gains access to the data.

#### Revenue Sharing Arrangements

TGS shares certain multi-client revenues with other companies and governments. Revenues are recognized on a net basis in accordance with applicable recognition principles.

#### Proprietary Contracts

Revenue from proprietary contracts for clients is recognized in the same way as work in progress (POC) in accordance with the specific agreement.

#### Interest Income

Interest income is recognized as interest accrues. Interest income is included in the financial items in the income statement.

### Royalty Income

Royalty income is recognized on an accruals basis in accordance with the substance of the relevant agreements.

### Cost of Goods Sold (COGS) – Proprietary Contracts and Other

Cost of goods sold includes only direct cost related to proprietary contract work, and costs related to delivery of geoscientific data.

#### Multi-client Library

The multi-client library includes completed and in-progress geophysical data to be licensed on a non-exclusive basis to oil and gas exploration and production companies. The costs directly attributable to data acquisition and processing are capitalized and included in the inventory value. Costs directly attributable to data acquisition and processing includes mainly vessel costs, payroll and hardware/software costs. Directly attributable costs do also include mobilization costs when relocating a vessel to the survey area. The library also includes the cost of data purchased from third parties. The library of finished multi-client seismic data and interpretations is presented at cost reduced by accumulated amortization.

#### Amortization of Seismic Data

TGS has changed its amortization policy for seismic data in 2016. The change was made due to an amendment of the relevant IFRSs. These amendments have also been implemented in the Parent company financials. The following amortization policy for the multi-client library has been implemented prospectively from 1 January 2016:

- During the work in progress phase, amortization is based on total cost versus forecasted total revenues of the project. Amortization is recorded in line with how revenues are recognized for each project during this phase.
- After a project is completed, a straight-line amortization is applied. The straight-line amortization is assigned over a remaining useful life, which for most marine projects is considered to be 4 years. For most onshore projects, the remaining useful life after completion of a project is considered to be 7 years.

#### Impairment Test Multi-client Library

When there are indicators that the net book value may not be recoverable, the library is tested for impairment individually per project. Any impairment of the multi-client library is recognized immediately and presented as "Amortization and impairment of the multi-client library" in the statement of profit or loss.

TGS assesses, at each reporting date, whether there is an indication that a project may be impaired. If any indication exists, TGS estimates the project's recoverable amount. A project's recoverable amount is the higher of a project's fair value less costs of disposal and its value in use. When the carrying amount

of a project exceeds its recoverable amount, the project is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the project.

#### ***Goodwill***

Goodwill is depreciated over ten years. In addition goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

#### ***Tangible Non-current Assets and Principles of Depreciation***

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment charges. If an indication of impairment exists, an impairment test is performed. If the fair value of a tangible non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. Depreciation is determined in light of the asset's economic life. Purchases which are expected to have a technical and economic life of more than one year are capitalized as tangible non-current assets. Depreciation begins when the assets are available for use.

#### ***Exchange Rate Adjustments***

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary assets, receivables and liabilities are translated at the exchange rate on the balance sheet date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

#### ***Research and Development Costs***

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the product will generate future economic benefits;
- Adequate technical, financial or other resources to complete the development and to use the product are available; and
- The expenditure attributable to the product during its development can be reliably measured

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

#### ***Provisions***

Provisions are made when the Company has a present obligation (legal or constructive) as result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are possible obligations as a result of a past event where the existence of the liability depends on the occurrence, or not, of a future event. An existing obligation, in which it is not likely that the entity will have to dispose economic benefits, or where the obligation cannot be measured with sufficient reliability, is also considered a contingent liability. Contingent liabilities are not recognized in the financial statements, but if material, disclosed in the accompanying notes. A contingent asset is not recognized in the financial statement, but disclosed if there is a certain degree of probability that it will be an advantage of the Company.

#### ***Income Taxes***

##### ***Current Income Tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

##### ***Deferred Tax***

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities have been recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax

losses can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable company and the same taxation authority. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The Company pays its tax obligation in Norwegian Kroner (NOK), and the fluctuations between the NOK and the USD impact the financial items. Exchange rate fluctuations related to the basis for current year income tax expense are classified as tax expense.

### ***Share-based Payments***

Key employees of the Company receive remuneration in the form of share-based payment, whereby employees render services as consideration for stock options and, Performance Share Units (PSUs) and Restricted Share Units (RSUs).

The cost of equity-settled transactions (stock options, PSUs and the 2015-2017 2016 plans of RSUs) is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

The fair value of the RSUs are measured at the end of each reporting period and are distributed over the period until the employees have earned an unconditional right to receive them. These fair values are expensed over the period until the vesting date with recognition of a corresponding liability. The ultimate cost of such a cash-settled transaction will be the actual cash paid by the Company, which will be the fair value at settlement date. The fair values of the vested part of the RSUs are recognized as personnel costs.

### ***Pensions***

The Company operates defined-contribution plans in Norway. Contributions are

expensed to the income statement as they become payable.

### ***Leases – TGS as Lessee***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases are recorded as assets and liabilities, and lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

### ***Cash and Cash Equivalents***

Cash and cash equivalents in the balance sheet comprise cash in bank accounts and on hand and short-term deposits with an original maturity of three months or less.

### ***Accounts Receivable and Other Receivables***

Receivables are measured at cost less any amounts expected to be uncollectible. Sales with deferred payments due to be settled more than twelve months or later are presented as non-current receivables.

### ***Investments in Subsidiaries and Associated Companies***

Investments in subsidiaries and investments in associates are valued at cost in the Company's financial statements. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with the generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends/group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the Parent Company.

### ***Dividends***

The dividends are recognized as a liability in the financial statements when proposed by the Board of Directors.



### Financial Instruments

Financial instruments are valued at the lower of historical cost and market value.

Loans are recognized at the amount received, net of transactions costs. The loans are thereafter recognized at amortized costs using the effective interest rate method.

### Treasury Shares

TGS' equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of TGS' own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

### Cash Flow Statement

The cash flow statement is compiled using the indirect method.

## 2. Tangible Non-Current Assets

### 2017

Acquisition cost and depreciation:	Machinery and Equipment
<b>Cost as of 1 January 2017</b>	<b>4,834</b>
Additions	57
Disposals <sup>1)</sup>	(86)
<b>Cost as of 31 December 2017</b>	<b>4,804</b>
<b>Accumulated depreciation as of 1 January 2017</b>	<b>3,368</b>
Depreciation for the year	476
Accumulated depreciation on disposals <sup>1)</sup>	(86)
<b>Accumulated depreciation as of 31 December 2017</b>	<b>3,757</b>
<b>Net book value as of 31 December 2017</b>	<b>1,048</b>
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

<sup>1)</sup> Profit on disposals during the year was USD 0.

### 2016

Acquisition cost and depreciation:	Machinery and Equipment
<b>Cost as of 1 January 2016</b>	<b>4,812</b>
Additions	22
Disposals <sup>1)</sup>	-
<b>Cost as of 31 December 2016</b>	<b>4,834</b>
<b>Accumulated depreciation as of 1 January 2016</b>	<b>2,732</b>
Depreciation for the year	635
Accumulated depreciation on disposals <sup>1)</sup>	-
<b>Accumulated depreciation as of 31 December 2016</b>	<b>3,368</b>
<b>Net book value as of 31 December 2016</b>	<b>1,466</b>
Straight-line depreciation percentage	14% - 33.3%
Useful life	3 - 7 years

<sup>1)</sup> Profit on disposals during the year was USD 0.

### 3. Intangible Non-Current Assets

#### 2017

Acquisition cost and depreciation:	Goodwill	Multi-client Library	Total
<b>Cost as of 1 January 2017</b>	<b>3,073</b>	<b>3,079,781</b>	<b>3,082,854</b>
Additions	-	190,791	190,791
<b>Cost as of 31 December 2017</b>	<b>3,073</b>	<b>3,270,571</b>	<b>3,273,645</b>
<b>Accumulated amortization as of 1 January 2017</b>	<b>3,073</b>	<b>2,565,724</b>	<b>2,568,797</b>
Amortization for the year	-	207,127	207,127
<b>Accumulated amortization as of 31 December 2017</b>	<b>3,073</b>	<b>2,772,851</b>	<b>2,775,924</b>
<b>Net book value as of 31 December 2017</b>	<b>-</b>	<b>497,720</b>	<b>497,720</b>
Straight-line amortization percentage	10%		
Useful life	10 years <sup>2)</sup>	4 to 7 years <sup>1)</sup>	

<sup>1)</sup> Multi-client Library: See the "General Accounting Policies", for the policies on amortization of this asset.

<sup>2)</sup> Goodwill paid for in acquisitions of companies is amortized over the first ten years after the date of the acquisition.

Amortization for the year includes impairments of USD 4.6 million.

#### 2016

Acquisition cost and depreciation:	Goodwill	Multi-client Library	Total
<b>Cost as of 1 January 2016</b>	<b>3,073</b>	<b>2,968,806</b>	<b>2,971,879</b>
Additions	-	110,975	110,975
<b>Cost as of 31 December 2016</b>	<b>3,073</b>	<b>3,079,781</b>	<b>3,082,854</b>
<b>Accumulated amortization as of 1 January 2016</b>	<b>3,073</b>	<b>2,384,176</b>	<b>2,387,250</b>
Amortization for the year	-	181,548	181,548
<b>Accumulated amortization as of 31 December 2016</b>	<b>3,073</b>	<b>2,565,724</b>	<b>2,568,797</b>
<b>Net book value as of 31 December 2016</b>	<b>-</b>	<b>514,057</b>	<b>514,057</b>
Straight-line amortization percentage	10%		
Useful life	10 years <sup>2)</sup>	4 to 7 years <sup>1)</sup>	

<sup>1)</sup> Multi-client Library: See the "General Accounting Policies", for the policies on amortization of this asset.

<sup>2)</sup> Goodwill paid for in acquisitions of companies is amortized over the first ten years after the date of the acquisition.

Amortization for the year includes impairments of USD 7.9 million.

## 4. Salaries/Number of Employees/Benefits/ Employee Loans/Pensions

	2017	2016
Payroll	7,946	5,915
Social security costs	1,068	860
Pension costs	295	257
Other employee related costs	201	168
Salaries capitalized	-	-
<b>Personnel costs</b>	<b>9,511</b>	<b>7,199</b>
Cost of stock options	36	80
<b>Payroll and cost of stock options</b>	<b>9,547</b>	<b>7,279</b>
Number of employees at 31 December	41	43
Average number of employees	42	40

As of 31 December 2017, the Company had 41 employees: 25 male employees and 16 female employees.

The Company operates defined contribution plans in Norway. The plans fulfill the requirements of the Norwegian law

Auditor Fees	2017	2016
Statutory audit	327	231
Other attestation services	-	-
Tax advisory services	5	7
Other services outside the audit scope	-	-
<b>Total fees</b>	<b>333</b>	<b>238</b>

All amounts are exclusive VAT.

Information about remuneration of the Board of Directors and the executive management is included in Note 7 to the consolidated financial statements.

For information about share-based payment plans, see Note 8 to the consolidated financial statements.

## 5. Share Capital and Shareholder Information

The share capital of TGS-NOPEC Geophysical Company ASA as of 31 December 2017 was NOK 25,586,472.50 consisting of 102,345,890 ordinary shares at NOK 0.25 per share. The Company's shares have equal voting rights.

For information of treasury shares, shareholders' authorization and the 20 largest shareholders, see Note 10 to the consolidated financial statements.



## 6. Equity Reconciliation

Equity Reconciliation	Share Capital	Treasury shares	Share premium	Other Reserves	Retained Earnings	Total Equity
<b>Balance 1 January 2017</b>	<b>3,656</b>	<b>(19)</b>	<b>58,107</b>	<b>6,011</b>	<b>154,098</b>	<b>221,854</b>
Capital increase during 2017	6	-	4,664	-	-	4,670
Treasury shares distributed	-	15	-	-	8,706	8,720
Cost of stock options, RSU/PSU	-	-	-	981	-	981
Quarterly dividends resolved and paid	-	-	-	-	(45,906)	(45,906)
Provisions for quarterly dividends (USD 0.20 per share) <sup>*1</sup>	-	-	-	-	(20,446)	(20,446)
Profit/(loss) for the year	-	-	-	-	14,808	14,808
<b>Balance 31 December 2017</b>	<b>3,663</b>	<b>(4)</b>	<b>62,771</b>	<b>6,992</b>	<b>111,260</b>	<b>184,682</b>
<b>Balance 1 January 2016</b>	<b>3,656</b>	<b>(24)</b>	<b>58,107</b>	<b>5,361</b>	<b>210,940</b>	<b>278,040</b>
Treasury shares distributed	-	5	-	-	1,949	1,954
Cost of stock options, RSU/PSU	-	-	-	650	-	650
Quarterly dividends resolved and paid	-	-	-	-	(45,721)	(45,721)
Provisions for quarterly dividends (USD 0.15 per share) <sup>*1</sup>	-	-	-	-	(15,240)	(15,240)
Profit/(loss) for the year	-	-	-	-	2,171	2,171
<b>Balance 31 December 2016</b>	<b>3,656</b>	<b>(19)</b>	<b>58,107</b>	<b>6,011</b>	<b>154,098</b>	<b>221,854</b>

<sup>\*1</sup> The Annual General Meeting held 9 May 2017 authorized the Board of Directors to distribute quarterly dividends on the basis of the 2016 statements. The authorization shall be valid until the Company's next Annual General Meeting.

On 7 February 2018, the Board of Directors resolved to pay quarterly dividend of the NOK equivalent of USD 0.20 per shares (NOK 1.57) to the shareholders.

On 22 February 2018, a total of 73,600 stock options were exercised. All the options were secured by warrants. The share capital increase of NOK 18,400 was registered on 27 February 2018.

## 7. Investments in Subsidiaries

As of 31 December 2017, the Parent Company had the following investments in subsidiaries:

Included in the Balance Sheet as:	Registered Office	Share Capital of Company	Number of Shares	Book Value	Net Income	Total Equity	Shareholder and Voting Power
Maglight AS	Asker, Norway	NOK 100,000	100,000	180	1	23	100%
TGS AP Investments AS	Asker, Norway	NOK 200,000	1,000	35,214	3,954	79,946	100%
Marine Exploration Partners AS	Asker, Norway	NOK 800,000	800,000	-	(1,194)	(483)	100%
TGS Contracting AS	Asker, Norway	NOK 100,000	1,000	147	6	120	100%
TGS-NOPEC Geophysical Company	Houston, U.S.A.	USD 1,000	1,000	1,483	21,278	758,398	100%
TGS-NOPEC Geophysical Company (UK) Ltd.	Bedford, UK	GBP 50,100	50,100	-	-	(24)	100%
Aceca Ltd.	Surbiton, UK	GBP 50,762	507,620	-	-	(72)	100%
TGS Geophysical Investments Ltd.	Surbiton, UK	USD 100,000	100,000	-	-	-	100%
TGS Geophysical Company (UK) Ltd.	Surbiton, UK	GBP 166,035.34	16,603,534	-	6,853	(15,748)	100%
TGS-NOPEC Geophysical Company Pty Ltd	Perth, Australia	AUD 1	1	0	6,830	15,285	100%
TGS-NOPEC Geophysical Company Pte Ltd	Singapore	SGD 0	0	-	111	338	100%
TGS do Brasil Ltda.	Rio de Janeiro, Brazil	BRL 43,400,200	39,060,180	9,900	(1,788)	11,002	90%
Arcis Seismic Solutions Corp.	Calgary, Canada	CAD 73,945	100,000	72,471	2,374	104,934	100%
TGS-NOPEC Geophysical Company Moscow Ltd	Moscow, Russia	RUB 300,000	1	-	(97)	(3,104)	100%
Nopec Geophysical Company, S. de R.L. de C.V.	Mexico City, Mexico	MXN 1,000	1	-	-	-	90%
<b>Balance sheet value</b>				<b>119,395</b>			

The Parent company has direct or indirect 100% voting rights in all subsidiaries.

In 2017 the shares in TGS do Brasil Ltda, TGS-NOPEC Geophysical Company (UK) Ltd and Aceca Ltd has been impaired by USD 9.6 million. The impairment has been recognized through net financial items, see note 15.

## 8. Restrictions on Bank Accounts

As of 31 December 2017, USD 0.4 million of cash and cash equivalents are restricted to meet the liability arising from payroll taxes withheld. (2016: USD 0.3 million).

## 9. Accounts Receivable and Other Receivables

Accounts receivable, including accrued revenues, is stated in the balance sheet at net realizable value and totaled USD 164.4 million as of 31 December 2017 (2016: USD 186.6 million). The Company has made a bad debt provision of USD 0 million in 2017 (2016: USD 2.5 million). The Company expects to collect the stated balance of receivables as of 31 December 2017. Realized losses on trade receivables in 2017 amounted to USD 0.8 million (2016: USD 27.5 million), and reversal of prior years' bad debt provisions amounted to USD 2.5 million (2016: 5.9 million). Prepayments to suppliers and other short-term receivables totaled USD 6.2 million as of 31 December 2017 (2016: USD 5.0 million).

## 10. Current Receivables and Liabilities Group Companies

Company	2017		2016	
	Receivables	Liabilities	Receivables	Liabilities
Maglight AS	-	14	-	14
TGS AP Investments AS	63,002	-	93,065	-
Aceca Norge AS	-	4,422	-	4,103
TGS-NOPEC Geophysical Company	-	617,138	-	630,952
A2D Technologies Inc.	-	9	65	-
TGS Geophysical Company (UK) Ltd.	-	8,417	14,787	-
TGS-NOPEC Geophysical Company PTY Ltd	-	62	1,784	-
TGS-NOPEC Geophysical Company Pte	5	-	5	-
Arcis Seismic Solutions Corp.	-	529	9,029	-
TGS do Brasil Ltda.	193	-	189	-
<b>Total</b>	<b>63,200</b>	<b>630,592</b>	<b>118,924</b>	<b>635,069</b>

The Company has entered into an intercompany credit revolving facility with TGS-NOPEC Geophysical Company (USA) which matures at 31 December 2018. Per the agreement, the lender may require the borrower to repay all or any portion of the outstanding facility within 30 days. Accordingly, the facility has been classified as a current liabilities, but the timing of the repayment is controlled by the Company. The interest is equal to the monthly short-term Applicable US Federal Rate.

Realized losses on intercompany receivables in 2017 amounted to USD 0.1 million (2016: USD 0 million)

## 11. Other Current Liabilities

	2017	2016
Deferred revenues	6,288	3,465
Accrued project costs	17,267	74,491
Other accrued expenses	3,866	5,663
<b>Total other current liabilities</b>	<b>27,421</b>	<b>83,619</b>

## 12. Guarantees

### Parent Company Guarantee

In 2017, subsidiaries of the Company, together with subsidiaries of Petroleum Geo-Services ASA (PGS), concluded the joint acquisition of a majority of the multi-client library of Dolphin UK Ltd. The total acquisition price paid by the TGS entities for the 50% interest acquired amounted to USD 5.8 million, USD 3.3 million of which was paid in cash at closing, with the balance of USD 2.5 million payable in January 2021 under a promissory note guaranteed by the TGS Geophysical Company (UK) Ltd and TGS-NOPEC Geophysical Company Pty Ltd. The principal amount of USD 2.5 million bears interest at a fixed rate of 3.5% per annum.

### Bank Guarantees

As of 31 December 2017, one bank guarantee has been issued on behalf of the Company of USD 0.2 million for one country's authorities related to seismic work program.



The Company has, together with other TGS companies, guaranteed for a three-year term secured revolving credit facility of USD 75.0 million which has been guaranteed by the Company together with other TGS companies.

Under section 479A of the UK Companies Act 2006; five of TGS' subsidiaries, TGS Geophysical Company (UK) Limited (Registration number: 05731700), TGS Geophysical Investments Limited (Registration number: 09281097), Aceca Limited (Registration number: 03672833), TGS-NOPEC Geophysical Company Limited (Registration number: 02896729) and Magsurvey Limited (Registration number: 04568744) have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by TGS to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2017 in these subsidiaries. TGS can make an annual election to support such guarantees for each financial year.

## 13. Commitments and Contingencies

### Operating Leases - Company as Lessee

At the end of 2017, TGS has entered into commitment for two 3D vessels. All these commitments will expire in 2018, and the amount committed, including contractual lease agreements, totaled USD 27.6 million (2016: USD 46 million).

The Company has an operating lease commitment relating to premises. The commitment expires 31 January 2022 with no termination before expiry date.

Rental expense for operating leases was at USD 0.5 million for the year ended 31 December 2017 (2016: USD 0.5 million). Future minimum payments for operating leases as of 31 December are as follows:

	2017	2016
Within one year	508	477
After one year but not more than five years	1,566	1,909
More than five years	-	40
	<b>2,074</b>	<b>2,426</b>

The Company does not have any financial leases.

### Contingent rent agreements

At 31 December 2017, the deferred part of contingent rent agreements which is contingent of future sales, totaled USD 9.8 million (2016: USD 22.7 million).

## 14. Related Parties

No material transactions took place during 2017 with related parties, other than operating business transactions between the companies in the TGS Group. All companies within TGS are 100% owned, directly or indirectly by the Company, except for Calibre Seismic Company which is owned 50% by one of the subsidiaries. Business transactions between the entities of TGS were performed at arm's length principles. The main business transactions can be aggregated as follows:

	2017	2016
Data processing costs	27,133	21,724
Brokerage fees	29,757	13,286
Management fees	16,121	11,134

For information about intercompany interest income and expense, see Note 15.

The Company has no liabilities in the form of mortgages, other collateral or guarantees in favour of entities within the TGS Group.

For a specification of intercompany receivables and liabilities, see Note 10.

## 15. Financial Items

Financial income/expense:	2017	2016
Interest income	434	88
Interest income subsidiaries	1,535	480
Exchange gain	2,263	1,674
Other financial income	831	23,851
<b>Total financial income</b>	<b>5,063</b>	<b>26,093</b>
Interest expense	(125)	(28)
Interest expense subsidiaries	(6,846)	(4,135)
Exchange loss	(1,103)	0
Other financial expenses	(7,434)	(13,287)
<b>Total financial expense</b>	<b>(15,508)</b>	<b>(17,451)</b>
<b>Net financial items</b>	<b>(10,445)</b>	<b>8,643</b>

Other financial income in 2017 does mainly consist of dividends from the subsidiaries Aceca Ltd and TGS NOPEC Geophysical Company (UK) Ltd, and has been reduced by a corresponding impairment of the shares in these companies. Other financial expenses in 2017 does mainly consist of impairment of shares in TGS do Brasil Ltda.

## 16. Tax Expense

Current tax:	2017	2016
Profit/(loss) before taxes	31,638	4,911
Permanent differences <sup>1)</sup>	6,655	(9,925)
Changes in temporary differences	18,905	(45,145)
Tax loss carried forward	(78,734)	34,240
Currency exchange effects on base for current tax	37,173	15,918
<b>Basis for current tax</b>	<b>15,638</b>	<b>-</b>
<b>Total tax expense for the year:</b>		
Deferred tax - changes	13,076	2,521
Taxes payable	3,753	-
Adjustment in respect of current income tax of previous year	-	219
Tax outside Norway	-	-
<b>Total tax expense for the year</b>	<b>16,830</b>	<b>2,740</b>
<b>Effective average tax rate</b>	<b>53%</b>	<b>56%</b>
<b>Taxes payable</b>	<b>2017</b>	<b>2016</b>
Taxes payable on current year profit	3,753	-
<b>Total taxes payable</b>	<b>3,753</b>	<b>-</b>
<b>Specification of basis for deferred taxes:</b>		
<b>Temporary differences:</b>	<b>2017</b>	<b>2016</b>
Multi-client library	(52,035)	(76,085)
Revenues on seismic projects in the work in progress phase	105,301	151,535
Accounts receivable	(1,733)	(4,168)
Accruals	(11,056)	(11,914)
Interest deduction carried forward	-	(4,269)
Tax loss carried forward	-	(70,772)
Other	(866)	(852)
<b>Total</b>	<b>39,611</b>	<b>(16,525)</b>

Deferred tax liability/(asset) based on temporary differences	9,111	(3,966)
Withholding taxes carried forward <sup>3)</sup>	(1,890)	(1,355)
<b>Deferred tax liability/(asset) recognized</b>	<b>7,220</b>	<b>(5,321)</b>

<b>Explanation of total tax expense versus nominal tax rate on pre-tax profit:</b>	<b>2017</b>	<b>2016</b>
Tax calculated using nominal tax rate on pre-tax profit	7,593	1,228
Effect of permanent differences <sup>1)</sup>	1,597	(2,481)
Effect of change in tax rate <sup>2)</sup>	(396)	165
Exchange gain/loss reported as tax expense	8,035	3,828
<b>Total tax expense recorded in income statement</b>	<b>16,830</b>	<b>2,740</b>

<sup>1)</sup> Permanent differences related to non-tax deductible items. In 2017 the main items relate to write-down of shares in subsidiaries of USD 9.6 million (2016: 12.8 million) and dividend from subsidiaries of USD -3.2 million (2016: USD -22.8 million).

<sup>2)</sup> From the income year 2018, the Norwegian nominal tax rate on ordinary income has been reduced to 23%. The basis for deferred taxes per 31 December 2017, was calculated with the new tax rate.

<sup>3)</sup> Withholding taxes carried forward have to be utilized no later than 2020.

## 17. Gross and Net Revenues

TGS shares certain multi-client revenue with other companies and the government in certain countries. Operating revenue is presented net of portion shared. The table below provides the breakdown of gross revenue for 2016 and 2017.

	2017	2016
Gross revenues from sales	351,673	281,779
Revenue sharing	(41,814)	(59,658)
<b>Net revenues</b>	<b>309,859</b>	<b>222,122</b>

## 18. Financial Risk Management

### Currency Risk

Functional currency for the Company is USD. Major portions of the Company's revenues and costs are in US dollars, except for personnel and administrative costs. Due to this, the Company's operational exposure to exchange fluctuations is low. However, as the Company pays taxes in Norwegian kroner to Norwegian Tax Authorities and dividends to shareholders in Norwegian kroner, fluctuations between the NOK and the USD impact currency exchange gains or losses on tax expense and financial items.

### Liquidity Risk

Liquidity risk arises from lack of correlation between cash flow from operations and financial commitments. Management considers the liquidity risk as low. As of balance sheet date, the Company held current assets of USD 303.8 million, of which cash and cash equivalents represents USD 70.0 million, and current liabilities of USD 730.1 million, of which debt to subsidiaries represents USD 630.6 million. As of 31 December 2017, TGS considers the liquidity risk to be low.

### Credit Risk

All placements of excess cash are either bank deposits or in financial instruments that at minimum carry an "investment grade" rating. The Company's clients are oil and gas companies. The Company is exposed to credit risk through sales and use best efforts to manage this risk. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets, the carrying value of the accounts receivables and other short-term receivables. TGS evaluates the concentration of risk with respect to trade receivables as low due to the Company's credit rating policies and as the clients are mainly large oil and gas companies considered to be financially sound.

The Company from time to time accepts extended payment terms on parts of firm commitments from clients. To the extent these terms do not carry an interest compensation to be paid by clients, the revenues recognized by the Company are discounted to reflect this element.

## 19. Other Non-current Assets and Liabilities

Other non-current assets comprise account receivables with extended payment terms and loans. Any revenue share associated with these receivables is presented as "Other non-current liabilities".

None of the non-current receivables are due as per 31 December 2017.

TGS has interest bearing loans to E&P Holding AS and Skeie Energy AS. The two loans with a total value of gross USD 42.1 million (net to TGS of USD 29.4 million) are recognized at USD 0 million as of 31 December 2017 (31 December 2016: USD 0 million). One of the loans was written off as uncollectible in 2016.

## 20. Contingent Liabilities

### Økokrim Charges and Related Civil Matters

On 6 May 2014, TGS was notified that Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, charged TGS for violations of the Norwegian Tax Assessment Act and the Norwegian Securities Trading Act related to a transaction entered into in May 2009 with Skeie Energy AS, later known as E&P Holding AS (Skeie). The charge claims that TGS contributed to unwarranted tax refunds received by Skeie under the Norwegian Petroleum Tax Act through licenses of seismic data to Skeie, which included licenses to existing TGS multi-client data primarily in the North Sea and the Barents Sea and prefunding of a large 3D survey in the Hoop area of the Barents Sea. The surveys licensed by Skeie have since been licensed to multiple customers and are located in a very prospective area. Skeie paid for the licenses partially in cash, with the remaining amount of USD 42.1 million (net to TGS of USD 29.4 million) payable at the end of 2010. Due to Skeie's failed attempt to raise new capital, the loan was not repaid at the maturity date, and the loan was restructured into two loans from Skeie and an affiliated company during 2011. TGS has actively pursued collection of the loans, but despite these efforts, the loans were not repaid and the Company has written off as uncollectible one of the loans and has taken a reserve for the full amount of the other loan.

On 2 March 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 11 million) against TGS based on the alleged violations of the Norwegian Tax Assessment Act. Økokrim dismissed the charges against TGS for market manipulation in violation of the Securities Trading Act due to insufficient evidence. The Company rejected the fine, and a trial regarding the alleged violations commenced 22 January 2018. The trial is expected to conclude in April 2018. If TGS is convicted, the fine would increase to NOK 90 million.



Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and the trial will confirm that TGS acted diligently in connection with the transactions with Skeie and no wrongdoing by the Company occurred. Given the early stage of the trial process, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's rejection of the fine and its assessment of the case at this point, it does not consider it probable that an outflow of resources embodying economic benefits will be required in connection with criminal charges and, accordingly, no provisions have been made.

TGS has also been notified of various claims or potential claims, asserting liability on TGS' part in relation to the 2009 transaction with Skeie. The claims are generally predicated on whether the parties making the claims are ultimately held responsible for all or any part of the unwarranted tax refunds and suffer damages that can be attributed to TGS. The following summarizes the claims and potential claims:

- Skeie and two affiliated parties have notified TGS of potential claims of joint responsibility for losses arising from the tax refunds received by Skeie.
- In May 2016, the Norwegian Government notified TGS of a claim of compensation in connection with the Government's alleged losses arising from tax benefits received by Skeie under the Petroleum Tax Act for the purchase of seismic data from TGS. The Government alleges TGS aided and abetted Skeie in obtaining unwarranted tax refunds, and claims the amount of the unwarranted tax refunds plus interest, which totaled approximately NOK 326 million at the time of the notice. TGS has granted the Government a three-year extension of the statute of limitations for legal actions relating to the claim. Similar claims were made by the Government against other parties involved with Skeie.
- In October 2016, Skeie Technology, one of the Skeie affiliates and a guarantor of certain of Skeie's obligations, filed a writ of summons against TGS and certain other parties, seeking a declaratory judgment of joint liability for losses that, through its parent company guarantee, may be suffered by Skeie Technology as a result of the acquisition of seismic data by Skeie from TGS in 2009. The court in this case has stayed the proceedings pending the resolution of the Økokrim matter. No specific damages have been asserted in the writ. Skeie Technology was successful in a court proceeding during 2017 by the Norwegian Government that sought to enforce the parent company guaranty for repayment of the tax refunds. The ruling has been appealed by the Government.
- On 26 March 2017, TGS received notice from DNB that it will hold TGS responsible for any amounts payable by DNB to the Norwegian Government.

DNB received notice from the Norwegian Government in December 2016, claiming liability for repayment of the tax refunds under a provision in the Tax Payment Act due to DNB's status as a pledgee of the tax refunds. In April 2017, the parties entered into a mutual standstill agreement to stop the tolling of the statute of limitations for three years. In November 2017, TGS received notification that, notwithstanding the standstill, DNB had filed a claim against TGS and various other parties for responsibility for any amounts that DNB may owe in relation to this matter. This claim initially arose out of the claims against Skeie Technology by the Norwegian Government in connection with Skeie Technology's parental guarantee, but the DNB claim has now been severed as a separate case. TGS has requested a stay in the proceedings of this case.

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 Økokrim allegations lack merit, and the trial will confirm that TGS did nothing wrong, the Company also believes these civil 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 obligations and, accordingly, no provisions have been made.

## 21. Events after the Balance Sheet Date

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per shares (NOK 1.57) to the shareholders. The dividend payments of USD 18.5 million, were made on 1 March 2018.

To the best of the management's and the directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2017 that would impact the financial statements as presented for 2017.

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of TGS-NOPEC Geophysical Company ASA

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of TGS-NOPEC Geophysical Company ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

#### Revenue recognition

The Company recognises revenues when it is probable that the economic benefits from a transaction will flow to the Company and can be reliably measured. Prefunding agreements are recognized based on percentage of completion and requires judgement in terms of measuring progress based on costs incurred compared to total cost. Revenues from sale of finished data are recognized when the customer has gained access to the data under a binding agreement and payment is probable. Revenue recognition was a key audit matter due to the inherent risk of revenues being recognised in the wrong period.

We tested controls related to revenue recognition including among others controls related to credit risk evaluation and providing access to finished data. For the prefunding agreements we agreed a sample of revenues to contracts and progress reporting from the vessels and data processing. We also agreed a sample of cost incurred to vessel contracts and internal allocations of data processing expenses and considered the estimated costs to complete. For the sales of finished data we also tested a sample of revenue transactions recognised before and after year-end against contracts, invoices and proof of delivery.

We refer to note 1 of the financial statements for the Company's accounting policies.

#### Impairment evaluation of multi-client data libraries

Multi-client library accounts for approximately 56 % and 57% of total assets of the Group and the parent company respectively. The Company performed an impairment evaluation and determined the value in use. The Company estimated value in use based on estimated future sales forecasts. These forecasts are based on next year's budget and assumptions about future market demand and spending on exploration and production by oil companies, including licensing activities, farm-ins and exploration activities. These forecasts require considerable insight and judgment from management about the future market conditions. The impairment evaluation of the multi-client data libraries was a key audit matter based on the continued uncertain market conditions and the significant judgement involved. In 2017 impairment losses of USD 7.5 million were recorded in the consolidated financial statements and USD 4.6 million in the parent company's financial statements.

We evaluated management's assessment of impairment indicators and management's estimates related to sales forecast. We performed test of controls and tested supporting documentation related to the budgets and sales forecasts. As part of our procedures, we discussed the forecasted sales with management including senior sales personnel and controllers. Our audit procedures also included analyses and evaluation of historical accuracy of prior years' forecasts, the current market situation and expectations about the future oil prices, licensing rounds, farm-ins and exploration activities. Furthermore, we evaluated the valuation methodology, and the discount rate applied in the value in use model. We also tested the mathematical accuracy of the value in use calculation and performed sensitivity analysis of the critical assumptions. We used a valuation specialist to assist us in evaluating the discount rate applied. We also assessed the Company's disclosures regarding those assumptions and the impairment losses of multi-client data libraries recorded.

We refer to note 5 in the consolidated financial statements and note 3 in the parent company financial statements.

#### Økokrim Charges and Related Civil Matters

In 2014 Økokrim, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime, charged the Company for violations of the Norwegian Tax Assessment Act related to a transaction entered into in 2009 with Skeie Energy AS. The charge claims that the Company contributed to unwarranted tax refunds received by Skeie Energy AS under the Norwegian Petroleum Tax Act. In 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 10 million) which was rejected by the Company. A trial regarding the alleged violations commenced in January 2018 and is expected to conclude in April 2018 with a decision from the court later in 2018. If the Company is convicted, the fine would increase to NOK 90 million.



The Company has also been notified of other claims and potential claims from Skeie, affiliates of Skeie, the Norwegian authorities and DNB in relation to the 2009 transaction with Skeie, alleging the Company has responsibility for losses suffered or that may be suffered by the party making the claim.

The Company does not consider it probable that an outflow of resources embodying economic benefits will be required to resolve the Økokrim charges or related civil matters and no provisions were made as of 31 December 2017. Due to the inherent uncertainties related to the outcome of these matters and judgement involved in the evaluation of the probability under IAS 37 this was a key audit matter.

We discussed the Økokrim charges and the evidence presented during the court case and the related civil matters with the Company's internal legal counsel. We also evaluated the external legal assessments obtained by management and compared them with management's evaluation. Our audit procedures also included an assessment of the Company's disclosures.

We refer to note 21 in the consolidated financial statements and note 20 in the parent company financial statements.

### Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

#### Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

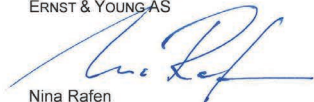


### Opinion on registration and documentation

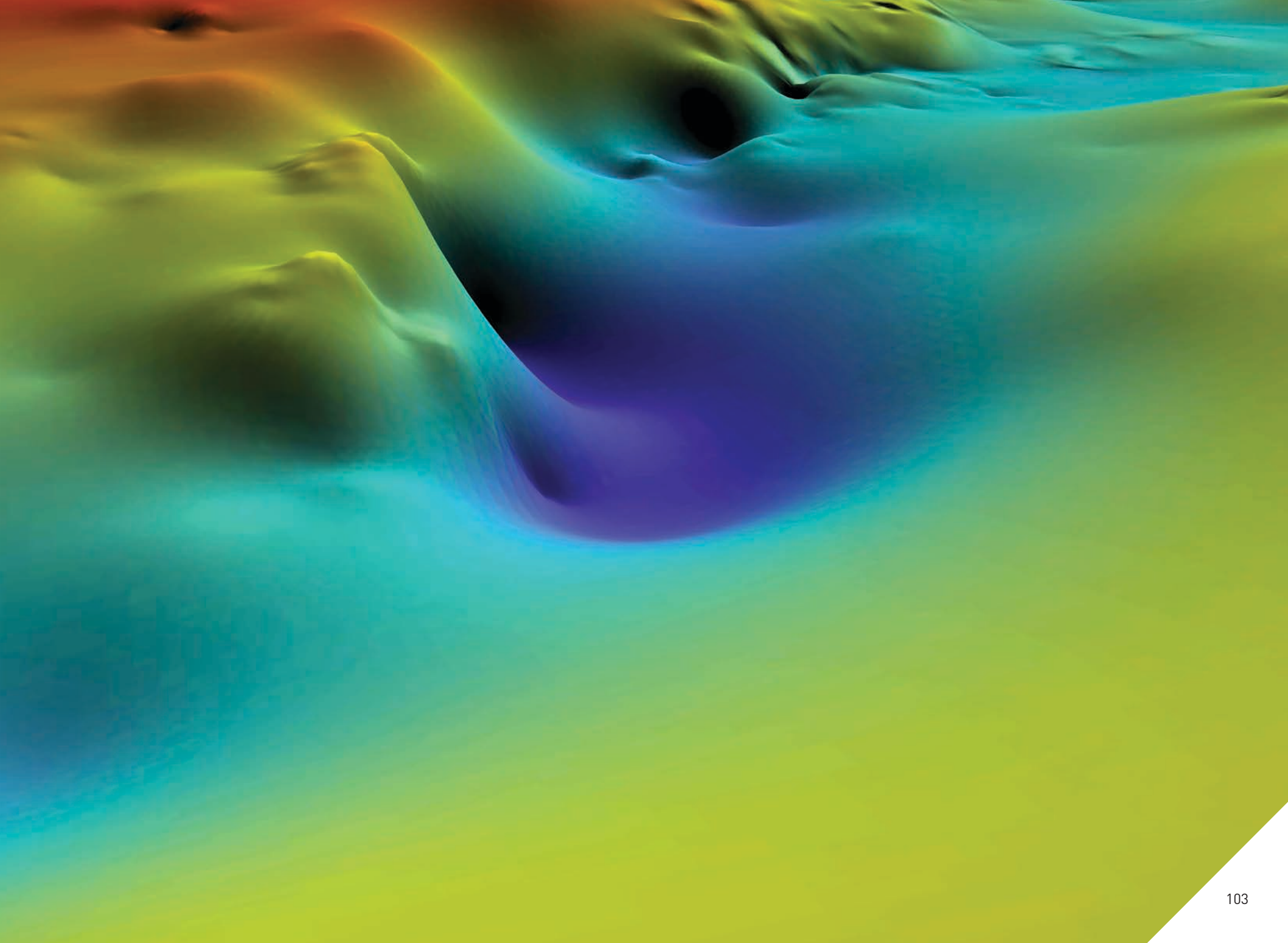
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 22 March 2018

ERNST & YOUNG AS



Nina Rafen  
State Authorised Public Accountant (Norway)









# CORPORATE GOVERNANCE

TGS actively promotes a transparent culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies and a compliance program.

# Report on Corporate Governance

## 1. Implementation and Reporting on Corporate Governance

TGS-NOPEC Geophysical Company ASA (TGS or the Company) actively promotes a culture designed to build confidence and trust among its stakeholders. Key elements of this culture include open and honest communication, a well-developed system of controls and policies and a compliance program. It is the opinion of the Board of Directors that TGS in general complies with the Norwegian Code of Practice of Corporate Governance published 30 October 2014. The Code of Practice covers 15 topics. Further details of how TGS operates in accordance with each of these topics, including any deviations, is further explained in this Report on Corporate Governance. The Code of Practice may be found at [www.nues.no](http://www.nues.no). In accordance with the Norwegian Accounting Act section 3-3b, TGS is required to give an annual account of the principles and practices related to corporate governance in the Board of Directors' report or a document referred to in the Board's report. TGS refers to this document in the Board of Directors' Report included elsewhere in this Annual Report.

The Company emphasizes independence and integrity in all matters between its Board of Directors, management and shareholders. These same principles of independence and integrity also apply in business relations with all interest groups, including customers, suppliers and other business partners. As guidelines for its Board members and employees, TGS has developed a **Statement of Values** and a **Code of Conduct**, both available at: <http://www.tgs.com/about-tgs>. TGS has also developed and implemented a compliance program that is managed by a full-time Board-appointed compliance officer. The compliance officer provides quarterly and annual reports to the Board. It is important for the Company to know about potential problems before they become serious and the Company has in place whistleblower procedures for individuals to report concerns of noncompliance that includes a publicly available hotline that allows for anonymous reporting and a prohibition on retaliation against anyone who reports suspected noncompliance. All potential violations of the Code of Conduct or the law are taken seriously and will be investigated by the Company and remediation measures will be imposed where necessary.

TGS believes that corporate social responsibility is a fully compatible and integrated part of conducting business successfully. TGS' long-standing Statement of Values recognizes that the Company is responsible to a number of stakeholder groups, and describes the principles to which the Company adheres. A more detailed description of TGS' Corporate Social Responsibility Policy is included as a separate section in the Annual Report and on TGS' website: [www.tgs.com](http://www.tgs.com).

### Code of Conduct

In addition to TGS' **Statement of Values** and policies on health, safety, environment and human resources, the Company has developed a **Code of Conduct** that further defines expectations on ethical behavior and fair business conduct. Each employee and director is required to read and acknowledge his or her understanding of its contents on an annual basis. The Code requires employees to report any known or suspected ethical irregularities and ensures that no retaliation will be levied against employees who file reports. TGS conducts an active compliance program designed to continually inform and educate employees on ethical issues.

### Comprehensive Approach

The leadership of TGS actively promotes a culture designed to build confidence and trust among its stakeholders. Good corporate governance together with the values, policies and control systems described in this report provide a comprehensive approach to corporate social responsibility in TGS.

## 2. Business

The business objective of TGS-NOPEC Geophysical Company ASA is defined in the Company's Articles of Association, which state that the principal business of the Company is in the provision, procurement and sale of seismic and geophysical data. The Company's Articles of Association are published in the Investor Relations Section on the TGS website at [www.tgs.com](http://www.tgs.com). TGS' operations are described in the Board of Directors Report and the Annual Report for 2017 and on [www.tgs.com](http://www.tgs.com).

TGS pursues a long-term strategy of generating value for its shareholders. The Company constantly strives to understand and exceed customer expectations in



delivering a quality product on time. The commitment to quality must be apparent in every product and service that is sold. Service to customers, whether internal or external, must be professional, accurate, timely and friendly. TGS is dedicated to making a profit and delivering a solid return to its shareholders. Growth is fundamental to the success of the Company.

### 3. Equity and Dividends

#### Equity

As of 31 December 2017, total equity amounted to USD 1,200.1 million including a share capital of USD 3.7 million. This corresponds to an equity ratio of 84%, which the Board considers to be satisfactory. The adequacy of the Company's capital is monitored closely with respect to the Company's objectives, strategy and risk profile.

#### Dividend Policy

Because of the highly cyclical nature of the oil services industry, TGS' Board of Directors remains convinced that the TGS Group's unique business model, strong balance sheet and strong cash position are essential to its financial health, risk management and future growth. With this in mind, the Board will continue to carefully evaluate investment opportunities for growth. It is the ambition of TGS to pay a quarterly cash dividend that is in line with its long-term underlying cash flow. When deciding the quarterly 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. The Board has determined that the following principles shall be taken into account in determining the distribution of the quarterly dividend:

- The dividend level in the first quarter of the year will be based on a thorough evaluation of market outlook, cash flow expectations and balance sheet development.
- The aim should be to maintain the same level in the remaining three quarters of the year, subject to evaluation on a quarterly basis of the Company's outlook, cash flow expectations and balance sheet development.
- The ex-dividend date will be seven days after the release of the quarterly report.
- The payment of the dividends will be fourteen days after the ex-dividend date.

In addition to paying a cash dividend, TGS may also buy back its own shares as part of its plan to distribute capital to shareholders.

Since 2016, TGS has paid quarterly dividends. The Annual General Meeting held 9 May 2017 renewed the Board of Directors' authorization to distribute quarterly dividends. 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 ex-dividend date will normally be seven days after the announcement of the dividend in connection with the release of quarterly financial statements, with the payment date 14 days after the ex-dividend date.

At its quarterly meeting on 7 February 2018, the Board of Directors resolved to distribute a quarterly dividend of USD 0.20 per share (equivalent to NOK 1.57 per share) of outstanding common stock from the Company's 2016 earnings. The quarterly dividends were paid on 1 March 2018.

#### Board Authorizations

The Board of Directors' authorizations to increase share capital are limited to specified purposes. Authorizations to increase share capital and to undertake share buybacks are granted for a period no longer than until the next AGM, but not later than 30 June of the following year.

Following the AGM held on 9 May 2017, the Board received the following shareholder authorizations:

- To increase the Company's share capital by up to NOK 2,554,226 through one or more issuances of new shares or bonus issues. The subscription price and other subscription terms will be determined by the Board. The capital increase may be paid in cash, by set-off or by other contributions in kind. The authorization includes the right to incur special obligations on behalf of the Company, cf. Section 10-2 of the Norwegian Public Limited Liability Companies Act. The shareholders' pre-emptive rights pursuant to Sections 10-4, cf. Section 10-5 of the Norwegian Public Limited Liability Companies Act, to subscribe for any new shares may be deviated from by the Board. The authorization shall encompass share capital increases in connection with mergers, cf. section 13-5 of the Norwegian Public Limited Liability Companies Act.
- To issue loans for a total amount of up to NOK 2,250,000,000 with the right to require shares to be issued (convertible loans). The share capital may be increased by up to NOK 2,554,226, provided that the combined number of shares that are issued pursuant to this authorization and the authorization to increase the share capital shall not exceed 10% of the Company's current share capital. The subscription price and other subscription terms will be determined by the Board. The shareholders' pre-emptive rights pursuant



to section 11-4 of the Norwegian Public Limited Companies Act cf. sections 10-4 and 10-5, may be deviated from by the Board.

- To acquire, on behalf of the Company, the Company's own shares up to 10% of the nominal value of Company's share capital, which pursuant to the current nominal value is up to NOK 2,554,226. The limitations shall be adjusted in the event of share consolidation, share splits, and similar transactions. The lowest price to be paid per share shall be NOK 0.25 and the highest price to be paid per share shall be the price as quoted on the stock exchange at the time of the acquisition plus 5%. The lowest price is equal to the current nominal value and shall be adjusted in the event of share consolidation, share splits, and similar transactions. Acquisition and sale of the Company's own shares can take place in the manner which the Board of Directors considers to be in the Company's best interest.

The authorizations are valid until the AGM in 2018, but not later than 30 June 2018.

In the AGM held on 9 May 2017, the Board was also authorized to distribute quarterly dividends on the basis of the 2016 financial statements. The authorization shall be valid until the Company's next Annual General Meeting, but not later than 30 June 2018.

For further information on these shareholder authorizations, please refer to Note 10 to the Consolidated Financial Statements.

## 4. Equal Treatment of Shareholders and Transactions with Related Parties

### Equal Treatment

The Articles of Association do not impose any restrictions on voting rights, and all shares have equal rights. The Company has only one class of shares and each share gives the right to one vote at the AGM. The Board of Directors emphasizes, to the extent possible, disclosing and describing the topics of the agenda and the proposed resolutions in the call for the assembly to allow the shareholders adequate time to prepare for the meeting.

### Transactions in Treasury Shares

TGS' transactions in its own shares are carried out at market price. TGS, from time to time, buys back shares under authorizations given by the shareholders. The shares may be held in treasury, used as payment in merger and acquisition transactions, used in relation to the exercise of employees' stock options, or

eventually cancelled. The Company held 116,180 treasury shares on 31 December 2017.

There have been no share capital increases in the Company in recent years except for shares issued in connection with the Company's stock option program. Should the Board wish to propose that the AGM depart from the preemptive right of existing shareholders relating to capital increase, such a proposal will be justified by the common interest of the Company and the shareholders, and the reasons for the proposal will be presented in the notice of the AGM as well as publicly disclosed in a separate stock exchange announcement.

### Transactions with Related Parties

There are no shareholder agreements between any of the Company's shareholders. None of the Board members represent companies that are significant customers or suppliers of TGS. There were no material transactions taking place with related parties in 2017, but any transaction with close associates is required to be conducted on market terms. Information about transactions with related parties is also disclosed in Note 12 to the Consolidated Financial Statements. The Board has guidelines (under the Code of Conduct) to ensure that senior executives inform their manager and/or the Board if they have a material interest, directly or indirectly, in any agreement entered into by the Company.

## 5. Freely Negotiable Shares

### Freely Negotiable Shares

All TGS shares carry equal rights and are freely negotiable. No special limitations on transactions are described in TGS' Articles of Association. Transactions in TGS' shares are described in more detail in Note 10 to the Consolidated Financial Statements.

All but one of the members of the Board have received shares as a part of their compensation, which must be held for at least two years before they can be traded. Refer to Note 7 to the Consolidated Financial Statements for further information. In addition, certain shares acquired by the TGS executive team under the terms of a special bonus plan implemented in February 2017 are subject to restrictions on sale for a three year period. Beyond this, there are no other limitations to trading of shares imposed by the Company, other than Insider Trading Rules applicable to employees and the directors.

## 6. General Meetings

The General Meeting is the Company's ultimate corporate body. The Board strives to ensure that general meetings are an effective forum for communication between shareholders and the Board. The Board of Directors, the Nomination Committee and the Chief Executive Officer are all present at the Annual General Meetings as well as the Company's auditor. The minutes of general meetings are made available for inspection by shareholders at the Company's offices in Asker, Norway. These minutes are also made available on the Company's website shortly after the date of the general meeting.

The next Annual General Meeting (AGM) will be held on 8 May 2018. The notice calling the AGM and any Extraordinary General Meeting and all supporting documentation are made available on the Company's website ([www.tgs.com](http://www.tgs.com)) no later than three weeks in advance of the meeting. The notice and supporting documentation will also be mailed to any shareholders who request this service. The notice and supporting documentation include all the necessary information to allow shareholders to form a view on the matters to be considered. The Annual Report for 2017 is available on the Company's website.

In accordance with the Company's Articles of Association, the deadline for shareholders to notify the Company of their intention to attend the General Meeting is at the latest three days before the day of the meeting. The Company's financial calendar is notified to the market by issuing a stock exchange announcement and is also published on its website.

Each General Meeting appoints a chairperson for the meeting, thereby ensuring that the General Meeting has an independent chairperson in accordance with the recommendations of the Norwegian Code of Practice of Corporate Governance.

The General Meeting is open for all shareholders, and any shareholder not in attendance can give proxy to vote on his/her behalf. Forms of Proxy are made available on the Company's website and are mailed to any shareholders who request this service, together with the notice of the call for the meeting. The Form of Proxy allows separate voting instructions to be given for each matter to be considered by the meeting. The proceedings in the General Meeting follow the agenda outlined in the call for the meeting. Shareholders who wish to raise a topic in the General Meeting have the option to do so, but must notify the Board of Directors of this in writing and in reasonable time before the call for the meeting is dispatched. The AGM cannot decide for a higher dividend than the Board of Directors has proposed for that year.

Shareholders are given the opportunity to vote separately either in person or by proxy for each candidate nominated for election to the Company's Board. The Board of Directors may also resolve that the shareholders may, within a limited time period prior to the shareholders' meeting, deliver their votes in writing, which shall include the use of electronic means. The right to vote in writing prior to the shareholders' meeting is conditioned upon the existence of an adequately secure method to authenticate the sender and will be subject to guidelines for advance voting in writing that are specified by the Board of Directors. The notice to the shareholders' meeting shall provide information about whether the shareholders may vote in advance in writing, and about the guidelines that apply to such voting.

Shareholders are currently not allowed to participate in the General Meeting through the internet.

In accordance with the Norwegian Public Limited Liability Companies Act, the AGM is required to approve the annual financial statements, the Board of Directors' report and the distribution of dividends. The AGM should also deal with the Board of Directors' declaration relevant to the guidelines for determination of compensation to executive personnel and an advisory vote shall be held at the AGM following the Board of Directors' guidelines for the determination of salary and other remuneration to senior managers. The AGM shall also deal with the report on corporate governance.

The last Ordinary General Meeting was on 9 May 2017, and the minutes are available on the Company's website at [www.tgs.com](http://www.tgs.com).

Any other matters to be dealt with in the AGM will follow from the notice.

## 7. Nomination Committee

As required in the Company's Articles of Association, the Nomination Committee is responsible for the nomination of directors to the Board and the recommended remuneration payable to the directors. The Annual General Meeting stipulates guidelines for the duties of the Nomination Committee.

The Nomination Committee consists of a chairman and two members elected by and amongst the shareholders who also determine the Nomination Committee's own remuneration. The members serve for a period of two years. The members of the Nomination Committee currently are Tor Himberg-Larsen (Chair), Herman Kleeven and Christina Stray, all independent of the Board of Directors and executive personnel. Himberg-Larsen and Stray were elected for a two-year term

at the Annual General Meeting on 9 May 2017, while Kleeven was elected for a two-year period at the Annual General Meeting on 10 May 2016.

The Company posts an invitation to shareholders at [www.tgs.com](http://www.tgs.com) prior to the Annual General Meeting every year to propose to the committee candidates as directors and members of the Nomination Committee.

As part of its work, the Nomination Committee meets at least annually with the Board of Directors and members of the executive management. Also, the committee consults relevant shareholders to ensure that its recommendations have their support.

The committee's recommendation provides a justification of how its recommendations take into account the interests of shareholders in general and the Company's requirements. The justification includes information on each candidate's competence, capacity and independence. If the committee recommends the re-election of a member of the Board of Directors, the justification also provides information on how long the candidate has been a member of the Board of Directors and his or her record in respect of attendance at Board meetings. If the recommendation includes candidates for election to the Nomination Committee, it also includes relevant information on these candidates.

In accordance with Section 6 above, the Nomination Committee's recommendations and report are made available in accordance with the 21-day deadline for the notice calling a general meeting.

## 8. Board of Directors: Composition and Independence

The Board of Directors currently consists of eight members, and all are independent. The Board members are elected by the shareholders for a term of one year.

The members of the Board of Directors are proposed by the Nomination Committee and elected by the AGM. The Chairman of the Board is also elected by the AGM.

The constitution of the Board reflects a strong background that balances specific industry experience with broader industrial, financial and management experience.

All directors are shareholders of TGS. Information on shares in TGS held by members of the Board can be found in Note 7 to the Consolidated Financial Statements.

A brief background description for each board member is listed below:

### Henry H. Hamilton III, Chairman

Born 1959. Mr. Hamilton served as CEO of TGS from 1995 through June 2009. He started his career as a Geophysicist with Shell Offshore (1981-1987) before he became employed by Schlumberger (1987-1995), where he ultimately held the position of VP and General Manager for all seismic product lines in North and South America. Mr. Hamilton joined TGS as its CEO in 1995 and remained in the position following the 1998 merger with NOPEC International. He also serves on the Board of Odfjell Drilling. Mr. Hamilton was first elected as a director in 1998 and as Chairman in 2009.

### Mark Leonard, Director

Born 1955. Mr. Leonard is currently the President of Leonard Exploration, Inc. He retired in 2007 from Shell Oil Company after 28 years of service. During his tenure at Shell, Mr. Leonard held a number of executive positions including Director of New Business Development in Russia/CIS, Director of Shell Deepwater Services, Director of Shell E&P International Ventures and Chief Geophysicist for Gulf of Mexico. He was first elected as a director in 2009.

### Vicki Messer, Director

Born 1949. Ms. Messer is currently an independent consultant. She has 32 years of geophysical industry experience in various executive, management and supervisory positions for CGG Veritas, Veritas DGC, Halliburton Energy Services/Halliburton Geophysical, and Geophysical Services Inc. She was first elected as a director in 2011.

### Tor Magne Lønnum, Director

Born 1967. Mr. Lønnum is currently Group Chief Financial Officer of Falck. Prior to joining Falck last year, he was CFO of Aimia Inc, and before that CFO in Tryg AS and Tryg Forsikring AS from 2011 to 2016. He was first elected as a director in 2013.

### Wenche Agerup, Director

Born 1964. Ms. Agerup is EVP, General Counsel and Chief Corporate Affairs Officer of Telenor ASA. From 1997 to 2010, Ms. Agerup held various leading positions within Norsk Hydro ASA, including Plant Manager at Årdal Metal



Plant in Norway and Project Director in Hydro UMC Joint Venture in Australia. From 2010 to 2015, Ms. Agerup was Executive Vice President, Corporate Staffs & General Counsel of Norsk Hydro and member of the Corporate Management Board, reporting to the Chief Executive Officer. Ms. Agerup serves as a board member of Statoil. She was first elected as a director in 2015.

#### **Elisabeth Grieg, Director**

Born 1959. Ms. Grieg is currently CEO of Grieg International AS, co-owner of the Grieg Group and a member of the founding family. Ms. Grieg serves on the board of several of the Grieg Group companies. She has also been a board member of many prominent Scandinavian companies, such as Statoil, Norsk Hydro and Nordea AB, as well as a member of the corporate assembly of Orkla ASA. Ms. Grieg has chaired the board of GIEK (Norwegian Guarantee Institute for Export Credits) and been the President of the Norwegian Shipowners' Association. She was first elected as a director in 2015.

#### **Torstein Sanness, Director**

Born 1947. Mr. Sanness served as the Chairman of Lundin Norway from April 2015 to March 2017, when he moved to the board of International Petroleum Corp., a Lundin Group company. He previously served as the Managing Director of Lundin Norway from 2004 to 2015. From 2000 to 2004, he served as Managing Director of Det Norske Oljeselskap AS, and from 1972 to 2000, he served in various capacities for Saga Petroleum, working primarily in the exploration and development of Saga's oil and gas interests globally. Mr. Sanness serves as a board member for Panoro Energy ASA and Sevan Marine ASA. He was first elected as a director in 2016.

#### **Nils Petter Dyvik, Director**

Born 1953. Mr. Dyvik is educated from the Norwegian Business School (1974-1978) and received his MBA in Finance from the University of Wisconsin in 1979. Since 1996, he has served in various capacities for Wilh Wilhelmsen, a global maritime company, most recently as Group CFO from 2007 to 2016. From 2002 to 2007, he served as CEO of Wallenius Wilhelmsen, from 1999 to 2002, as Deputy CEO of Wilh Wilhelmsen, and from 1996 to 1999, as Deputy CEO of Wilhelmsen Lines AS. Prior to joining Wilh Wilhelmsen, he served as CEO and Deputy CEO for Norwegian American Line from 1988 to 1996, and worked with Kreditkassen (Nordea) from 1986 to 1988, L.M. Skaugen from 1980 to 1986, and Saga Petrokjemi from 1979 to 1980. Mr. Dyvik has extensive board experience, and currently serves as the Chair of NorSea Group and Wilhelmsen Ferd Offshore AS and as a member of the Board for The Maritime Rescue School. He was first elected as a director in 2017.

## **9. The Work of the Board Of Directors**

The Board of Directors' tasks include the overall management and supervision of the Company. The Board is responsible for establishing control systems and for ensuring that TGS operates in compliance with laws and regulations, with TGS' Statement of Values and Code of Conduct, as well as in accordance with the owners' expectations of good corporate governance. The Board emphasizes the safeguarding of the interests of all shareholders, but also the interests of TGS' other stakeholders.

The Board prepares an annual plan for its work, emphasizing goals, strategies and execution.

The Board operates under specific rules of procedure, which define the duties, tasks and responsibilities of the Board of Directors and individual members of the Board, and also states guidelines for the CEO's work and duties of the Board of Directors.

The Board of Directors currently consists of eight members. (Refer to section 8).

The Board normally schedules six regular meetings each year but typically holds additional meetings as circumstances dictate. Three of the regularly scheduled board meetings deal with strategic issues. On at least a monthly basis the CEO updates the entire Board on the financial progress of the Company as well as other significant matters. The Board also sets specific objectives for the CEO on an annual basis.

The Board conducted a total of nine meetings in 2017: three scheduled physical meetings, three by scheduled videoconference, and three by unscheduled teleconference. One of the three physical meetings lasted two days, with the remainder lasting one day. Mark Leonard was unable to attend one of the unscheduled teleconference meetings, Tor Magne Lønnum was unable to attend one of the scheduled physical meetings, and Elisabeth Grieg was unable to attend one of the unscheduled teleconference meetings and one of the scheduled videoconference meetings. All other directors attended all meetings.

#### **Board Committees**

The following committees are established by the Board to monitor and guide certain activities. Each committee operates under a defined charter that may be viewed at: [www.tgs.com/about-tgs/policies/corporate-governance](http://www.tgs.com/about-tgs/policies/corporate-governance).

#### **Audit Committee**

The Audit Committee is appointed by the Board, and its primary responsibility is to

supervise the Company's internal controls over financial reporting and to ensure that the Company's external auditor is independent. Further the responsibility of the committee is to ensure that the annual accounts provide a fair picture of the financial results and financial condition of the Company in accordance with generally accepted accounting practice. The Audit Committee receives reports on the work of the external auditor and the results of the audit.

The Audit Committee conducted a total of six meetings in 2017. Elisabeth Grieg was unable to attend one of the meetings. All other members attended all meetings.

The members of the Audit Committee with effect from the 2016 AGM are:

- Tor Magne Lønnum, Chairman
- Vicki Messer
- Nils Peter Dyvik

Mr. Lønnum is currently the Group CFO of Falck, a global healthcare service provider, while Mr. Dyvik served as Group CFO from 2007 to 2016 for Wilh Wilhemsen, a global maritime company.

### Compensation Committee

The Compensation Committee reviews the compensation practices of TGS and its peer group and makes proposals to the Board on the employment terms and conditions and total remuneration of the CEO and other executive personnel. These proposals are also relevant for other employees.

The Compensation Committee conducted six meetings in 2017. Wenche Agerup was unable to attend one of the meetings. All other members attended all meetings.

The members of the Compensation Committee with effect from the 2016 AGM are:

- Mark Leonard, Chairman
- Elisabeth Grieg
- Wenche Agerup
- Torstein Sanness

The Board of Directors carries out an annual evaluation of its own performance, working arrangements and competence. The assessment is made available to the Nomination Committee. The Board also carries out an annual evaluation of the CEO's performance.

## 10. Risk Management and Internal Control

The Board of Directors monitors TGS' risk exposure, and the Company continually strives to maintain and improve its internal control processes.

Executive management carries out an annual risk evaluation process to assess total enterprise risk in the Company. Through risk workshops, a number of strategic and operational risk factors are evaluated and prioritized in a risk matrix. Action plans are developed to manage any significant risk factors, and the process is made continuous with annual workshops and quarterly updates regarding action plan status. The key risk factors and related action plans are part of the annual Board presentation on risk management and internal control by the CEO and CFO. The Board also considers the need for any further measures in relation to the risk factors identified.

The Company's Audit Committee oversees the Company's routines for financial risk management and internal control which includes documentation for internal control and financial reporting procedures. Neither TGS' executive management nor its Audit Committee reported any material weaknesses in the related internal control systems at 31 December 2017.

TGS has implemented a regime with a Corporate Authorization Matrix and guidelines to specify the level of authority granted to management. The matrix is part of the Financial Manual which is approved by the Board, and the CEO has operational responsibility for ensuring that it is enforced.

TGS has a separate legal department, managed by the corporate General Counsel who reports to the CEO. Procedures and guidelines are in place to ensure that the legal department is involved in matters that could represent a material legal risk for the Company, including entering into material agreements. The Company has standard policies for contract terms and conditions.

TGS is committed to fair business conduct and compliance with all legal and ethical requirements and standards of the geoscientific industry and the communities where TGS employees live and work. TGS considers its values based culture and environment a key element in continued success as a company.

As a function within the TGS executive team, the Compliance Program sets ethical standards, provides training and educational resources and responds to all concerns raised by TGS' internal and external stakeholders. The TGS Compliance Officer provides quarterly and annual reports to the Board of Directors, and

the TGS CEO provides updates on a regular basis. The Board has endorsed and fully supports the continued implementation of the compliance program. All compliance reports are maintained as confidential to the extent possible, and no retaliation is allowed against reporting persons.

TGS investigates all potential violations of its Statement of Values and Code of Conduct, such as illegal acts, conflicts of interest, financial fraud, unfair business practices, corruption issues or breaches of TGS' corporate policies. TGS also engages internal or external legal counsel as needed, in dealing with possible violations of its corporate policies. Employees are encouraged to report any violation of TGS' values or policies to the Corporate Compliance Officer or through the TGS hotline.

All agents, officers and key employees working for the Company must sign an annual anti-corruption compliance certification. Each employee of the Company must read and acknowledge the Company's Code of Conduct, Statement of Values and Policy on Insider Trading on an annual basis.

## 11. Remuneration of Board of Directors

The remuneration to the Board of Directors is designed to attract and retain an optimal Board structure in a competitive environment. Procedurally, the directors' compensation is recommended by the Nomination Committee and determined by the shareholders at the Annual General Meeting each year.

In recent years, the directors' compensation has been composed of both a fixed fee and a number of restricted TGS shares. The remuneration is not related to the Company's financial result. Note 7 to the Consolidated Financial Statements details the remuneration for 2017. TGS believes the remuneration reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

No Board member has taken on specific assignments for the Company in addition to their appointment as a member of the Board.

## 12. Remuneration of Executive Personnel

### Declaration on Executive Personnel

TGS has prepared a Declaration on Executive Remuneration which is released alongside the Annual Report and is available for download at [tgs.com](https://tgs.com)

Pursuant to the Norwegian Public Limited Liability Companies Act, section 6-16 a (2), the Board will present the Declaration on Executive Remuneration to the 2018 Annual General Meeting.

The Declaration describes:

- TGS' Executive Remuneration Policy Statement
- 2018 Executive Remuneration including proposals and implementation
- 2017 Remuneration results and assessment

### Philosophy

TGS' Total Compensation Philosophy, as approved by the Board, is to provide a robust and competitive total rewards package that attracts and retains talented people and provides the greatest rewards for its employees who consistently and continually demonstrate the highest levels of performance. TGS uses a blend of components: base salary, incentive compensation (short-term and long-term awards) and non-financial benefits. TGS base salaries are targeted below the median of the compensation peer group. TGS' total actual cash compensation, defined as base salary and Short Term Incentives (an annual performance cash bonus directly linked to the TGS Group's operating profit), is intended to exceed the market average in years where the Company performs above market (target above 50th and up to 75th percentile of the market). It is also heavily weighted in variable pay so that employees share in the same risk and rewards as its shareholders. The Board of Directors believes that the issuance of Long Term Incentives is a valuable tool to aid in the retention of key employees and serves to reinforce the importance of maintaining a longer-term focus towards shareholder value creation.

### Executive Remuneration

TGS is an international company operating in the global geoscience industry. Its operations are conducted world-wide and the Company's employment base is and needs to be largely international. The Company's CEO and a large part of the Executive team are based in the U.S. The total compensation package for the CEO and other executive officers therefore must be competitive within the Norwegian labor market, the U.S. labor market and internationally. Both the level of total compensation and the structure of the compensation package (in particular the variable pay component) for the CEO and other executive officers must attract and retain talented international leaders.

The compensation program for Executives consists of industry competitive benefit programs, base salaries, short-term incentives and long-term incentives. Since 2015, the Long Term Incentives have been implemented through an annual



Performance Share Unit (“PSU”) plan. The various compensation elements are balanced in a way that recognizes the individual Executive’s responsibilities and his or her abilities to influence the short and long-term profitable growth of the Company. Compensation is reviewed annually with performance assessed based on fulfilment of pre-defined goals. Base salaries are consciously set low for executives (around 25th percentile of the Company’s peer group) while the short-term incentive can be comparatively high.

### Governance

The Board of Directors has established a Compensation Committee with responsibility for reviewing Executive remuneration and making recommendations to the Board. The Compensation Committee is composed of independent directors: Mark Leonard (Chair), Wenche Agerup, Torstein Sanness and Elisabeth Grieg (appointed in 2017).

The CEO is responsible for proposing the compensation packages (excluding his own) for all Executives for Compensation Committee review and Board approval. The CEO’s proposal will be based on performance assessed against pre-defined goals.

The Compensation Committee is responsible for recommending the CEO’s compensation package to the Board for final review and approval. This includes the CEO’s target bonus, which is specifically set by the Board.

The Board believes executive compensation should be reasonable and fair according to prevailing industry standards in the geographical markets where TGS operates, and should be understandable relative to scale, complexity and performance. The Board strives to ensure that executive compensation is administered consistently according to the TGS Total Compensation Philosophy.

The Compensation Committee retains an independent third-party compensation benchmarking firm to assess and recommend changes to TGS’ executive compensation practices relative to its peer group. The peer group is composed of several competitors and international oil and gas services companies (18 companies in total, seven of which are U.S. and five Norwegian). The peer group is determined by considering a combination of relative factors including annual revenue, profit, market capitalization, return on equity (ROE) and return on average capital employed (ROACE). This independent executive compensation analysis is conducted annually.

For further information on executive management compensation, please refer to Note 7 of the Consolidated Financial Statements and the Declaration on Executive Compensation.

## 13. Information And Communications

TGS’ investor relations policy is designed to inform the stock market and all shareholders of the Company’s activities and status in a timely and accurate manner. The Company submits quarterly and annual financial reports to Oslo Børs. In addition, any interim information of significance for assessing the Company’s value is distributed as stock exchange announcements through InPublic – Nasdaq OMX, a commercial publisher of financial information. This information is also available via the Company’s website at [tgs.com](http://tgs.com).

The Company places great emphasis on complying with the Stock Exchange regulations by providing the same information to all investors, national and international. The Company uses the Code of Practice for Reporting of IR information issued by Oslo Børs and the Norwegian Investor Relations Association (NIRA) as a guideline for IR reporting. All press releases and news are published in English only and the Company has been granted exemption from the Norwegian Tax Authority to publish its Annual Report in English only.

The Company’s quarterly earnings presentations are recorded and made available as webcasts or slide presentations in real time. The Company also makes national and international presentations and conducts road shows throughout the year to inform existing and potential investors about TGS.

The financial calendar displaying the dates for the coming years’ interim reports and General Meetings for shareholders is posted at: [www.tgs.com/investor-center/financial-reports/financial-calendar/](http://www.tgs.com/investor-center/financial-reports/financial-calendar/).

## 14. Take-Overs

The Board of Directors has established guiding principles for how it will act in the event of a take-over bid received.

During the course of a take-over process, the Board of Directors and management of both the party making the offer and the target company are responsible to help ensure that shareholders in the target company are treated equally and the target company’s business activities are not disrupted

unnecessarily. The Board is particularly responsible to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board of Directors will not hinder or obstruct take-over bids for the Company's activities or shares.

In the event of a take-over bid for the Company's shares, the Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the General Meeting following announcement of the bid.

Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for TGS shares will only be entered into where it is self-evident that such an agreement is in the common interest of TGS and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will be limited to the costs the bidder has incurred in making the bid.

If an offer is made for TGS' shares, the Board of Directors will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it will explain the background for not making such a recommendation. The Board's statement on a bid will make it clear whether the views expressed are unanimous, and if this is not the case, the Board will explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board will arrange for a valuation of TGS from an independent expert and the valuation will be made public no later than at the time of the public disclosure of the Board's statement. This will also apply if the bidder is a major shareholder, a member of the Board or executive management, or close associates of such individuals, or anyone who has recently held such a position. Any such valuation will be either appended to the Board's statement, be reproduced in the statement or be referred to in the statement.

Any transaction that is in effect a disposal of the Company's total activities shall be decided by a General Meeting.

## 15. Auditor

The Board of Directors has determined the procedure for the external auditor's regular reporting to the Board. The auditor attends at least one meeting each year with the Audit Committee of the Board as well as the Board of Directors where the Company's management is not represented. In addition, the auditor participates at meetings of the Board relating to the preliminary annual financial statements. If there are any significant changes from the preliminary accounts, the auditor will also participate in the meeting that approves the annual financial statements. In 2017, the auditor participated in all Audit Committee meetings except for one meeting.

The Company's external auditor presents the primary features of the plan for the execution of the audit to the Audit Committee and reports on the key accounting principles and estimates and the results of the audit to the Audit Committee and the Board of Directors. The auditor also presents to the Audit Committee and the Board any internal control weaknesses and improvement opportunities.

TGS has established guidelines for the right of management to use the external auditor for services other than auditing. The Audit Committee receives an annual summary from the external auditor of services other than auditing that have been provided to TGS. The auditor also presents any threats to his/her independence and documents measures implemented to reduce these, as required by the Audit and Auditors Act Section 5a-3 3. The external auditor provides the Audit Committee with an annual written confirmation of independence. The Board of Directors reports the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other assignments.

The auditor's fee is determined at the Annual General Meeting. Refer to Note 7 to the Consolidated Financial Statements for auditor's compensation for 2017.

The auditor is required to attend a General Meeting if the business to be transacted is of such a nature that his or her attendance must be considered necessary. In addition, the auditor is, in any case, entitled to participate in the General Meeting.









# CORPORATE SOCIAL RESPONSIBILITY

*“TGS is responsible to our customers, our employees, the communities in which we live and work, to the world community and to our shareholders. Living the TGS Values every day, in everything that we do, helps us to meet or exceed the expectations of our stakeholders both today and in the future, and is critical to delivering sustainable growth over the long term.”*

**– Hank Hamilton, Chairman**

# Corporate Social Responsibility

## 1. Report on Corporate Social Responsibility

The term “Corporate Social Responsibility” (CSR) is often used interchangeably with “Corporate Sustainability.” The Dow Jones World Sustainability Index defines Corporate Sustainability as “*a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.*”

TGS has prepared a CSR report to communicate to stakeholders how it integrates sustainability priorities within its business operations and strategy. Specifically, the report covers TGS’ CSR policies, actions, results and future ambitions and plans, focusing on our people and our conduct, namely our anti-corruption, health and safety, and environmental efforts within the Company and with our Stakeholders. Our commitments, activities and performance on the priorities identified by TGS are set forth in the case studies, facts and figures below. It is the opinion of the Board of Directors that this report complies with the CSR requirements of the Norwegian Accounting Act section 3-3c.

## 2. Responsibilities Towards Our Stakeholders

TGS believes that Corporate Social Responsibility is a fully compatible and integrated part of conducting business successfully. The foundation of the Company’s superior business performance is built on TGS’ fair business conduct and long-standing values of honesty, integrity, accountability, and respect for others. In order for TGS to prosper, we need the trust and respect of our customers, shareholders, employees, and the communities in which we work and live. These values have long been a fundamental part of how TGS has chosen to do business and the Company has developed and refined these values over time. The purpose of the TGS Statement of Values is to provide a moral and ethical compass to assist and guide the Company in business situations that arise every day. These standards apply to all its activities in every market that TGS serves.

*TGS believes that Corporate Social Responsibility is a fully compatible and integrated part of conducting business successfully.*





Honesty, integrity and fairness form the cornerstones of TGS' relationships inside and outside the Company.

**TGS is responsible to its customers.** Through quality and service, the Company consistently strives to meet or exceed the expectations of customers, both promptly and profitably.

**TGS is responsible to its employees.** TGS' single greatest asset is its employee base. The Company considers each employee as an individual, and recognizes and respects the dignity, culture and merit of each employee. TGS aims to provide equal opportunity for employment, development and advancement. The Company's human resources policies are designed to ensure fair and equitable treatment and to encourage personal growth. The TGS health, safety and environmental management system (HSE-MS) is designed to ensure that all Company operations are conducted in the absence of significant risk, by continuously identifying and controlling hazards which may arise through any aspect of the Company's operations.

**TGS is responsible to the communities and environment** in which it operates and works and to the world community as well. TGS monitors its environmental performance versus plans and is dedicated to the continuous improvement of its environmental programs and standards for all its operations. TGS works with its suppliers to ensure that their health, safety, and environmental standards are consistent with that of TGS. The Company actively supports reputable charitable programs and organizations, as well as local social welfare programs within the countries in which seismic data acquisitions are performed, that serve people and communities in need by providing ongoing financial donations. In addition, TGS has implemented a program that encourages employees to donate their time and energy to help those in society who are less fortunate. The largest contributions in 2017 were donated to organizations that brought humanitarian relief to areas devastated by hurricanes and natural disasters. TGS supports the United Nations Universal Declaration of Human Rights and strives to apply the declaration's principles regarding the freedom, rights, dignity and worth of the human person and promotion of equality irrespective of gender, race or religion throughout business operations.

**TGS is responsible to its shareholders** and when we operate according to our principles, they should realize a fair return over the long term. The Company understands that its main contribution to society comes from operating and growing a profitable and thriving business that creates value over the long term.

### 3. Priority Identification

In identifying CSR priorities for TGS, it is important that the Company considers how its business impacts stakeholders across the value chain, from planning projects and consulting with local communities and regulatory authorities (including permitting requirements), to selecting and working with partners, agents and contractors, to managing HSE risks in geophysical operations, and to ensuring compliance with the TGS Code of Conduct and anti-corruption program in dealings with third parties.

On an annual basis, TGS conducts a risk assessment process whereby risks from across the business (including CSR risks) are assessed by a pool of key TGS employees that are across offices and departments. These individuals rank the top ten risks they perceive the Company will face, identify the current mitigation measures in place for each of those risks, and score the risks based upon their impact to TGS and probability of occurring. From these responses, the TGS Board of Directors and the Executive Team identify and prioritize the top risks to TGS, some of which may relate to CSR risks, and implement an action plan to address these risks for the coming year. In addition, all TGS departments, including Human Resources, Compliance, and Health, Safety and Environment, set annual goals for each year, and TGS' Executive Team and Board of Directors participate in reviews of compliance, health, safety and environmental performance on at least a quarterly basis.

TGS also seeks feedback from regular meetings with shareholders, customers, other stakeholders and the International Association of Geophysical Contractors (IAGC). In addition, TGS is a participant in the UN Global Compact and is publicly committed to implementing the Global Compact's principals on human rights, labor, environment, and anti-corruption into the Company's strategy, culture and day-to-day operations.

From these inter-related processes TGS identified its CSR priority areas, set the CSR goals, plans and actions for 2017:

- **People:** Engaging our workforce so employees feel passionate about their jobs, are committed to the organization and put discretionary effort into their work
- **Anti-Corruption:** Employing the best practices to ensure anti-corruption compliance in all our operations
- **Health, Safety & Environment:** Promoting safe, healthy, and environmentally sound practices within the company and by our vendors and suppliers
- **Human Rights:** Advocating for responsible labor practices by our vendors and suppliers



## 4. People

### 4.1. Who We Are

TGS strives to promote and maintain a work environment in which our people are treated with dignity, decency and respect. TGS expects all relationships among persons in the workplace will be business-like and free of unlawful bias, prejudice and harassment. It is TGS' policy to ensure equal employment opportunity without discrimination or harassment on the basis of race, color, national origin, religion, sex, age, disability, or any other status protected by law.

The TGS Code of Conduct prohibits discrimination and harassment in the workplace. All TGS employees must annually attend Code of Conduct training, which includes training on TGS' anti-discrimination and anti-harassment policies. Every year, new TGS employees must complete an online training focused on maintaining a workplace free from discrimination or harassment.

### 4.2. What We Did in 2017

Employee engagement is critical to the long-term sustainability of TGS. TGS seeks to maintain high levels of employee engagement while complying with labor rights and providing favorable work conditions.

Following analysis of the results of the 2016 Employee Engagement survey, TGS identified the following focus areas to help improve engagement and developed action plans to target those areas: (i) communication, (ii) training & development, and (iii) compensation & rewards

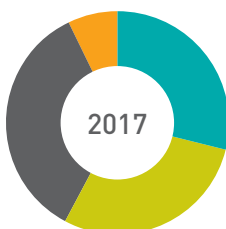
To improve communication, TGS focused on enhancing its employees' digital communication experience, primarily through ODIN, the Company's intranet site which serves as a platform to communicate globally with all employees.

#### Employee Statistics

	2017	2016
Total # of Employees at year end	597	614
New Hires	31	19
Internal Job Fill	47%	58%
Employee Turnover	6%	8%

#### Tenure

0 - 5	2016 / 36%	2017 / <b>29%</b>
5 - 10 years	2016 / 29%	2017 / <b>29%</b>
10 - 20 years	2016 / 30%	2017 / <b>35%</b>
+20 years	2016 / 6%	2017 / <b>7%</b>



#### Gender – Management



2017 / Male 71%  
2016 / Male 71%



2017 / Female 29%  
2016 / Female 29%

#### Gender – Total Employee Population

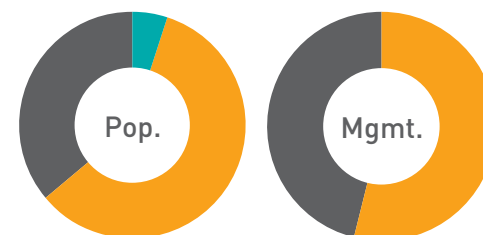


2017 / Male 59%  
2016 / Male 57%

2017 / Female 41%  
2016 / Female 43%

#### Age / 2017

- 30 y/o	Total Pop. / <b>5%</b>	Mgmt. / <b>0%</b>
30 – 50 y/o	Total Pop. / <b>59%</b>	Mgmt. / <b>54%</b>
50+ y/o	Total Pop. / <b>36%</b>	Mgmt. / <b>46%</b>



Through this platform, TGS' CEO announced the Company's 2017 corporate goals, industry updates and company programs. To facilitate better two-way digital communication, TGS rolled out the latest Skype for Business online communication platform as part of a corporate-wide Microsoft Office 365 implementation. In addition, TGS implemented a new approach to goal setting with the ambition to set annual goals for all employees that tie in to the Company's communicated corporate goals, thereby driving greater alignment and a common purpose in the work environment.

The Company's training & development efforts focused on the Company's Performance Development Program, which comprised of an annual review, goal setting and identification of training and development needs, and follow-ups on at least a quarterly basis. TGS also provided and delivered several leadership series training programs, focusing on giving and receiving feedback and DiSC assessments (a tool used to facilitate discussions based on understanding people's behavioral differences in the workplace, especially within teams and business units). The Company also held a Leadership Forum for TGS' emerging leaders and improved the mentorship program.

To address compensation & rewards, TGS completely revised the benchmarking process, moving away from a biennial, third party supported approach. The Company adopted a more thorough process by directly subscribing to multiple compensation databases and testing and benchmarking all positions on an annual basis. These changes provide TGS with a better understanding of compensation trends within the industry and allows the Company to better identify and prioritize compensation issues. Finally, TGS revamped its employee reward program to incorporate recognition of culture and team-work in addition to exceptional performance.

#### **4.2.1. Employee Engagement**

Since 2011, TGS has engaged a third party to deliver an employee engagement survey that provides a best practice approach to engagement, incorporating employee anonymity and a substantial database of peer data for benchmarking. In 2017 the platform was significantly upgraded to provide an online interface for employees and a more comprehensive set of online analytical tools.

The employee engagement survey assesses the overall "Engagement Capital" of an organization. Engagement Capital refers to the amount of commitment, discretionary effort, and intent to stay that employees exhibit given their experience of past events, present expectations, and future expectations. The TGS employee engagement results are compared to a benchmark which is comprised of over 400 mid-sized organizations across multiple industries and geographies, with over 400,000 individual employee responses.

TGS employee response rate was a record 93% (up from 87% in 2016). With the benchmark showing only a 70% response rate, which signals an engaged workforce. TGS' overall Engagement Capital increased and remains in line with the benchmark.

#### **4.2.2. Professional Development**

TGS is committed to strengthening its culture of excellence. Providing professional development opportunities for its workforce is a cornerstone to that end. Building upon long-term corporate objectives, TGS continued to provide general leadership skills and technical training at each of its core offices in 2017.

TGS employees participate in an annual Performance Development Program, whereby the employee and his/her manager discuss the progress of last year's goals, establish goals for the upcoming year, evaluate the employee's performance over the past year, review the employee's career aspirations and identify opportunities for further development. TGS recognizes that this process is critical to ensuring that its employees continue to develop the necessary skills to grow with the company.

TGS offers both onsite and out-of-office professional development training opportunities to employees, encourages employee participation in industry events, supports internal career progression, and provides tuition assistance for higher education courses for employees. This year TGS held its biennial Leadership Forum, which is focused on providing leadership training to the Company's top 20 emerging leaders. TGS also continued its Executive Mentorship program for talented individuals to be mentored by members of the Executive team.

Finally, TGS provides technical training to its employees through onsite training programs and lunch- and-learns as well as encourages employees to participate in industry events. This year employees participated in over 1,124 hours of in-house geological and imaging courses and lunch-and-learn sessions (down from 1,875 hours in 2016 due to focus on higher level training for a smaller group). TGS employees also participated in University Consortia around the world such as: Delphi, CWP – The Center for Wave Phenomena at Colorado School of Mines, University of Texas in Dallas, SEP at Stanford University and CSIM – Center for Subsurface Imaging and Fluid Modeling with King Abdullah University of Science and Technology.

### 4.3. Our Ambitions and Plans

TGS recognizes the value of having an engaged workforce and will continue to actively identify opportunities to improve engagement, provide professional development, encourage career discussions, and maintain open communication in 2018. TGS will use the results of the 2017 employee engagement survey to identify areas for improvement and actions that can be taken at all levels in the organization to improve employee engagement. TGS specifically plans to implement management and leadership training programs, business unit succession planning, improved transparency on compensation processes, and an initiative to enhance communication between departments. Furthermore, the CEO will hold focus groups with employees to help identify ways to improve organizational communication. TGS' ambition is to see continual improvement in employee engagement and this will be measured through conducting another employee engagement survey in 2018.

## 5. Anti-Corruption and Compliance

### 5.1. Our Code of Conduct

TGS expects the highest levels of personal conduct and fair dealing from all its employees, the Board of Directors, partners, and any third parties retained on behalf of the Company. The TGS Code of Conduct sets the standard of responsible conduct and fair business practices for every TGS employee and serves as the Company's ethical roadmap – ensuring all employees perform their duties with honesty and integrity and in accordance with the law.

As a function within the TGS Executive Team, the Compliance Program endeavors to foster an open, transparent and ethical environment in accordance with the TGS Code of Conduct. The TGS Compliance Officer reports to the Board of Directors and the CEO and provides updates on at least a quarterly basis. The Compliance Officer aims to educate TGS employees on potential compliance concerns as well as implement policies, procedures, and guidelines to detect and prevent potential compliance concerns. In January of each year, an annual letter from the CEO is issued to all TGS employees that outline TGS's expectations regarding ethical and compliant conduct.

All TGS employees are to complete an annual certification that represents each employee's personal pledge that he or she has read, understood, and will uphold the Code of Conduct in his or her business activities, as well as to participate in annual live Code of Conduct trainings, either held in-person or via video-conference, and other online compliance training initiatives.

TGS provides multiple avenues for TGS' internal and external stakeholders to discuss or report potential non-compliance. Employees are encouraged to report any violation of TGS' values or policies to their supervisor, the Compliance Officer, or through the TGS hotline, which allows employees to report suspected instances of non-compliance anonymously. TGS wants to know about potential problems before they become serious, and policies are in place that prohibit retaliation against reporting employees. TGS investigates all potential violations of its Statement of Values and Code of Conduct, such as illegal acts, conflicts of interest, financial fraud, corruption issues or breaches of TGS' corporate policies. TGS will also engage internal or external legal counsel as needed in dealing with possible violations of its corporate policies.

*The TGS Code of Conduct sets the standard of responsible conduct for every TGS employee and serves as the Company's ethical roadmap – ensuring all employees perform their duties with honesty and integrity and in accordance with the law.*

### 5.2. What We Did in 2017

As a global company, TGS recognizes that preventing bribery and corruption in its operations is essential in today's business environment. TGS works to ensure that its employees understand and are sensitive to the legal requirements that apply to the Company's operations, including the U.S. Foreign Corrupt Practices Act, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business, and the U.K. Bribery Act.

TGS' Anti-Corruption policy, which applies to TGS employees and all third parties acting on behalf of TGS, expressly prohibits bribery, kickbacks and other illegal payments, as well as facilitation payments and political contributions on behalf of the company. Review and prior approval is required for gifts, entertainment, or travel expenses provided to government officials, as well as charitable or social welfare contributions to be made by or on behalf of TGS. TGS conducts due diligence on third party relationships based upon various risk factors, including but not limited to the location of where services are to be performed, the types of services to be performed, and the entity performing the services. TGS includes anti-corruption provisions in agreements with third parties providing services on behalf of the company, and third parties deemed to be high-risk must complete



annual anti-corruption training and certification requirements. TGS continually conducts assessments of its policies, procedures, and guidelines to identify weaknesses and areas for improvements.

Each year, all TGS employees are required to certify their compliance to TGS' Code of Conduct and participate in live Code-of-Conduct training, both of which include a focus on TGS' anti-corruption efforts. One-hundred percent of active TGS employees completed both the Code of Conduct certification and Code of Conduct training for 2017. In addition to the Code of Conduct training, which includes discussion of TGS' Anti-Corruption policy, TGS administered an online anti-corruption training and certification program to key employees and managers who interact with government officials or oversee employees who interact with government officials that included training on and certifying compliance with TGS policies. One-hundred percent (100%) of active TGS employees completed the online anti-corruption training and certification (same as in 2016).

TGS worked with its international agents to stress the importance of and ensure compliance with international anti-corruption laws in 2017. All of TGS's international agents are required to annually certify compliance with TGS's Anti-Corruption policy and complete online anti-corruption training. One-hundred percent (100%) of TGS's international agents completed their annual certification of compliance with TGS's Anti-Corruption policy and anti-corruption training in the past year (same as in 2016). TGS also continued to monitor third party relationships and conducted quarterly reviews of payments made to high risk third parties to verify their compliance with contractual terms and the law in 2017.

## 100% CERTIFIED

- 100% of TGS employees completed Code of Conduct certification and Code of Conduct training
- 100% of key TGS employees completed TGS' Anti-Corruption training and certification program
- 100% of TGS international agents certified their compliance with TGS' Anti-Corruption policy and completed Anti-Corruption training

### 5.3. Our Ambitions and Plans:

TGS will continue to be active in monitoring the international developments and "best practices" in anti-corruption compliance. Going forward TGS intends to further the actions undertaken during 2017 with a continued emphasis on

monitoring both the payments made to and relationships with TGS's international agents, and will maintain its hands-on approach to ensure TGS' international agents understand and abide by TGS' anti-corruption policy. TGS will continue to review and update international agent due diligence information on a periodic basis so as to maintain current and accurate information for all international agents. In addition, TGS will focus on utilizing technological and software solutions to provide more efficient monitoring of its compliance program. TGS will continue to aim for 100% compliance by both key TGS employees and international consultants with TGS' anti-corruption training and certification requirements. Finally, TGS will review and update the Code of Conduct and related policies as part of its commitment to internationally accepted "best practices" for compliance.

## 6. Health and Safety


### 6.1. What We Believe

*TGS is dedicated to the continuous improvement of health, safety and security standards for its people and insists on the same policy from its contractors.*

TGS has defined safe operating procedures and guidelines in the HSE Management System that are designed to meet or exceed all appropriate legal requirements and, in the absence of any defined standards, to meet or exceed generally accepted industry-wide "best operating practices." TGS actively participates with all relevant client/contractor associations and relevant authorities in developing HSE standards.

TGS maintains a high level of safety awareness by means of safety meetings, internal auditing, review meetings and general communications. All employees and contractors are actively encouraged to participate in the conduct, management and continuous improvement of safety. TGS requires all employees and contractors to be accountable for and committed to their own health and safety as well as for those with whom they work. Employees and contractors are empowered to intervene and STOP any operation or activity that they feel is unsafe or hazardous, with the knowledge that such action will be supported by management.

Both the TGS HSE Director and senior management have responsibility for the communication and implementation of TGS health and safety policies, including provision of information, training and resources to employees.

 Employee Health & Safety Statistics	2017	2016
Man-hours	991,765	1,103,829
Fatalities	0	0
Lost Time Injuries (LTI)	0	1
Medical Treatment Cases	0	0
Restricted Work Cases	0	1
Recordable Case Frequency*	0.0	0.18
LTI Frequency*	0.00	0.18
Working Days Lost	1,421	1,536
Sickness Absence Frequency	1.15%	1.11%

\*Per million man-hours

## 6.2. What We Did in 2017: HSE Reviews and Training

TGS conducts quarterly HSE reviews with the Executive Team. TGS continues to promote a top-down message of health and safety by making its senior management responsible for ensuring that all employees completed at least two HSE training modules during 2017. Management also participated in audits of all office locations, and all TGS staff are assessed on active HSE commitment during annual performance reviews.


In 2017, all TGS Executive Team members conducted at least 1 HSE facility inspection. All office locations performed two HSE related lunch and learn activity, which included topics such as, First Aid / CPR Training, Stress Awareness, and Home Safety.

There was one lost time incident for contractor field crews in 2017. With respect to TGS employees, there were no lost time incidents in 2017. The Total Recordable Incident rate for employees for 2017 was 0.00, and the combined rate with contractors was 0.42 (per 200,000 man hours).

There were 27 field visits from senior management and operations managers during 2017, and full compliance with vessel and land crew audit requirements was achieved. Additionally, 40 inspections were performed at TGS office locations globally.

The Motor Vehicle Accident Rate in 2017 (per 1,000,000 miles) was 0.00.

One hundred percent (100%) of employees completed both HSE training courses offered in 2017.

 Contractor Health & Safety Statistics	2017	2016
Man-hours	2,821,187	2,975,592
Fatalities	0	0
Lost Time Injuries (LTI)	1	1
Medical Treatment Cases	4	1
Restricted Work Cases	3	2
Recordable Case Frequency*	2.84	1.34
LTI Frequency*	0.35	0.34

\*Per million man-hours

## 6.3. Our Ambitions and Plans

TGS management will continue to champion TGS' HSE training initiatives by increasing management's presence at both land and marine operations and by having management conduct facility inspections at TGS' offices. TGS will continue to require all land and marine contractors to participate in TGS' Contractor Management System for both land and marine surveys. Additionally, all TGS employees will be required to complete two HSE training courses during 2018. Each office location has a goal to host two HSE lunch-and-learn events in 2018. Finally, TGS has set as targets for 2018 of zero lost time injuries across all operations, and a total recordable incident rate of less than 2.0 and a motor vehicle accident rate goal of less than 2.0 for land seismic operations.

# 7. Environment

## 7.1. What We Believe

TGS is committed to leading the industry in minimizing the impact of its activity on the environment. To achieve this, TGS continually assesses its impact on the environment and endeavors to plan operations that minimize environmental impact. TGS typically conducts environmental impact assessments as part of the permitting process prior to initiating seismic data acquisition. TGS monitors its environmental performance versus plans and is dedicated to the continuous improvement of its environmental programs and standards for all its operations.

TGS strives for zero spills and unplanned releases to the marine environment during seismic vessel operations and zero reportable spills in the onshore environment. Through TGS's charters of the seismic vessels, TGS influences and aims to ensure that contractors comply with all applicable environmental

laws and regulations. Seismic vessels chartered by TGS undergo audits from the International Marine Contractors Association/Offshore Vessel Inspection Database (IMCA/OVID audits), either conducted by TGS, the vessel, or another third party, that evaluate compliance with all applicable health, safety, and environmental regulations and industry requirements, and ensure that all required health, safety, and environmental permits and certificates are valid.

TGS understands the importance of working with local governments, regulatory authorities, and non-government organizations, and therefore, TGS maintains positive communication with regulatory authorities and other governmental and non-governmental organizations to help identify, understand and mitigate environmental risks associated with geophysical activities. Finally, we work to implement improved environmental awareness in office locations and minimize waste and manage waste output, minimize carbon emissions by survey design, guard against accidental and operational pollution, and mitigate against any active or operational pollution.

*TGS understands the importance of working with local governments, regulatory authorities, and non-government organizations, and therefore, TGS maintains positive communication with regulatory authorities and other governmental and non-governmental organizations to help identify, understand and mitigate environmental risks associated with geophysical activities.*

## **7.2. What We Do**

TGS continues to include environmental aspects within IMCA/OVID accredited audits on all chartered seismic vessel and monitor spills and unplanned releases during seismic operations. TGS assesses and reports upon biologically-important areas, which include marine mammal migration paths, spawning grounds, sanctuary areas, or other ecologically sensitive locations where TGS has activities. There were no recordable spills or unplanned releases to the marine environment and no reportable spills or releases to the onshore environment in 2017.

TGS actively supports the IAGC both financially and through employee participation in committees and projects. In 2017, TGS employees, including the SVP Onshore, General Counsel, Director Marine Acquisition and HSE Director actively served and participated in IAGC boards and committees. Through its

work with the IAGC, TGS seeks to positively influence sensible and sustainable legislation and address environmental misconceptions associated with the geophysical industry. TGS supports the IAGC's efforts to create standards and protocols for seismic in frontier areas, and to plan seismic surveys to minimize environmental implications and liaise with stakeholders (including local fishing industry). TGS is also involved with the International Association of Oil & Gas Producers (IOGP) and supports its efforts to improve safety, environment and social performance and promote responsible and sustainable operations within the oil and gas industry. Each year, TGS participates in IOGP's global forum, which includes both clients and competitors, to share best practices and to troubleshoot challenges that may have arisen in the industry.

One example of TGS' efforts in 2017 to work with stakeholders, including regulatory authorities and other governmental and non-governmental organizations, on identifying, understanding and mitigating environmental risks associated with geophysical activities is in the Barents Sea. TGS worked with the Norwegian Fishery Directorate and the Ocean Research Institute to review the fishery and biological restrictions in the survey area. As a result, the survey outline was rotated to be parallel with and hence avoid the Blue Halibut fishing areas. Once the fishing season started there were still concerns from the fishing unions regarding the proximity of the TGS operation to the fishing area so TGS proactively moved the operation 20 nautical miles away from the fishing areas. All the stakeholders involved were satisfied with the move which resulted positively for both parties.

In Australia, TGS coordinated with the regulators including NOPSEMA (National Offshore Petroleum Safety and Environmental Management Authority), on the new Environment Plan for future seismic surveying over the Shelf off the Northwest Coast. As a result, the Environmental Plan was reduced in geographical scale and duration after engagement and feedback from stakeholders.

In Canada, TGS and their partners liaised with the authorities and fishing unions to minimize operational conflicts and to ensure ongoing communication throughout the duration of the projects. This included time area closures, accommodating a Fishing Liaison Officer on board all vessels and conducting test lines as requested by Fisheries and Oceans Canada.

## **7.3. Our Ambitions and Plans**

Going forward TGS intends to continue its work with the IAGC and IOGP to develop and ensure compliance with environmentally sound practices in the seismic industry. As with prior years, TGS will continue to aim for zero spills and



unplanned releases to the marine environment during seismic vessel operations and zero reportable spills in the onshore environment. TGS will continue with the goal in for each chartered vessel to undergo an IMCA/OVID audit within six months of hire and every twelve months thereafter, and an audit within four weeks of the start of recording activities for land seismic crews. Finally, TGS will continue to ensure its marine and land contractors participate in and abide by the environmental standards set forth in TGS Contractor Management System.

## 8. Human Rights

TGS supports the UN Universal Declaration of Human Rights and aims to apply its principles throughout its business operations. These principles include recognition of the freedom, the rights, the dignity and the worth of the human person and promotion of equality irrespective of gender, race or religion. TGS will not use or support child labor or slavery in any of its offices. TGS also works with contractors and vendors to ensure that field and seismic vessel operators abide by the UN Universal Declaration of Human Rights and do not use or support child labor or slavery in their operations for TGS. To that end, TGS requires vendors, contractors and suppliers to provide TGS their policies regarding their human rights and labor practices so that TGS may review and ensure that any contractors or third parties with whom TGS contracts maintain the same commitment to human rights as TGS.

## 9. Community and Charitable Relations

Through the TGS Charitable Contributions Committee and in accordance with its charitable contributions guidelines, TGS actively supports reputable charitable programs and organizations that serve people in need in countries where TGS has offices or projects by providing ongoing financial donations as well as encouraging employees to donate their time and energy to help those in society who are less fortunate.

For example, in 2017, TGS worked with several governments in Africa where TGS has ongoing business relationships and obligations to support their local community efforts aimed at improving education, transportation, infrastructure, and medical resources in the regions. In addition to the monetary donations, TGS provided geological and science books and computer equipment to promote and advance geosciences education at the university level.

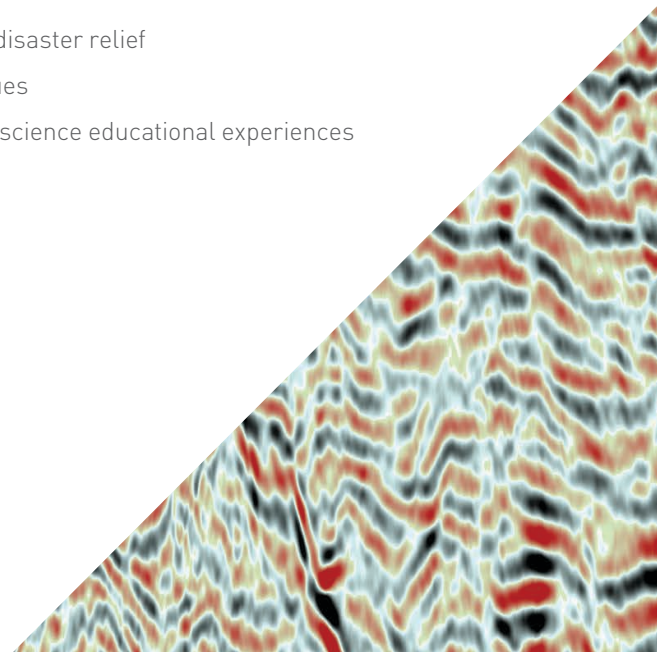
In light of the devastation caused by Hurricane Harvey to Houston, TGS made monetary donations to hurricane relief organizations as well as matched

employee donations made in support of the hurricane relief efforts. TGS also made charitable contributions to organizations that help underprivileged youth, fund medical research and access to healthcare, provide humanitarian aid and organizations promoting geophysics and geoscience educational experiences to children in Norway, the United States, Canada, and the United Kingdom. TGS continued to recognize its employees charitable spirit by matching employee's monetary donations or making monetary donations in recognition of an employee's work with an organization. Overall, TGS employees reported that they had spent more than 703 hours on TGS-supported charitable activities during 2017. TGS will continue to support local charities and non-profits in the communities in which we operate and to encourage TGS employees to do the same.

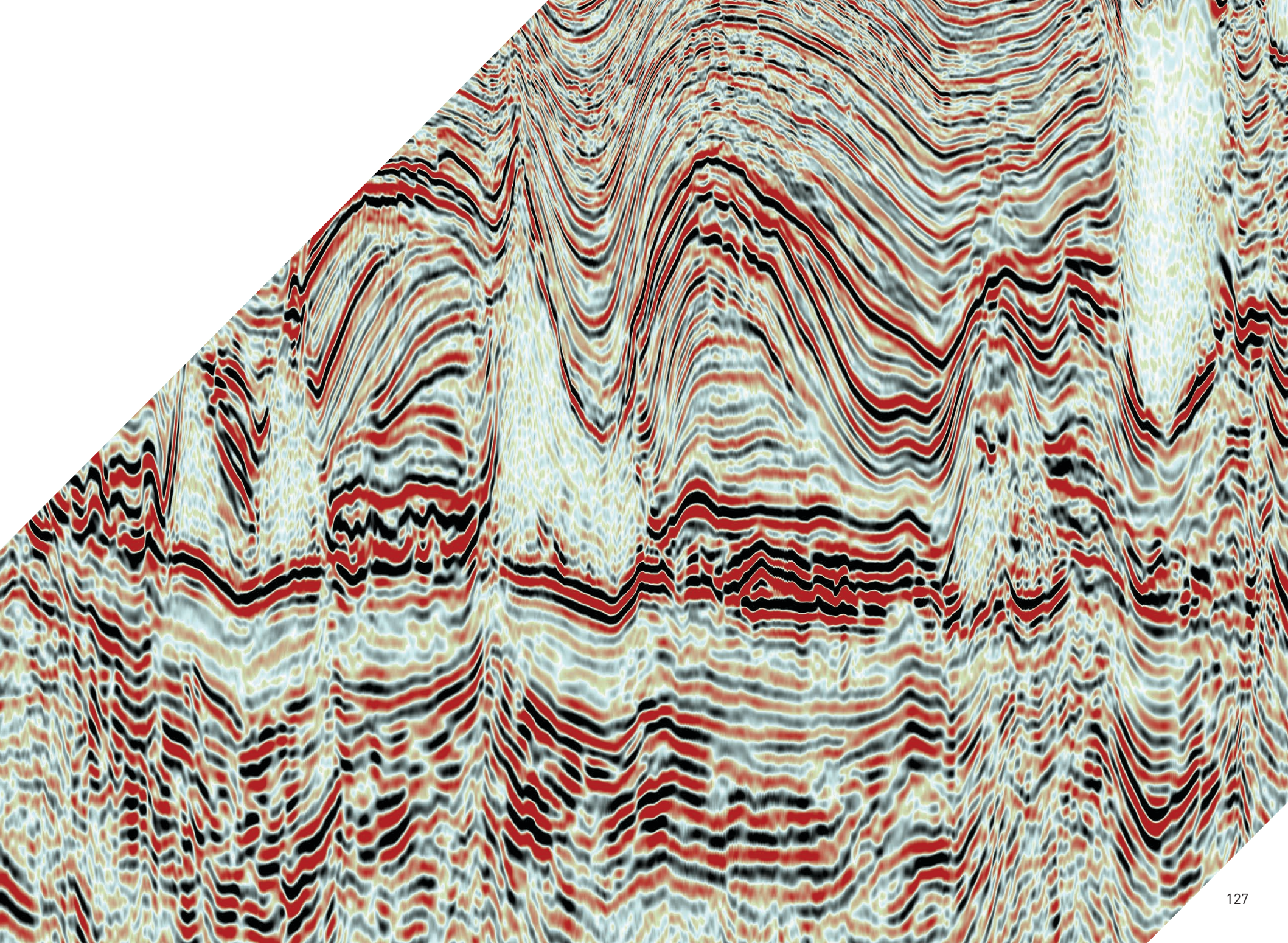
*TGS is committed to supporting local, nonprofit community organizations and charities that focus their services on people.*

TGS is dedicated to:

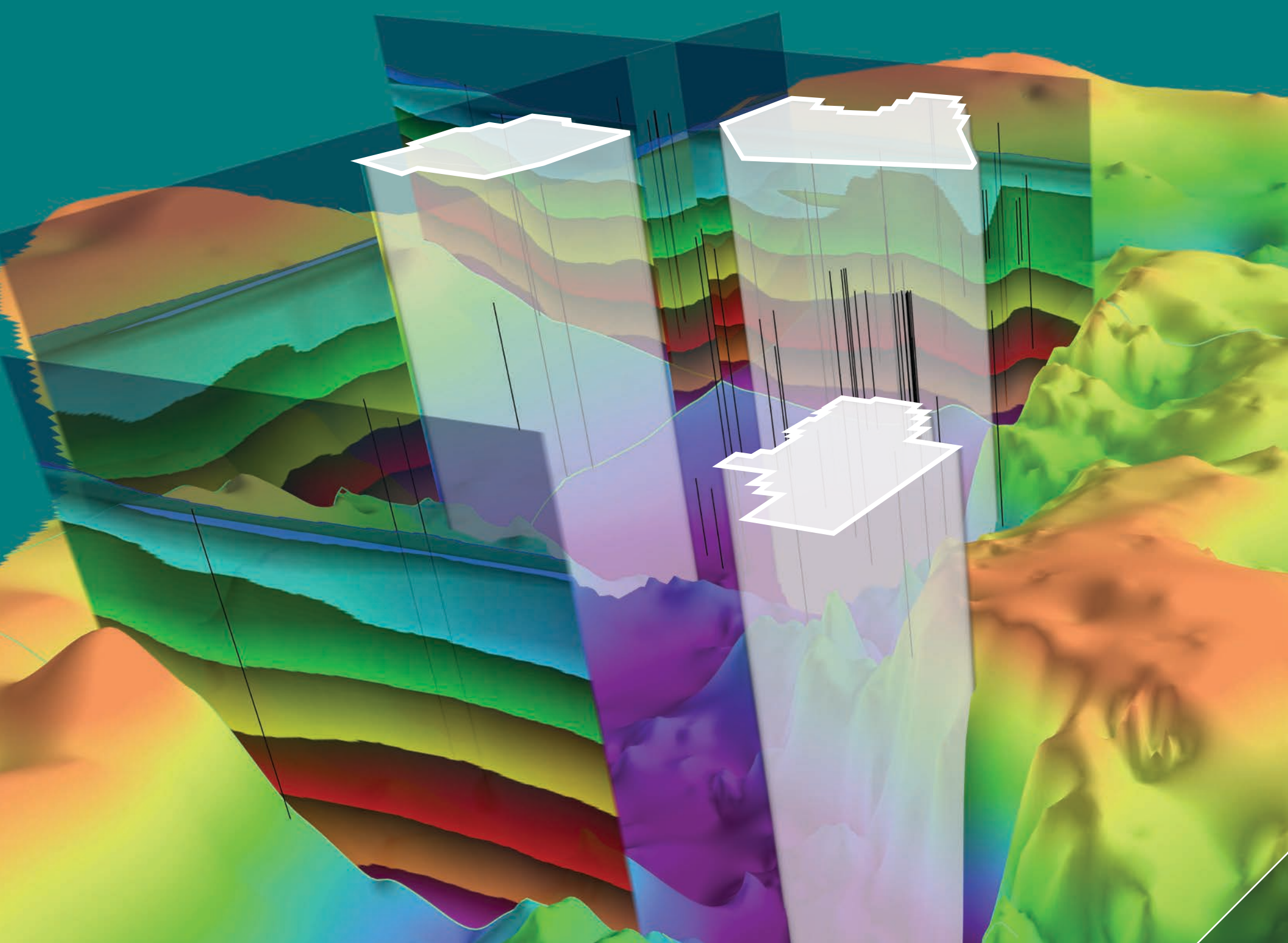
- Providing access to healthcare, medical services, and helping to fight disease
- Assisting underprivileged, underrepresented, or at-risk communities or groups
- Providing humanitarian aid or disaster relief
- Addressing environmental issues
- Promoting geophysics and geoscience educational experiences to children















# INVESTOR RELATIONS

TGS' strong cash flow enabled us to pay a dividend of USD 63 million to our shareholders in 2017, and we are proud to be one of few international oil service companies which have maintained a dividend throughout the severe down cycle.

# Investor Relations

## TGS Shareholder Facts

**Symbol:** TGS

**Listing:** Oslo Stock Exchange (member of the OBX index)

**ADR:** TGSGY (traded on the U.S. over-the-counter market)

**Analyst coverage:** 19 firms; for list see [www.tgs.com/investor-center/stock-information/analyst-coverage/](http://www.tgs.com/investor-center/stock-information/analyst-coverage/)

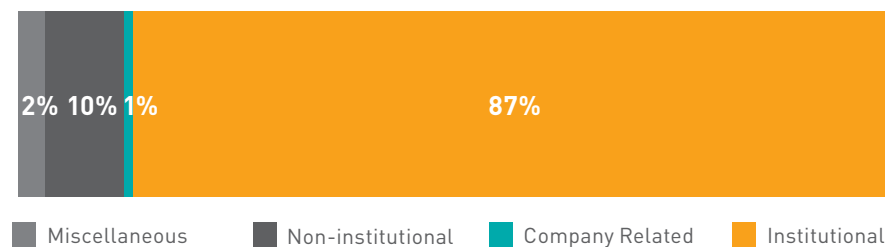
**Volume traded on the OSE during 2017:** 95,527,192 shares

**Average daily trading volume in 2017:** 380,586 shares

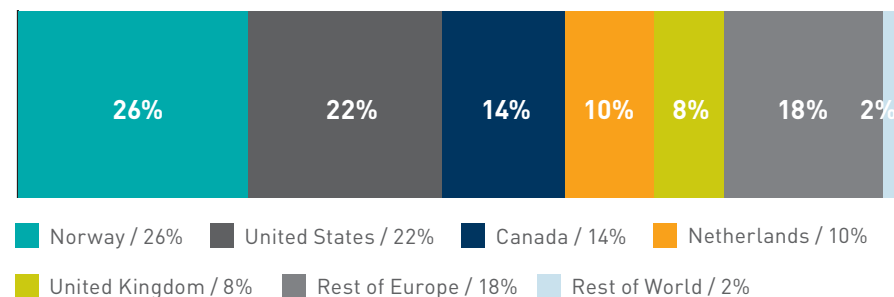
Shareholder Facts	2017	2016	2015	2014	2013
Market Value at 31 December (USD 1000s)	2,421,840	2,271,400	1,637,076	2,236,444	2,742,148
Total Equity at 31 December (USD 1000s)	1,200,102	1,169,124	1,198,088	1,339,201	1,292,979
Shares Outstanding 31 December	102,345,890	102,135,990	102,135,990	103,184,288	103,521,724
of which Treasury Shares 31 December	116,180	533,500	673,600	1,843,512	1,416,200
Volume Traded on the OSE	95,527,192	119,425,966	146,884,972	155,149,403	118,438,925
Average Daily Trading volume	380,586	472,039	585,199	620,598	475,658
Share Price at 31 December (NOK)	194.2	191.7	141.40	161.70	160.80
Share Price High (NOK at close)	208.5	193.8	201.70	209.70	229.30
Share Price Low (NOK at close)	157.7	107.0	136.20	145.40	140.00
Earnings per Share (Fully Diluted)	0.73	0.28	[0.28]	2.09	2.59
Dividend per Share (Paid in Year)	USD 0.60	USD 0.60	8.5	8.5	8.0
Yield [% closing price at day of announcement]	2.7%	3.6%	5.2%	4.9%	3.9%
Market Price/Earnings per Share (P/E)	32.04	82.14	[57.75]	10.37	10.23
Market Price/Equity per Share (P/B)	2.02	1.94	1.37	1.67	2.12
Enterprise Value/Operating profit (EV/EBIT)	22.29	39.23	[69.45]	6.72	6.36

## Distribution of Share Holdings\*:

### TGS Shareholder Composition



### TGS Shareholder Composition



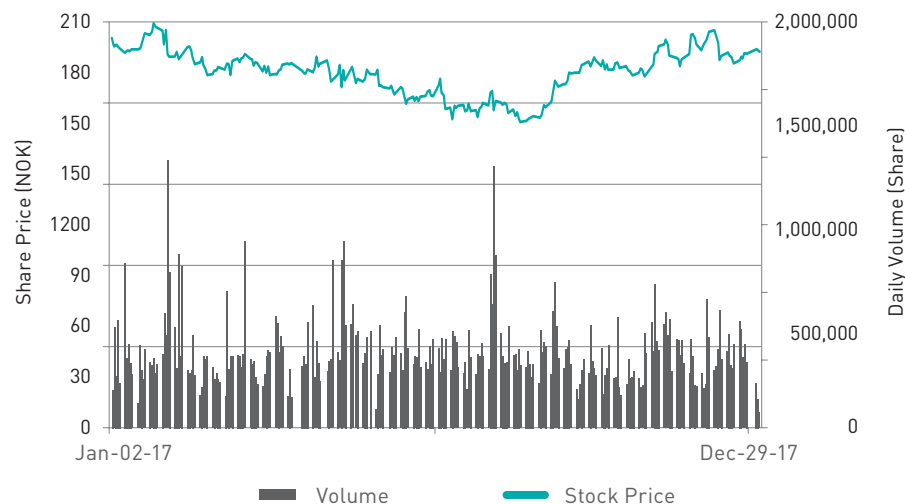
\*Based on location of beneficial owners of TGS shares rather than location of nominee accounts at 31/12/2017. Source: Nasdaq Advisory Services.

## Stock Performance and Total Return to Shareholders

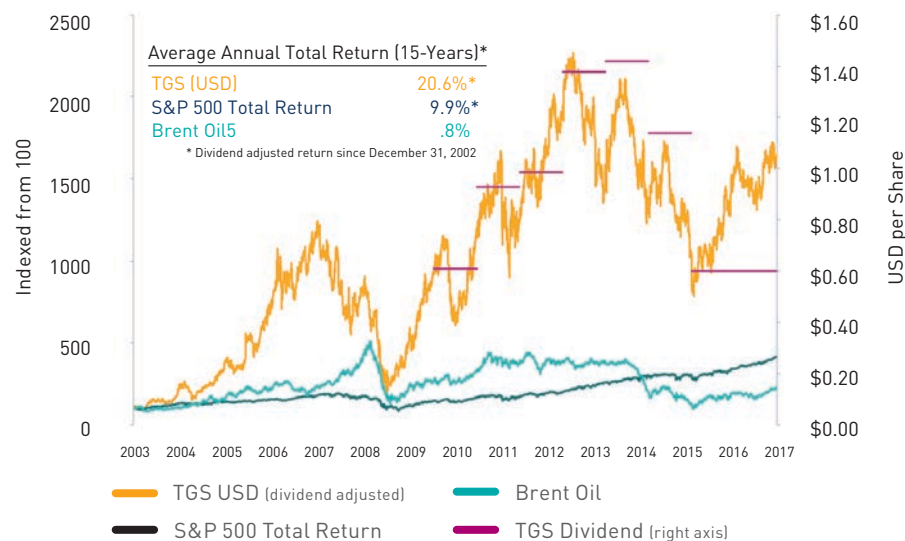
TGS is listed on the Oslo Stock Exchange and also has an American Depositary Receipt (ADR) facility managed by The Bank of New York Mellon. TGS is part of the OBX index, being among the 25 most liquid stocks in Norway.

During 2017, TGS share price increased by NOK 2.5, closing at NOK 194.20 (29 December 2017).

## TGS Share Price and Volume



## TGS Share 15 Year Total Return vs. Benchmarks



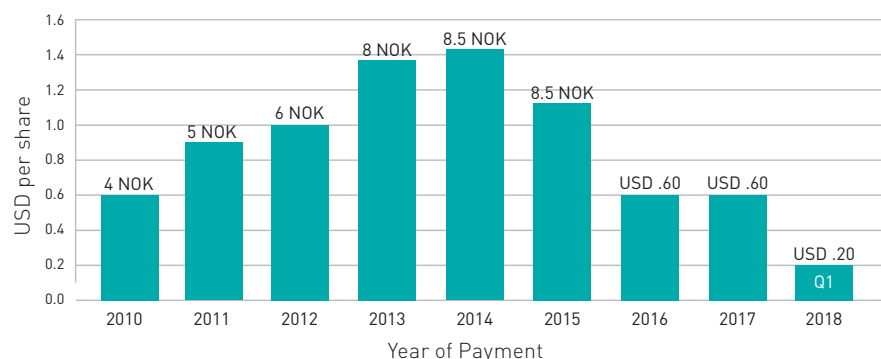


The total return from TGS stock has proven very attractive over the long term. The Total Return chart on the previous page shows total return from TGS stock over a 15 year period with share price adjusted for dividend distributions. The average annual total return during this period is 20.6% which is significantly above the total return from the S&P 500 (9.9%) and Brent oil (5.8%).

## Capital Distribution to Shareholders

The Company is constantly evaluating the best use of its cash flow from operations for continued shareholder growth. The Company uses cash for organic investments in the multi-client library, historically providing healthy returns. In addition, the company from time to time uses cash for inorganic investment opportunities. This can include the acquisition of third party libraries or complementary businesses that add value to the TGS offering.

### Dividend Paid\* (2010-2018)

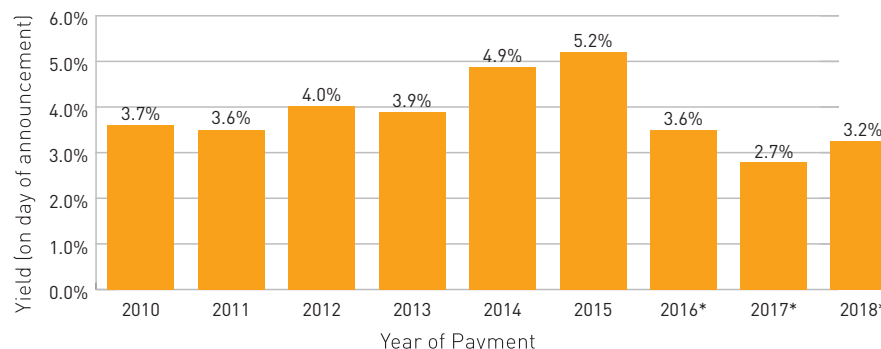


\* Quarterly Dividends, defined in USD from 2016  
Historical NOK dividends converted to USD using FX rate on ex-dividend date

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.

In addition to paying a cash dividend, TGS may also buy back its own shares as part of its plan to distribute capital to shareholders.

### Dividend Yield (2010-2018)



\*2016 - 2018 Dividend Yield annualized based on the weighted yield at the time of announcement of quarterly dividends

From 2016, TGS started paying quarterly dividends in accordance with the resolution made by the Annual General Meeting on 6 May 2015 and renewed on 9 May 2017. The aim is to keep a stable quarterly dividend through the year, but the actual level paid will be subject to continuous evaluation the underlying development of the Company and the market.

The ex-dividend date will normally be seven days after the announcement of the dividend in connection with the release of quarterly financial statements, with the payment date 14 days after the ex-dividend date.

The TGS Board of Directors resolved to increase the quarterly dividend by 33% to USD 0.20 per share in Q1 2018. The share traded ex-dividend on 15 February 2018 and the dividend was paid on 1 March 2018.

## Investor Relations at TGS

TGS places great emphasis on providing accurate and timely information to the market and shareholders. The earnings reports and press releases are issued only in English to ensure simultaneous and consistent information to all shareholders.

The full year financial reporting calendar is published and posted on the TGS website. This calendar is updated annually following the second quarter earnings release. The quarterly earnings results are either presented and

webcast live in Oslo, Norway or they are pre-recorded and published prior to the market opening on the date of the release. TGS entertains questions at the live presentations and the CEO and CFO host a conference call allowing questions and answers on the day of the release. All presentation material, including the question and answer sessions, are published on the TGS website in near real time. In addition to the quarterly and annual financial reports, TGS also provides interim information of significance through press releases to aid in the assessment of the Company's value. TGS management maintains a quiet period on discussing significant business during intervals spanning the last weeks of a financial quarter and up to the pre-announcement of revenues for that financial period. From Q1 2018, TGS will pre-announce revenues no later than the sixth trading day at the Oslo Stock Exchange after quarter close.

The general shareholders meetings for TGS are held in Oslo, Norway. All shareholders are invited to attend. Shareholders who want to attend a shareholders meeting must notify the Company about their attendance at the latest three business days before the day of the meeting. Shareholders who have not given notice of attendance can be denied the right to meet and vote at a shareholders meeting. Documents concerning matters to be considered at the general shareholders meetings are made available on the Company's website prior to the event. To vote at an annual or extraordinary general meeting, a shareholder must be registered as a holder of title to the shares to be voted in the share register maintained at the Norwegian Central Securities Depository (VPS), in due time before the shareholders meeting.

TGS Executive Management is available for direct contact with investors, potential investors and analysts on an ongoing basis and regularly participates in road shows and investor conferences in both Europe and North America. Historical financial reports can be found on the TGS website at <http://www.tgs.com/investor-center/financial-reports/>.

For more information regarding TGS, contact Sven Børre Larsen or Will Ashby.



**Sven Børre Larsen**  
CFO  
Asker, Norway



**Will Ashby**  
VP HR & Communication  
Houston, TX U.S.A







## Norway

### **TGS-NOPEC Geophysical Company ASA** *(Financial Headquarters)*

Lensmannslia 4  
Asker, N-1386, Norway  
**Tel:** +47 66 76 99 00  
**Fax:** +47 66 76 99 10  
**Email:** info@tgs.com

## UK

### **TGS Geophysical Company (UK) Limited**

1 The Crescent  
Surbiton, Surrey, KT6 4BN, UK  
**Tel:** +44 (0) 208 339 4200  
**Fax:** +44 (0) 208 339 4249  
**Email:** info@tgs.com

### **TGS Geophysical Company (UK) Limited**

Graylaw House  
21/21A Goldington Road  
Bedford, MK40 3JY, UK  
**Tel:** +44 (0) 1234 272122  
**Fax:** +44 (0) 1234 325956  
**Email:** info@tgs.com

## Australia

### **TGS-NOPEC Geophysical Company**

Ground Floor, 1110 Hay Street  
West Perth, WA, 6005, Australia  
**Tel:** +61 8 9480 0000  
**Fax:** +61 8 9321 5312  
**Email:** info@tgs.com

## USA

### **TGS-NOPEC Geophysical Company** *(Operational Headquarters)*

10451 Clay Road  
Houston, Texas, 77043, USA  
**Tel:** +1 713 860 2100  
**Fax:** +1 713 334 3308  
**Email:** info@tgs.com

### **TGS Geological Products and Services**

1010 Common Street  
Suite 2040  
New Orleans, Louisiana, 70112, USA  
**Tel:** +1 504 524 3450  
**Fax:** +1 504 524 3454  
**Email:** info@tgs.com

## Canada

### **TGS Canada Corp.**

2100, 250 - 5th Street SW  
Calgary, Alberta, T2P 0R4, Canada  
**Tel:** +1 403 781 1700  
**Fax:** +1 403 781 1710  
**Email:** info@tgs.com

## Mexico

### **TGS AP Investments AS**

Periferico Sur number 4302 - 105  
Col. Jardines del Pedregal  
Del. Alvaro Obregon, C.P. 04500  
Mexico City, Mexico  
**Tel:** +1 713 860 2100  
**Fax:** +1 713 334 3308  
**Email:** info@tgs.com

## Brazil

### **TGS do Brazil Ltda.**

Rua da Assembléia, No. 100, 29th floor  
Centro, Rio de Janeiro, Brazil  
CEP: 20011-904  
**Tel:** +55 21 3529 9150  
**Fax:** +1 713 334 3308  
**Email:** info@tgs.com

## Singapore

### **TGS-NOPEC Geophysical Company** **Pte Ltd c/o Regus Collyer Quay**

#20-00 Income at Raffles, 16 Collyer  
Quay  
Singapore, 049318  
**Tel:** +65 6 884 6461  
**Fax:** +61 8 9321 5312  
**Email:** info@tgs.com





See the energy at [TGS.com](http://TGS.com)