



# ABGSC Oil & Oil Services Conference



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CFO

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

# 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.*

# This is TGS

## Main offices:

Oslo and Houston

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

## Fundamental values:

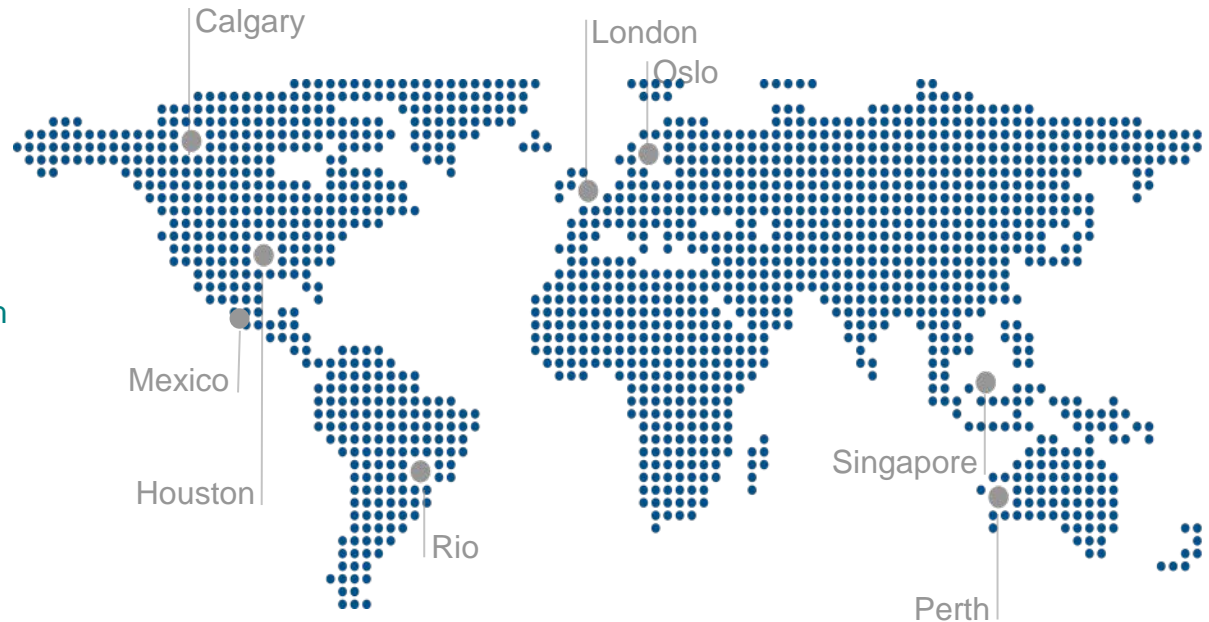
Unmatched Quality and Service, Growth for Stakeholders

Approximately **670** employees

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

## Market Cap:

~\$1.5 billion

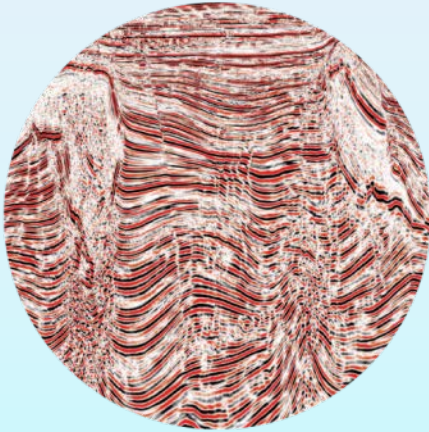


**Leading global provider of multi-client seismic and geoscience data**



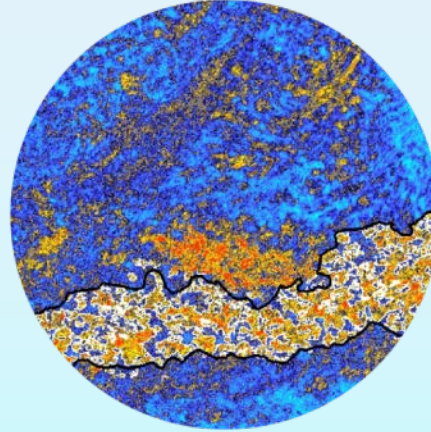
# Well positioned in the seismic value chain

## MULTI-CLIENT



### Geophysical Data

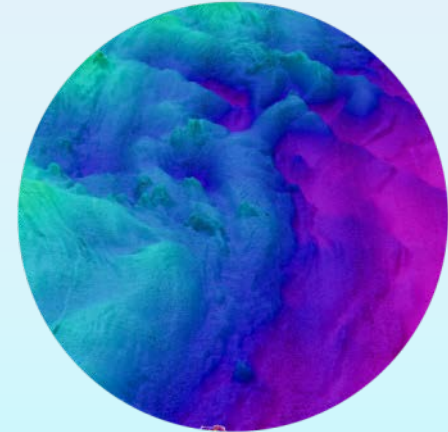
- 2D Seismic
- 3D Seismic
- Wide Azimuth (WAZ) Seismic
- M-WAZ Seismic
- Full Azimuth Nodal Seismic
- Electromagnetics (CSEM)
- Aeromagnetics
- Gravity
- Multi-beam



### 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

# TGS competitive advantage



## Asset light business model

- Flexibility
- Investment decisions not driven by vessel utilization
- Vendor neutral philosophy allows access to capacity and technology as needed



## Global

- Geographically diverse data library
- Leadership in mature basins
- Leadership in frontier basins



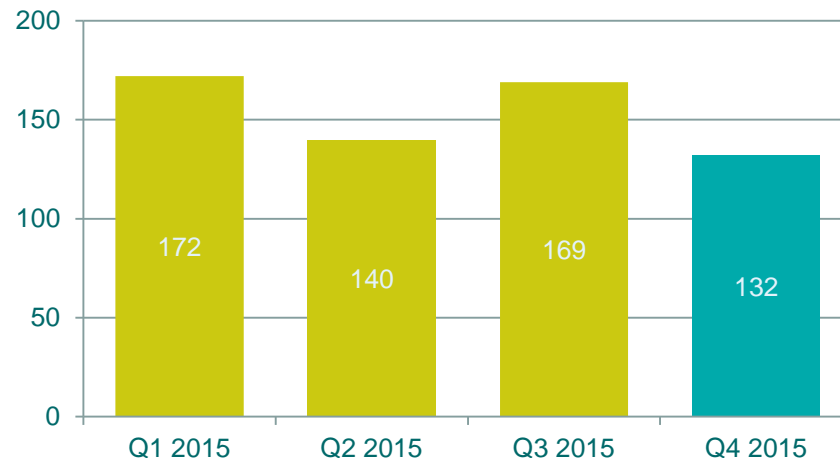
## Quality

- Balance sheet
- People and culture
- Data processing
- Geoscience

# 2015 – A Challenging Year for our Industry

- Q4 net revenues were 132 MUSD, down 56% from Q4 2014
- 2015 full year revenues of 612 MUSD, down 33% from 2014
- Q4 operational multi-client investments were 88 MUSD
- 2015 full year investments of 502 MUSD
- Q4 Operating Loss of 140 MUSD resulting in Full Year Operating Loss of 21 MUSD
- Cash balance of 162 MUSD as of 31 December 2015

Quarterly Net Revenues (MUSD)

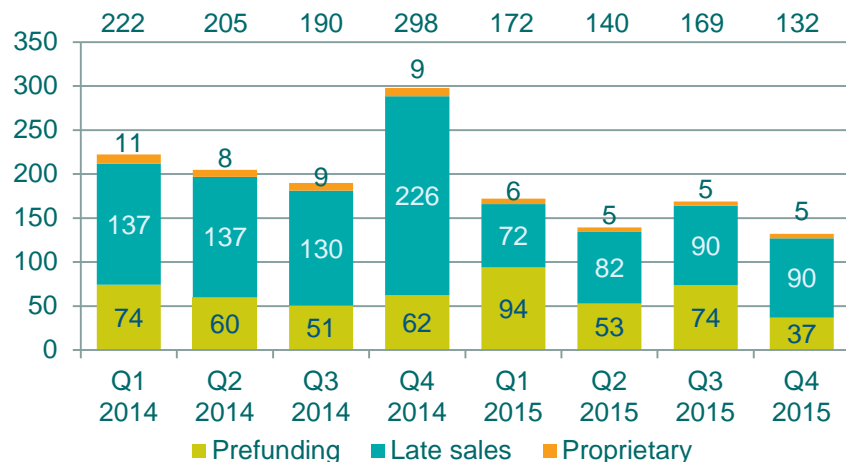


Annual Net Revenues (MUSD)

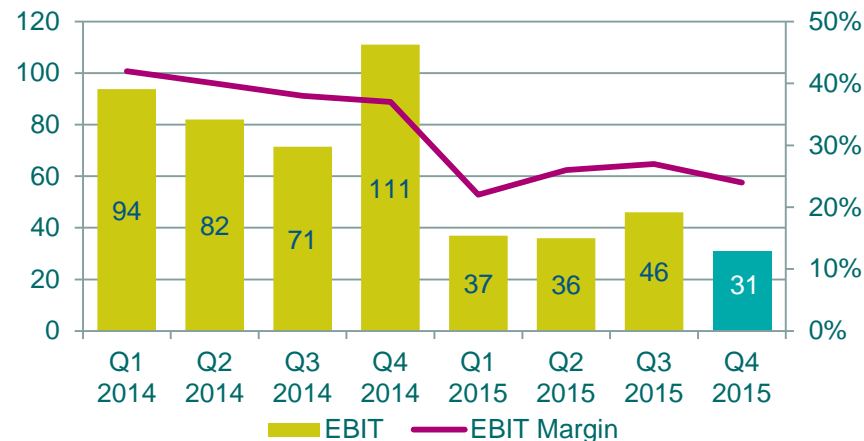


# Key Financials

## Net Revenues

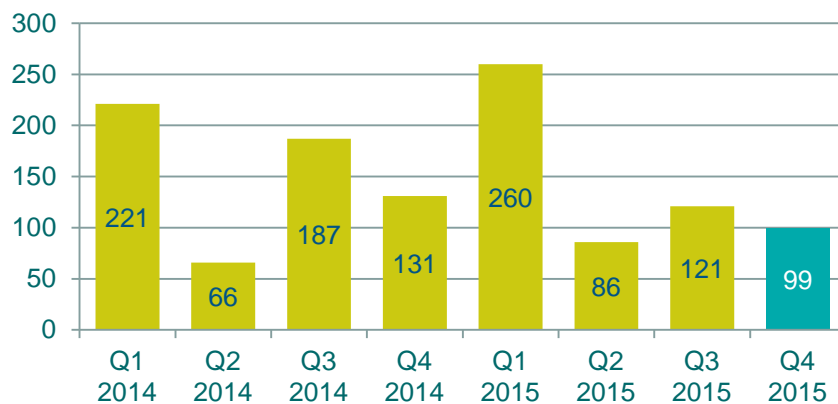


## EBIT before non-recurring items\*

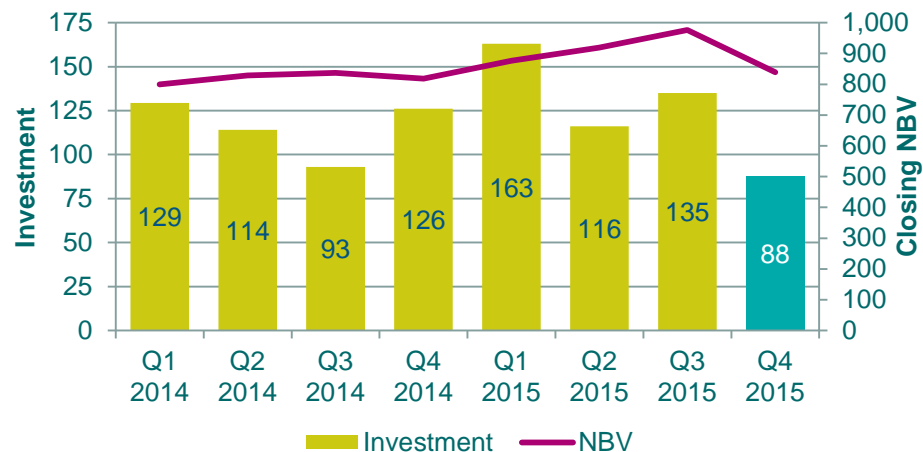


\* Q4 2015 adjusted for multi-client impairments of USD 161 million and restructuring costs of USD 10 million

## Cash Flow from Operations



## Multi-client NBV and Investments (operational)



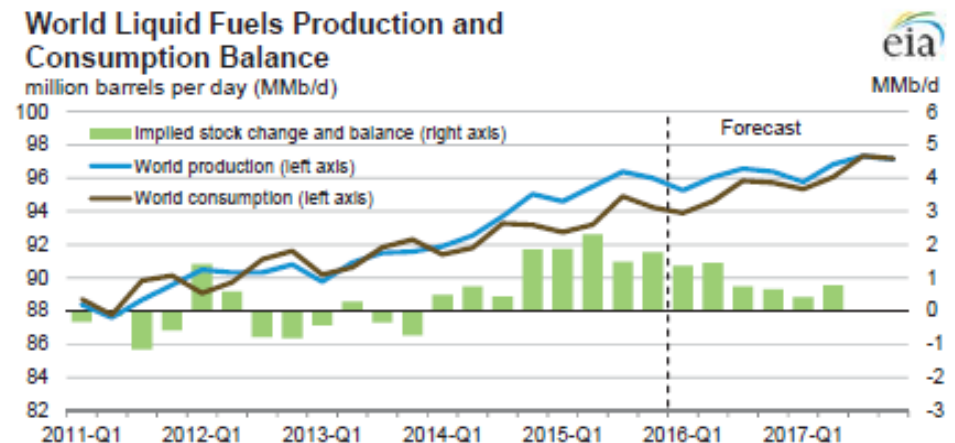


# Challenging Market for Exploration

- 2015 proved to be a very challenging year for E&P industry, with global E&P spending declining by 20-30%
- Low oil prices continue to put pressure on oil company returns and most large players have guided further spending reductions in 2016
- Higher uncertainty than usual with respect to late sales which are normally heavily dependent on oil companies' E&P spending. TGS expects 2016 late sales to move in line with or slightly better than general E&P spending trends

E&P Company	2016 Capex Guidance
Anadarko	-48%
BP	-9%
Chevron	-22%
ConocoPhillips	-37%
Exxon	-25%
Hess	-41%
Marathon	-53%
Shell (inc. BG)	-6%
Statoil	-12%
Total	-16%

Source: E&P Company websites





# TGS Strategy in a Challenging Market

## Maintain Asset-light and Multi-client Focus

- Focus on specific areas with proven returns
- Continue active portfolio management
- Exit or reduce exposure to under-performing businesses & regions

## Maintain Strong Cash Flow Generation

- TGS' balance sheet and cash flow generation puts it in an enviable position to navigate the weak market and take advantage of growth opportunities
- Continued focus on cash management and clear priorities for cash spending

## Take Advantage of Opportunities

- Utilize attractive multi-client opportunities and acquisition economics (e.g. vessel rates) to further gain market share
- Look more closely at inorganic investment opportunities
- Balance "counter-cyclical" investment with a strict eye on cash levels
- Higher prefunding hurdles for new investments

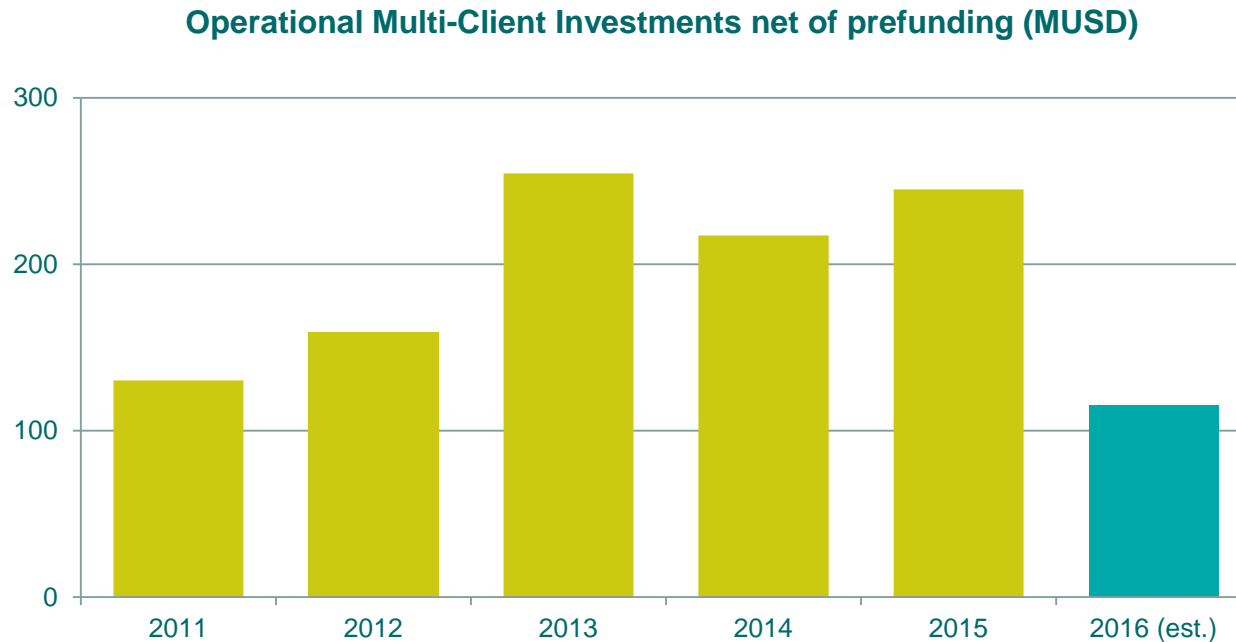
## Maintain Focus on Costs

- Keep fixed cost under strict control
- Cost cutting initiatives implemented with particular focus on non-revenue generating items

# TGS Investment Outlook

- Counter cyclical Investment in 2015, taking advantage of attractive opportunities (vessel / seismic crew rates and contractual terms)
- But project quality remains our over-riding priority
  - TGS will only invest in projects that meet its economic hurdles
  - Prefunding hurdles raised in 2015
- TGS is planning for a lower activity level in 2016 with expected multi-client investments of approximately 220 MUSD (down >50% from 2015)
  - Average day rates substantially lower than 2015
  - Oil companies less willing to prefund new surveys

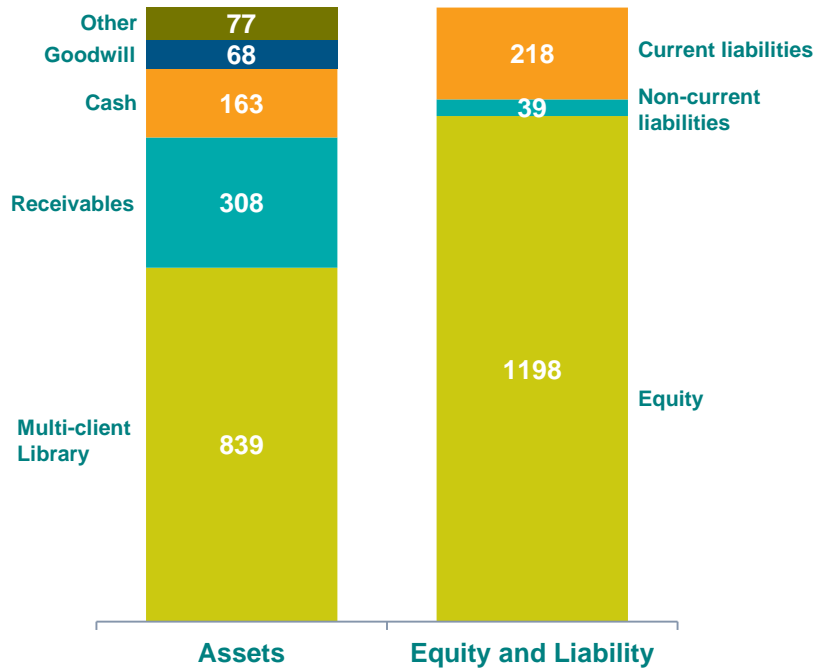
# Lower investments and costs supporting cash flow



- Around 50% reduction in net cash outlay related to multi-client investments
- Significant reduction of operating expenses as a result of cost cutting measures
- Positive impact on Free Cash Flow in 2016



# Solid balance sheet backing TGS strategy

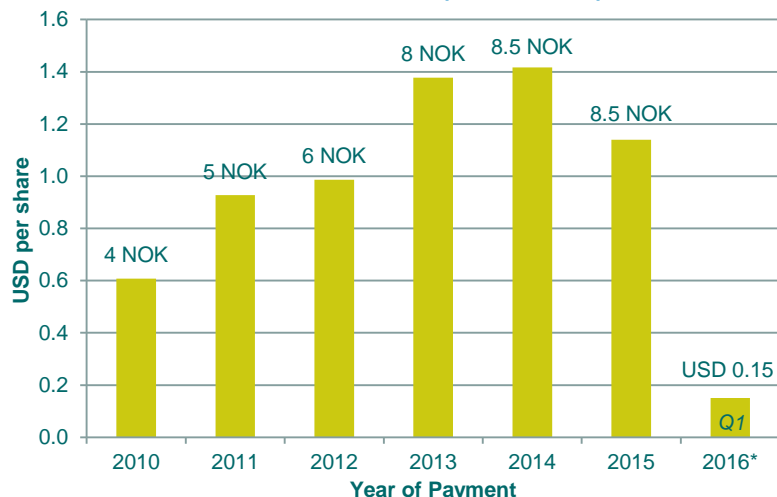


- Cash balance per Q4 2015 represents 163 MUSD
- Undrawn Revolving Credit Facility of 75 MUSD
- Strong balance sheet provides excellent opportunities for future growth
  - M&A
  - Strong credit quality attracts prefunding
  - Flexibility

No interest bearing debt and strong cash balance

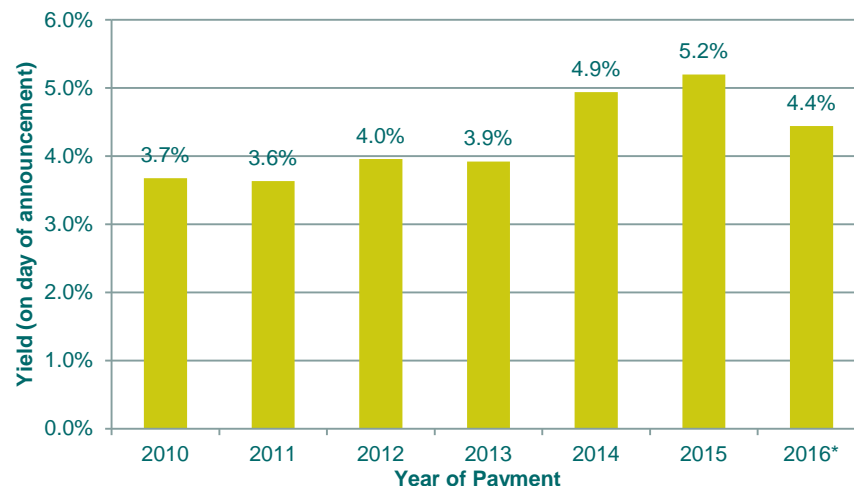
# Strong Cash Generation Delivers Shareholder Value

Dividend Paid\* (2010 – 2016)



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

Dividend Yield (2010 – 2016)

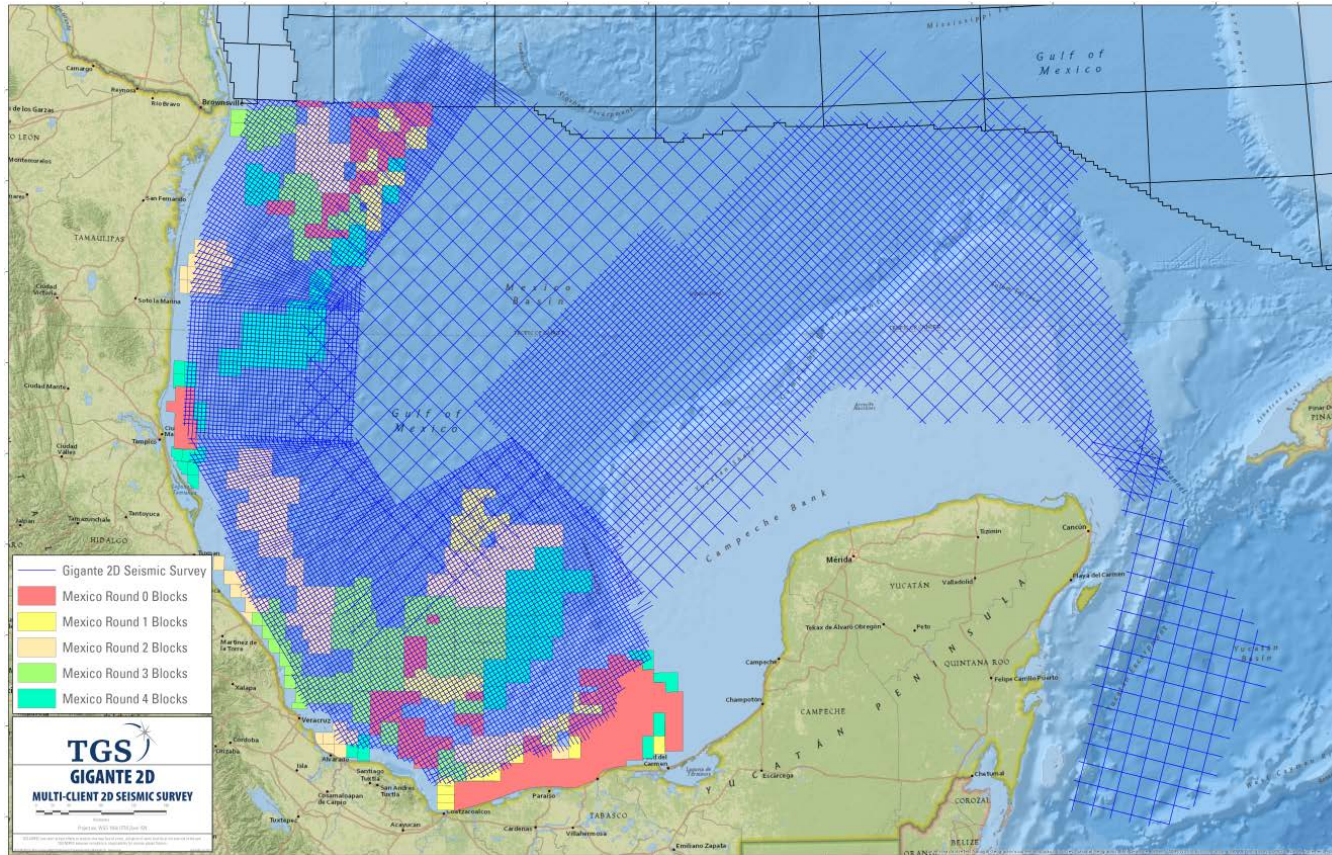


\*2016 Dividend Yield (based on assumption of flat quarterly dividends which is subject to continuous evaluation)

- Shareholder authorization to distribute quarterly dividend payments from Q1 2016
  - The ex-dividend date will normally be seven days after the announcement of the dividend in connection with the release of quarterly financial statements\*
  - Payment date 14 days after the ex-dividend date
  - 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
- USD 0.15 per share dividend (NOK 1.30) paid on 23 February 2016 (shares traded ex-dividend on 9 February)

\*Q2 – Q4 2016 dividends subject to AGM authorization on 10 May 2016

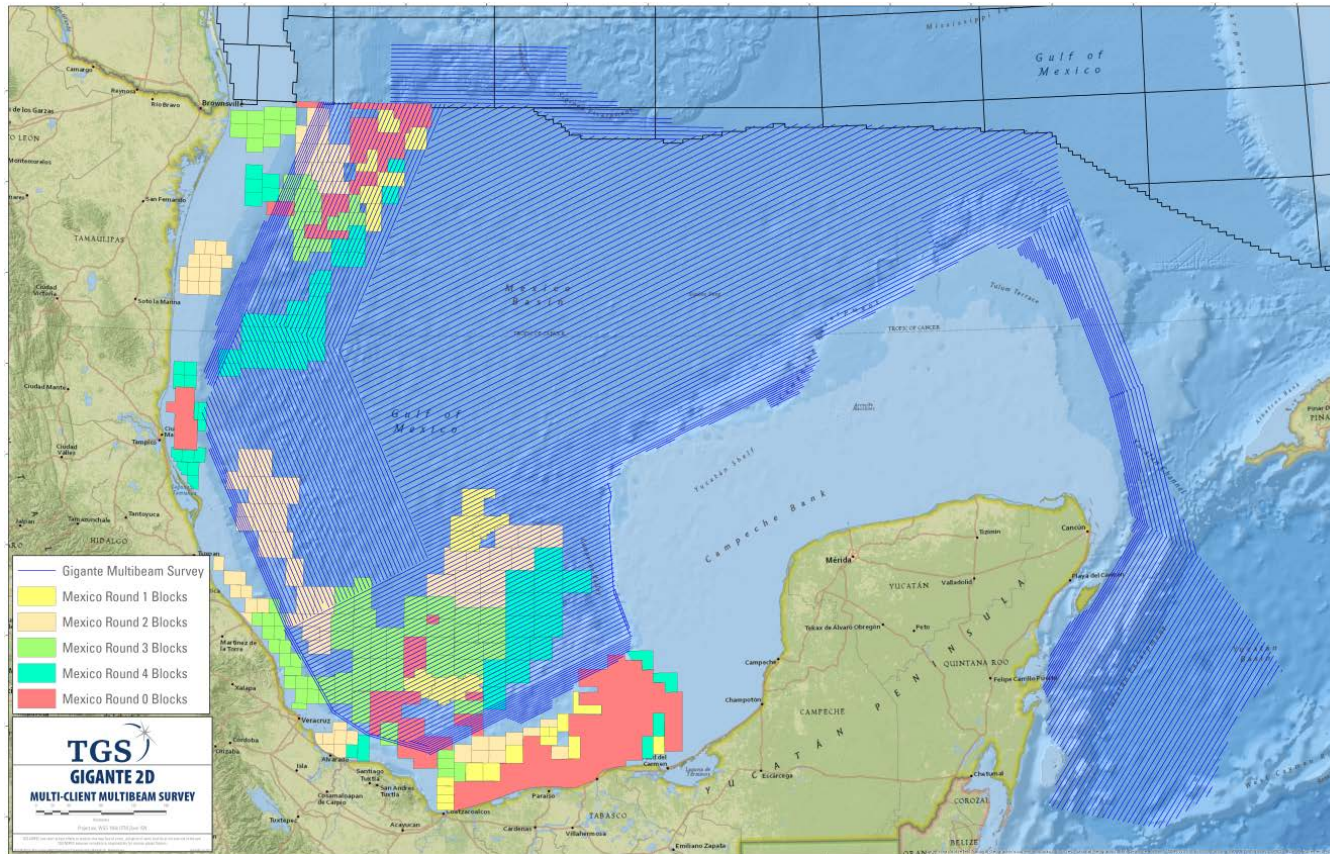
# 2016 Investments Announced – Gigante 2D



- 186,000 km multi-client regional 2D survey commenced in 2015 and expected to complete in mid-2016
- Survey includes world class producing trends such as the Perdido fold belt and Campeche Bay
- Line ties will be made to the US Gulf of Mexico regional grids previously acquired by TGS
- Expect to utilize 4 vessels on this survey through first half of 2016



# 2016 Investments Announced – Gigante Multibeam, Coring & Geochemical survey

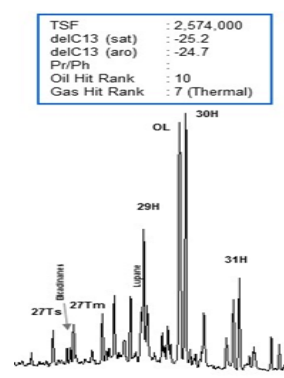
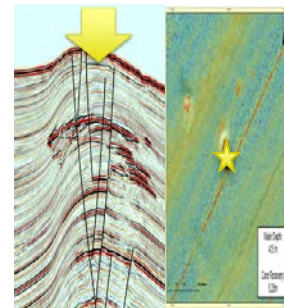
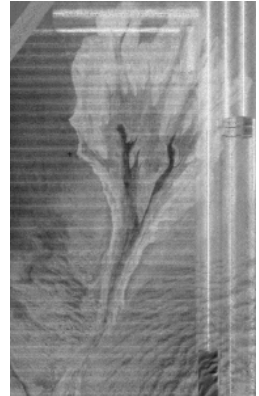


- 600,000 km<sup>2</sup> survey commenced in 2015 and expected to complete in H2 2016
- Multibeam (bathymetry) will identify hydrocarbon seeps on the seafloor
- Core samples gathered from identified seeps will be analyzed to determine hydrocarbon grade
- Interpretation of data will integrate with the seismic survey

# Enhancing Value through Technology

## Complementary Exploration Technologies

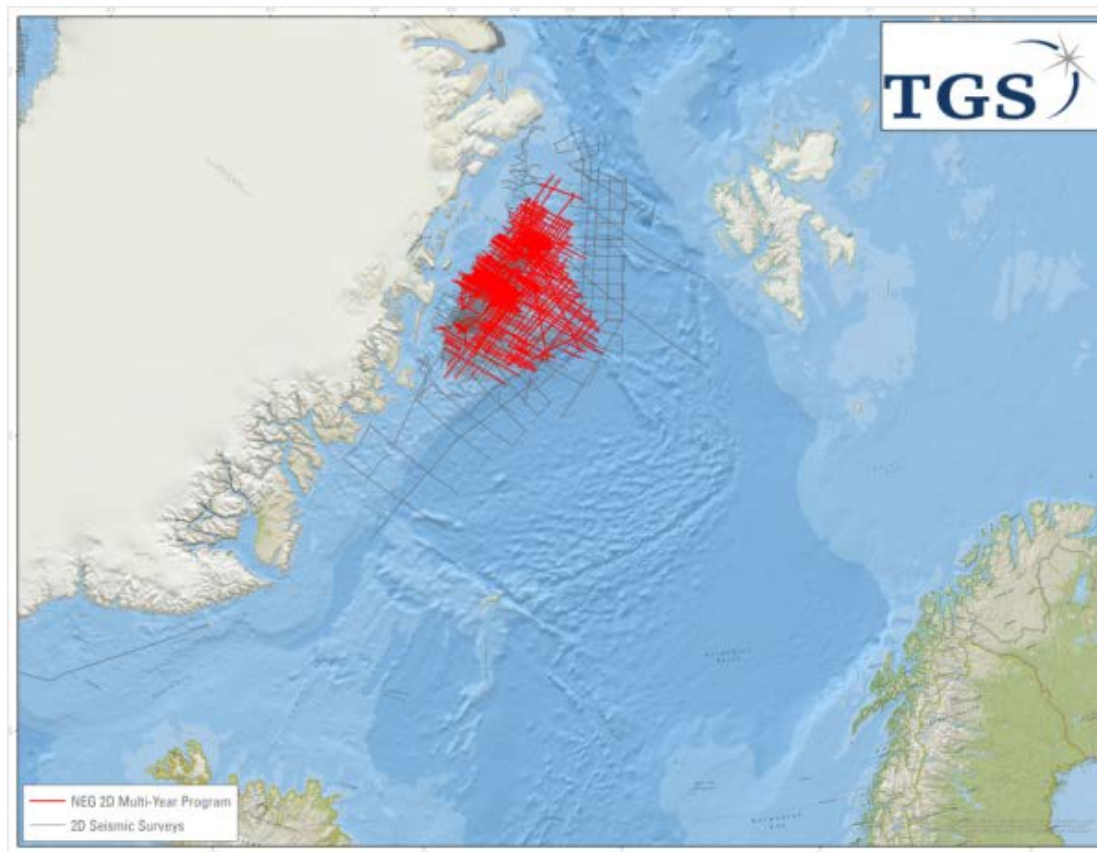
- **Multibeam** – sonar used to image seeps on the sea bottom and gas plumes in the water column
- **Coring** – 6 meter samples gathered from bathymetrically identified seeps
- **Jumbo Piston Cores** – 20 meter cores for geologic age and sedimentation rates
- **Heat flow Cores** – to constrain thermal maturity models
- **Geochemical Analysis** – performed on cores to determine character of the hydrocarbon seep
- An important frontier exploration tool:
  - Valuable information on the structural overprint of underlying geology
  - Validate active petroleum systems
  - Determine hydrocarbon grade early in exploration phase
  - Facilitate understanding of sediment flow
- Data will integrate with the seismic survey, well data and regional interpretation studies



Images courtesy of Fugro and TDI Brooks International



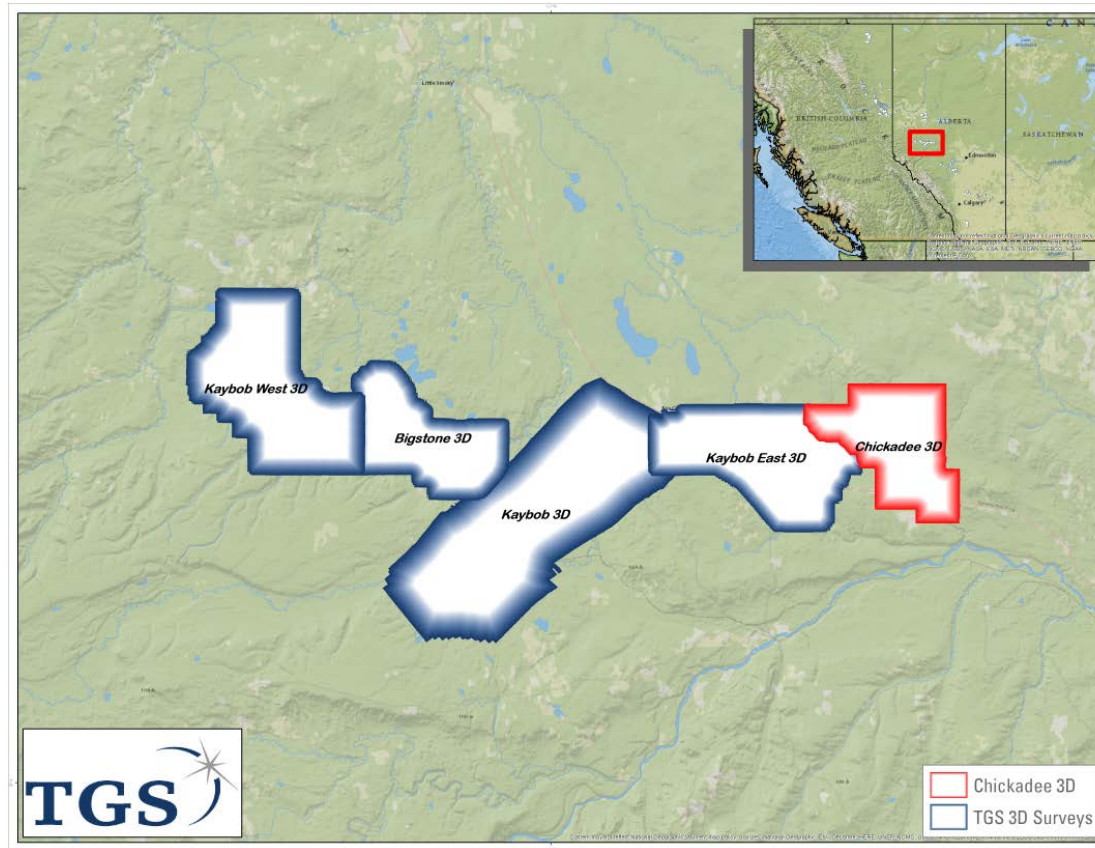
# 2016 Investments Announced – NE Greenland



- 14,500 km multi-year, multi-client 2D program offshore Northeast Greenland
- Challenging operational conditions with Ice-breaker vessel required for seismic operations
- 1,800 km remain to be acquired in 2016
- On completion, TGS 2D library in the basin will be >36,000 km



# 2016 Investments Announced - Canada Onshore



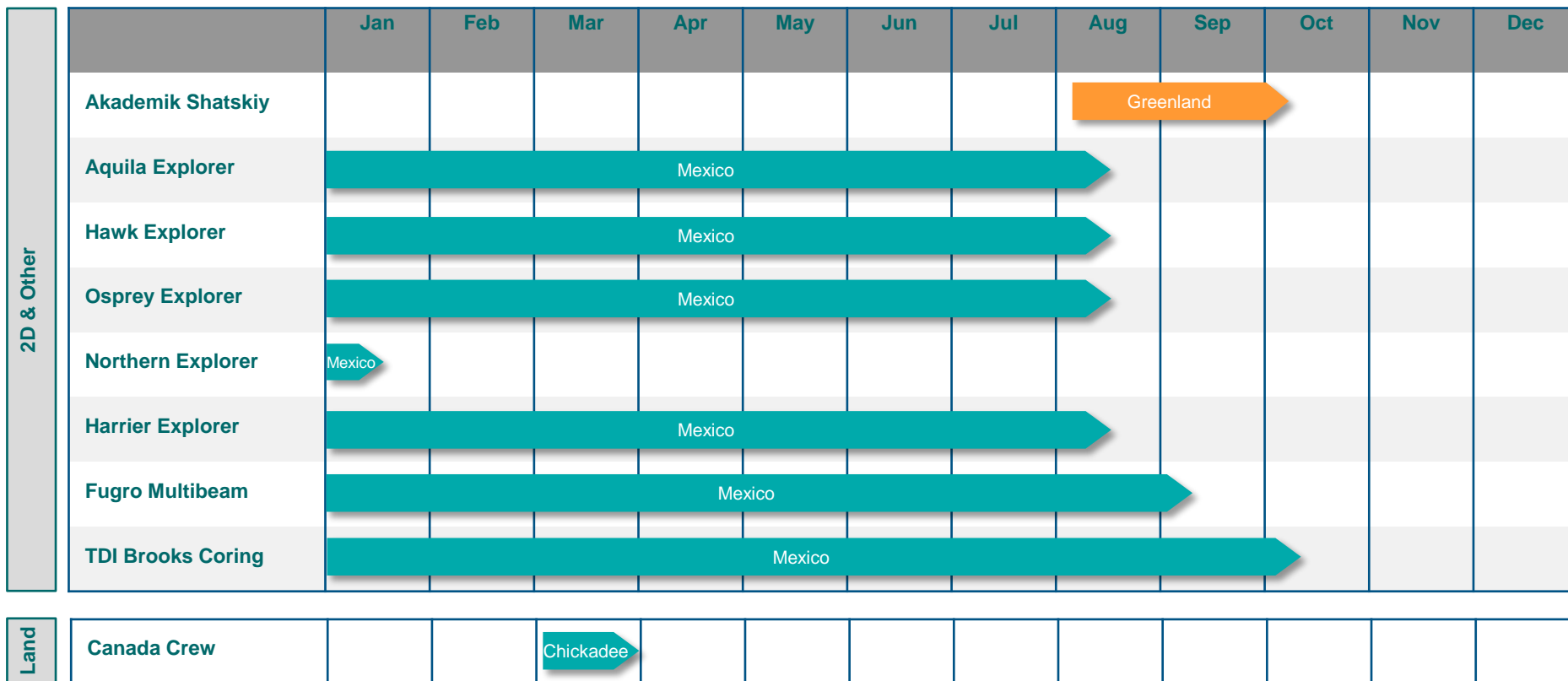
- **Chickadee** – 190 km<sup>2</sup> 3D multi-client survey
- Full-azimuth multi-component (3C) data
- Eastwards expansion of TGS' successful Kaybob-Bigstone surveys in the Duvernay fairway
- Building on track record with clients and extending TGS' dominance in area of high activity
- Acquisition commenced in Q1 2016

# 2016 Projects Schedule

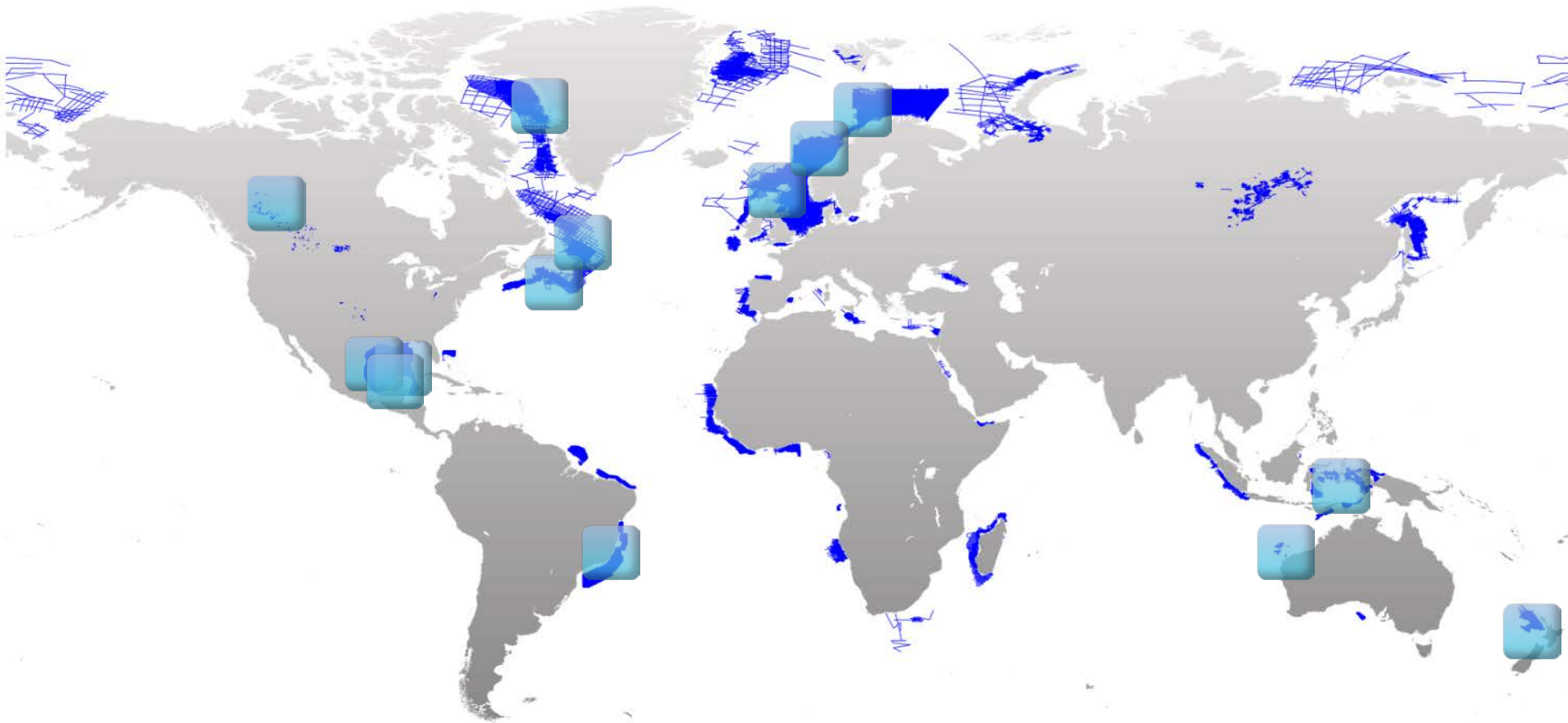
→ NSA

→ EUR

→ AMEAP



# License Round Activity and TGS Positioning



## North & South America

- Central GOM – Mar 2016 (5-Year Plan)
- Western GOM – Aug 2016 (5-Year Plan)
- Newfoundland & Labrador – Nov 2016 (Scheduled Land Tenure)
- Nova Scotia – Q4 2016 (3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil - next round expected 2016/17
- Mexico – Round 1(L04) in 2016, 3 more rounds proposed by 2019

## Africa, Middle East, Asia Pacific

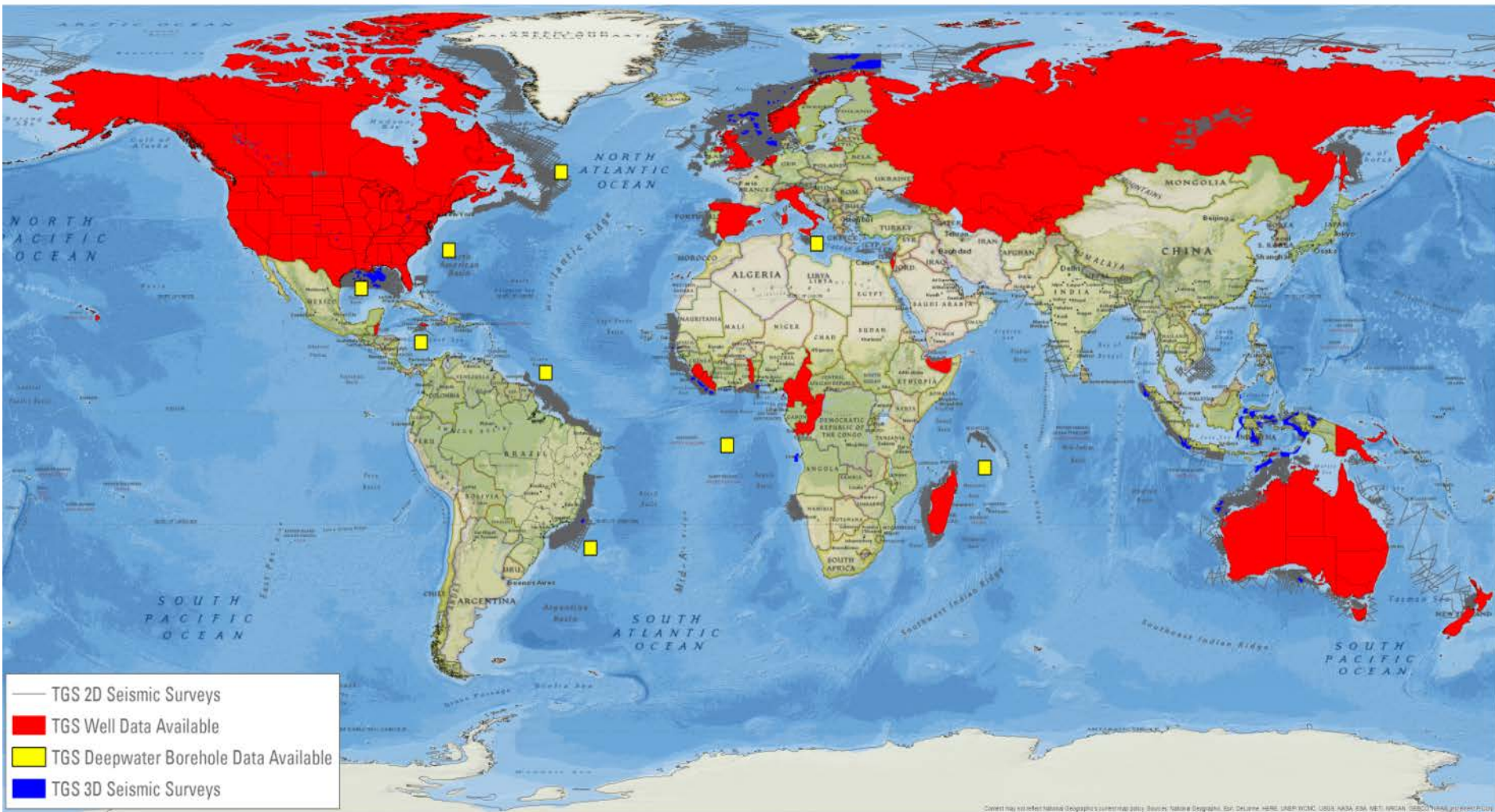
- Ongoing uncertainty on timing of African licensing rounds
- Australia – Apr 2016 (bids due)
- New Zealand – Mar 2016 (Block Offer launch)
- Indonesia – 2016 (bids due)

## Europe / Russia

- Norway APA – Jan 2016 (awards offered)
- Norway 23<sup>rd</sup> Round – Mid 2016 (awards due)
- UK 29<sup>th</sup> Round – 2016 (expected)
- Greenland – Dec 2016, 2017, 2018 (bids due)



# Global Well Data Coverage



- TGS will continue to grow its digital well data library (well data, enhanced well logs and directional drilling)
- Complementary products include Digital Petrodata GIS information, interpretation reports and basin models

# Summary

- Challenging seismic market with further reductions in oil company spending expected in 2016
  - Measures implemented to improve competitiveness and support operational cash flow
  - 2016 multi-client investments expected to be reduced by more than 50%
- However, long-term future of asset-light, focused multi-client business remains strong
  - TGS has a backlog of 145 MUSD
  - Cash balance of 163 MUSD at 31 December 2015 in addition to undrawn 75 MUSD Revolving Credit Facility
  - Counter-cyclical investment with disciplined focus on investment quality positions TGS benefit when market recovers and grow market share
- **Guidance for 2016**
  - TGS expects multi-client investments of approximately 220 MUSD
  - Multi-client investments are expected to be prefunded 45 to 50%





# Thank you

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