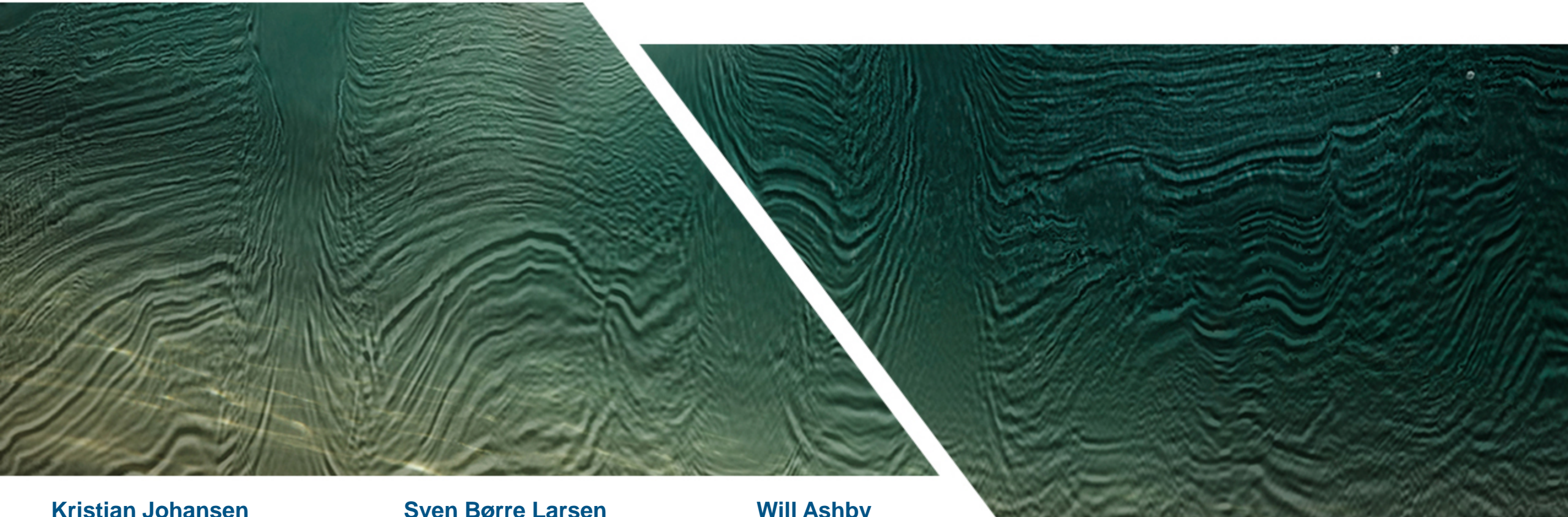




# EAGE Investor Presentation



**Kristian Johansen**  
CEO

June 2018

**Sven Børre Larsen**  
CFO

**Will Ashby**  
VP IR & Communication

# 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.

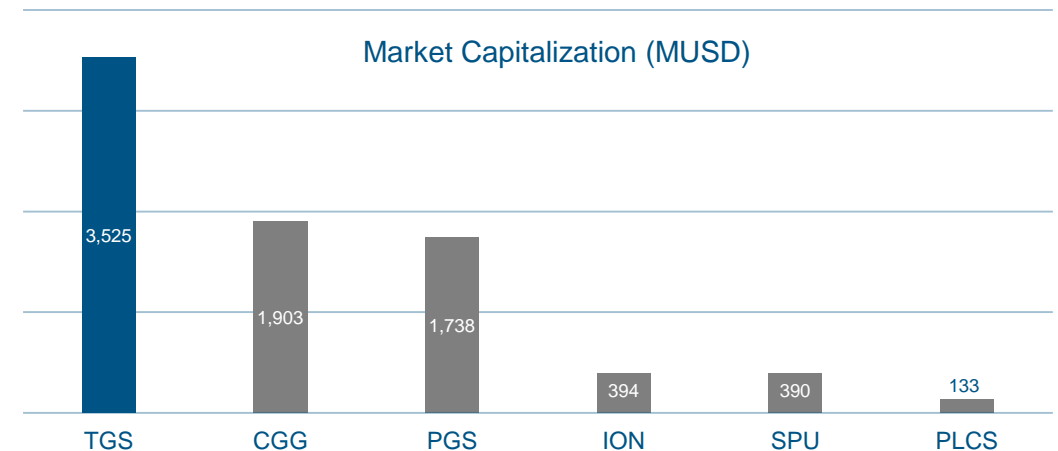




# About TGS

# This is TGS

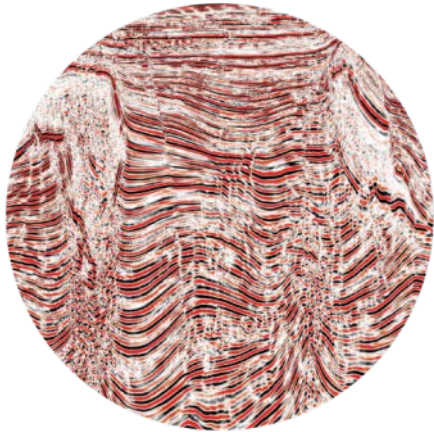
- The worlds largest geoscience data company
- Asset light – multi-client business model
- Global multi-client data library covering frontier & mature basins
- Main offices: Oslo and Houston
- Regional offices: London, Perth, Calgary, Singapore, Mexico City and Rio de Janeiro
- ~600 onshore employees plus 200-1000 contracted fieldworkers
- Traded on Oslo Stock Exchange, part of OBX Index
- Market Cap: ~\$3.5 billion





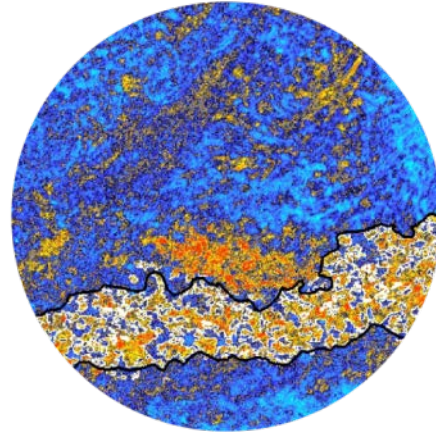
# Diversified data library combined with compute power

## MULTI-CLIENT



### Geophysical Data

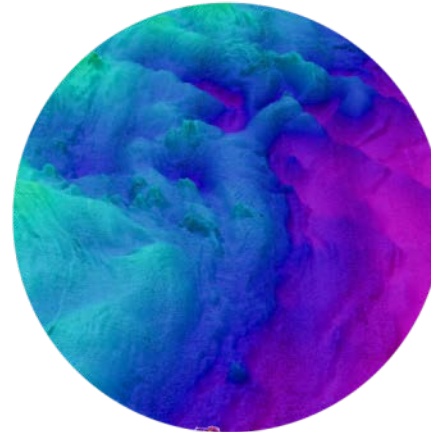
- 2D Seismic
- 3D Seismic
- Wide Azimuth (WAZ) Seismic
- M-WAZ Seismic
- Full Azimuth Nodal Seismic
- Electromagnetics (CSEM)
- Aeromagnetics
- Gravity
- Multi-beam



### 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

## COMPUTE POWER

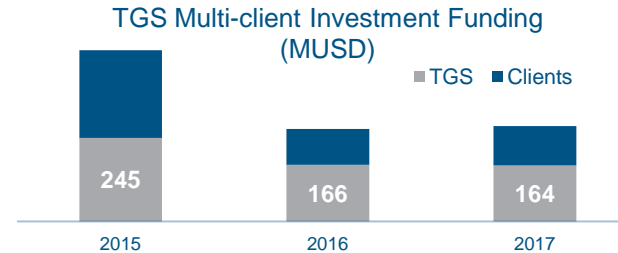


### Computing

- Top 20 global computer power centers
- 30 Peta Flops
- +10,000 GPUs
- +10,000 CPUs
- 7,000 TB fast disk
- 15,000 TB internal disk

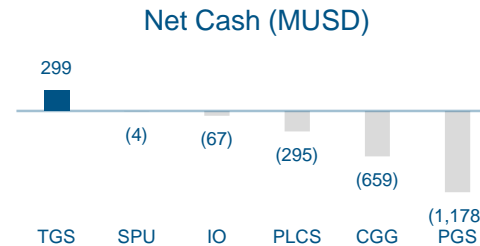
# TGS unique partner offering

**Business model based on cost sharing and collaboration**



- From 2015-2017, TGS invested USD 1.05 billion in multi-client projects and covered 55% of the cost
- Multi-client model offers a significant value proposition to E&Ps with data accessible quickly at a fraction of the cost
- Sharing economy getting foothold in all industries – multi-client is the way to source data more efficiently

**Strong balance sheet allows risk taking**



- Consistent free cash flow generation provides financial strength to invest with clients throughout cycles and pursue higher risk opportunities
- TGS cash balance and financial strength allow E&Ps to continue sourcing data in periods with limited budgets

**Access to all technologies**



- Major buyer of capacity – taking on all acquisition risk
- Technically knowledgeable with experience from all major acquisition technologies
- Driving development of new technology through backlog and seed financing (Seabird, Polarcus, Shearwater, etc.)

**Data library and processing technology**



- TGS data library has consistently outperformed all peers, confirming the ability to acquire data where clients want to explore
- TGS library sales represented 1/3rd of industry library sales in 2017
- Significant R&D investments in processing technology to enable quality in line with Proprietary projects

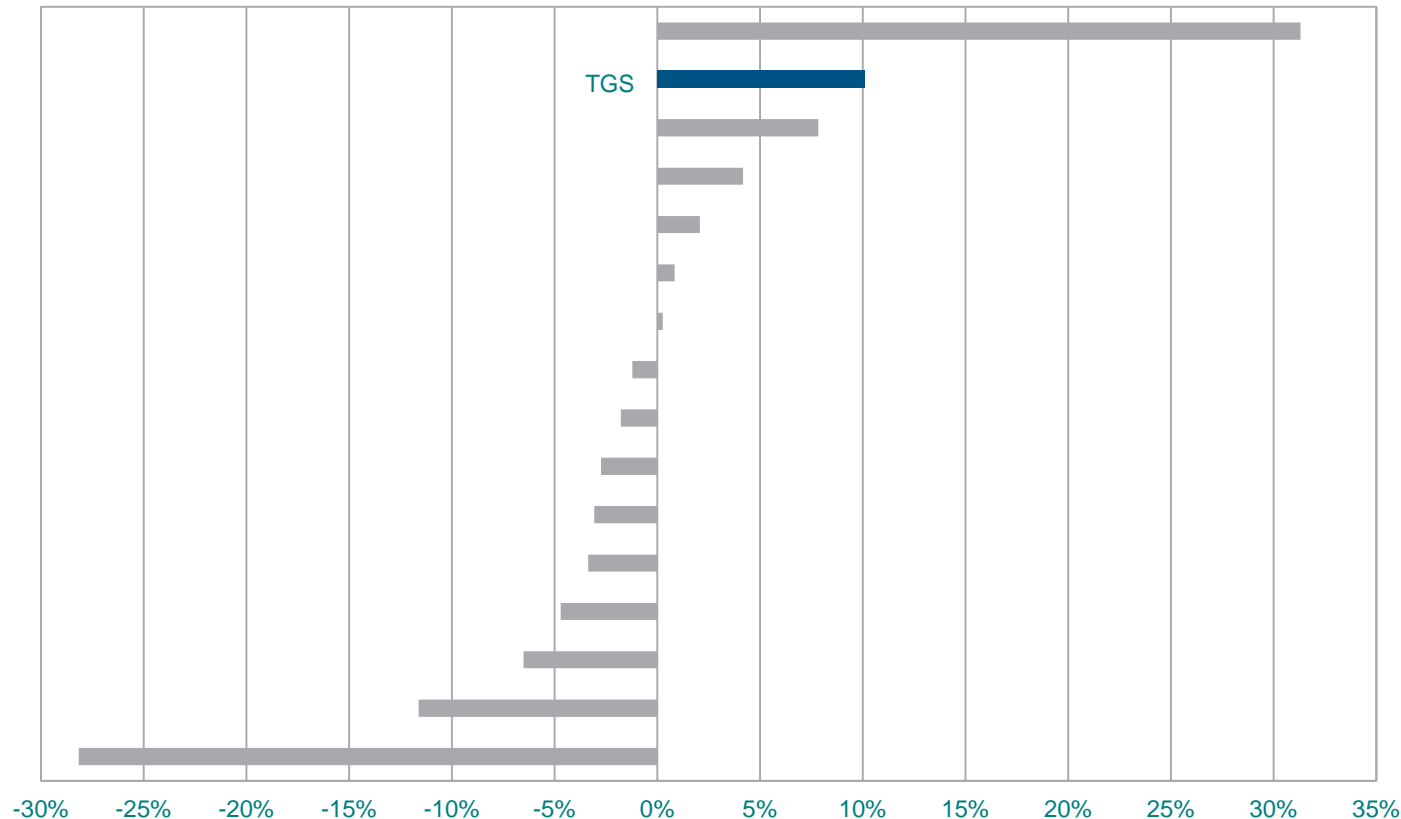
# Q1 2018 Highlights

- Q1 net revenues of 135 MUSD, up 56% from 86 MUSD in Q1 2017
  - Net late sales of 115 MUSD, up 67% from 69 MUSD Q1 2017
  - Net pre-funding revenues of 18 MUSD were up 15% from 15 MUSD in Q1 2017, funding 57% of TGS' operational multi-client investments for the quarter
  - Operational multi-client investments of 31 MUSD in addition to 3 MUSD from risk sharing arrangements
- Operating profit for the quarter was 25 MUSD compared to 2 MUSD in Q1 2017
- Free cash flow was 71 MUSD compared to 74 MUSD in Q1 2017
  - Cash balance of 302 MUSD at 31 March 2018 in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.20 per share, up 33% from Q1 2017
- Improved market conditions driven by higher oil price and improved E&P cash flow

# Top-end Return on Average Capital Employed

## 2017 ROACE\*

TGS compared to Philadelphia Oil Service Index (OSX) companies



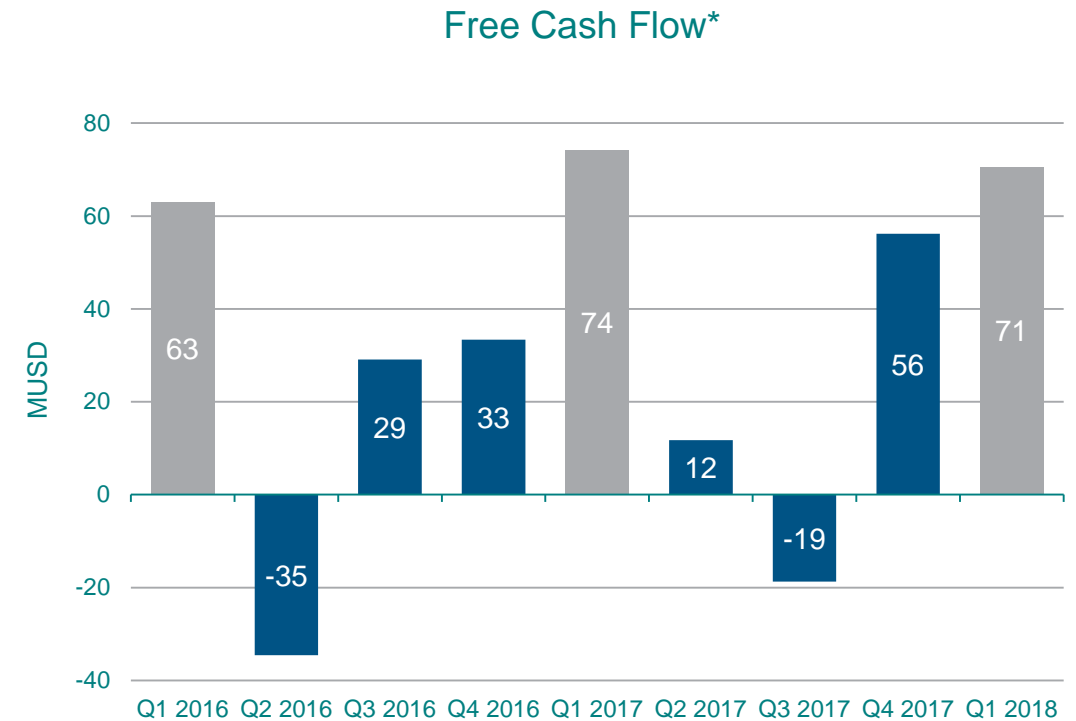
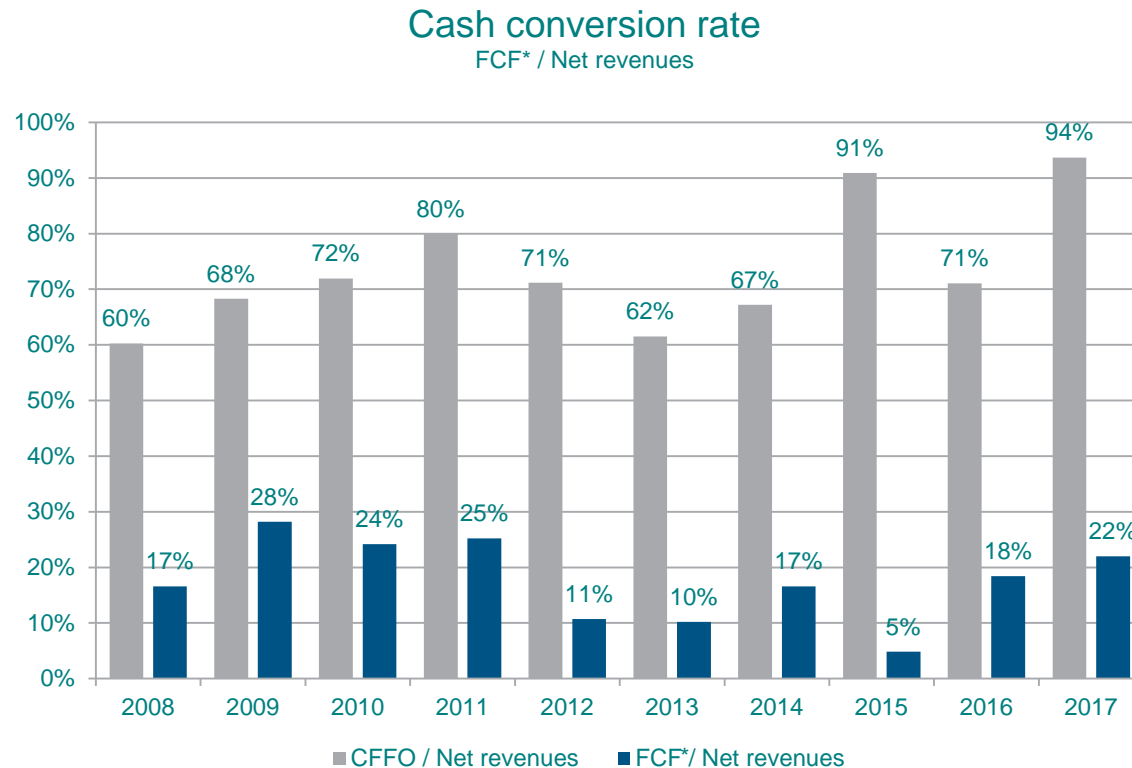
\*Return on average capital employed =  $EBIT / \text{Average capital employed}$   
Capital employed = Equity + Net interest bearing debt

Source: Capital IQ, Company reports, TGS

- 2017 ROACE of 10.1%
- Q1 ROACE (rolling 12 months): 13%
- TGS is one of very few oil services companies delivering a return above its Cost of Capital
- Ranked 2<sup>nd</sup> when compared to the 15 companies that constitutes the Philadelphia Oil Service Index



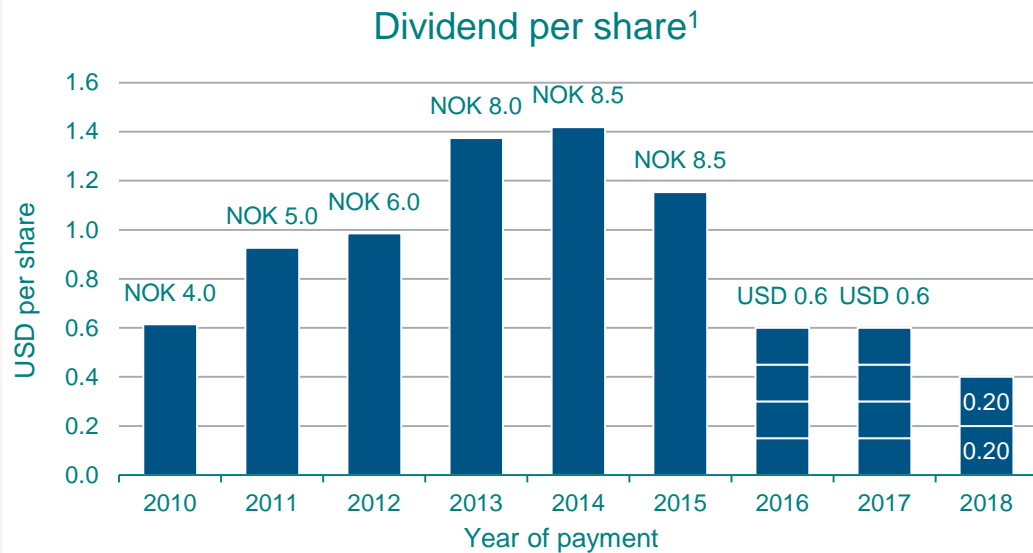
# Industry-leading cash conversion rates



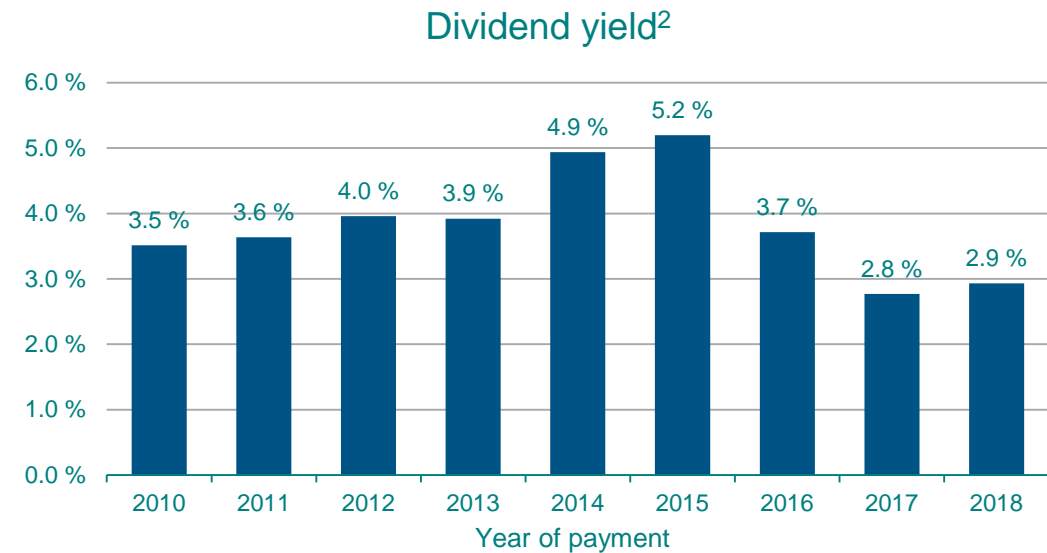
\* In these charts defined as Cash Flow From Operations (CFFO) – Cash Flow From Investments

- Continued strong cash conversion rates lead to robust cash flow - Cash position at USD 302 million at end Q1 2018
- TGS is in the top end of the range in the oil service industry when it comes to converting revenues into cash flow

# TGS has continued to pay dividend through the cycle



1. Quarterly dividends defined in USD from 2016. Annual dividends defined in NOK prior to 2016 – converted to USD with the FX rate at the ex-dividend dates



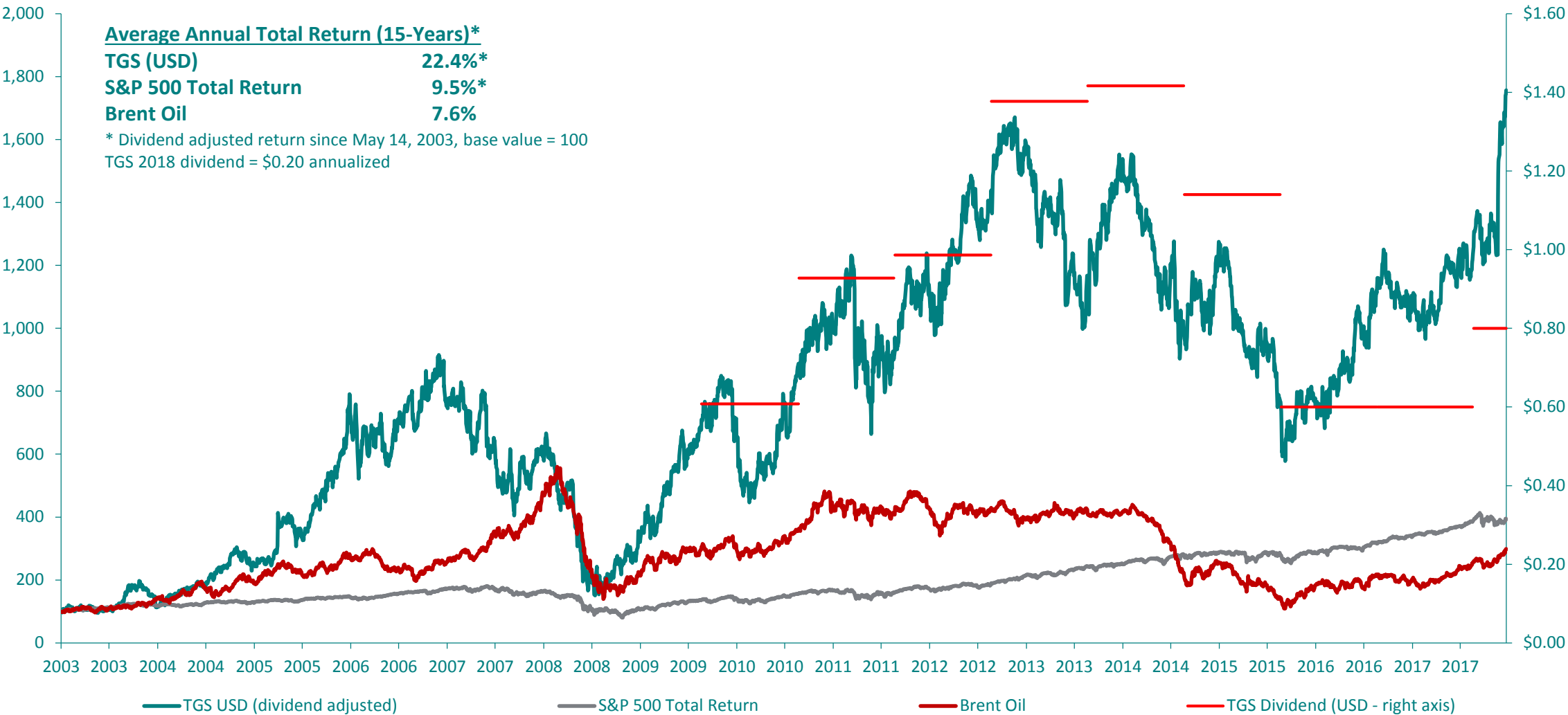
2. Yield based on share price at date of announcing the dividend. From 2016-18 yield is calculated using the average of the quarterly payments

- TGS aims to pay a cash dividend that is in line with its long-term underlying cash flow
  - Ambition to keep a stable quarterly dividend through the year
  - Actual quarterly dividend level paid will be subject to continuous evaluation of market outlook, cash flow expectations and balance sheet development



# Superior value creation track-record

Total Return



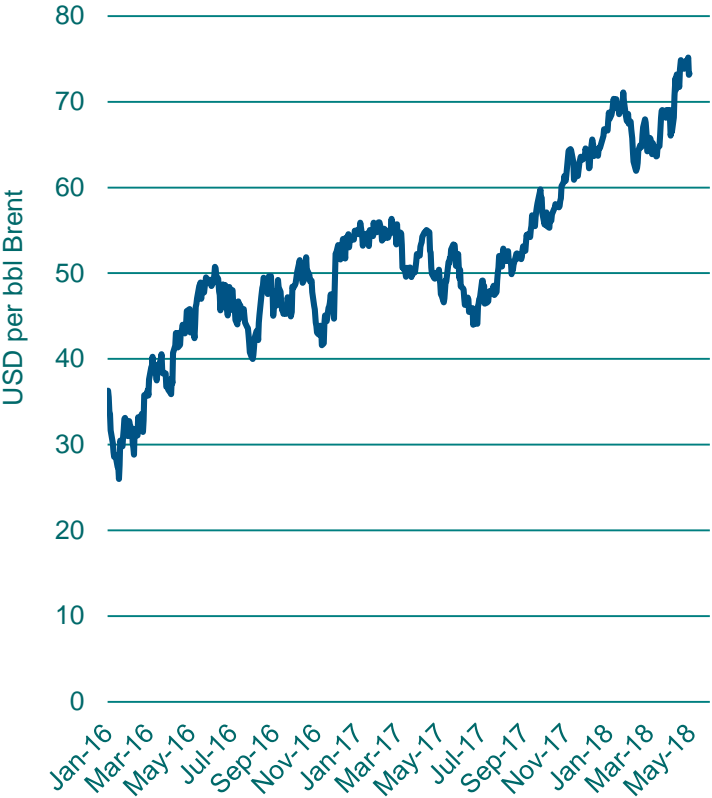


# Outlook

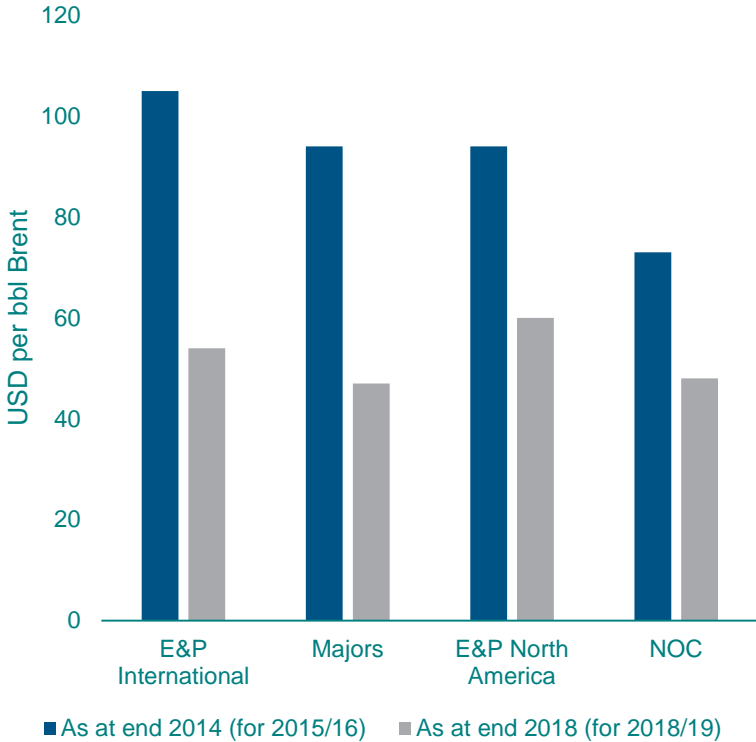


# Fundamentals improving

Brent oil price

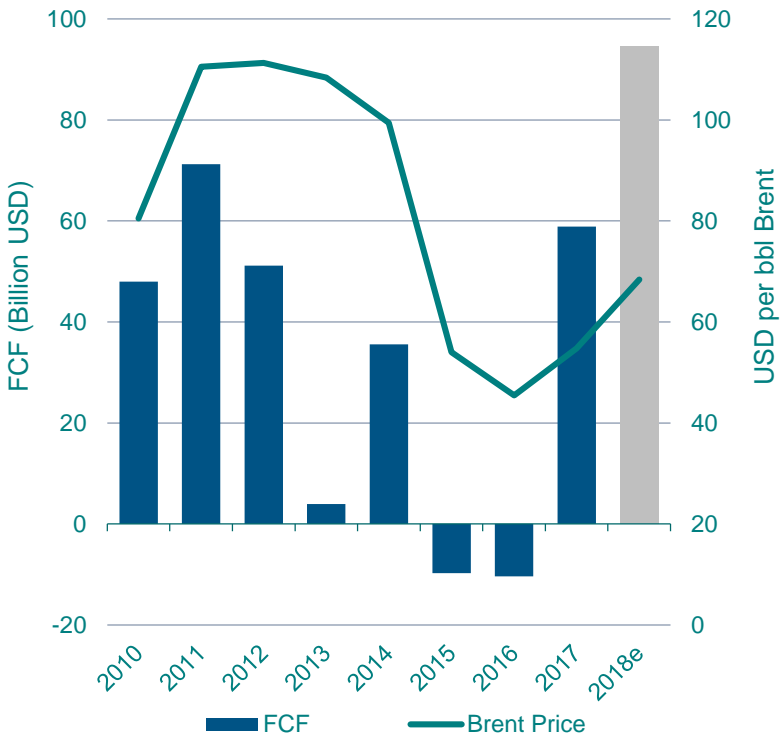


E&P companies' break-even cost level



Source: Wood Mackenzie

E&P companies' free cash flow



Source: S&P Capital IQ

Higher oil price...

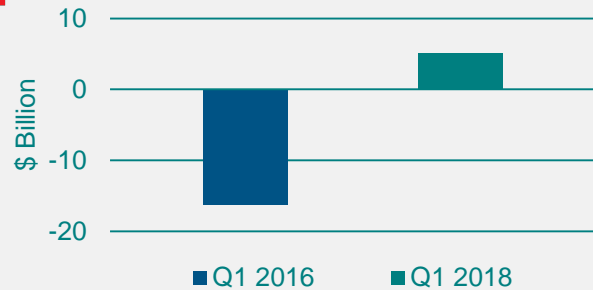
...and substantially lower costs...

...gives boost in cash flow

# Boost to E&P Cash flow



## Free Cash Flow

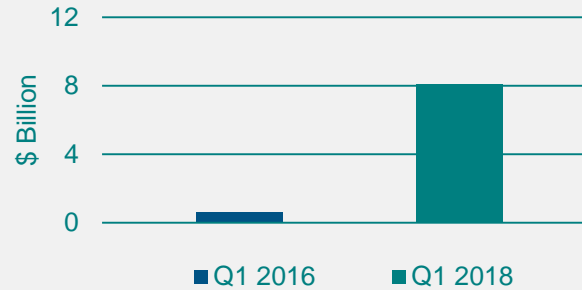


“Shell’s strong earnings this quarter were underpinned by higher oil and gas prices, our Integrated Gas business, and improved profitability in our Upstream business” **Ben van Beurden**



Energy lives here™

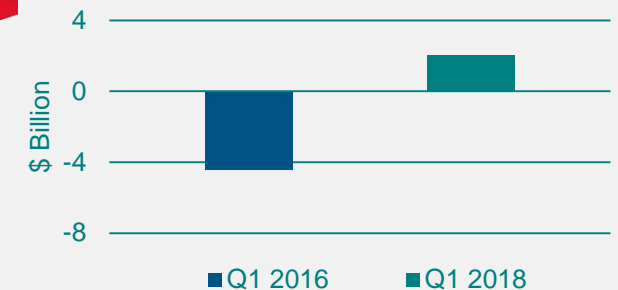
## Free Cash Flow



“Highest quarterly cash flow from operations and asset sales since 2014”  
**Darren W. Woods**



## Free Cash Flow

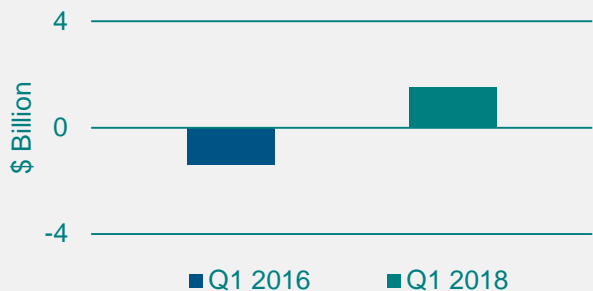


“This is our strongest earnings result since the third quarter of 2014 when Brent prices were above \$100”  
**Pat Yarrington**



Statoil

## Free Cash Flow

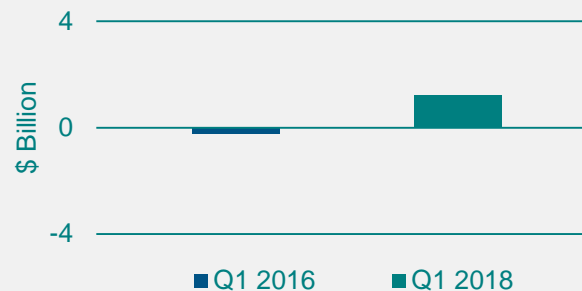


“Following strong results from our improvement work we have a lower cost base, enabling us to capture high value from higher prices and deliver solid earnings across all segments” **Eldar Sætre**



TOTAL

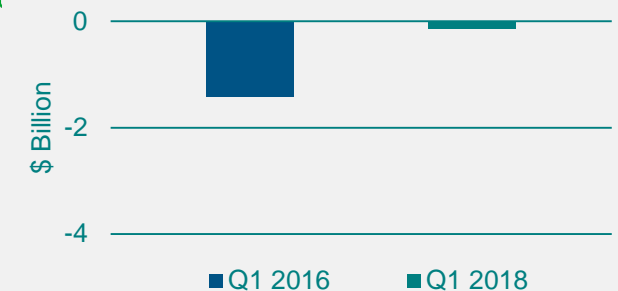
## Net Cash Flow



“Cash flow after organic investments increased thanks to good operational performance and continued spending discipline”  
**Patrick Pouyanne**



## Free Cash Flow



“Underlying profit was up 23% on the previous quarter and was our best quarterly result in three years”  
**Bob Dudley**



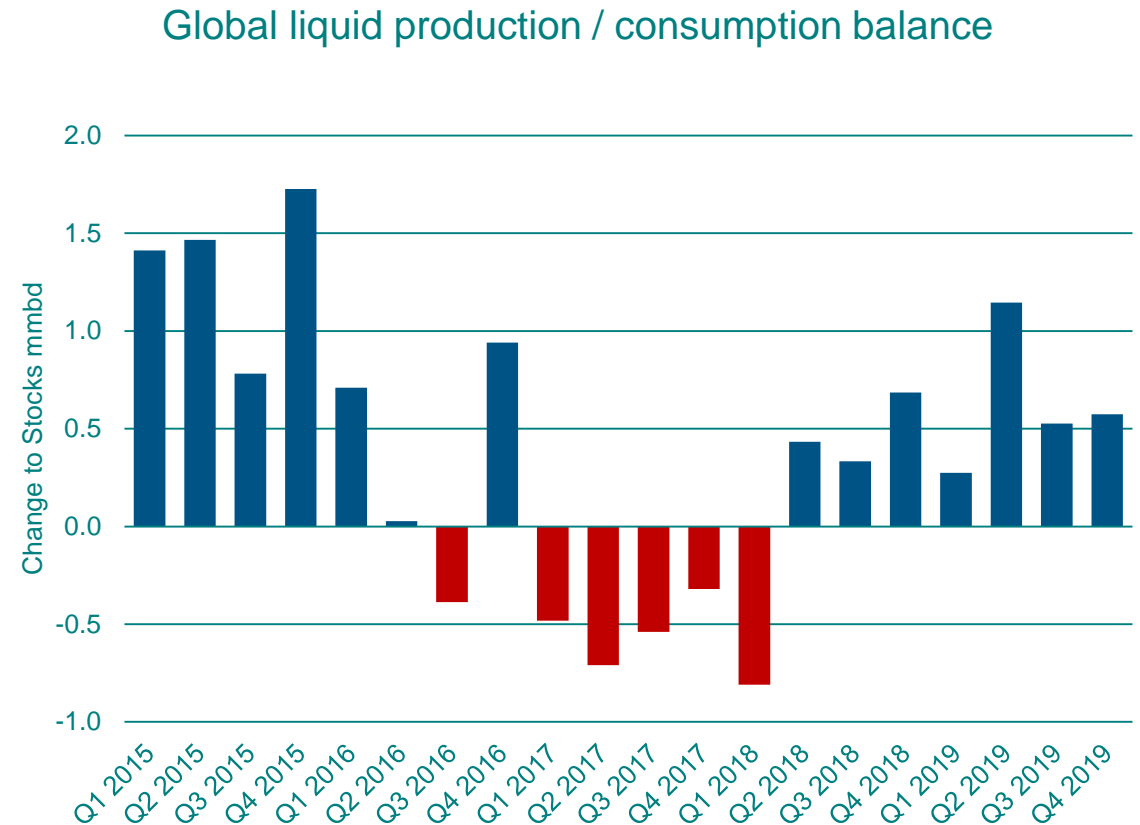
# Seismic spending on a growing trend



1. TGS, CGG, SLB, PGS, ION, PLCS, Seitel, SPU

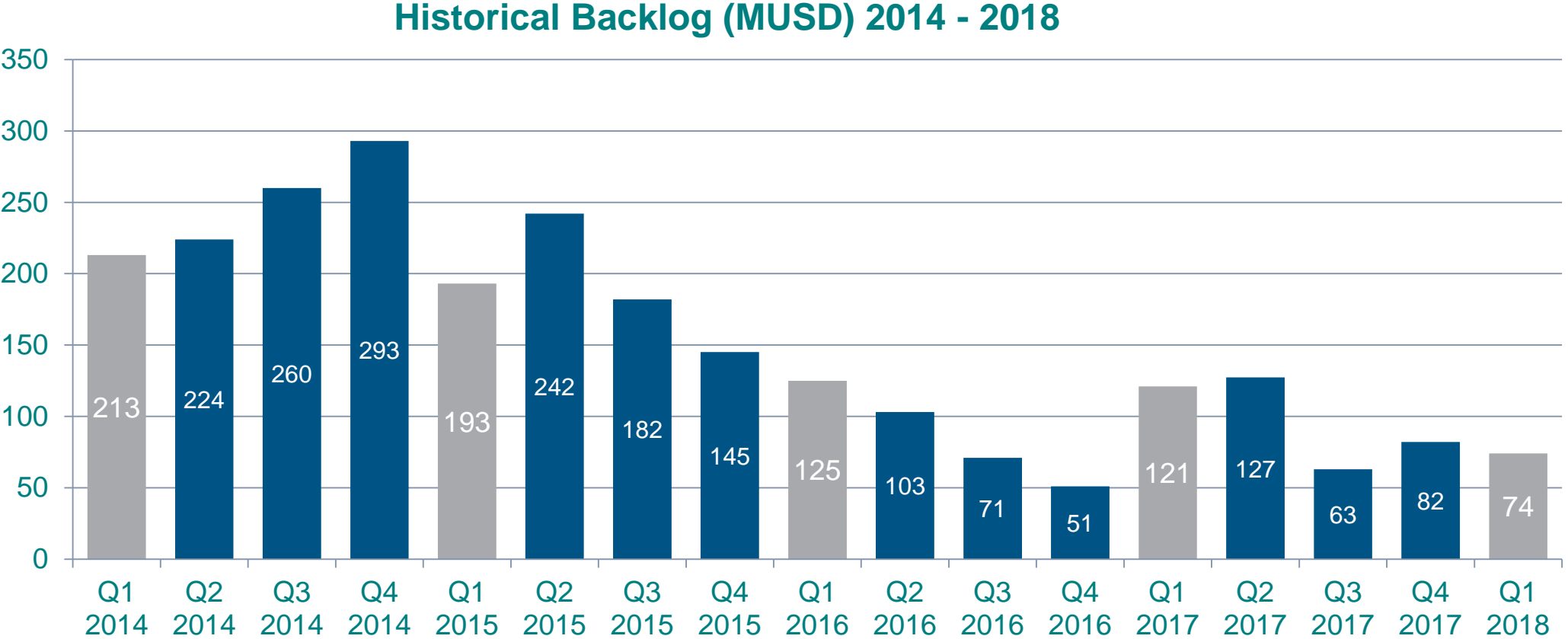
# Visibility still low and market expected to remain volatile in near-term

- Positive global demand outlook
- U.S Inventories below five-year average
- OPEC / Russia quota compliance good
- Venezuela production continues to decline
- Pipeline constraints in Permian (new capacity on-stream in mid-2019)
- U.S. withdrawal from Iran Nuclear deal
- Negative impact from potential U.S / China tariffs
- U.S Unconventional growth accelerating
- OPEC / Russia quota due to expire at end 2018



Source: EIA Short Term Energy Outlook, May 2018

# Backlog



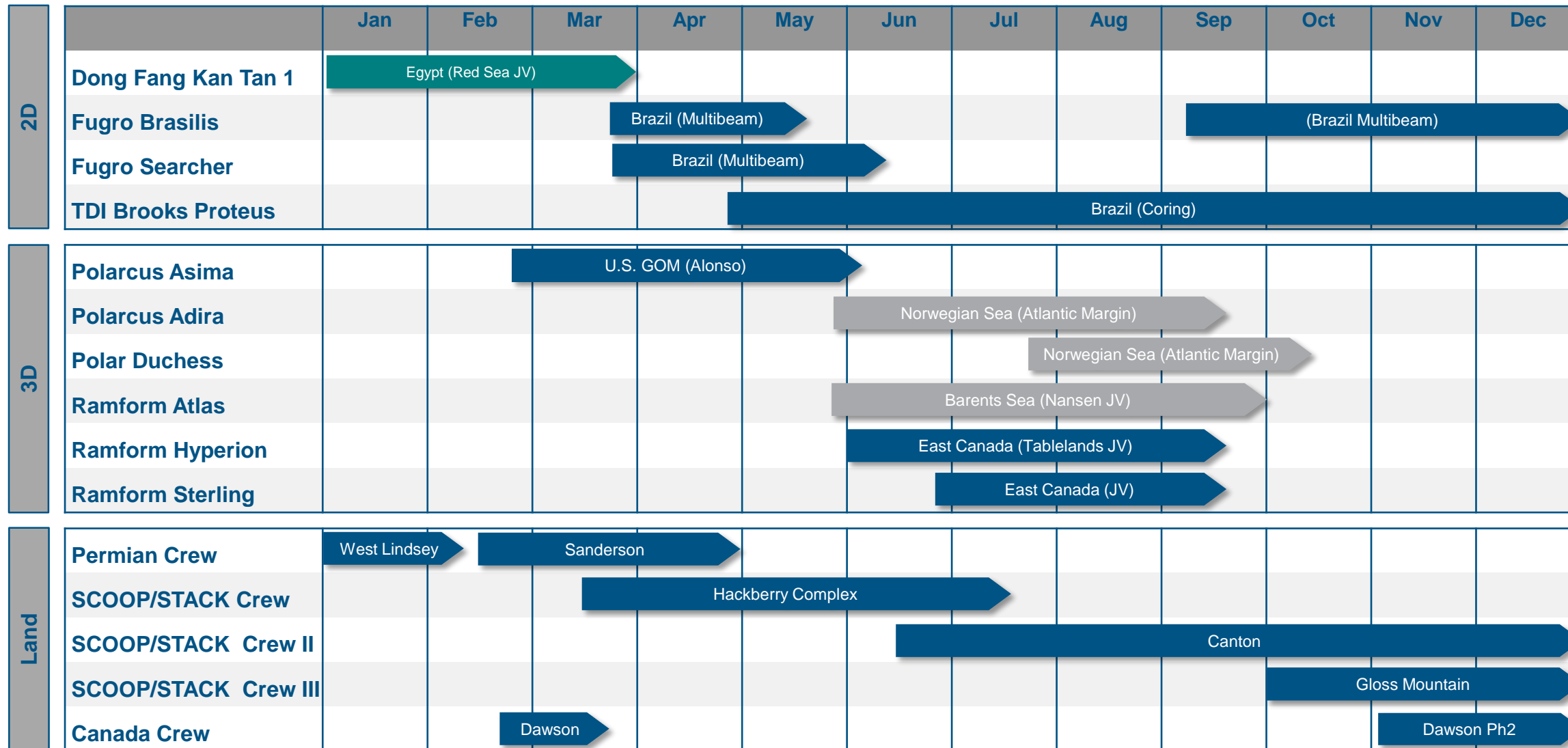


# 2018 Projects Schedule\*

NSA

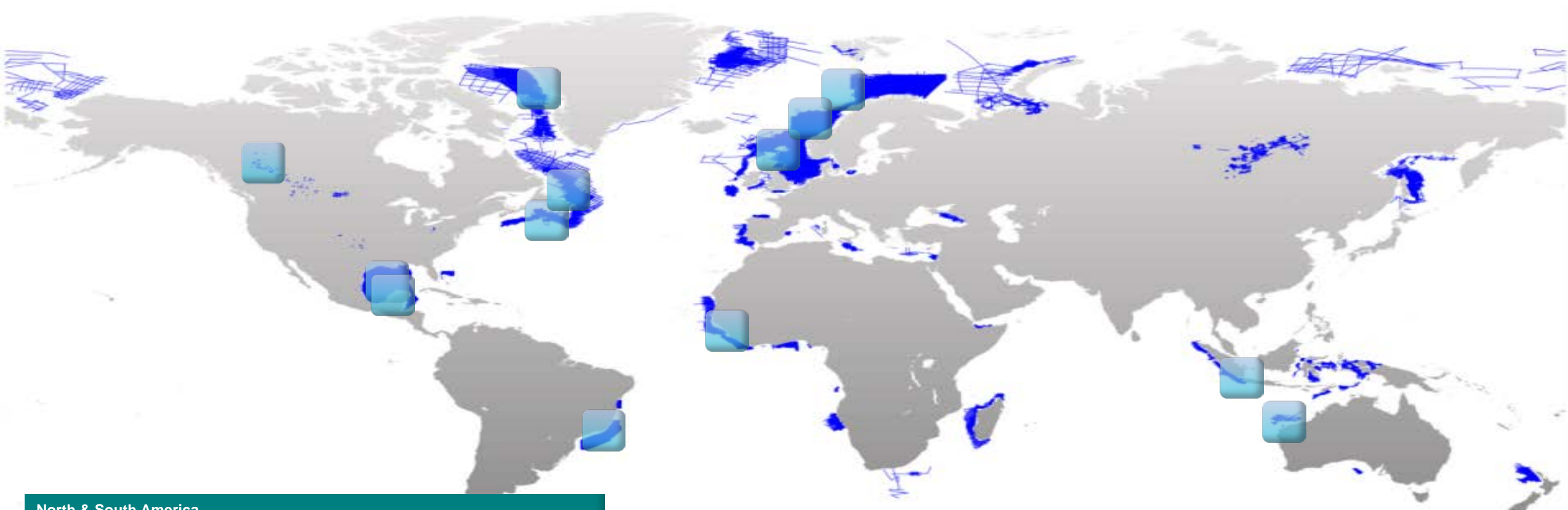
EUR

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 – Jeanne d'Arc & E. Newfoundland, Nov 2018 (bids due)
- Nova Scotia – Dec 2018 (3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil 4<sup>th</sup> & 5<sup>th</sup> Production Sharing Rounds - Jun & Sep 2018 (bids due)
- Brazil 16<sup>th</sup> Round -2019 (planned)
- Mexico Round 3.2 (onshore) - Jul 2018 (bids due)
- Mexico 3.3 (unconventional) – Sep 2018 (bids due)
- Mexico Round 4 – 2019 (planned)

## Africa, Middle East, Asia Pacific

- Sierra Leone 4<sup>th</sup> Round – Jun 2018 (bids due)
- Australia 2018 Area – Feb 2019 (bids due)
- Indonesia 2018 Round – Apr & Jun 2018 (bids due)

## Europe / Russia

- Norway APA – Sep 2018 (bids due)
- Norway 24<sup>th</sup> Round – before Summer 2018 (awards)
- UK 31<sup>st</sup> Round – Mid-2018 (announcement expected)
- Greenland – Dec 2018 (bids due)

# Summary

- Strong Q1 18 performance
  - Net revenues of 135 MUSD
  - EBIT of 25 MUSD – EBIT margin of 18%
  - Free cash flow of 71 MUSD
  - Cash balance of 302 MUSD in addition to undrawn 75 MUSD Revolving Credit Facility
  - Quarterly dividend at USD 0.20 per share
- Improved market conditions driven by higher oil price and improved cash flow
- Seismic spending on a growing trend
- TGS will continue to pre-announcing quarterly segment revenues no later than the sixth trading day at the Oslo Stock Exchange after quarter close
- 2018 guidance unchanged:
  - 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 45%-50%
  - Amortization expected to be approximately USD 310 million

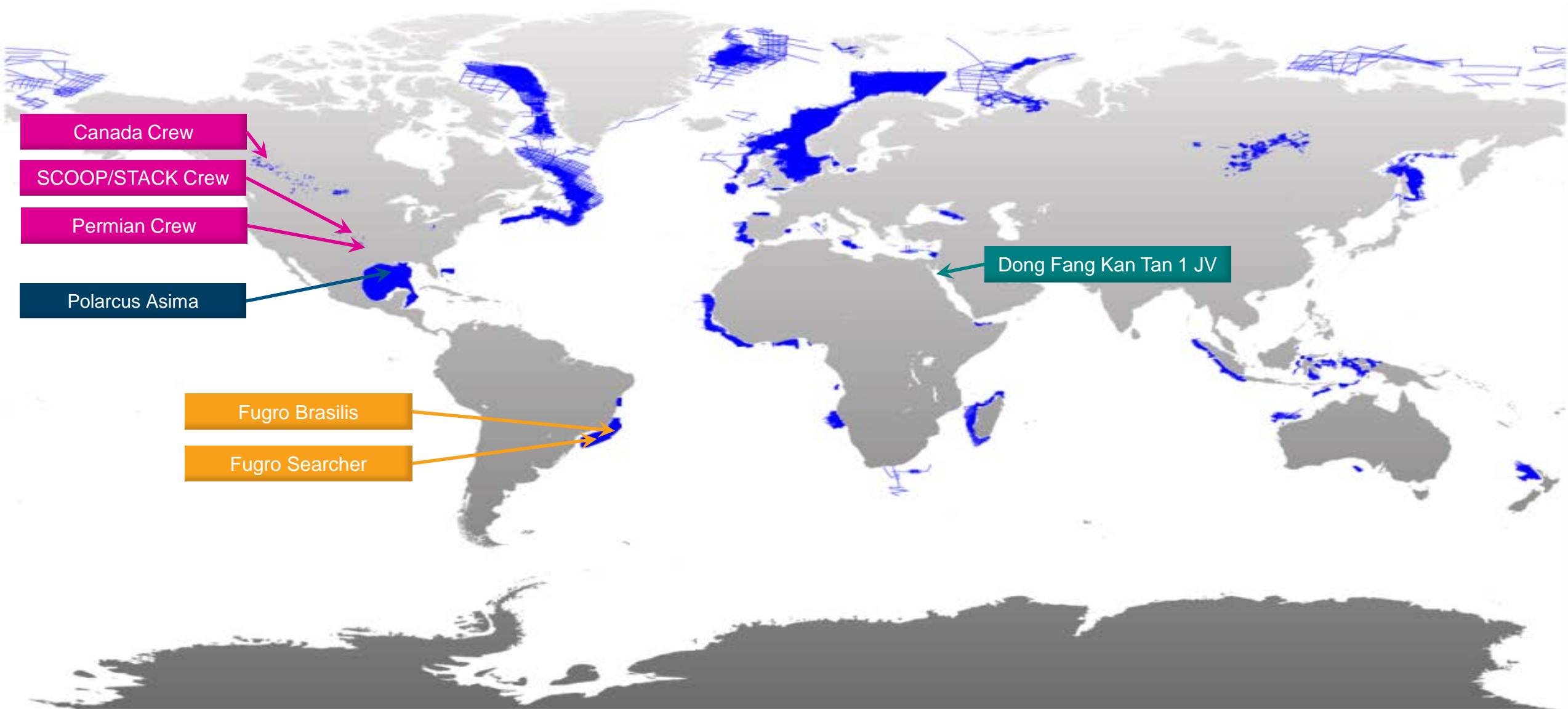


The background of the slide features a complex, abstract pattern of wavy, concentric lines in various shades of teal and green. These lines create a sense of depth and movement, resembling a topographical map or a microscopic view of a material. A faint, light-colored grid is overlaid on the bottom left corner of the image.

## **Appendix: Q1 Operational Highlights**



# Q1 2018 Operations



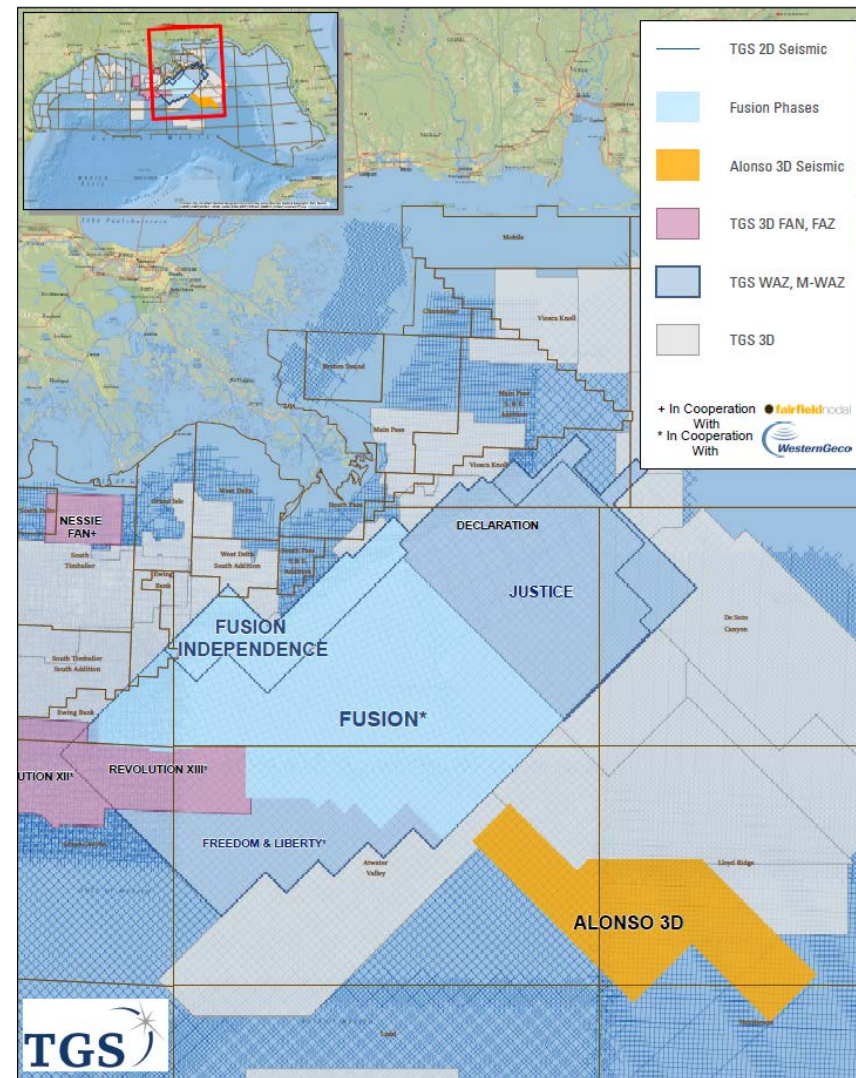
# Q1 Activity – U.S. Gulf of Mexico

## Fusion M-WAZ reimagining program

- M-WAZ reimagining program in collaboration with Schlumberger in Mississippi Canyon, Atwater Valley and Ewing bank areas
- ~27,000 km<sup>2</sup> (1,166 OCS blocks ) 3D M-WAZ data previously acquired by TGS and Schlumberger between 2008 and 2012
- Reimagining is >95% complete with final data delivery mid-2018

## Alonso 3D

- 6,172 km<sup>2</sup> multi-client 3D located in the Atwater Valley and Lloyd Ridge protraction areas
- Broadband, high resolution data to delineate plays at multiple levels from Miocene to Jurassic, in a frontier area that is experiencing renewed interest from E&P companies
- Acquisition expected to complete in Q2 2018

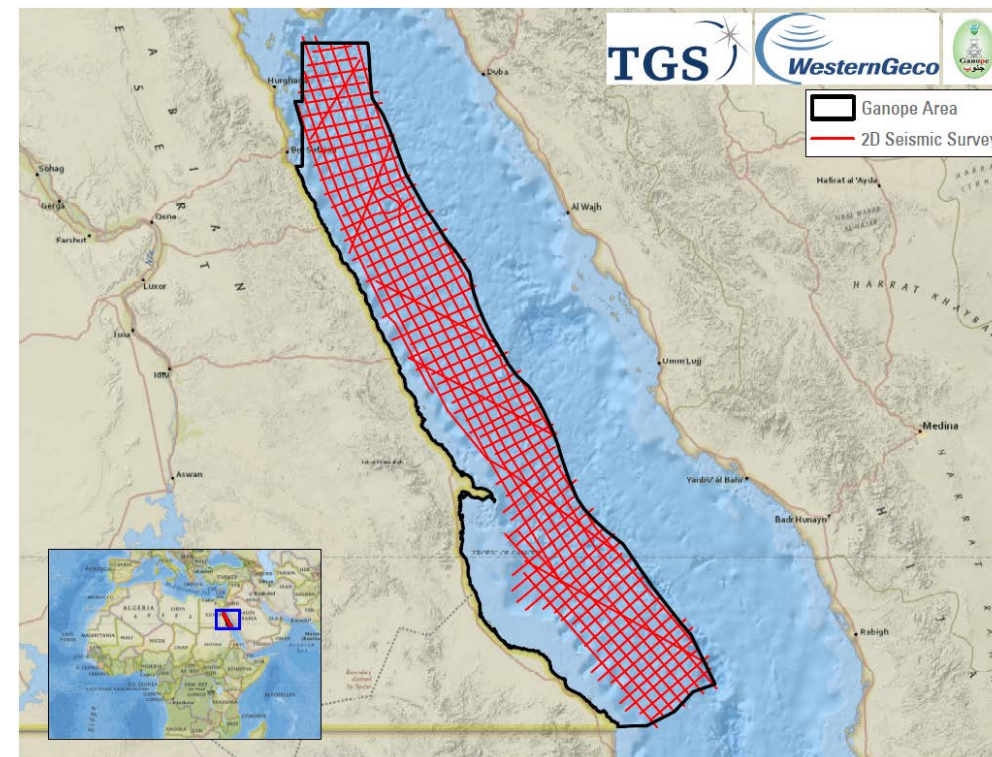




# Q1 Activity – Egypt

## Egypt Red Sea 2D

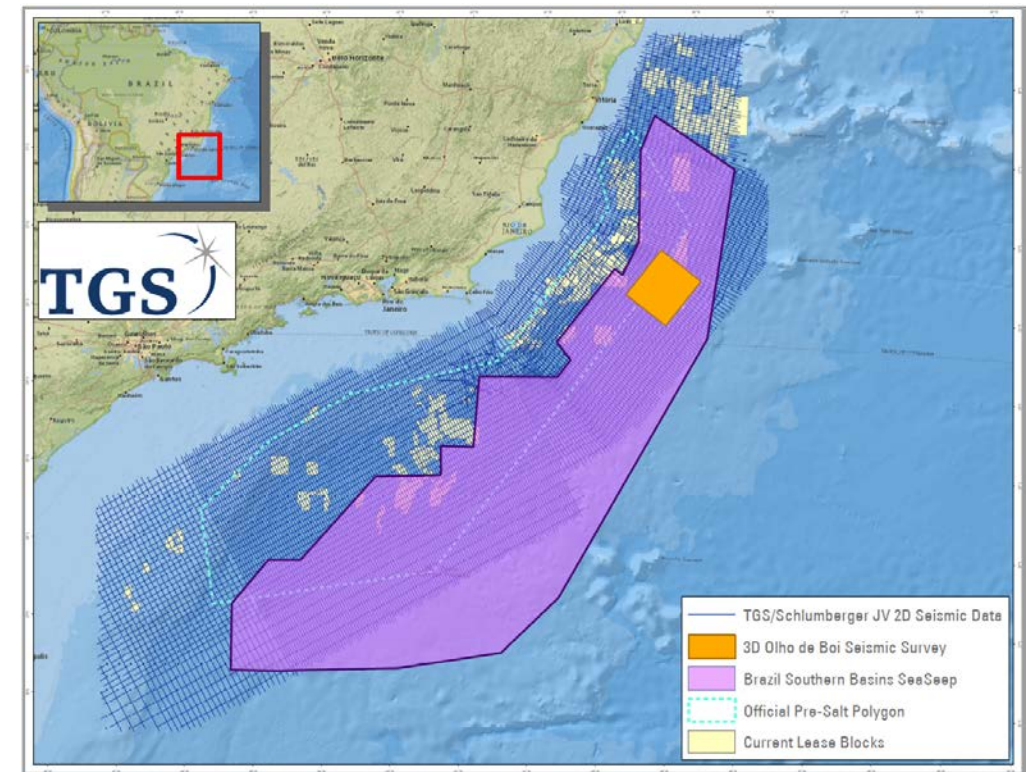
- 10,000 km multi-client 2D project in collaboration with Schlumberger
- Advanced new acquisition and imaging techniques will provide better illumination of complex subsalt structures
- 15-year period of exclusive multi-client rights in a ~70,000 km<sup>2</sup> open area in the Egyptian Red Sea
- Acquisition completed in Q1 2018



# Q1 Activity – Brazil

## Brazil Southern Basins SeaSeep

- 200,000 km<sup>2</sup> multi-client multibeam and seep study in the Campos and Santos Basins, offshore Brazil
- Complements the extensive historical data library in this region
- Multibeam acquisition commenced in late Q1 with coring operations and geochemistry analysis starting in Q2
- Data will be available in Q4 2018 over the Round 16 licensing areas with final results expected to be available in late 2019





# Q1 Activity – North America Land

## PERMIAN - West Lindsey 3D

- 440 km<sup>2</sup> high-resolution 3D multi-client project targeting multiple zones
- Acquisition completed in Q1 2018

## PERMIAN – Sanderson 3D

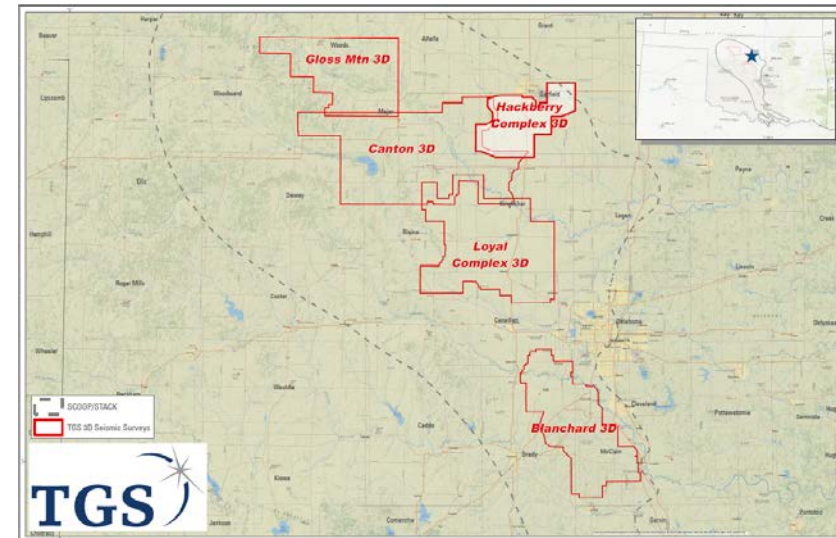
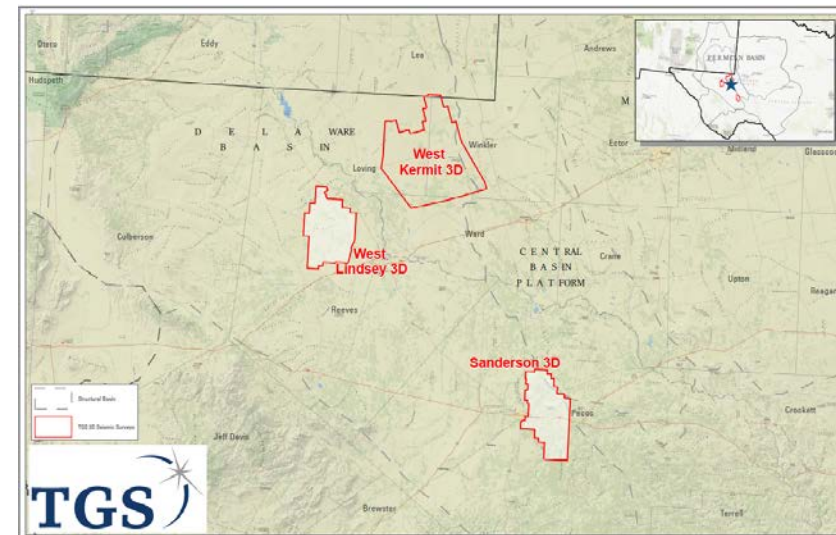
- 464 km<sup>2</sup> high-resolution 3D multi-client project – TGS' third 3D Permian survey
- Acquisition to complete in Q2 2018

## SCOOP/STACK – Hackberry Complex

- 777 km<sup>2</sup> high-resolution 3D multi-client project in the Anadarko Basin
- Acquisition to complete in Q3 2018
- TGS' strong position in this play continues to grow with the two additional projects announced in 2018 (Canton 3D and Gloss Mountain 3D)

## MONTNEY – Dawson 3D

- 70 km<sup>2</sup> high-resolution 3D multi-client in British Columbia
- Acquisition completed in Q1 2018







## **Appendix: Q1 2018 Financials**

# Implementation of IFRS 15

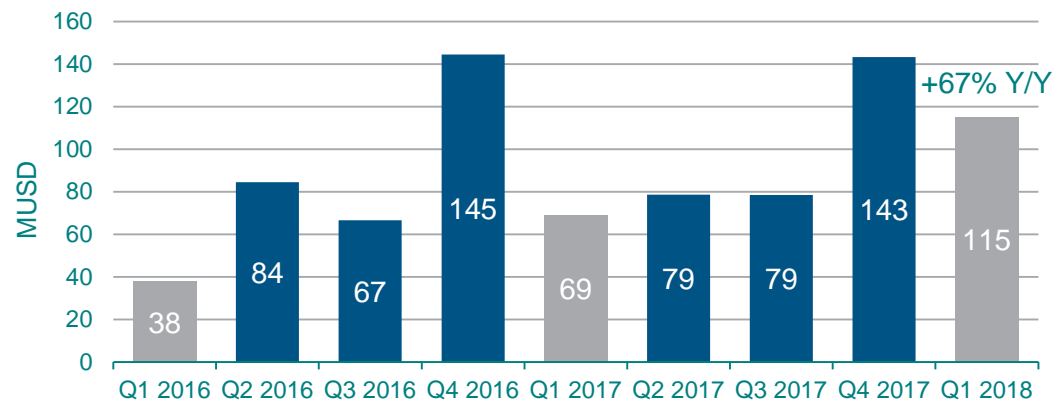
- The accounting standard IFRS 15 regarding revenue recognition implemented from 1 January 2018
- Implications for TGS
  - Recognition of revenues related to Multi-client projects postponed until projects are delivered to customers
  - No amortization until completion of the project
  - No impact on sales from the library of completed surveys
- Internal reporting
  - TGS will continue to use the previous Percentage-of-Completion-method for internal segment and management reporting (referred to as *Segment Reporting*)
  - Provides the best picture of the performance and value creation of the business
- External reporting
  - Two sets of accounts: *Segment Reporting* and *IFRS Reporting*
  - Main focus in external communication will be on *Segment Reporting*



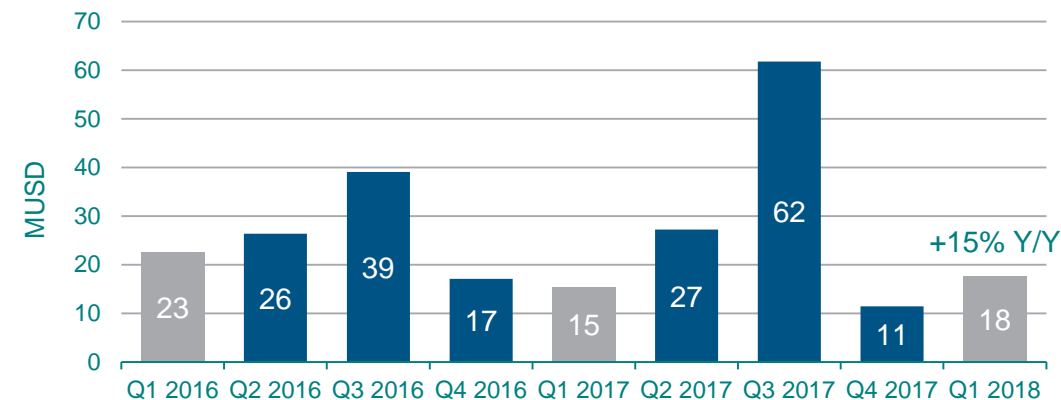
# Net Revenues

## Segment Reporting

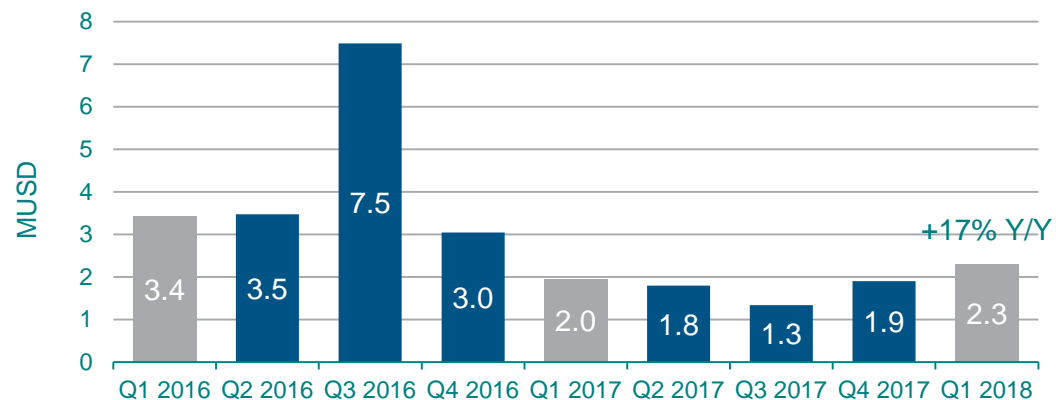
### Late sales



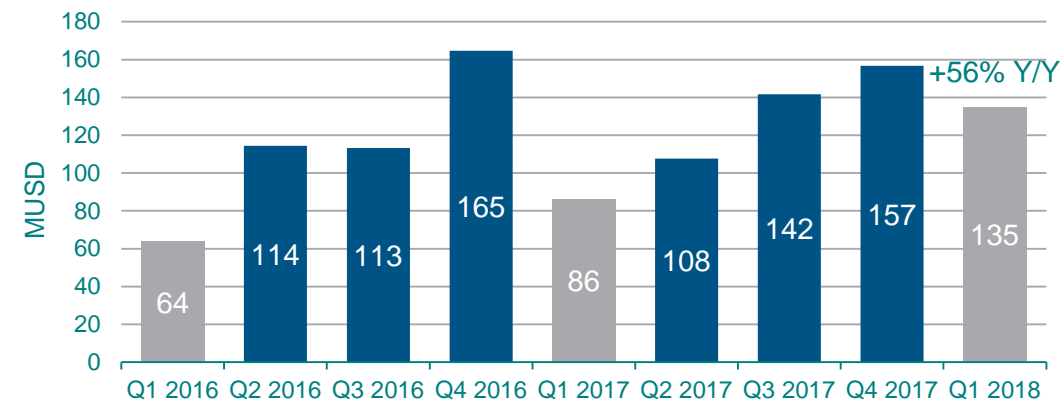
### Prefunding revenues



### Proprietary revenues



### Total revenues

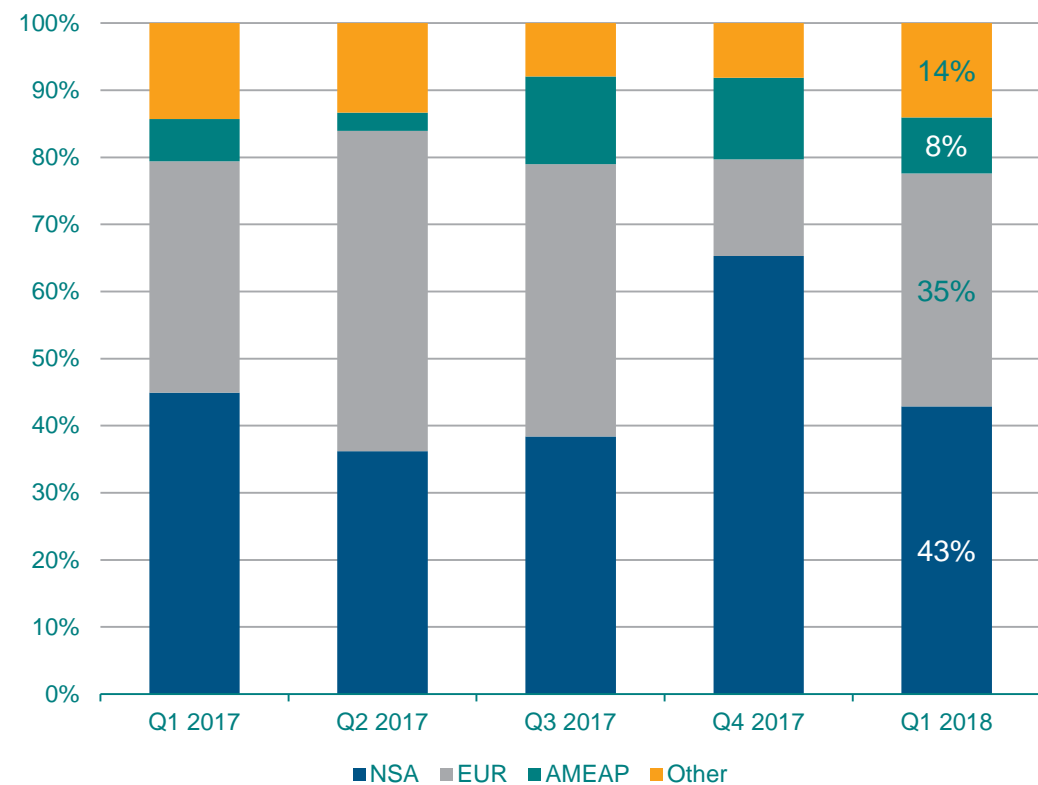




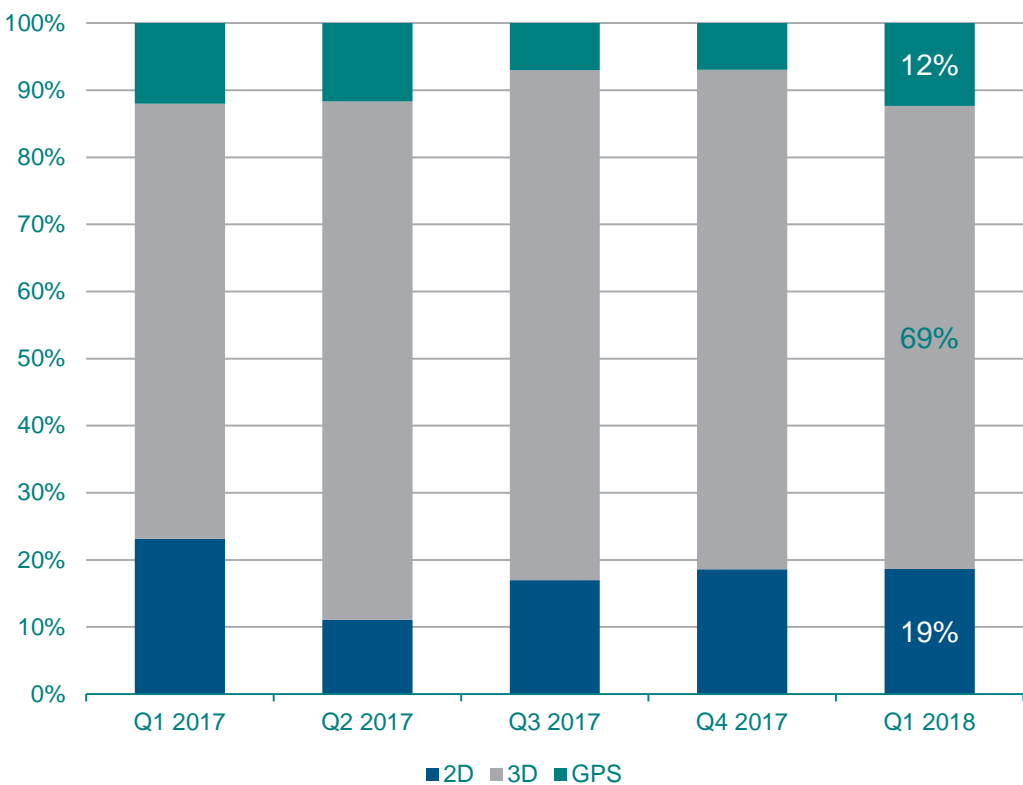
# Net Revenues Breakdown

## Segment Reporting

By Business Unit



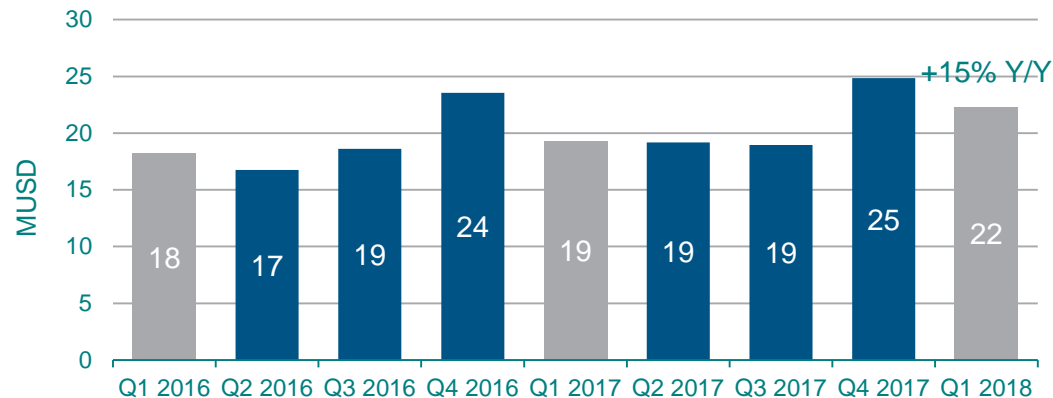
By Technology



# Operating Expenses, EBIT, Free Cash Flow

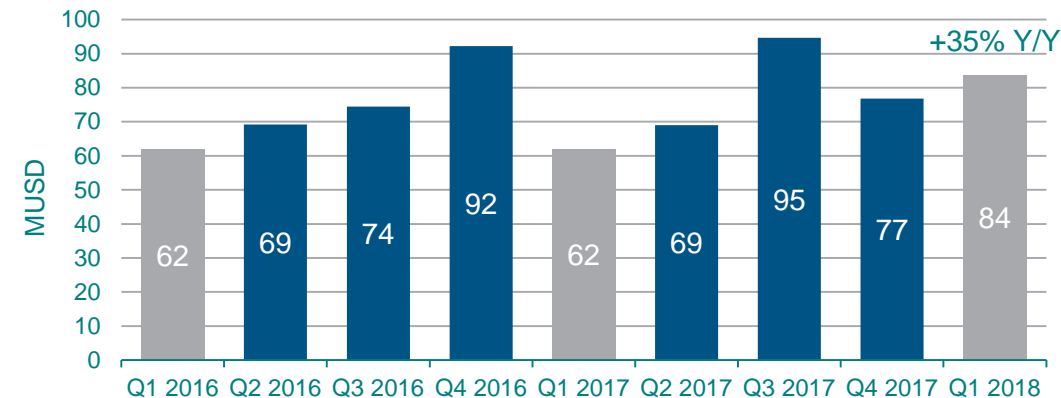
## Segment Reporting

Operating costs<sup>1</sup>

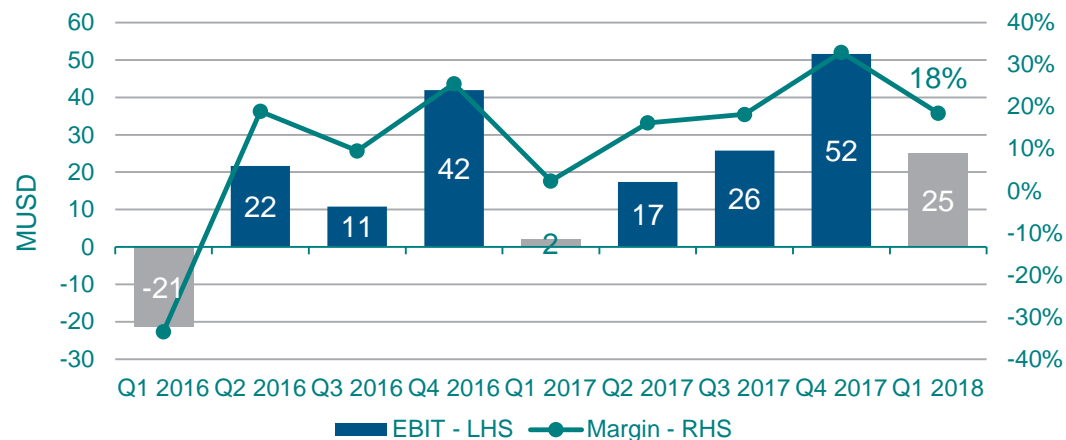


1. Personnel costs and other operating expenses excluding restructuring charges and larger impairments of operating items

Amortization and impairments

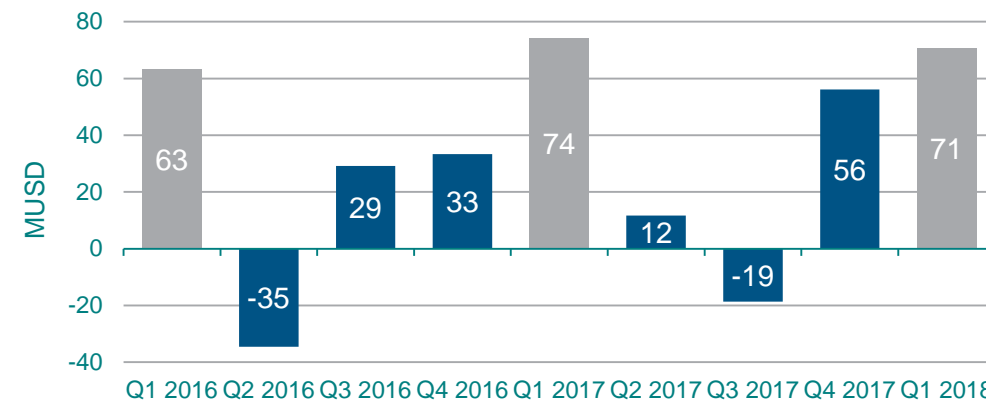


EBIT<sup>2</sup>



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

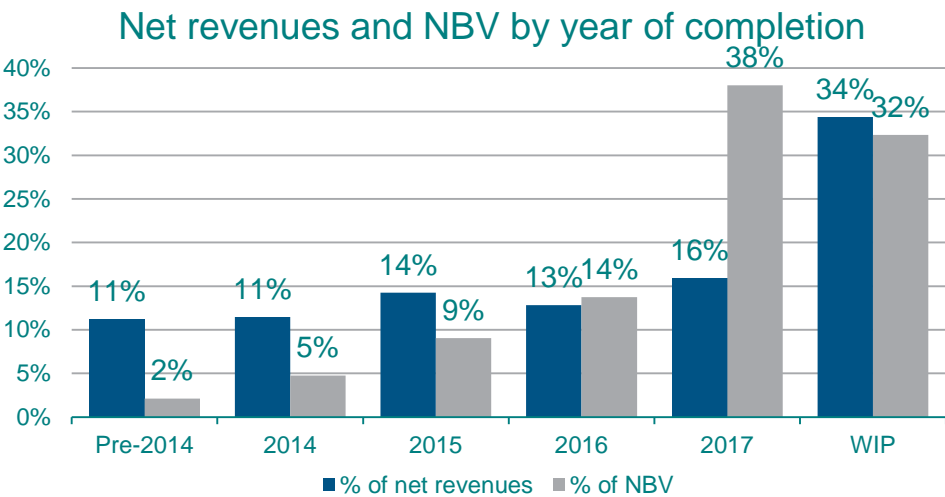
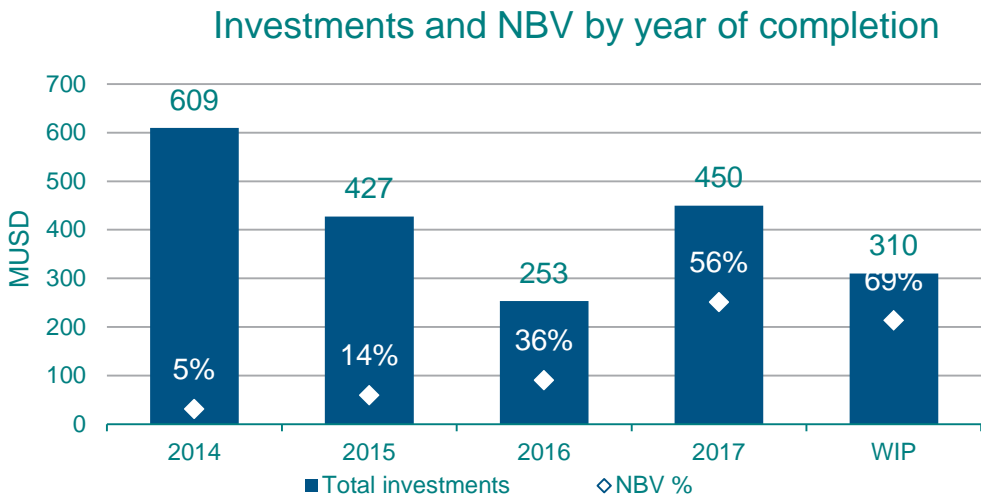
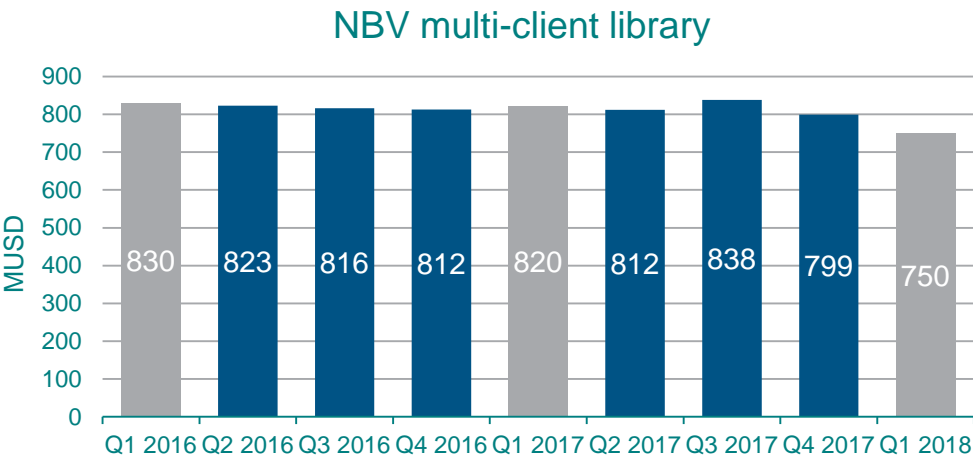
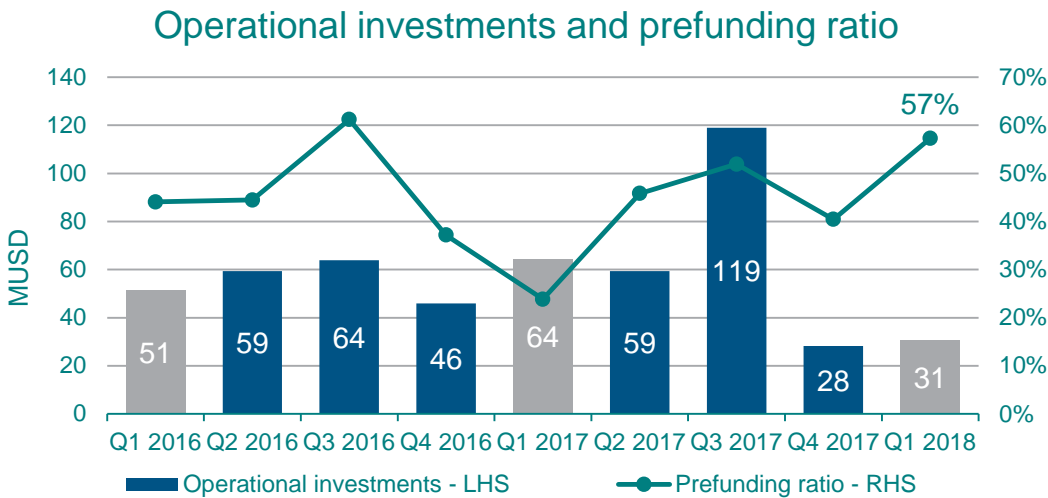
Free Cash Flow<sup>3</sup>



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

# Multi-client Library

## Segment Reporting





# Income Statement

## Segment Reporting

(MUSD)		Q1 2018	Q1 2017	Change
<b>Net operating revenues</b>		<b>134.8</b>	<b>86.2</b>	<b>56 %</b>
Cost of goods sold		0.1	0.1	104 %
Amortization of multi-client library		83.6	61.8	35 %
<b>Gross margin</b>	<b>38 %</b>	<b>51.0</b>	<b>24.3</b>	<b>110 %</b>
Personnel cost		15.5	12.4	25 %
Other operational costs		8.3	6.9	21 %
Cost of stock options		0.0	0.1	-100 %
Depreciation		2.3	3.0	-25 %
<b>Operating result</b>	<b>18 %</b>	<b>24.9</b>	<b>1.9</b>	<b>1208 %</b>
Net financial items		-0.2	0.8	-126 %
<b>Result before taxes</b>	<b>18 %</b>	<b>24.7</b>	<b>2.7</b>	<b>806 %</b>
Tax cost	47 %	11.5	1.2	894 %
<b>Net income</b>	<b>10 %</b>	<b>13.2</b>	<b>1.6</b>	<b>741 %</b>
EPS (USD)		0.13	0.02	737 %
EPS fully diluted (USD)		0.13	0.02	734 %

# Cash Flow Statement

(MUSD)	Q1 2018	Q1 2017	Change
Received payments	138.2	218.8	-37 %
Payments for operational expenses	-35.4	0.0	n/a
Paid taxes	-0.2	-6.2	-96 %
<b>Net cash flow from operating activities</b>	<b>102.5</b>	<b>212.6</b>	<b>-52 %</b>
Investment in tangible fixed assets	-2.7	-3.9	-31 %
Investments in multi-client library	-31.9	-110.3	-71 %
Investments through mergers and acquisitions	0.0	-3.3	-100 %
Interest income	0.6	0.4	59 %
<b>Net Cash Flow from investing activities</b>	<b>-34.0</b>	<b>-117.2</b>	<b>-71 %</b>
Net change in loans	0.0	0.0	n/a
Interest expense	0.0	0.0	125 %
Payment of dividends	-18.5	-16.9	9 %
Paid in equity	1.7	6.7	-74 %
<b>Net cash flow from financing activities</b>	<b>-16.8</b>	<b>-10.2</b>	<b>65 %</b>
<b>Net change in cash and cash equivalents</b>	<b>51.8</b>	<b>85.2</b>	<b>-39 %</b>

# Balance Sheet

## IFRS Reporting

(MUSD)	Q1 2018	Q1 2017	Change	Q4 2017
Goodwill	67.9	67.9	0 %	67.9
Multi-client library	839.7	819.9	2 %	799.0
Deferred tax asset	3.9	7.8	-50 %	4.4
Other non-current assets	29.1	41.6	-30 %	29.2
<b>Total non-current assets</b>	<b>940.7</b>	<b>937.2</b>	<b>0 %</b>	<b>900.5</b>
Cash and cash equivalents	301.7	248.1	22 %	249.9
Other current assets	255.8	219.4	17 %	273.6
<b>Total current assets</b>	<b>557.5</b>	<b>467.5</b>	<b>19 %</b>	<b>523.6</b>
<b>TOTAL ASSETS</b>	<b>1,498.1</b>	<b>1,404.7</b>	<b>7 %</b>	<b>1,424.1</b>
<b>Total equity</b>	<b>1,124.0</b>	<b>1,162.4</b>	<b>-3 %</b>	<b>1,200.1</b>
Deferred taxes	9.5	41.7	-77 %	23.7
Non-current liabilities	5.0	8.1	-39 %	5.4
<b>Total non-current liabilities</b>	<b>14.5</b>	<b>49.8</b>	<b>-71 %</b>	<b>29.1</b>
Taxes payable, withheld payroll tax, social security	42.5	4.0	966 %	25.2
Other current liabilities	317.1	188.4	68 %	169.7
<b>Total current liabilities</b>	<b>359.6</b>	<b>192.4</b>	<b>87 %</b>	<b>194.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,498.1</b>	<b>1,404.7</b>	<b>7 %</b>	<b>1,424.1</b>



**Thank you**



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