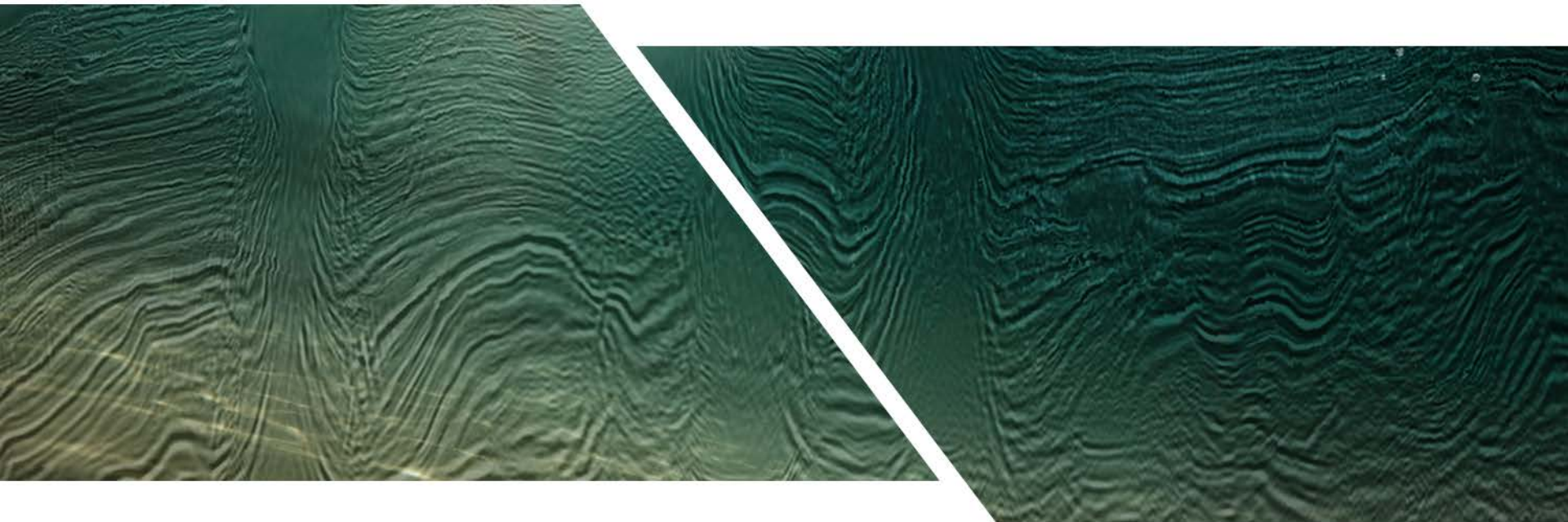




## Company Presentation



December 2016

# Agenda

- **About TGS**
- Review of Q3 16
- Market outlook
- The TGS approach
- Appendix

# This is TGS

## Main offices:

Oslo and Houston

**Regional offices:** London, Perth, Calgary, Singapore, Mexico and Rio

## Fundamental values:

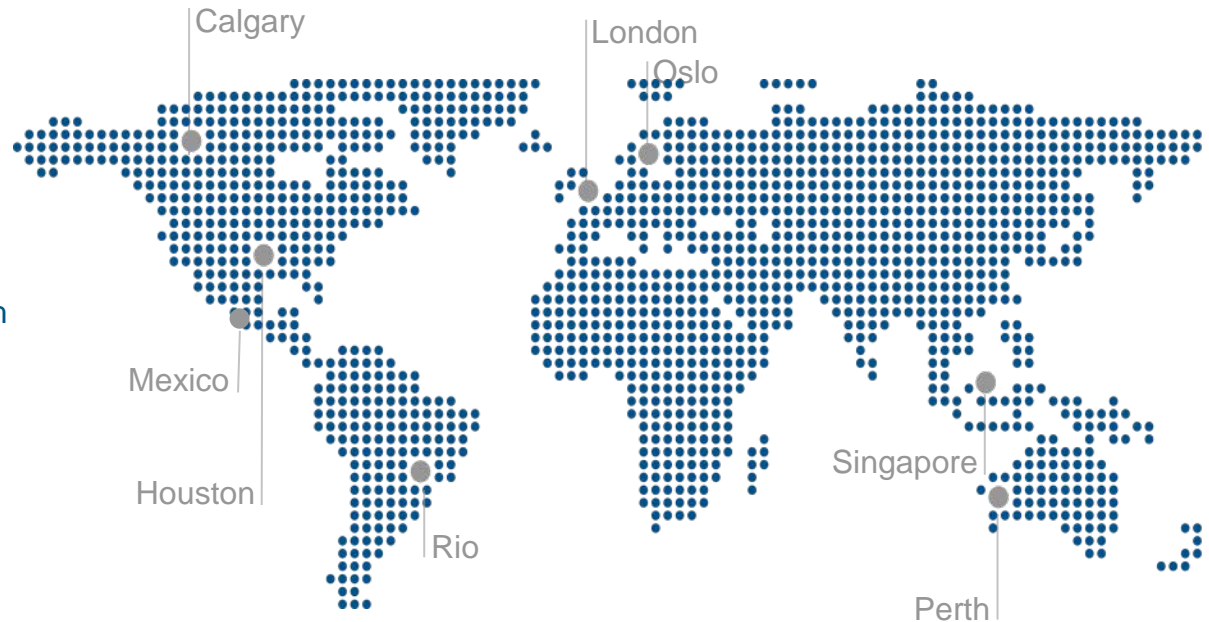
Unmatched Quality and Service, Growth for Stakeholders

Approximately **630** employees

**Traded on Oslo Stock Exchange,**  
part of OBX Index  
(25 most liquid shares at the OSE)

## Market Cap:

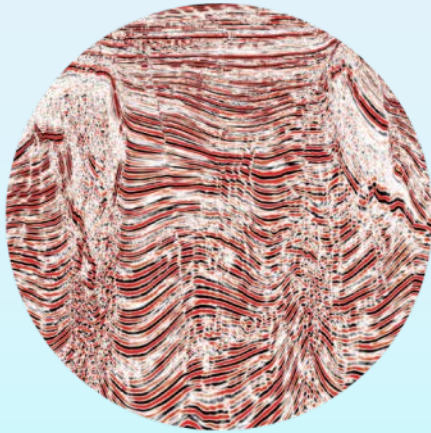
~\$2 billion



Leading global provider of multi-client seismic and geoscience data

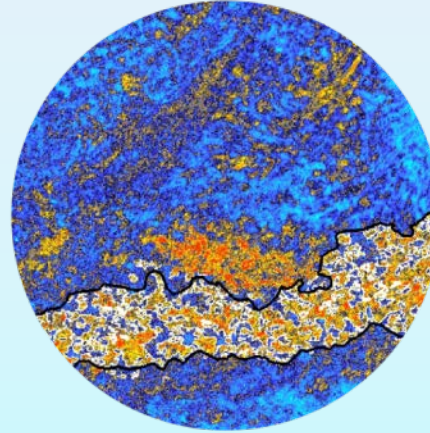
# Well positioned in the seismic value chain

## MULTI-CLIENT



### Geophysical Data

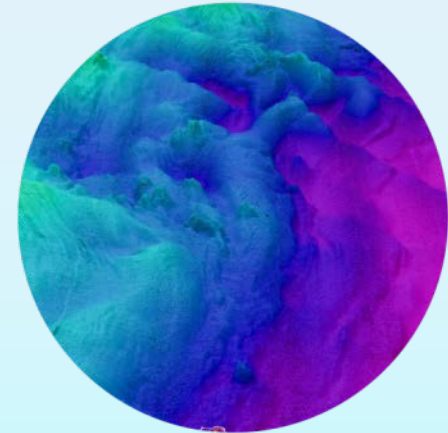
- 2D Seismic
- 3D Seismic
- Wide Azimuth (WAZ) Seismic
- M-WAZ Seismic
- Full Azimuth Nodal Seismic
- Electromagnetics (CSEM)
- Aeromagnetics
- Gravity
- Multi-beam



### Geological Data

- Digital well data
- Directional Surveys
- Production data
- Seabed / Seep studies
- Regional geologic interpretation
- Facies Map Browser
- Interpretive services

## SERVICES



### Imaging Services

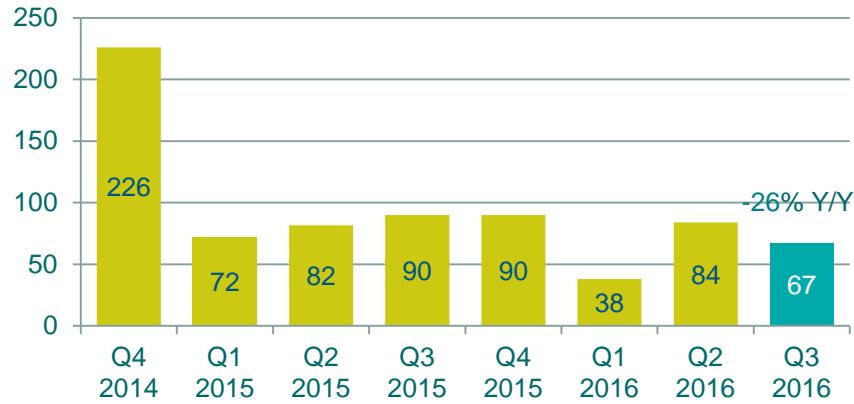
- Seismic processing
- Complex depth imaging
- Proprietary technology
- Ongoing R&D investment
- Contract business model

# Agenda

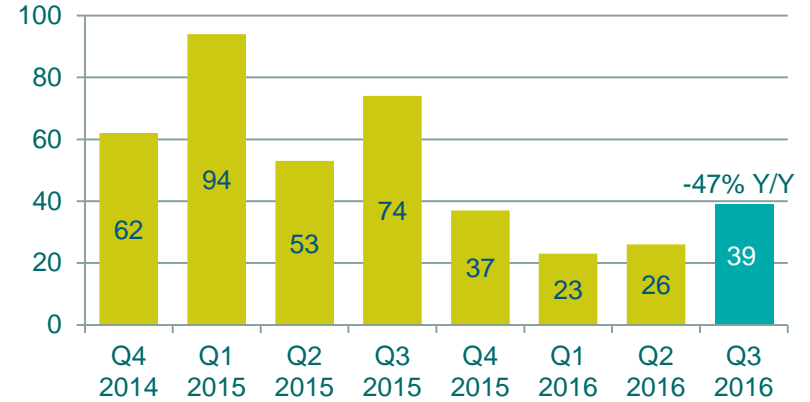
- About TGS
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# Net Revenues

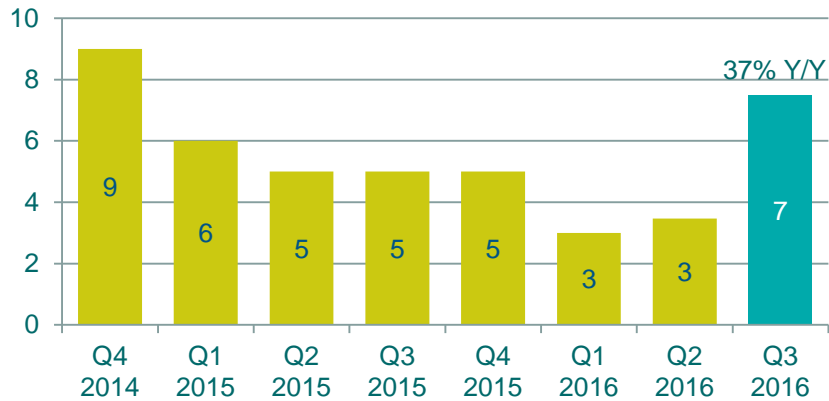
## Late sales revenues



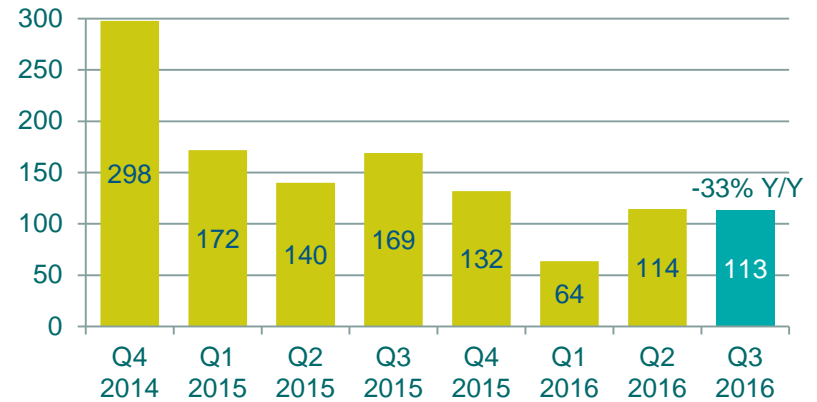
## Prefunding revenues



## Proprietary revenues

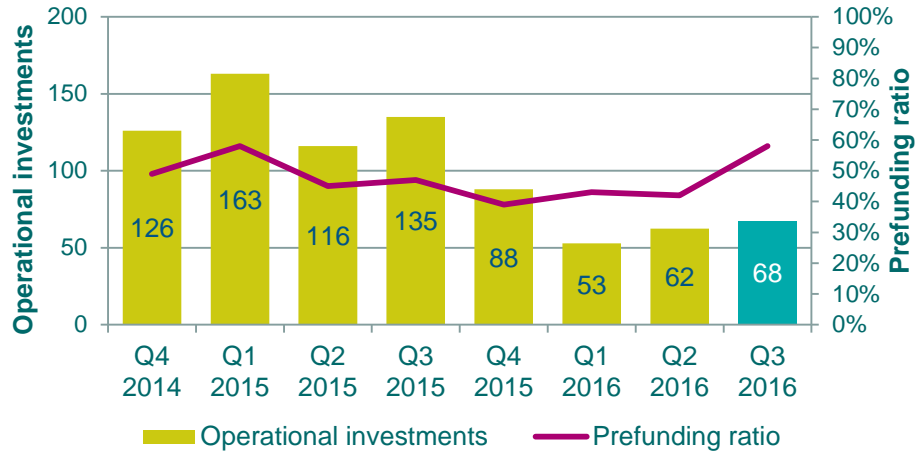


## Total revenues

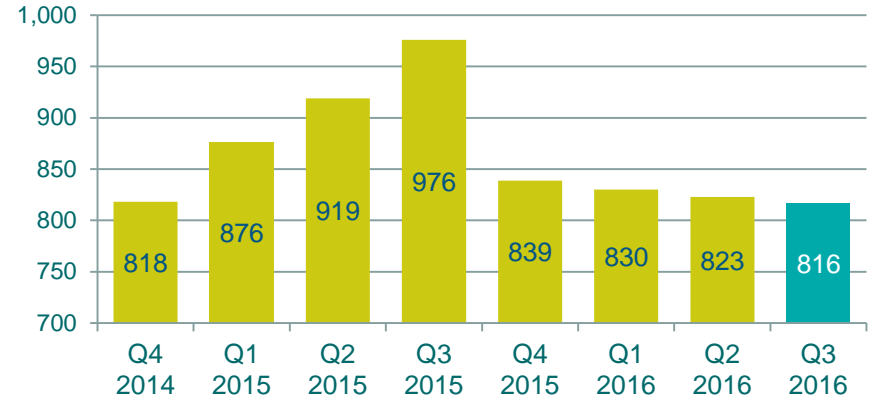


# Multi-Client Library

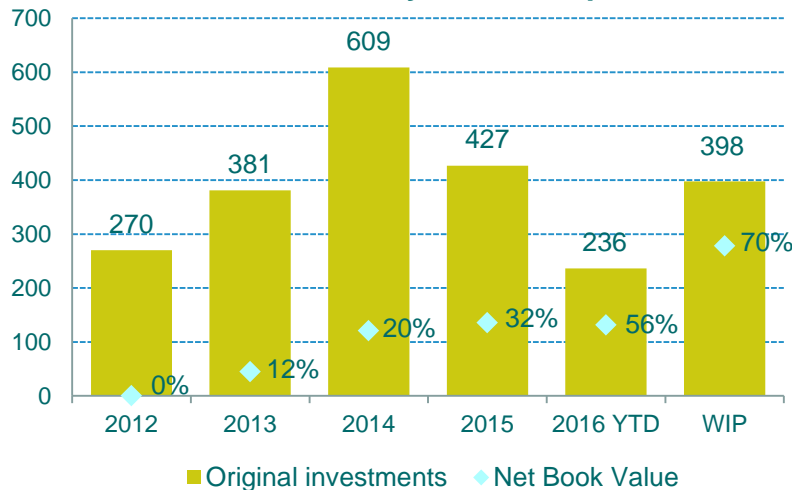
## Operational investments and prefunding ratio



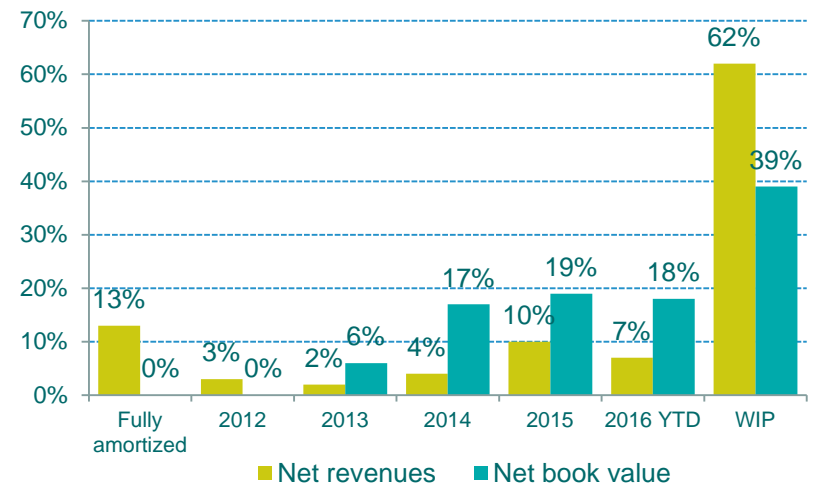
## Multi-client library - NBV



## Investments – year of completion



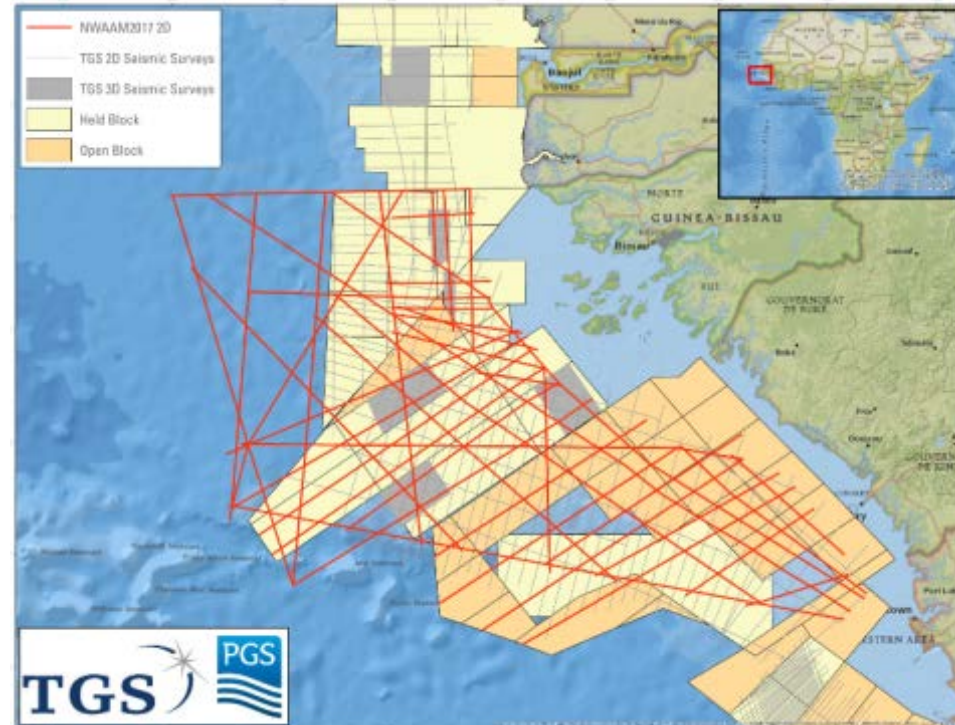
## Net revenues vs net book value – year of completion



# New Project Announced – North West Africa

## North West African Atlantic Margin NWAAM2017

- Over 11,500 km of multi-client 2D seismic in partnership with PGS
- Designed to infill, extend and complement the TGS NWAAM2012 2D survey which helped with recent commercial discoveries in the basin
- A 12 km deep-tow streamer will enable the recording of high quality broadband 2D seismic data
- Confirms TGS commitment to the leading frontier basin in Africa, where TGS already has over 28,000 km of 2D data and over 18,000 km<sup>2</sup> of 3D data

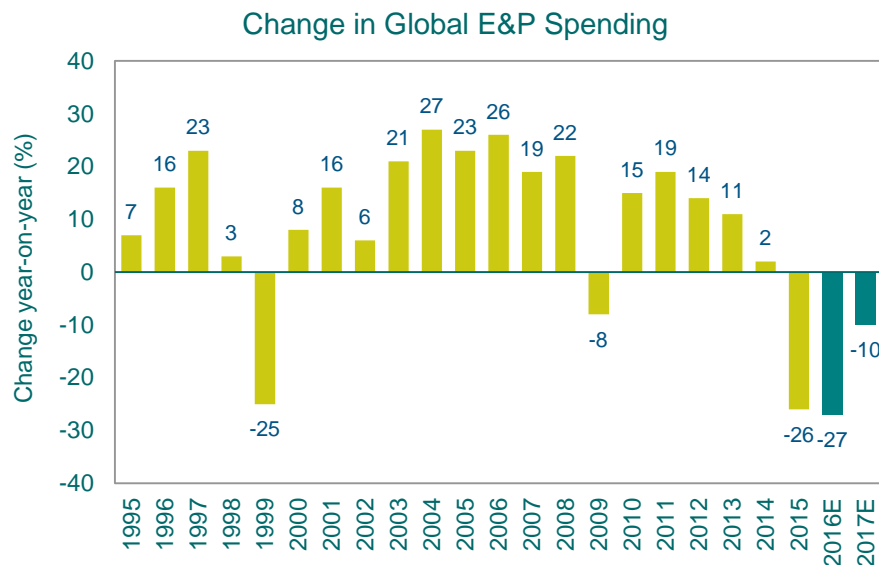




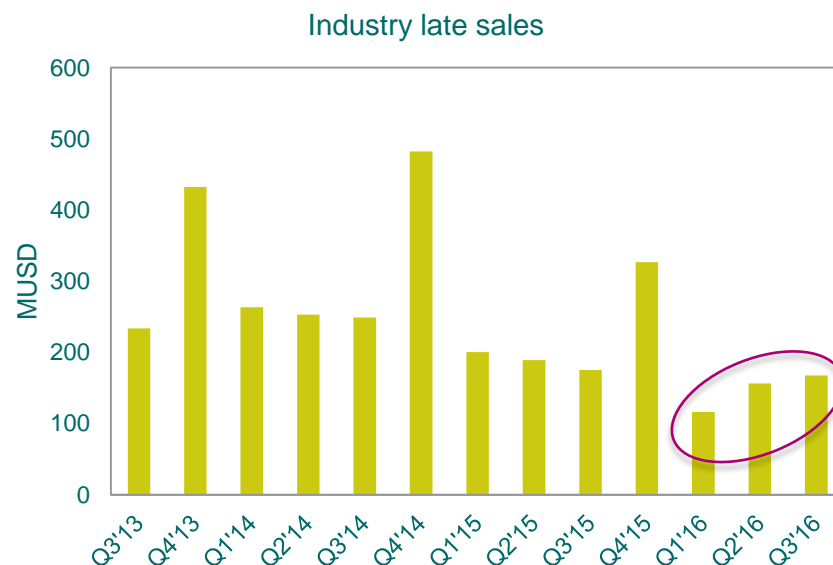
# Agenda

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# Continued challenging near-term outlook



Source: SEB Research



Source: ABG Sundal Collier

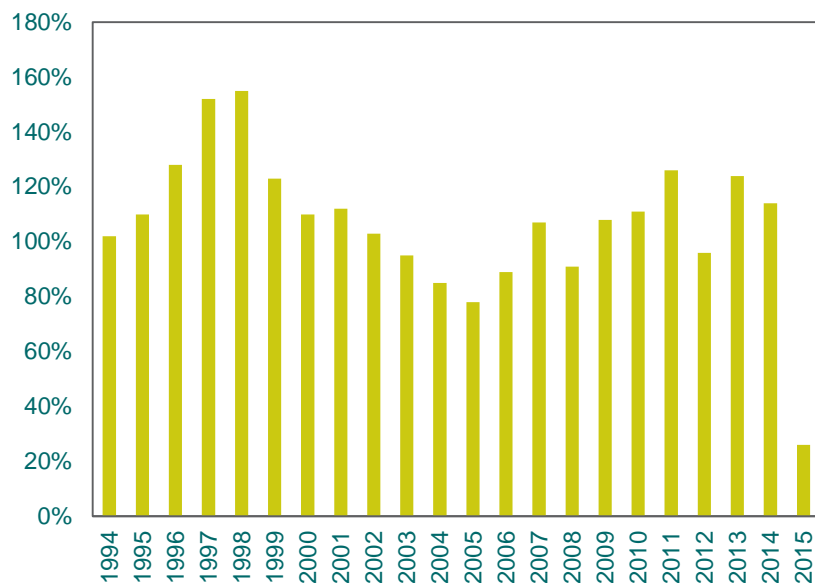
- Second consecutive 20%+ decline in E&P spending expected this year
- Some improvement in fundamentals from the beginning of the year – but still weak market
- Most initial E&P Spending surveys indicate a further decline in offshore spending in 2017
  - But activity level may be approximately flat when adjusting for impact of pricing
- Seismic demand likely to remain weak into 2017 with high volatility from quarter to quarter

# Exploration spending likely to recover long-term

- Two factors point to increased exploration activity in the longer-term
  1. Current exploration efforts are unsustainable
  2. Cost levels should eventually come down to levels that justify higher spending at current oil prices

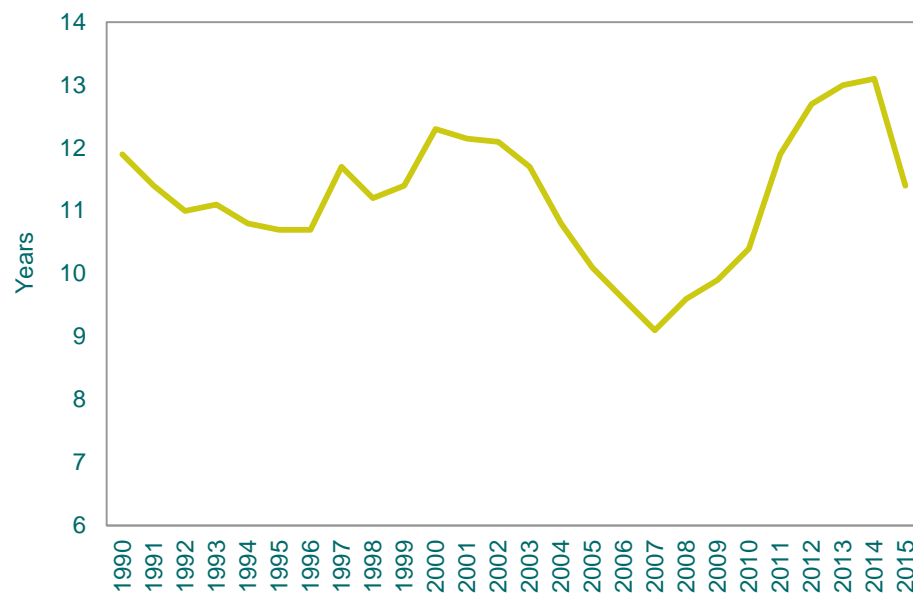
# 1. Current exploration efforts are unsustainable

Organic reserve replacement ratio



Source: SEB Research

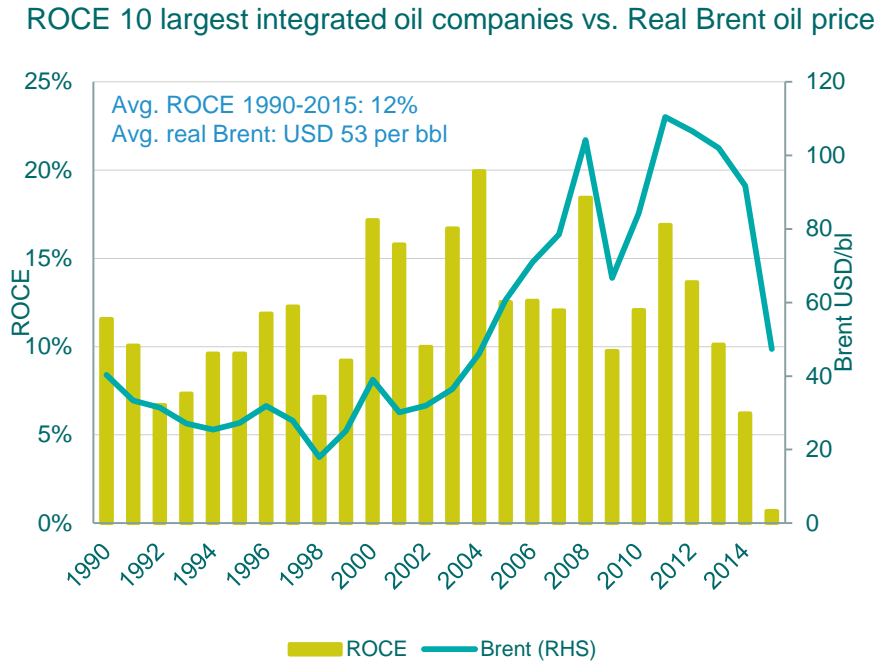
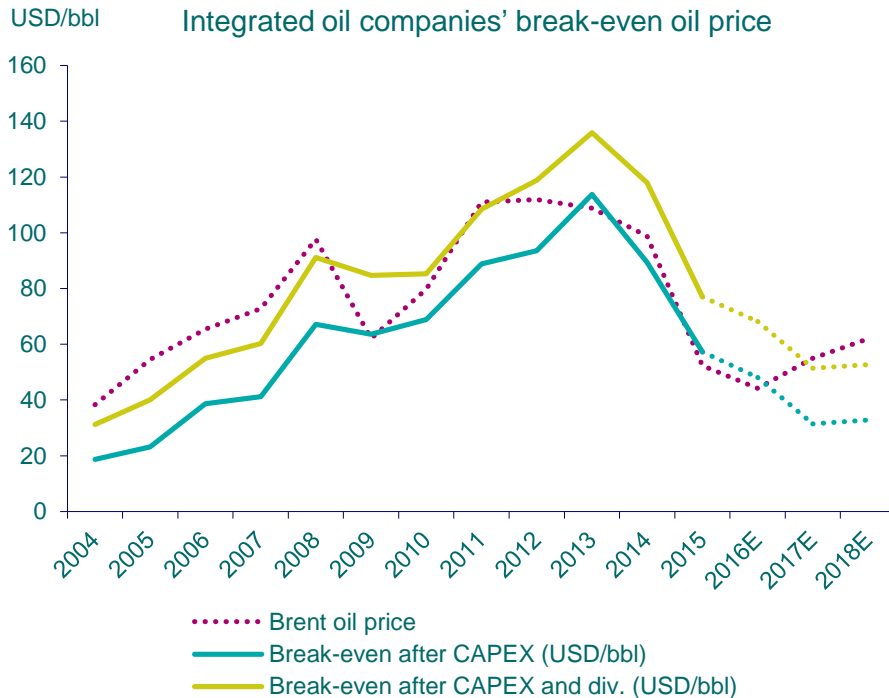
Integrated oil companies avg. oil reserve life



Source: Nordea

- Substantial reduction in oil companies' exploration spending
- Seismic spending down more than 60% since peak in 2013
- This has resulted in historically low exploration success
  - Only 2.7bn barrels of new conventional oil supply was discovered in 2015, the lowest since 1947 (Wood Mackenzie)
  - Global reserve replacement ratio well below 1 in 2015-16
- Current situation is not sustainable

# 2. Costs are coming down



Source: Nordea, EIA, TGS

- Substantial cost reductions in E&P and service industries – break-even prices have fallen almost 50% from peak
- Historically the largest oil companies have been able to produce decent return on capital at real oil prices of around USD 50 per barrel

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# The TGS' strategic approach

Asset light

- Low capital intensity – no interest-bearing debt
- No vessel ownership – few long-term capital commitments
- Investment decisions purely commercial – no «group considerations»

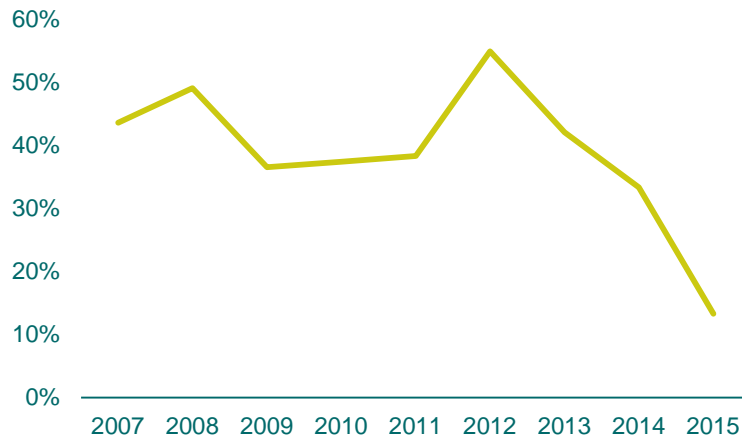
Flexible and quickly reacting

- Flexible cost base - low degree of fixed costs
- Quick decision processes
- Technology neutral
- Counter-cyclical investment philosophy

Quality people

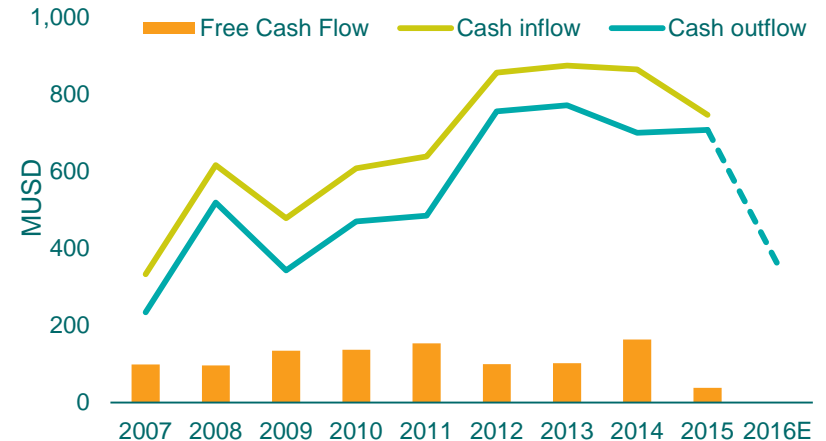
- Best-in-class geo-science knowledge
- Commercial mindset – understanding the customers' needs
- Strong performance culture built up over more than two decades

Strong return on capital employed\*



\* Adjusted for larger impairments

High correlation cash inflow and cash outflow



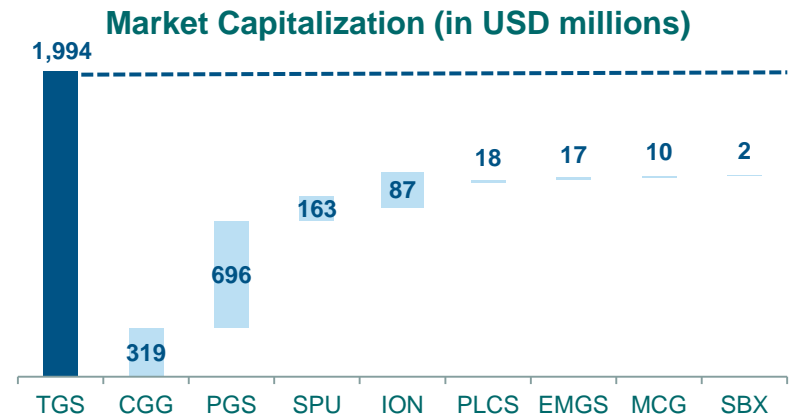
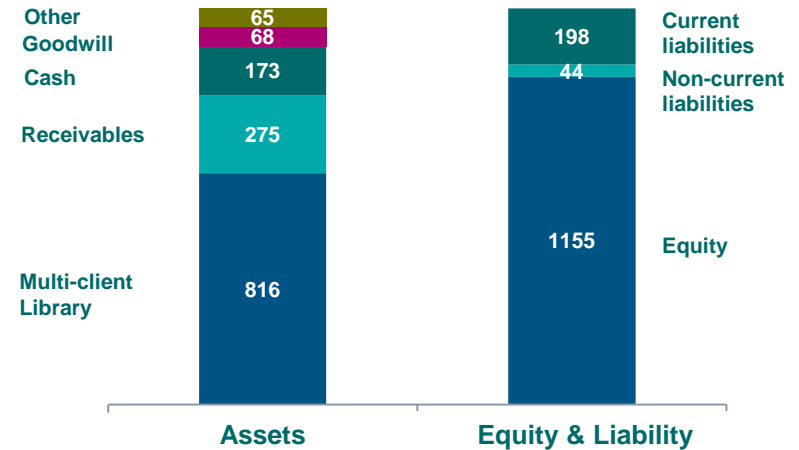
# Solid Balance Sheet Backing TGS strategy

Balance sheet remains healthy through down-cycle

- Cash balance per Q3 2016 of 173 MUSD
- Undrawn Revolving Credit Facility of 75 MUSD

Strong share price relative to sector

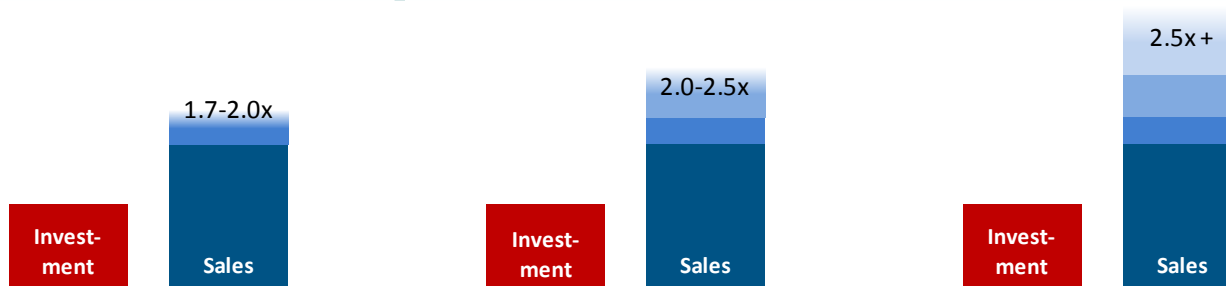
- TGS market capitalization of ~2 BUSD
- Represents ~52% of industry (ex-SLB)
- Strong currency to explore inorganic investment opportunities



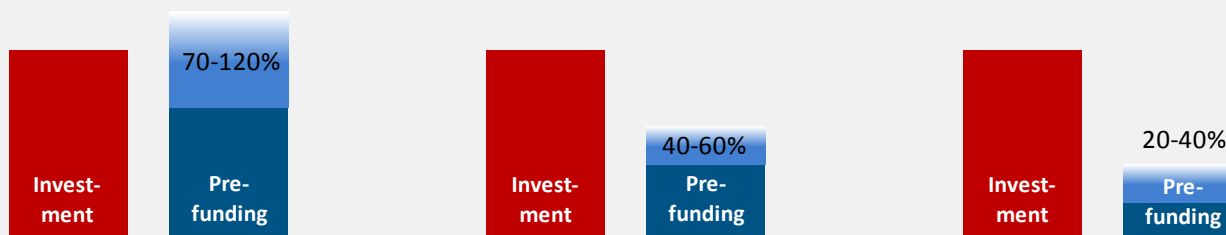


# Diversified multi-client portfolio

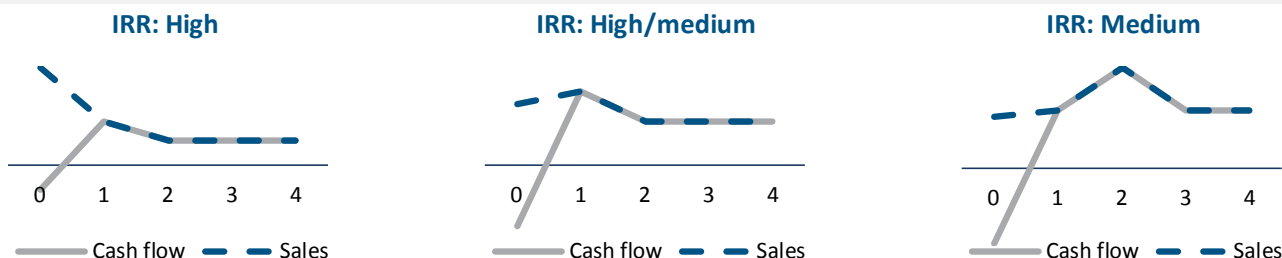
## Return targets



## Prefunding requirements



## Illustrative IRR/ cash profile



## Project characteristics

- Awarded acreage
- Onshore areas
- Fewer clients
- Farm-ins / relinquishments
- Low downside risk

- Mainly open acreage
- Regular license rounds
- Established multi-client areas
- Many clients
- Medium risk

- Open acreage
- Early stage
- Geo knowledge
- Many potential clients
- Medium/high risk

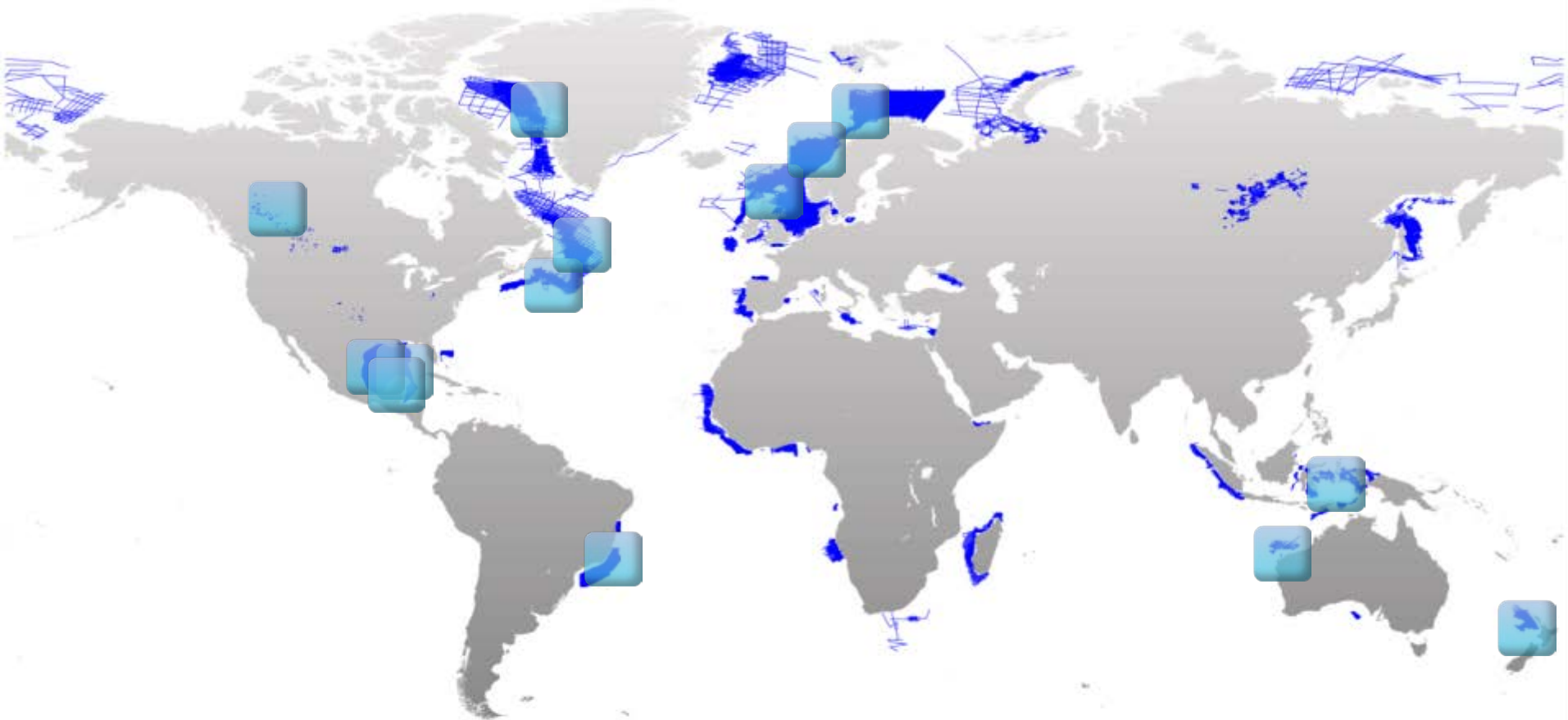
# Summary

- Continued challenging markets near-term
  - Still downward pressure on E&P spending
  - High volatility from quarter to quarter
- Positive long-term outlook
  - Oil companies have to increase exploration efforts to avoid falling production profiles
- TGS is in a favourable position
  - Quality library
  - Strong balance sheet
  - Flexible business model

# Agenda

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# License Round Activity and TGS Positioning



## North & South America

- Central GOM – Mar 2017 (5-Year Plan)
- Central & Western GOM – Aug 2017 (2017-22 Plan)
- Newfoundland & Labrador – Nov 2016 (Scheduled Land Tenure)
- Nova Scotia – 27 Oct 2016 (3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil - 2H 2017
- Mexico – Round 1(L04) in Dec 2016, Round 2 announced for 2017, 2 more rounds proposed by 2019

## Africa, Middle East, Asia Pacific

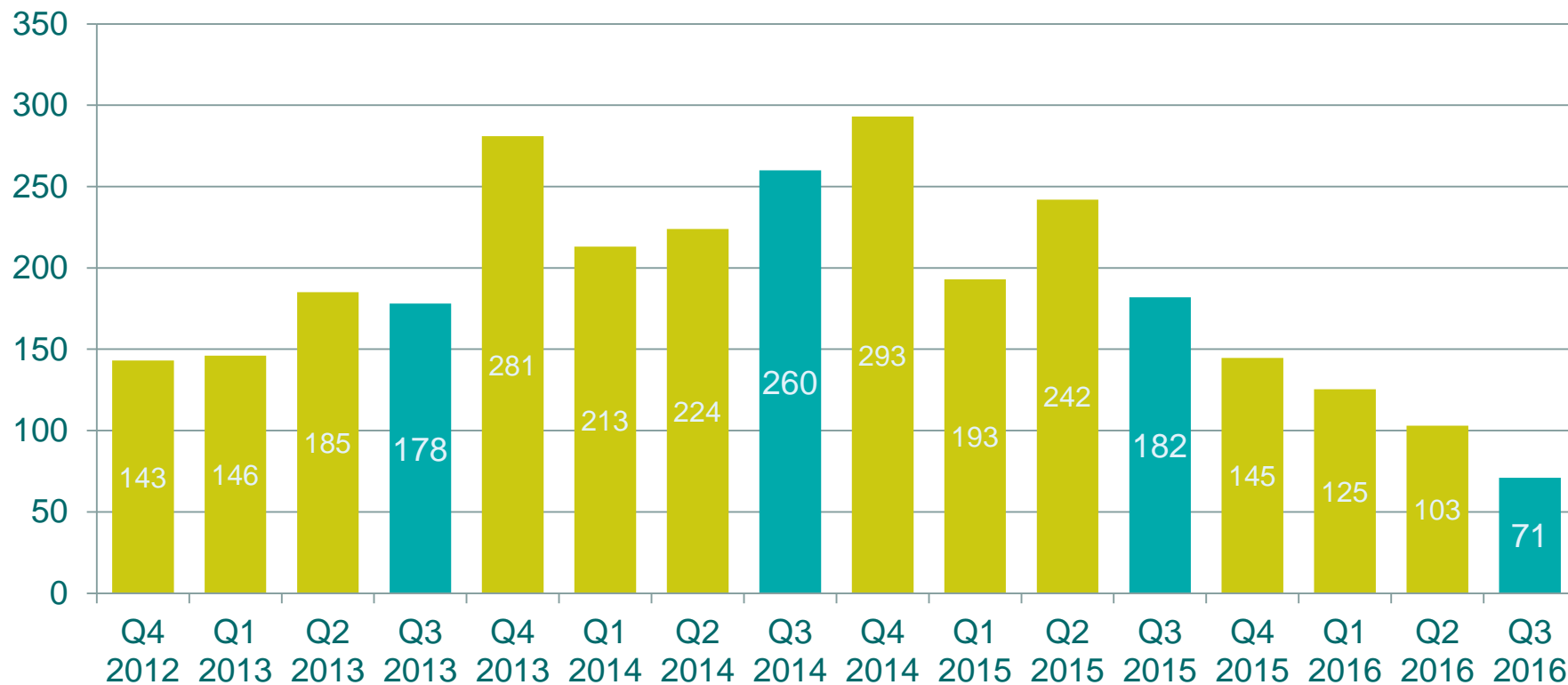
- Ongoing uncertainty on timing of African licensing rounds
- Australia – Dec 2016, Feb & Mar 2017 (bids due)
- New Zealand – Dec 2016 (awards expected)
- Indonesia – Direct proposal (bids closed Aug 2016); Regular tender (bids due Nov 2016)

## Europe / Russia

- Norway APA – Q1 2017 (block awards)
- Norway 24<sup>th</sup> Round – Nov 2016 (nominations due)
- UK 29<sup>th</sup> Round – 26 Oct 2016 (bids due)
- Greenland – Dec 2016, 2017, 2018 (bids due)

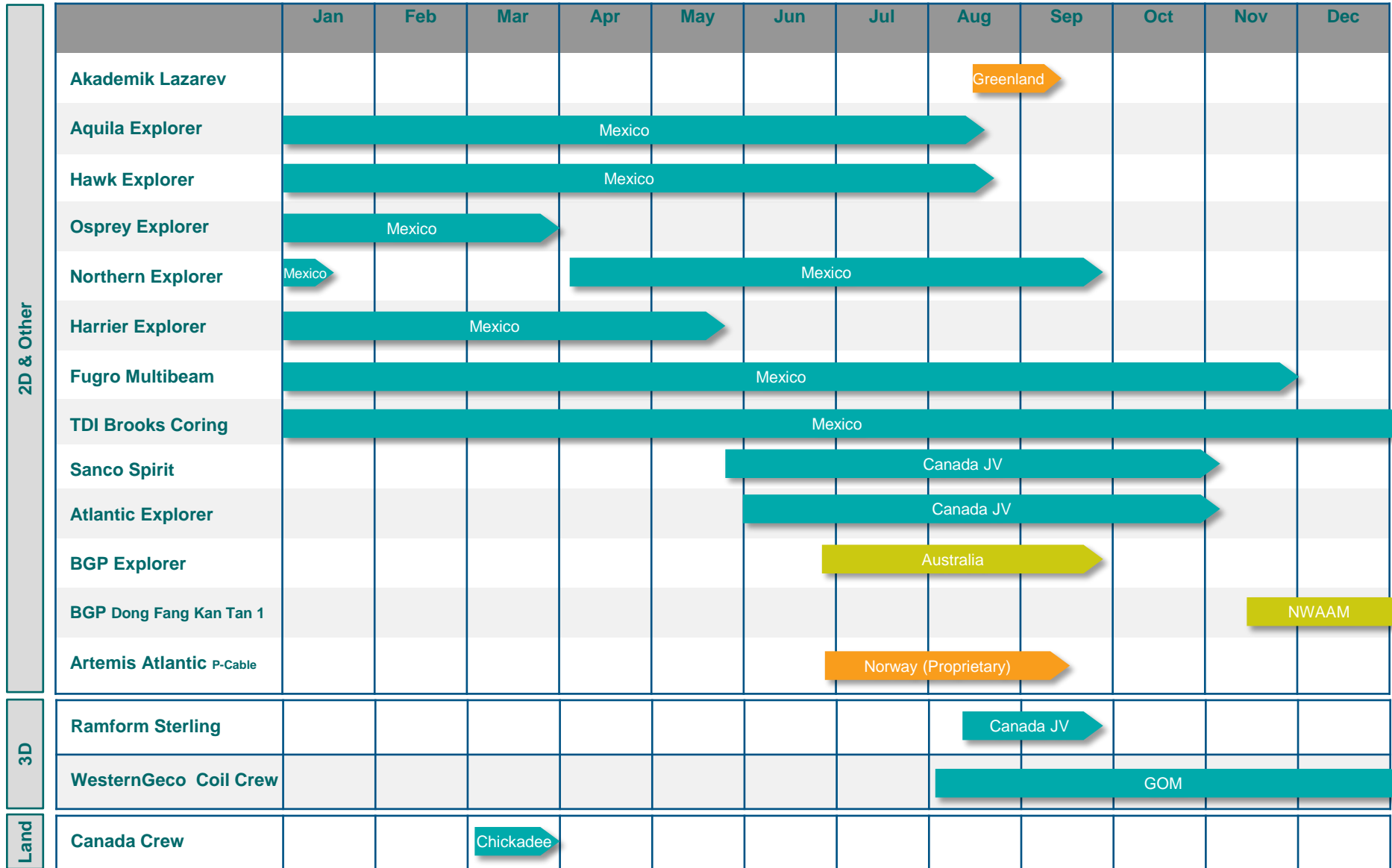
# Backlog

## Historical Backlog (MUSD) 2012 - 2016



# 2016 Projects Schedule

➔ NSA
 ➔ EUR
 ➔ AMEAP



# Q3 2016 Income Statement

| USD million, except EPS                    | Q3 2016    | Q3 2015    | Change in % |
|--|------------|------------|-------------|
| <b>Net revenues</b>                        | <b>113</b> | <b>169</b> | <b>-33%</b> |
| Cost of goods sold – proprietary and other | 5          | 0.1        | 8222%       |
| Amortization of multi-client library       | 74         | 99         | -25%        |
| <b>Gross margin</b>                        | <b>34</b>  | <b>71</b>  | <b>-52%</b> |
| Personnel costs                            | 12         | 14         | -19%        |
| Other operating expenses                   | 8          | 8          | 5%          |
| Cost of stock options                      | 0.2        | 0.1        | 94%         |
| Depreciation                               | 3          | 3          | 9%          |
| <b>Operating profit</b>                    | <b>11</b>  | <b>46</b>  | <b>-76%</b> |
|  | <b>10%</b> |            |             |
| Net financial items                        | 2          | -2         | 214%        |
| <b>Profit before taxes</b>                 | <b>13</b>  | <b>44</b>  | <b>-70%</b> |
|  | <b>11%</b> |            |             |
| Taxes                                      | 11         | 4          | 220%        |
| <b>Net Income</b>                          | <b>2</b>   | <b>40</b>  | <b>-96%</b> |
|  | <b>2%</b>  |            |             |
| EPS, Undiluted                             | 0.02       | 0.40       | -95%        |
| EPS, Fully Diluted                         | 0.02       | 0.39       | -95%        |

# Q3 2016 Cash Flow Statement

| USD million                                   | Q3 2016   | Q3 2015    | Change in % |
|---|-----------|------------|-------------|
| Received payments from customers              | 110       | 145        | -24%        |
| Payments for operational expenses             | (25)      | (23)       | -7%         |
| Paid taxes                                    | 6         | (1)        | 552%        |
| <b>Operational cash flow</b>                  | <b>91</b> | <b>121</b> | <b>-24%</b> |
| Investments in tangible and intangible assets | (2)       | (1)        | -63%        |
| Investments in multi-client library           | (62)      | (72)       | 14%         |
| Investments through mergers and acquisitions  | -         | (19)       | 100%        |
| Interest received                             | 0.7       | 1          | -43%        |
| Interest paid                                 | (0.03)    | (0.06)     | 53%         |
| Dividend payments                             | (17)      | (14)       | -19%        |
| Proceeds from share issuances                 | -         | 2          | -100%       |
| <b>Change in cash balance</b>                 | <b>11</b> | <b>17</b>  | <b>-36%</b> |

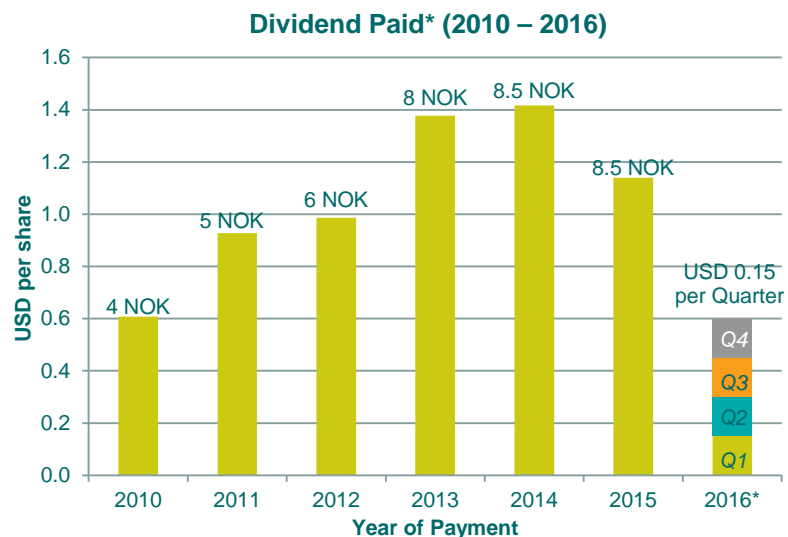


# Balance Sheet

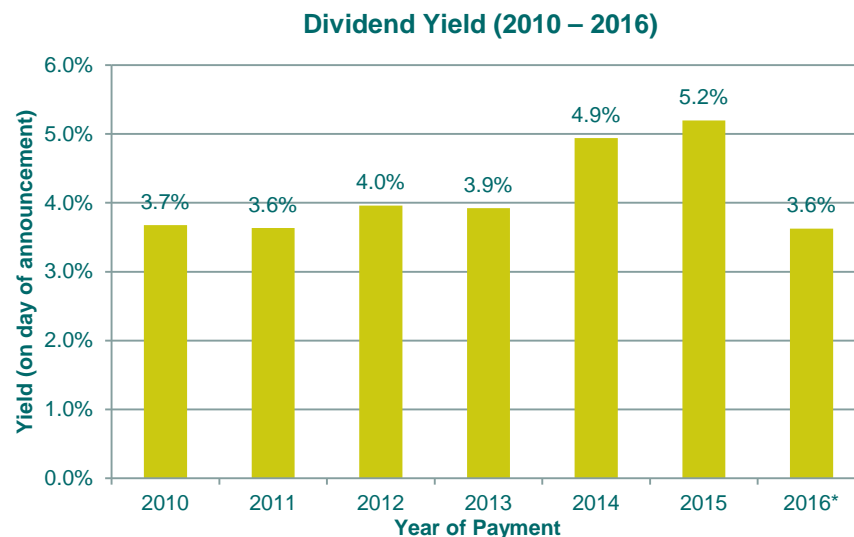
| USD million                              | Q3 2016      | Q2 2016      | Change in % | Q4 2015      |
|--|--------------|--------------|-------------|--------------|
| <b>Assets</b>                            |              |              |             |              |
| Cash and cash equivalents                | 173          | 162          | 7%          | 163          |
| Other current assets                     | 275          | 255          | 8%          | 308          |
| <b>Total current assets</b>              | <b>449</b>   | <b>417</b>   | <b>8%</b>   | <b>471</b>   |
| Intangible assets and deferred tax asset | 88           | 92           | -4%         | 90           |
| Other non-current assets                 | 21           | 16           | 27%         | 25           |
| Multi-client library                     | 816          | 823          | -1%         | 839          |
| Fixed assets                             | 23           | 26           | -11%        | 30           |
| <b>Total Assets</b>                      | <b>1,397</b> | <b>1,375</b> | <b>2%</b>   | <b>1,455</b> |
| <b>Liabilities</b>                       |              |              |             |              |
| Current liabilities                      | 198          | 171          | 16%         | 218          |
| Non-current liabilities                  | 7            | 4            | 59%         | 6            |
| Deferred tax liability                   | 37           | 33           | 12%         | 33           |
| <b>Total Liabilities</b>                 | <b>242</b>   | <b>208</b>   | <b>16%</b>  | <b>257</b>   |
| <b>Equity</b>                            | <b>1,155</b> | <b>1,167</b> | <b>-1%</b>  | <b>1,198</b> |
| <b>Total Liabilities and Equity</b>      | <b>1,397</b> | <b>1,375</b> | <b>2%</b>   | <b>1,455</b> |

*The Company holds no interest-bearing debt*

# 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 Dividend Yield annualized based on the weighted yield at the time of announcement of quarterly dividends

- Shareholder authorization to distribute quarterly dividend payments from Q1 2016
  - 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
  
- Q1 2016: USD 0.15 per share dividend paid on 23 February 2016
- Q2 2016: USD 0.15 per share dividend paid on 1 June 2016
- Q3 2016: USD 0.15 per share dividend paid on 25 August 2016
- Q4 2016: USD 0.15 per share dividend to be paid on 18 November 2016 (shares will trade ex-dividend on 4 November 2016)

# Thank you



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

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