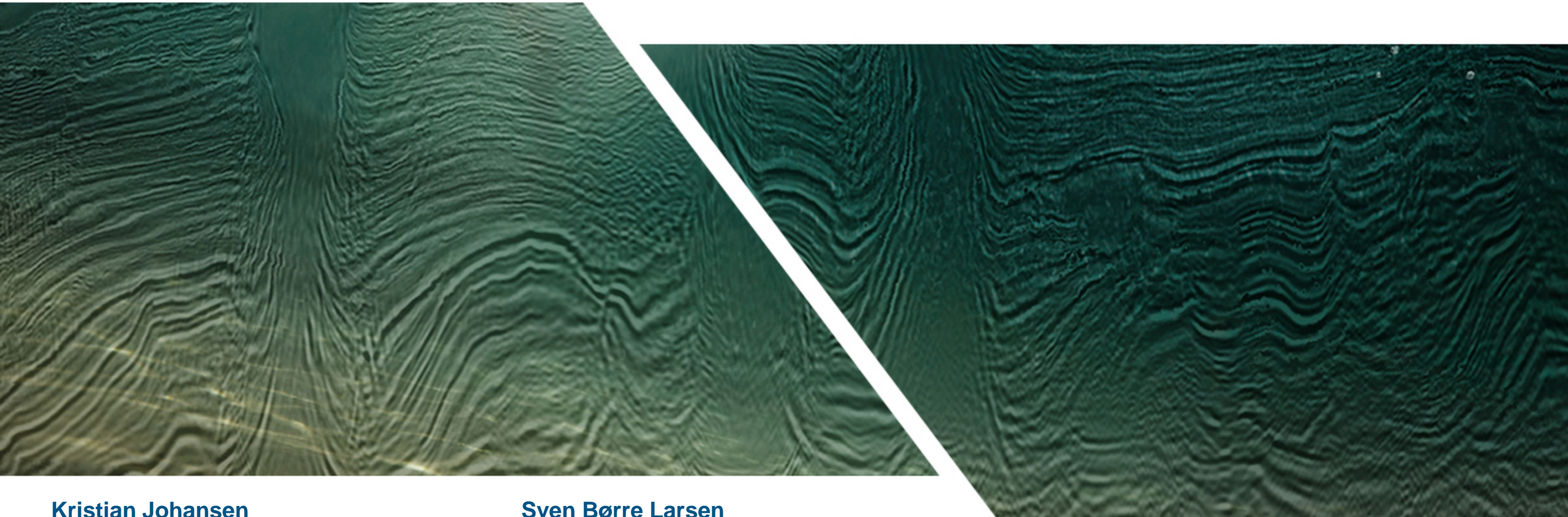




## Q2 2017 Earnings Release



**Kristian Johansen**

CEO

3 August 2017

**Sven Børre Larsen**

CFO

# Forward-Looking Statements

All statements in this presentation other than statements of historical fact, are forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions that are difficult to predict and are based upon assumptions as to future events that may not prove accurate. These factors include TGS' reliance on a cyclical industry and principal customers, TGS' ability to continue to expand markets for licensing of data, and TGS' ability to acquire and process data products at costs commensurate with profitability. Actual results may differ materially from those expected or projected in the forward-looking statements. TGS undertakes no responsibility or obligation to update or alter forward-looking statements for any reason.

# Q2 2017 Highlights

- Q2 net revenues of 108 MUSD, slightly below Q2 2016 but up 25% from Q1 2017
  - Net late sales of 79 MUSD, compared to 84 MUSD in Q2 2016
  - Net pre-funding revenues of 27 MUSD were up 3% from Q2 2016, funding 46% of TGS' operational multi-client investments for the quarter
  - Operational multi-client investments of 59 MUSD in addition to 2 MUSD from risk sharing arrangements
- Operating profit for the quarter was 18 MUSD compared to 22 MUSD in Q2 2016
- Strong cash flow from operations of 53 MUSD compared to 9 MUSD in Q2 2016
  - Cash balance of 239 MUSD in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.15 per share
- Improved visibility for Q3
  - Backlog increase to 127 MUSD, up 24% from Q2 2016
  - Record-high survey acquisition activity in Q3

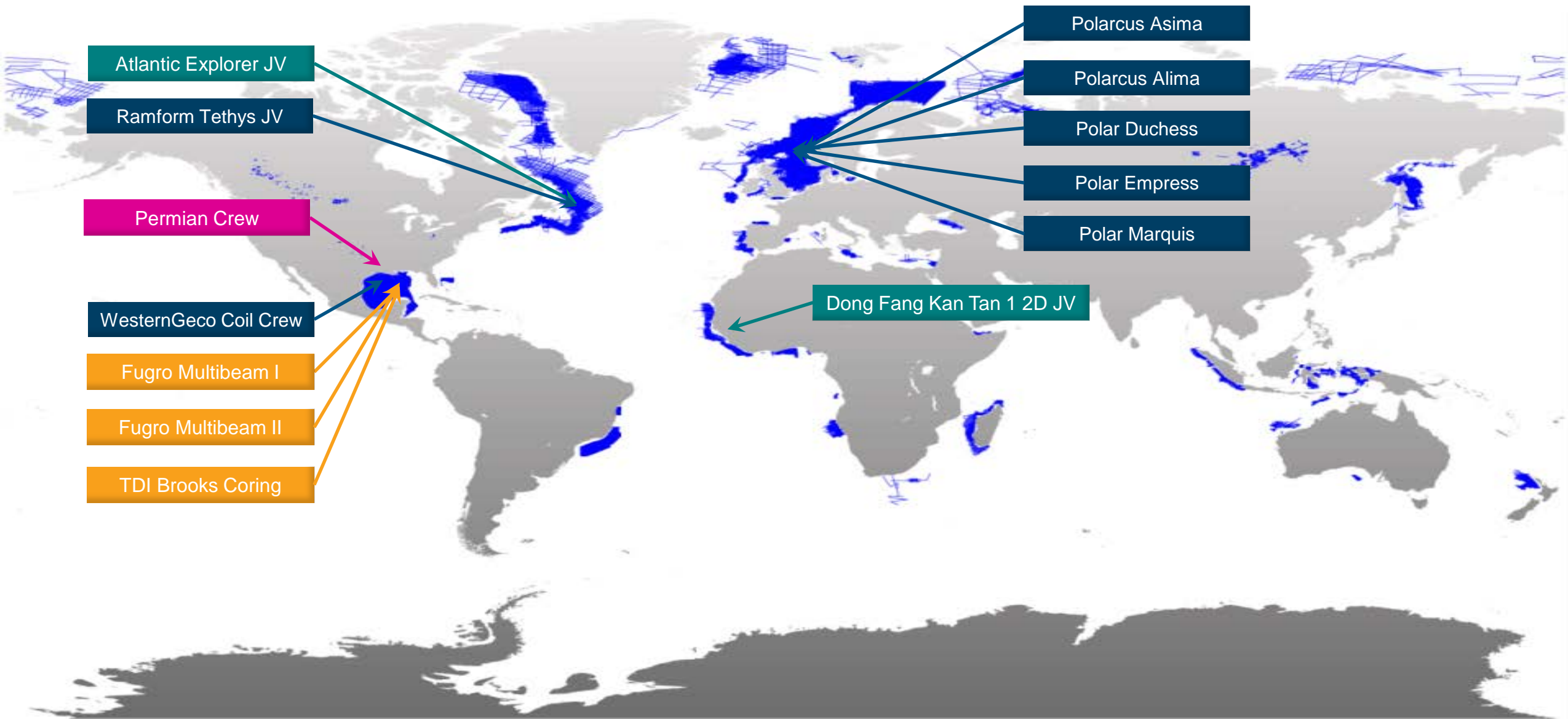


The background of the slide features a complex, abstract pattern of wavy, concentric lines in various shades of teal and green. These lines create a sense of depth and movement, resembling ripples on water or a topographical map. In the bottom-left corner, there is a faint, light-colored grid pattern that contrasts with the organic, flowing lines of the rest of the slide.

# Operational Highlights



# Q2 2017 Operations



# Q2 Activity – U.S. Gulf of Mexico

## Revolution XII/XIII

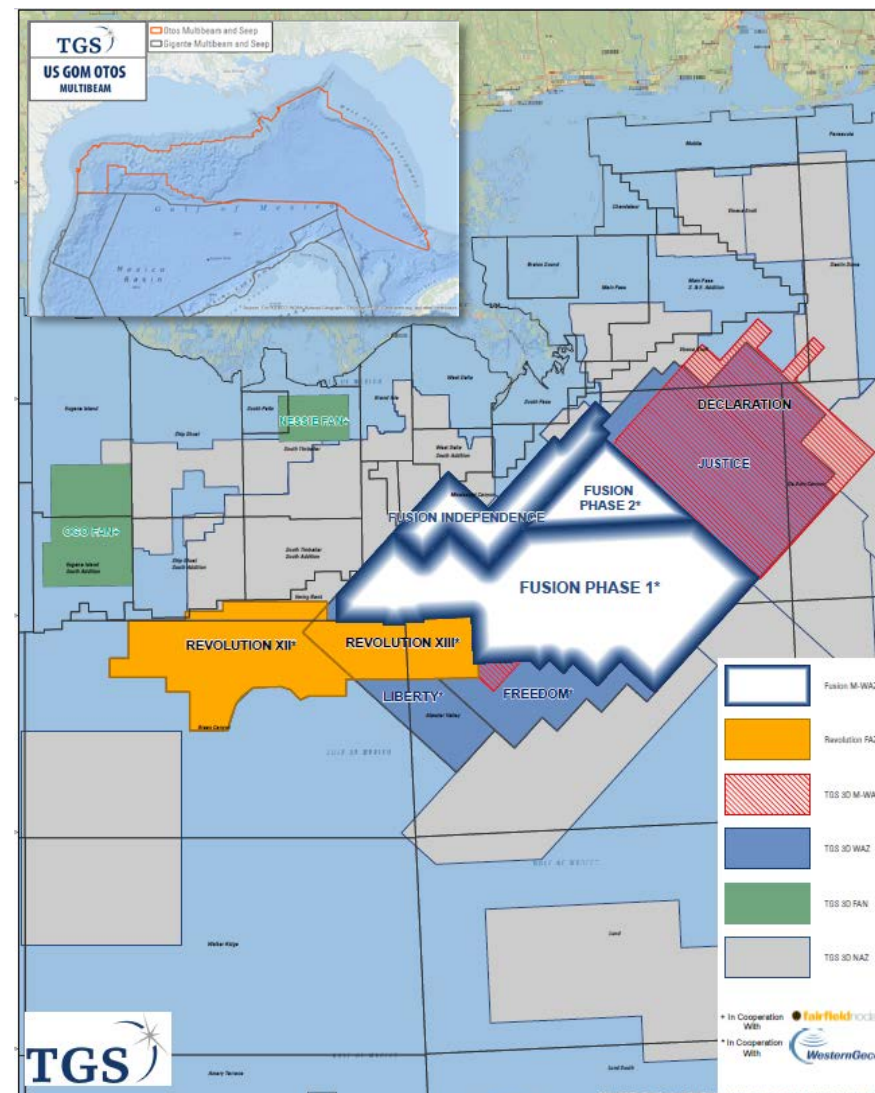
- ~7,150 km<sup>2</sup> (306 OCS blocks) multi-client full-azimuth survey in collaboration with Schlumberger in Green Canyon, Atwater Valley and Ewing Bank areas
- Dual Coil Shooting Acquisition completed in early Q2

## Fusion M-WAZ reimaging program

- M-WAZ reimaging program in collaboration with Schlumberger in Mississippi Canyon, Atwater Valley and Ewing bank areas
- Expanded to ~27,000 km<sup>2</sup> (1,166 OCS blocks ) with industry funding
- Reimaging is 50% complete with final data delivery mid-2018

## Otos multibeam and seep study

- ~289,000 km<sup>2</sup> multibeam acquisition completed in early Q2; acquisition of 350 cores and associated advanced geochemistry analysis underway
- Designed to mirror the successful Gigante multibeam and seep study in the Mexican GOM





# Q2 Activity – East Canada

## Newfoundland Labrador 2D – 2017 Season

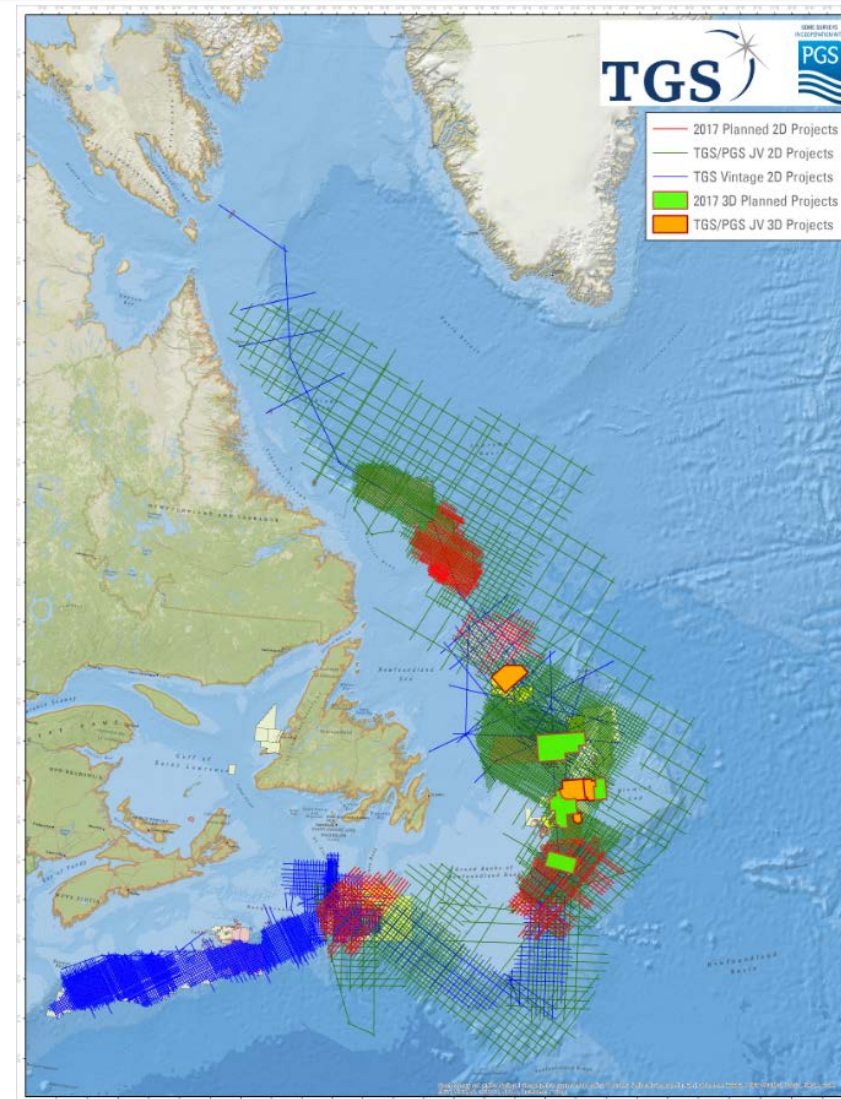
- 22,000 km multi-client 2D survey infilling and extending existing JV data in the region; targeting 2019 and 2020 Sectors of the Scheduled Land Tenure

## Long Range 3D

- ~9,100 km<sup>2</sup> multi-client survey over open acreage within 2018 Sector of the Scheduled Land Tenure

## Well positioned for future licensing rounds

- 2D campaign and Long Range 3D to continue in Q3 along with East Flemish Pass 3D, Harbour Deep 3D and Cape Broyle 3D to bring total 3D acquisition volume to 19,550 km<sup>2</sup> in 2017
- Following the most active year ever in this region, the TGS/PGS JV library will exceed 175,000 km of 2D data and 30,800 km<sup>2</sup> of 3D data in addition to 83,700 km of TGS vintage data, an expansive well log library and advanced multi-client interpretation products



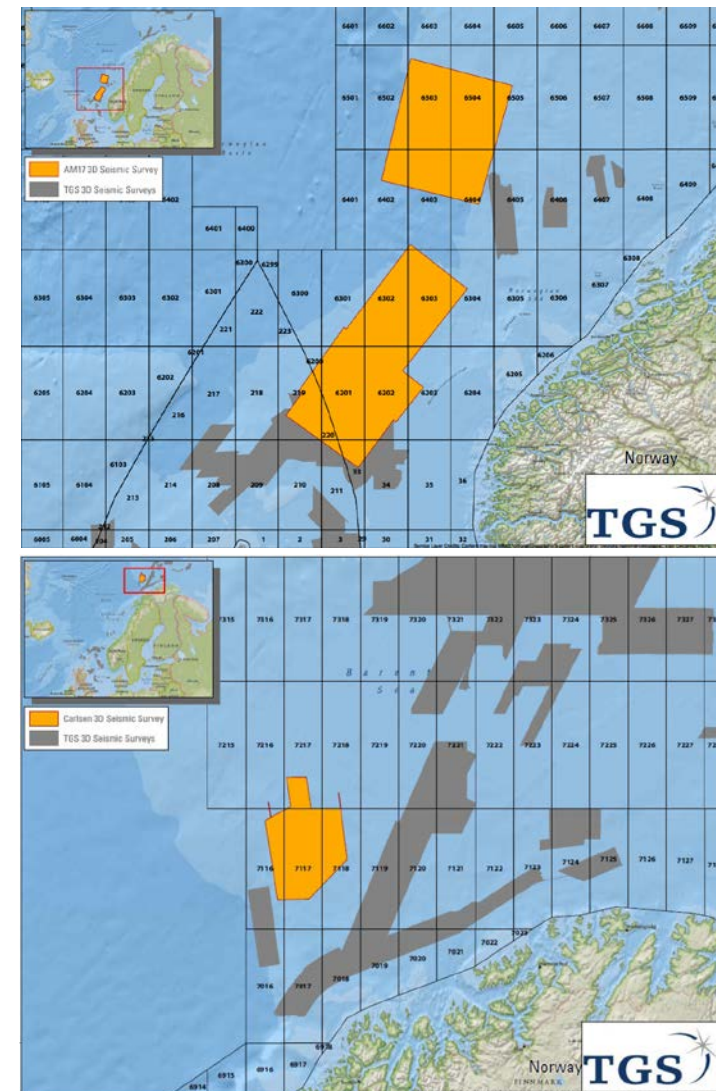
# Q2 Activity – Norway

## AM17 Atlantic Margin 3D

- 40,000 km<sup>2</sup> project in the central-southern Norwegian Sea – largest 3D survey carried out by any company in Northern Europe
- Covers largely open blocks in a relatively under-explored area with limited drilling to date
- Several underlying blocks included in the 24<sup>th</sup> licensing round
- Acquisition in 2017 and 2018

## Carlsen 3D

- 5,490 km<sup>2</sup> multi-client survey located in the Southwest Barents Sea
- Open acreage with blocks included in the 24<sup>th</sup> licensing round
- Acquisition to complete in Q3 2017





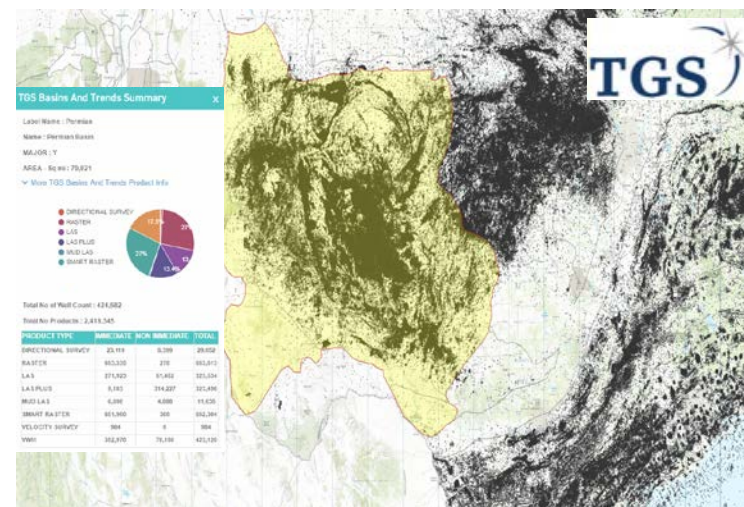
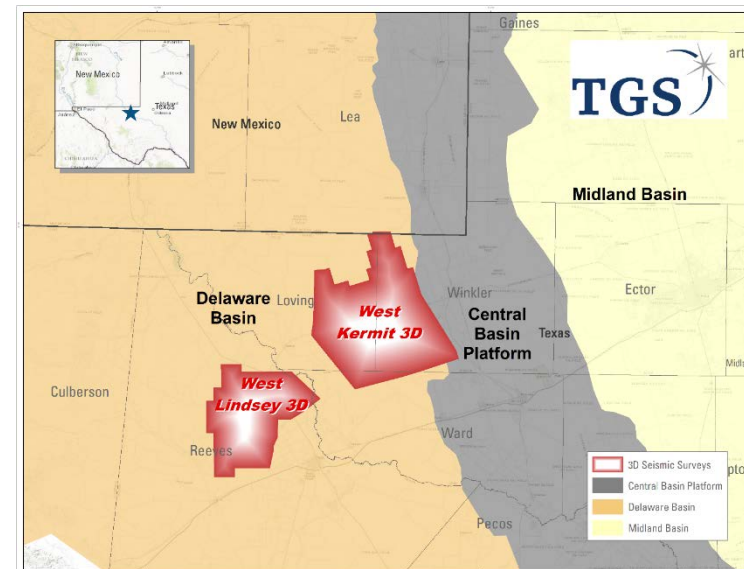
# Q2 Activity – U.S. Land

## West Kermit 3D

- 1,050 km<sup>2</sup> high-resolution 3D multi-client project in Loving and Winkler counties, TX, in the Delaware basin
- TGS' first seismic survey in the prolific Permian
- Data acquisition expected to complete in early Q4 2017
- Second Permian seismic survey, 520 km<sup>2</sup> West Lindsey 3D, expected to commence in Q3 2017

## Permian Well Database

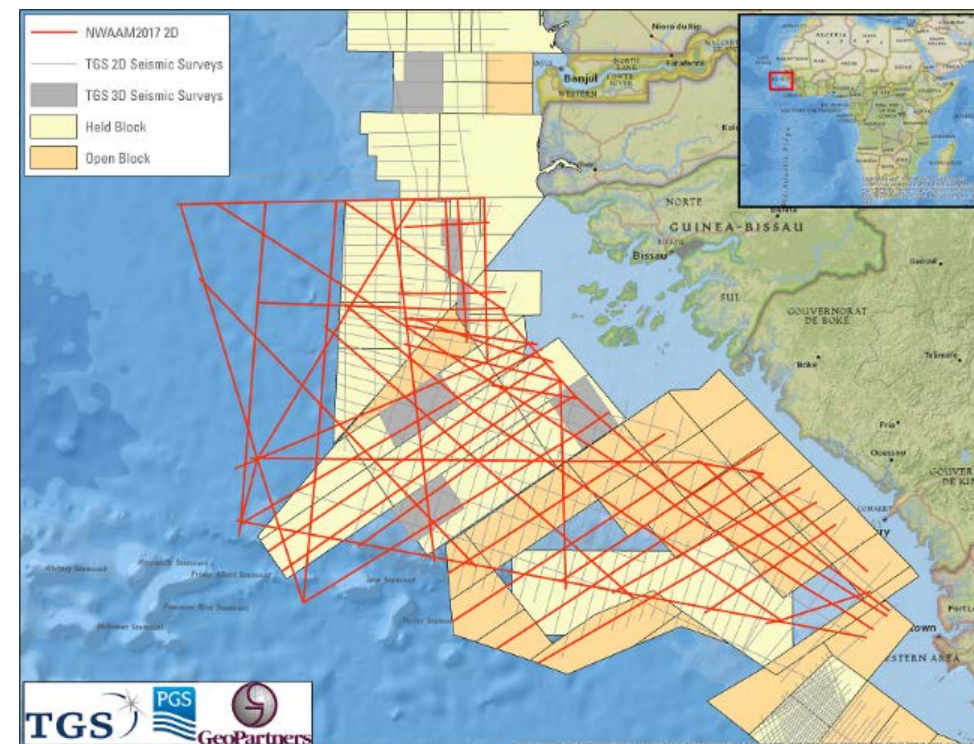
- Comprehensive Permian well database announced to clients in Q1 2017
- Expanded to over 458,000 wells in Q2 2017 (including validated well headers and digital LAS) supported by multiple interpretive products
- TGS data will allow operators to better assess the positions available in the basin, prepare for A&D activity, and ensure the safe, reliable, and optimal production of their acreage positions



# Q2 Activity – Africa Middle East

## NWAAM 2017

- Extended to over 22,500 km of multi-client 2D seismic in partnership with PGS and GeoPartners; acquisition completed in Q2 2017
- Designed to infill, extend and complement the TGS NWAAM 2012 2D survey which helped with recent commercial discoveries in the MSGBC basin
- Confirms TGS commitment to the leading frontier basin in Africa, where TGS now has over 50,000 km of 2D data and 8,000 km<sup>2</sup> of 3D data



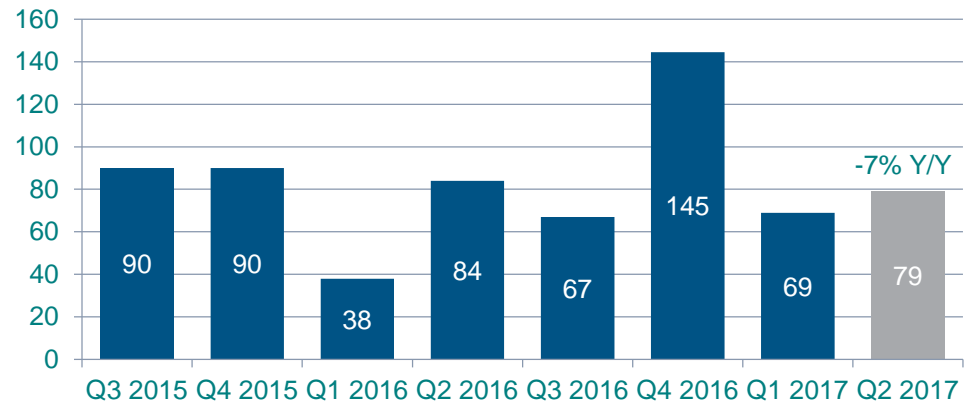




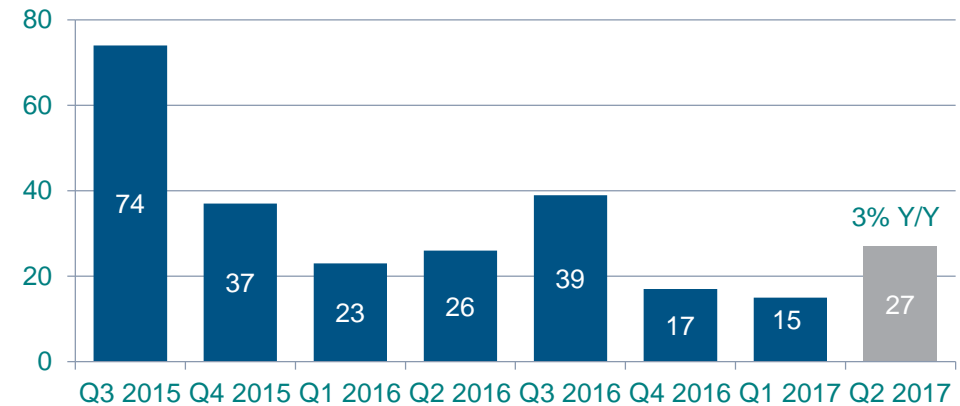
# Financials

# Net Revenues

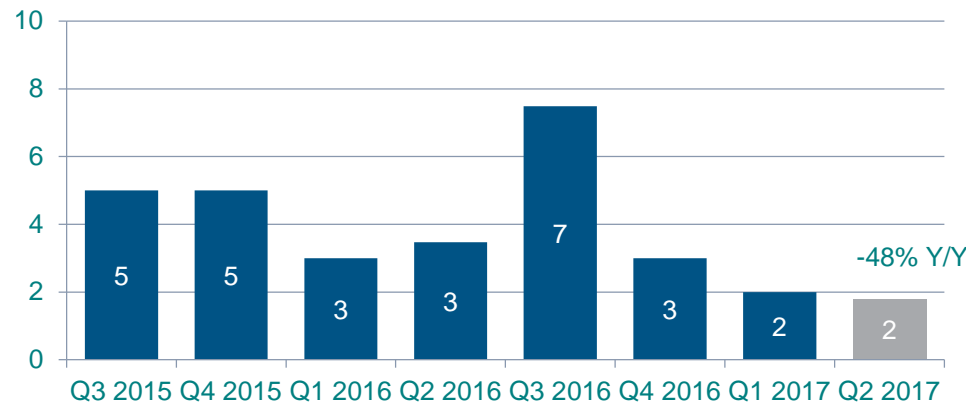
Late sales revenues



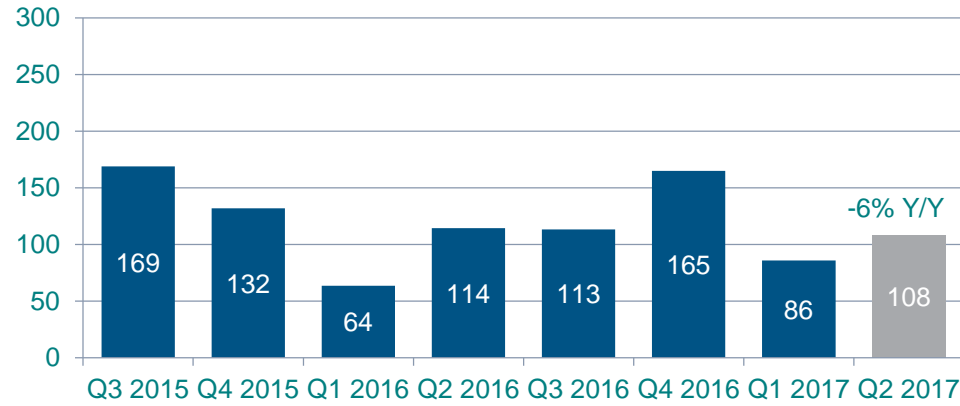
Prefunding revenues



Proprietary revenues

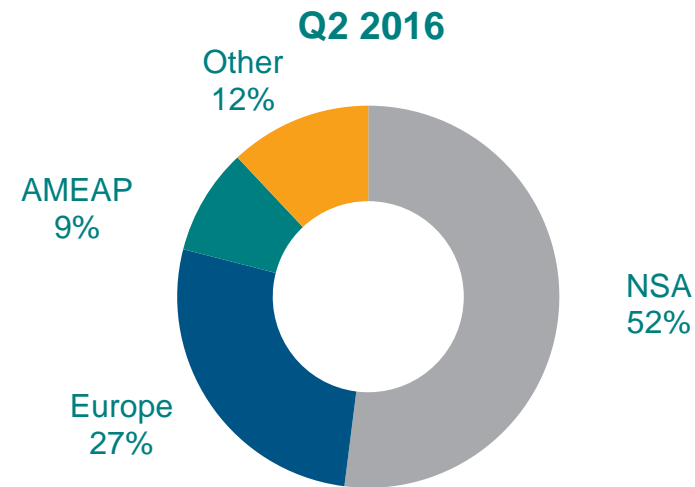
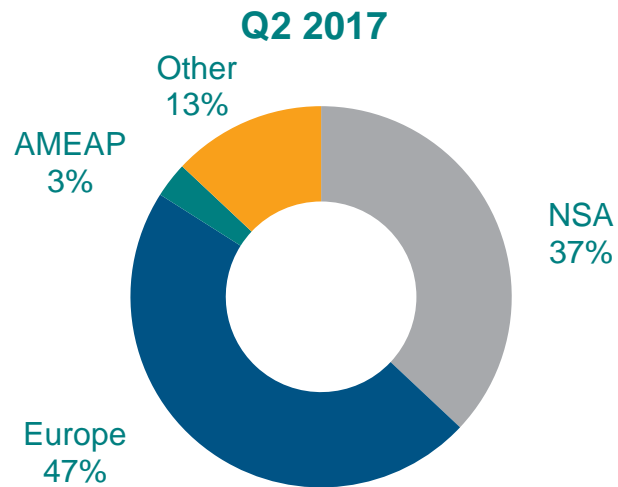
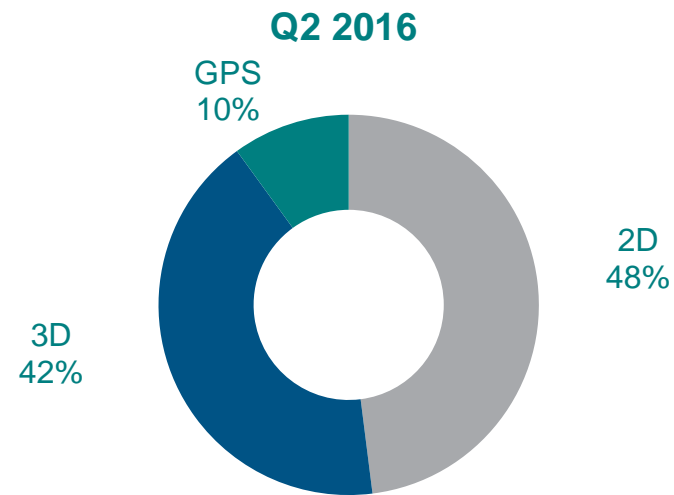
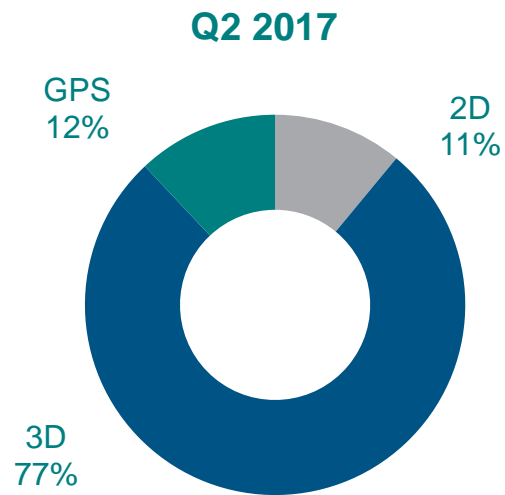


Total revenues

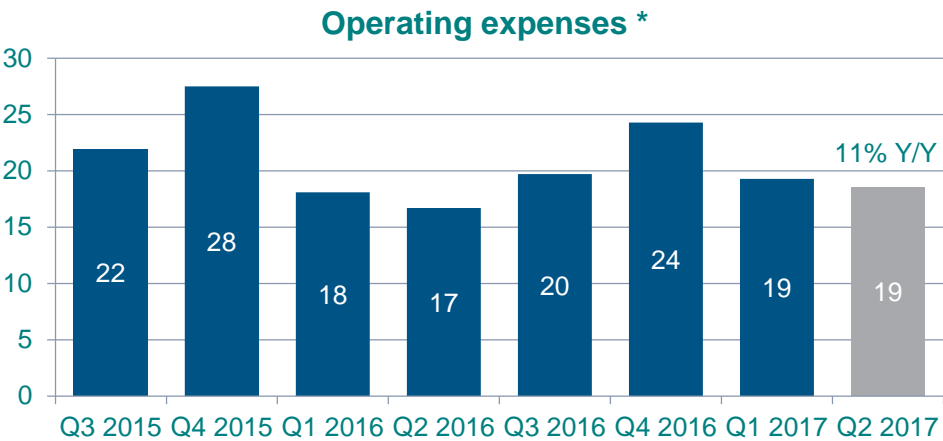




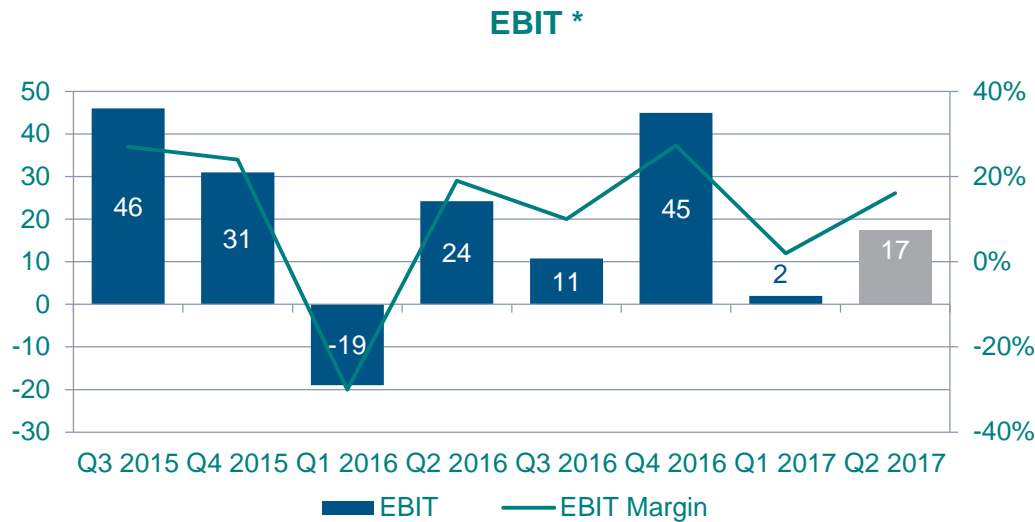
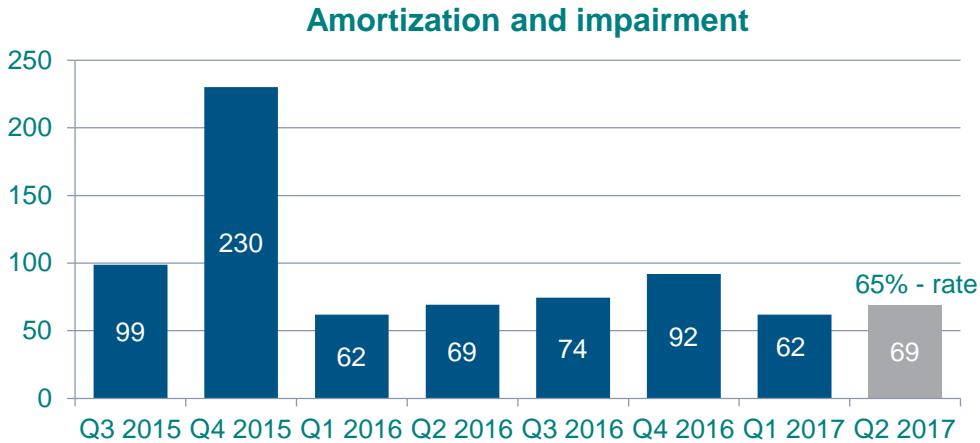
# Net Revenue Breakdown



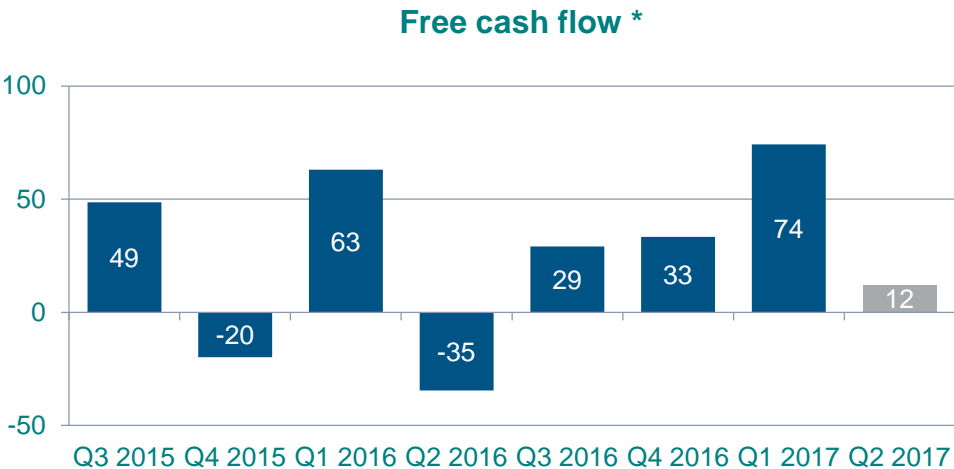
# Operating Expenses, EBIT, Free Cash Flow



\* Include personnel costs and other operating expenses. Adjusted for restructuring costs and larger impairments of operating items



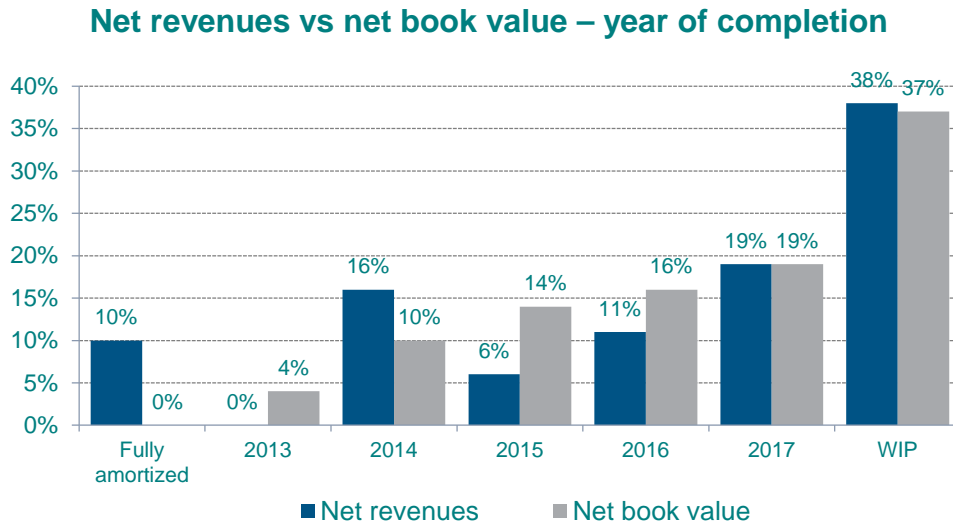
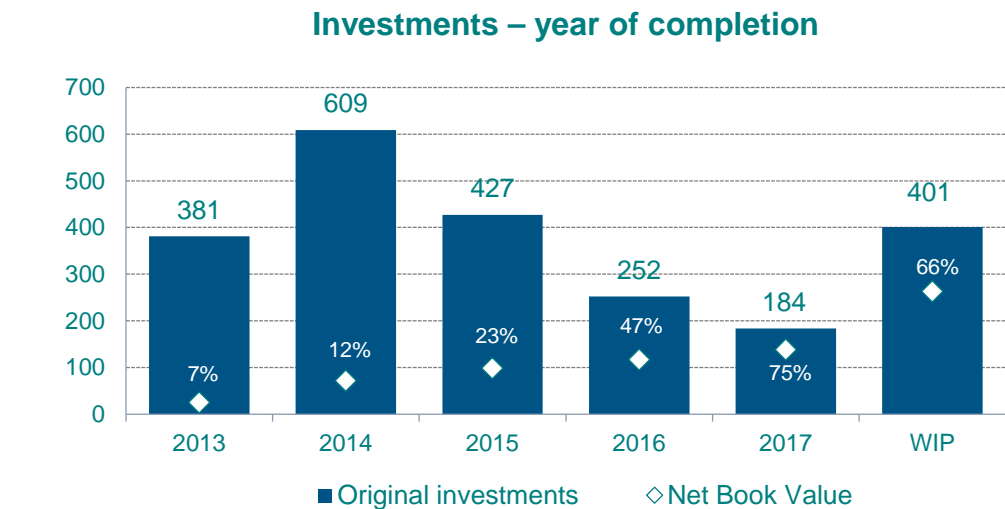
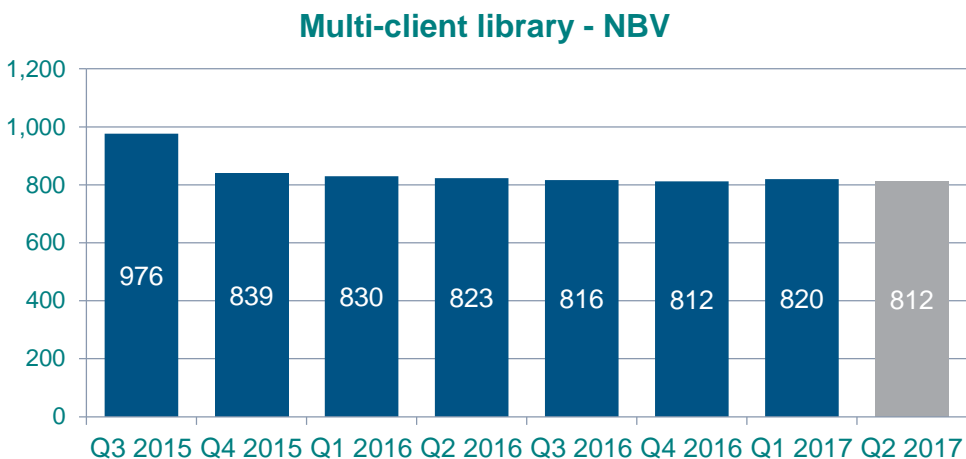
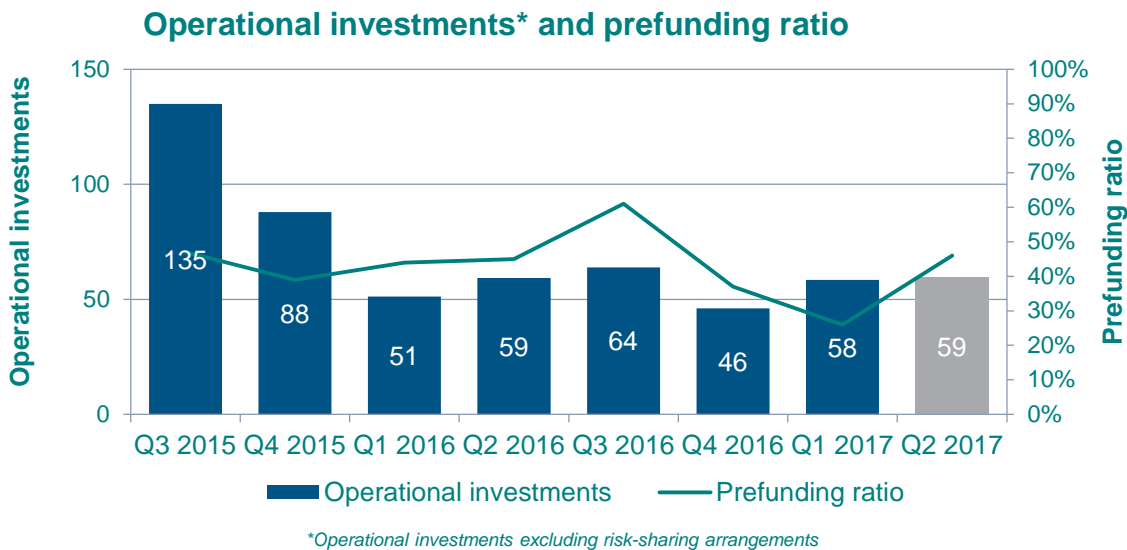
\* Earnings before interest and taxes and excluding larger impairments and restructuring costs



\* Defined as cash flow from operational activities minus operational cash investments in multi-client projects



# Multi-Client Library



# Q2 2017 Income Statement

USD million, except EPS		Q2 2017	Q2 2016	Change in %
<b>Net revenues</b>		<b>108</b>	<b>114</b>	<b>-6%</b>
Cost of goods sold – proprietary and other		0.3	0.8	-67%
Amortization of multi-client library	65%	69	69	0%
<b>Gross margin</b>		<b>38</b>	<b>44</b>	<b>-13%</b>
Personnel costs		12	11	9%
Other operating expenses		6	9	-30%
Cost of stock options		0.1	0.3	-71%
Depreciation		2	3	-20%
<b>Operating profit</b>	<b>17%</b>	<b>18</b>	<b>22</b>	<b>-16%</b>
Net financial items		-1	-0.3	-318%
<b>Profit before taxes</b>	<b>16%</b>	<b>17</b>	<b>21</b>	<b>-21%</b>
Taxes		7	5	62%
<b>Net Income</b>	<b>9%</b>	<b>10</b>	<b>17</b>	<b>-43%</b>
EPS, Undiluted		0.09	0.17	-43%
EPS, Fully Diluted		0.09	0.17	-43%



# Q2 2017 Cash Flow Statement

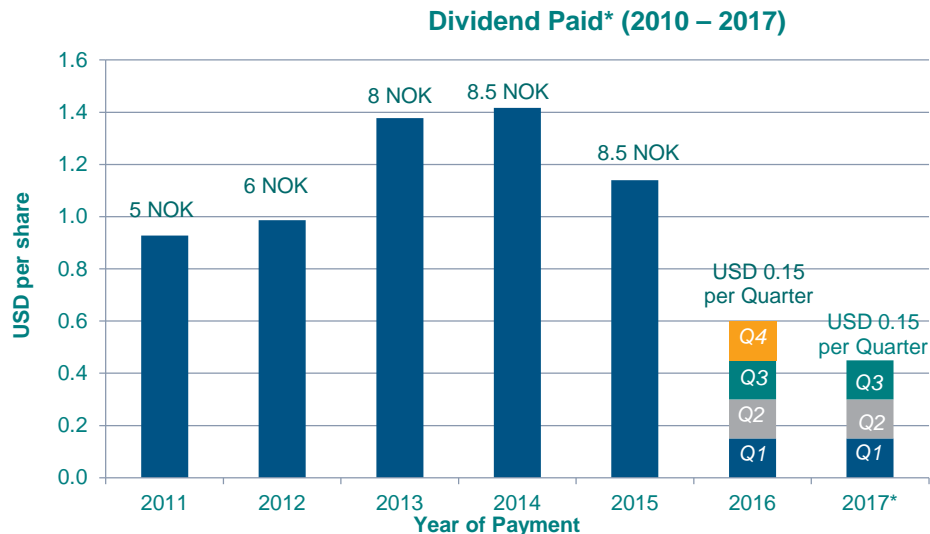
USD million	Q2 2017	Q2 2016	Change in %
Received payments from customers	74	28	159%
Payments for operational expenses	(18)	(19)	3%
Paid taxes	(2)	-	N/A
<b>Operational cash flow</b>	<b>53</b>	<b>9</b>	<b>460%</b>
Investments in tangible and intangible assets	(3)	(1)	-156%
Investments in multi-client library	(41)	(44)	6%
Investments through mergers and acquisitions	(5)	-	N/A
Interest received	0.2	0.3	-17%
Interest paid	(0.1)	(0.3)	71%
Dividend payments	(15)	(14)	-13%
Proceeds from share issuances	2	2	49%
<b>Change in cash balance</b>	<b>-8</b>	<b>-48</b>	<b>82%</b>

# Balance Sheet

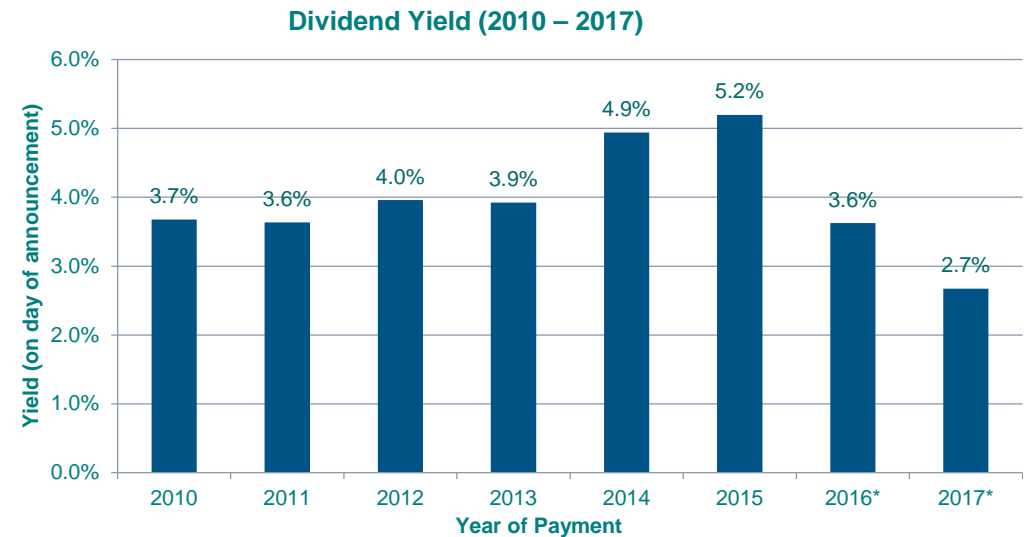
USD million	Q2 2017	Q1 2017	Change in %	Q4 2016
<b>Assets</b>				
Cash and cash equivalents	239	248	-4%	191
Other current assets	268	219	22%	353
<b>Total current assets</b>	<b>508</b>	<b>467</b>	<b>9%</b>	<b>544</b>
Intangible assets and deferred tax asset	84	85	-1%	86
Other non-current assets	2	10	-83%	11
Multi-client library	812	820	-1%	812
Fixed assets	21	22	-5%	23
<b>Total Assets</b>	<b>1,426</b>	<b>1,405</b>	<b>2%</b>	<b>1,477</b>
<b>Liabilities</b>				
Current liabilities	227	192	18%	262
Non-current liabilities	5	8	-35%	6
Deferred tax liability	33	42	-21%	39
<b>Total Liabilities</b>	<b>265</b>	<b>242</b>	<b>10%</b>	<b>307</b>
<b>Equity</b>	<b>1,161</b>	<b>1,162</b>	<b>0%</b>	<b>1,169</b>
<b>Total Liabilities and Equity</b>	<b>1,426</b>	<b>1,405</b>	<b>2%</b>	<b>1,477</b>



# Dividend stable at USD 0.15 per share



\*Quarterly Dividends, defined in USD from 2016  
Historical NOK dividends converted to USD using FX rate on ex-dividend date



\*2016 and 2017 Dividend Yield annualized based on the weighted yield at the time of announcement of quarterly dividends

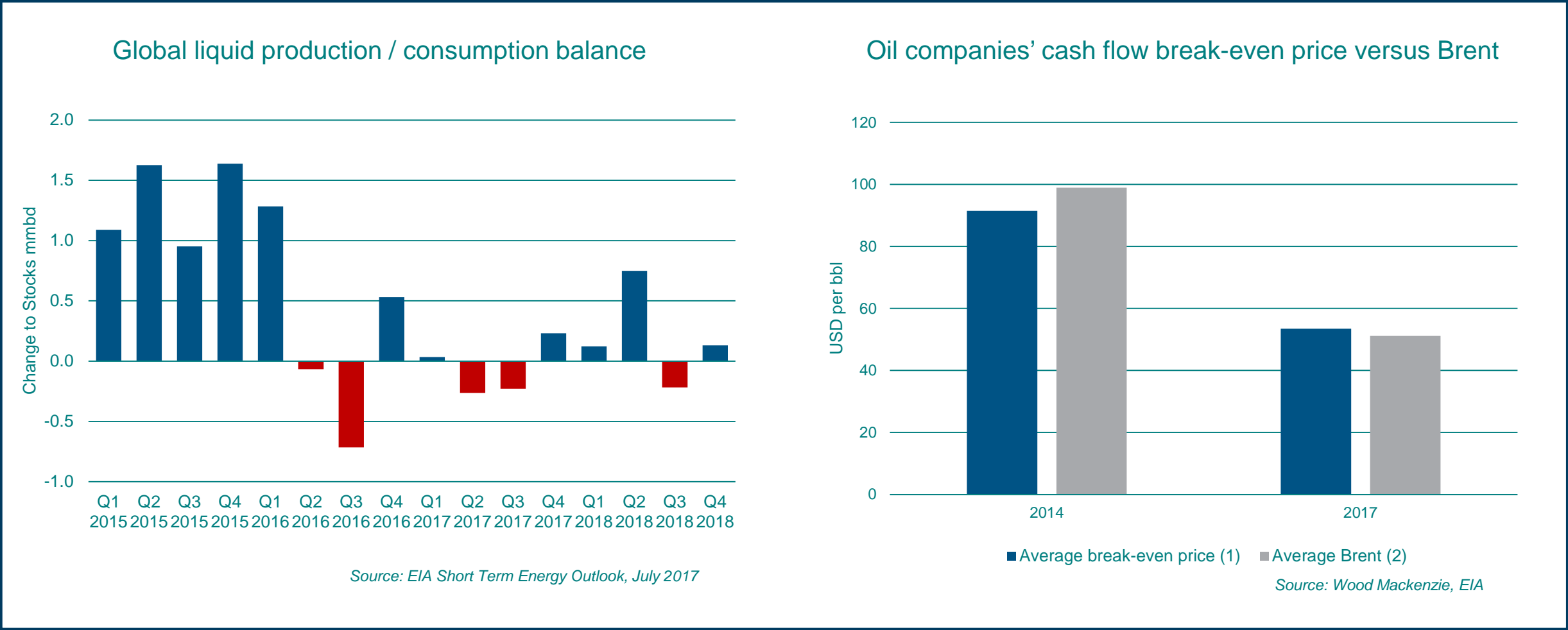
- Shareholder authorization to distribute quarterly dividend payments
  - Aim to keep a stable quarterly dividend through the year
  - Actual quarterly dividend level paid will be subject to continuous evaluation of market outlook, cash flow expectations and balance sheet development
- Q3 2017: USD 0.15 per share to be paid on 24 August 2017
  - Shares will trade ex-dividend on 10 August 2017



# Outlook



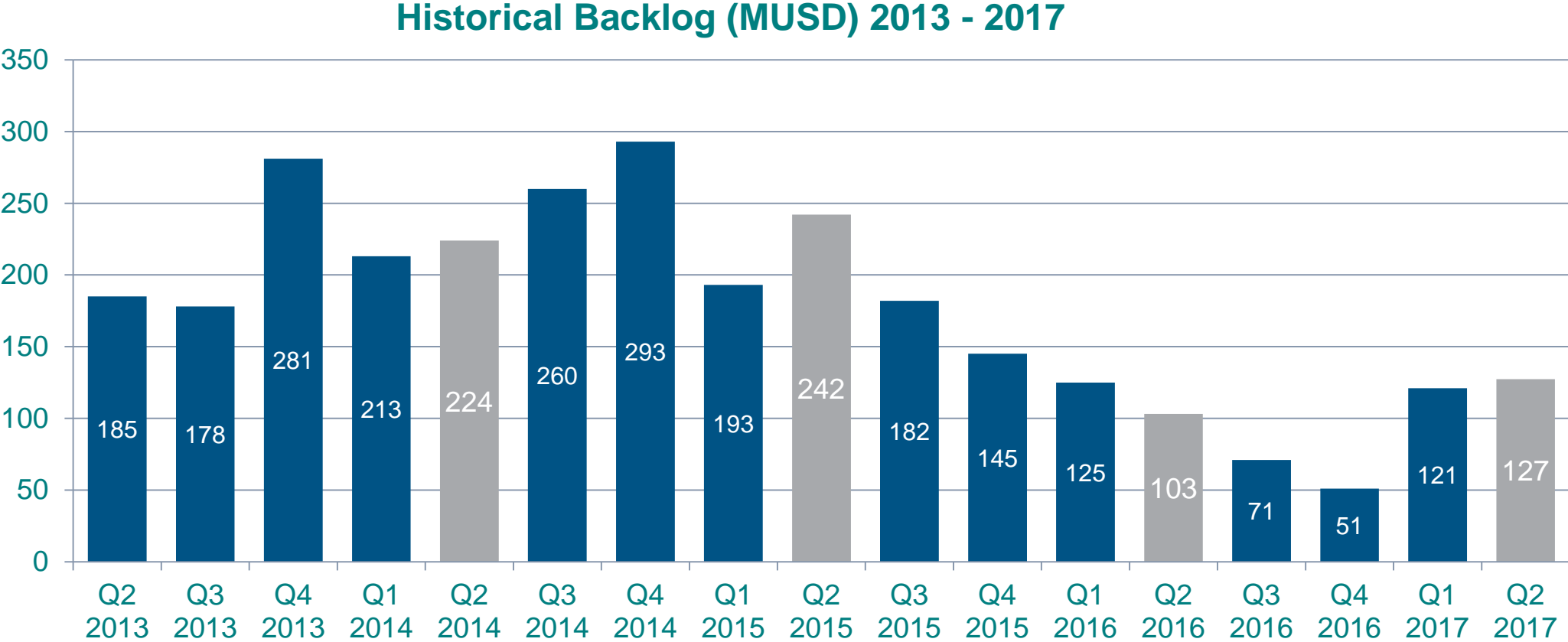
# Oil price uncertainty persists – but lower cost stimulating exploration activity



1. Base-case estimate of Brent price required to remain cash flow neutral (accumulate no additional debt) between 2017 and 2019 for more than 50 of the world's leading oil companies, as estimated by Wood Mackenzie. Includes upstream costs and pro-rated shareholder distributions. Excludes downstream cash flow

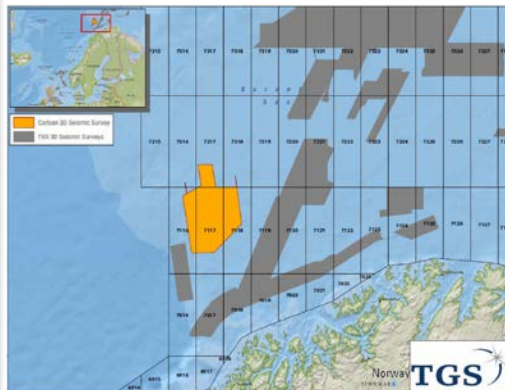
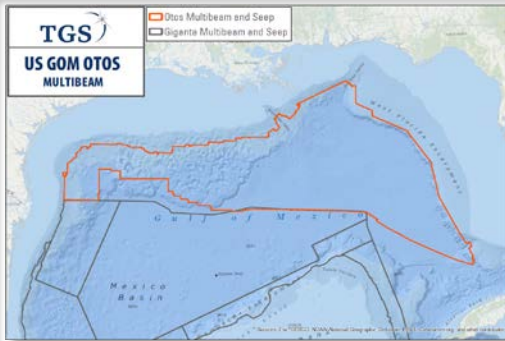
2. Year-to-date for 2017

# Backlog increase of 24% relative to Q2 2016





# Record High Activity in Q3 2017



## New Activity Announced Today:

### U.S GOM Project Expansions:

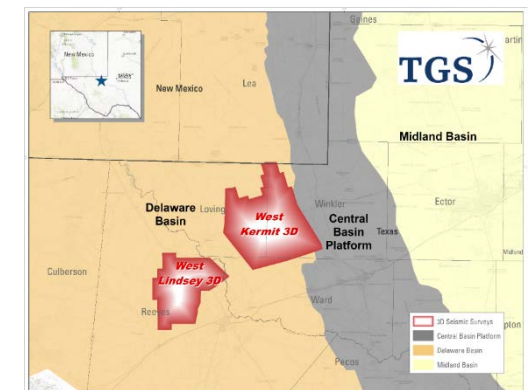
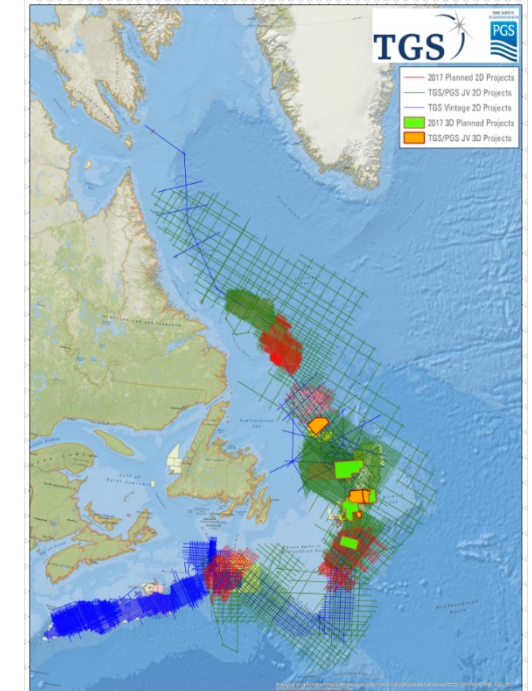
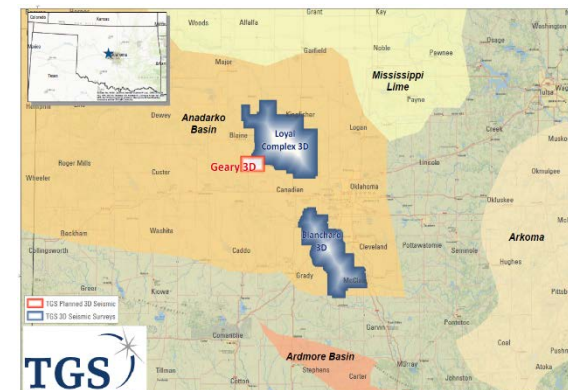
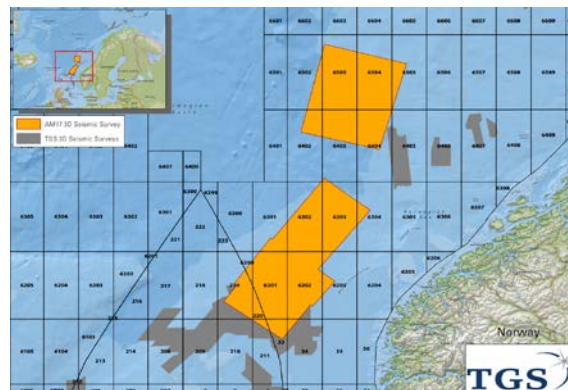
- Fusion re-imaging expanded to 27,000 km<sup>2</sup> (1,166 blocks)
- Otos seafloor sampling expanded from 250 to 350 seafloor cores

### Eastern Canada Project Expansion:

- Harbour Deep 3D expanded to ~5,000 km<sup>2</sup>

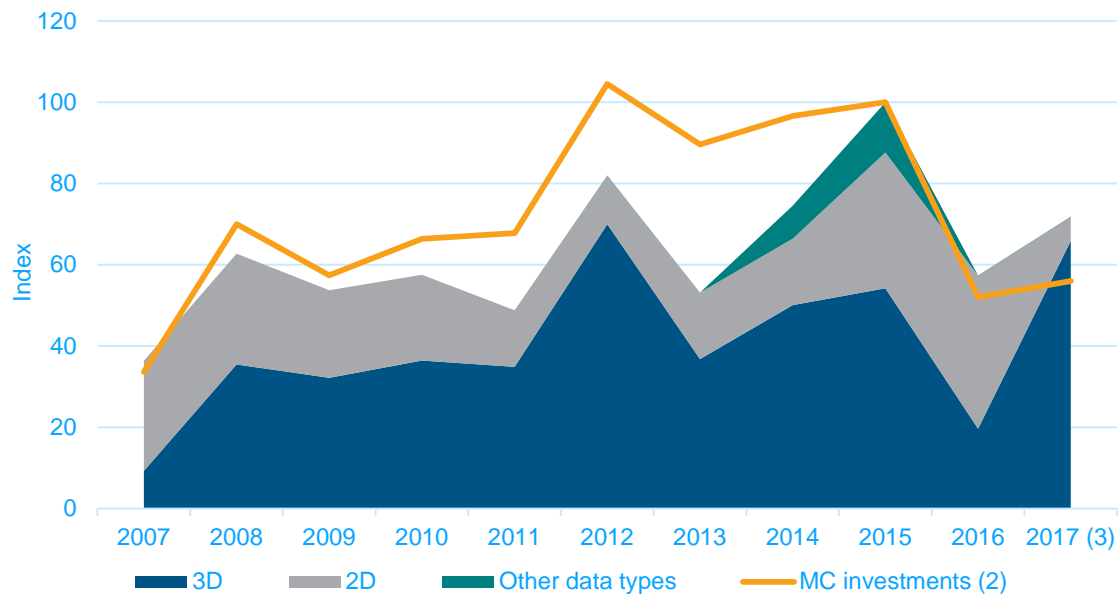
### Onshore New Project Announced:

- ~200 km<sup>2</sup> Geary 3D in SCOOP and Stack plays to commence in Q3



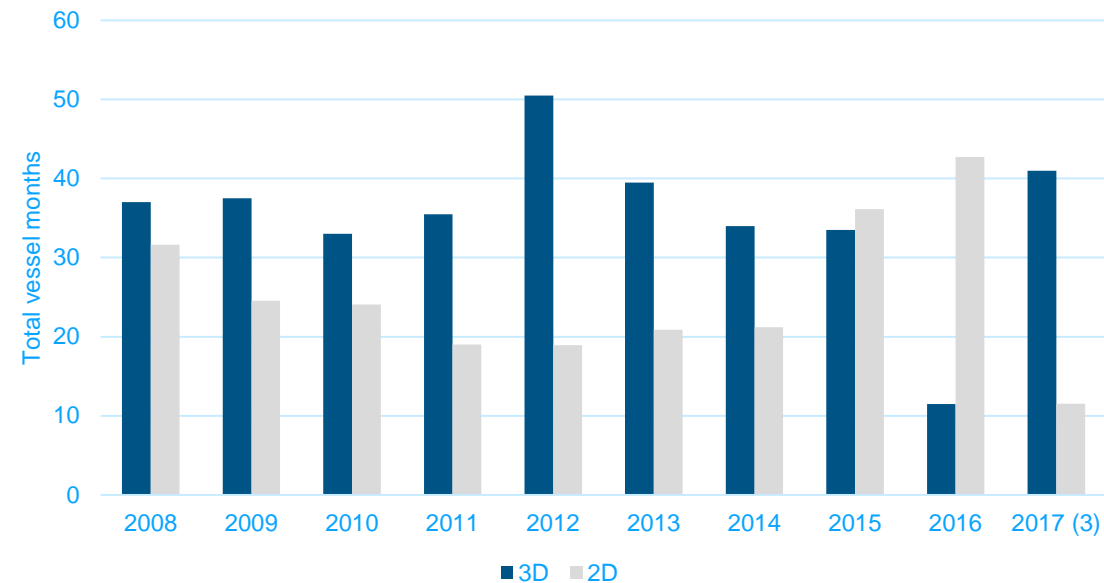
# Busy Acquisition Season at Record Low Unit Cost

Data acquisition volumes (1)



- 3D data acquisition volumes close to all-time high in 2017
- Vessel related MC investments ~50% below 2012, which was the last time similar 3D volumes were acquired

Vessel months consumed by TGS



- TGS has committed more than 40 3D vessel months for 2017
- During the summer eight 3D vessels will be working on TGS projects – almost 30% of the active global fleet

1. Index 2015=100. Based on normalization between different data types. Excludes onshore and non-seismic data types.

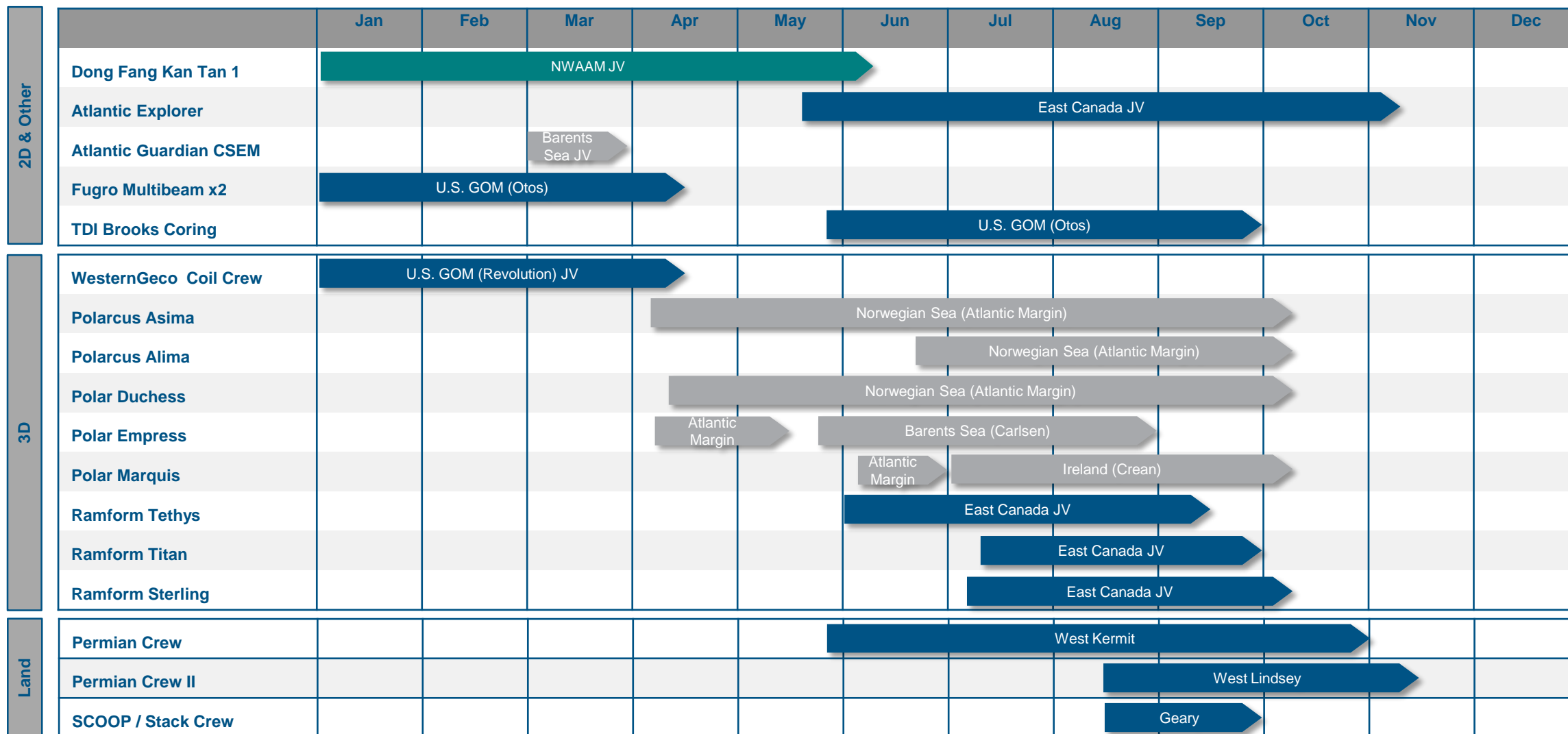
2. Excluding processing

3. Estimated based on current commitments for 2017



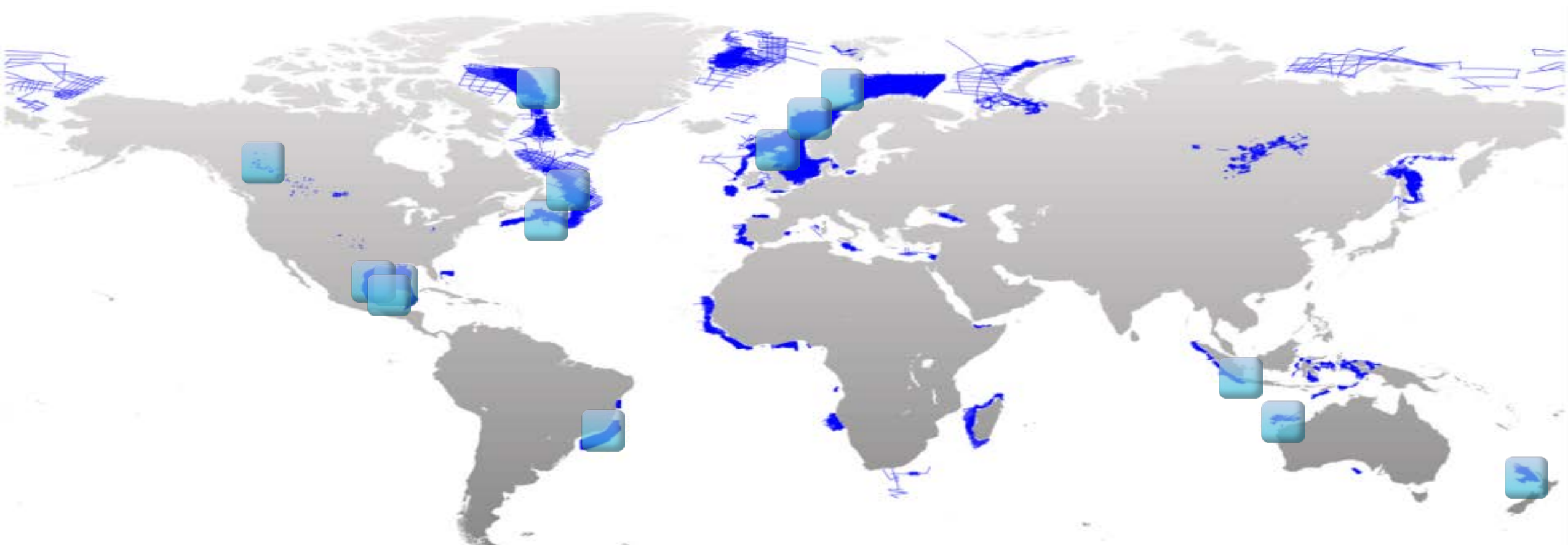
# 2017 Projects Schedule\*

→ NSA → EUR → AMEAP



\*Acquisition schedule excludes Fusion M-WAZ Reprocessing, other processing projects and GPS investments

# License Round Activity and TGS Positioning



## North & South America

- Central & Western GOM – Mar & Aug (2017-22 Plan)
- Newfoundland Labrador – Q4 2017 but may be delayed
- Nova Scotia – Dec 2017 (3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil 14th round - Sep 2017; Pre-salt rounds - Oct 2017
- Mexico Deepwater Round 2.4 - Jan 2018 (bids due)

## Africa, Middle East, Asia Pacific

- Rep. of Guinea – Oct 2017 (Round launch)
- Ongoing uncertainty on timing of other African licensing rounds
- Australia – Oct 2017, Feb & Mar 2018 (bids due)
- New Zealand – Sep 2017 (bids due)
- Indonesia – Sep 2017 (bids due)

## Europe / Russia

- Norway APA – Sep 2017 (bids due)
- Norway 24<sup>th</sup> Round – Nov 2017 (bids due)
- UK 30<sup>th</sup> Round – Nov 2017 (bids due)
- Greenland – Dec 2017 & 2018 (bids due)

# Summary

- Q2 net revenues of 108 MUSD
- Q2 EBIT of 18 MUSD
- Significant improvement in cash flow, 53 MUSD versus 9 MUSD in Q2 2016
- Cash balance of 239 MUSD in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.15 per share
- Improved visibility for Q3 as a result of increased backlog and record-high survey acquisition activity
- Long-term future of asset-light, focused multi-client business remains strong
  - Cost control, disciplined counter-cyclical investment and balance sheet strength positions TGS to enhance its leading position
- 2017 guidance (as updated 23 May 2017):
  - New multi-client investments of approximately USD 260 million
  - Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
  - Pre-funding of new multi-client investments expected to be approximately 40%-45%



**Thank you**



[www.TGS.com](http://www.TGS.com)