TGS EARNINGS RELEASE

1st QUARTER RESULTS

1st QUARTER FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)	Q1 2017	Q1 2016
Net operating revenues	**86,155**	**63,749**
- Net prefunding revenues	15,339	22,574
- Net late sales revenues	68,861	37,751
- Net proprietary revenues	1,955	3,424
EBIT	**1,905**	**(21,331)**
- EBIT margin	2%	-33%
Pre-tax profit	**2,725**	**(20,320)**
Net income	**1,567**	**(20,196)**
EPS (fully diluted)	**0.02**	**(0.20)**
Operational investments in new projects	**58,417**	**51,214**
- Pre-funding % on operational investments	26%	44%
Risk-sharing investments	**4,924**	**1,560**
Non-operational investments	**5,946**	**-**
Amortization	(61,815)	(61,757)
MC library ending net book value	**819,871**	**829,931**
Return on average capital employed (1)	8%	-8%
Equity ratio	83%	85%
Cash flow from operations	184,520	144,775
Free cash flow (after MC investments)	74,179	63,075
Cash balance	**248,090**	**209,580**

1) Trailing 12 months

- Significant improvement in Late Sales compared to Q1 2016, but still at modest levels from a historical perspective
- Market conditions remain difficult but TGS has been successful at securing prefunding for 2017 projects (over USD 200 million of 2017 investment is now committed)
- Quarterly dividend maintained at USD 0.15 per share
- 2017 Guidance reiterated:
    - New multi-client investments* at approximately the same level as in 2016
    - Pre-funding of new multi-client investments* expected to be approximately 40-45%

*New multi-client investments excluding investments related to surveys with risk sharing arrangements

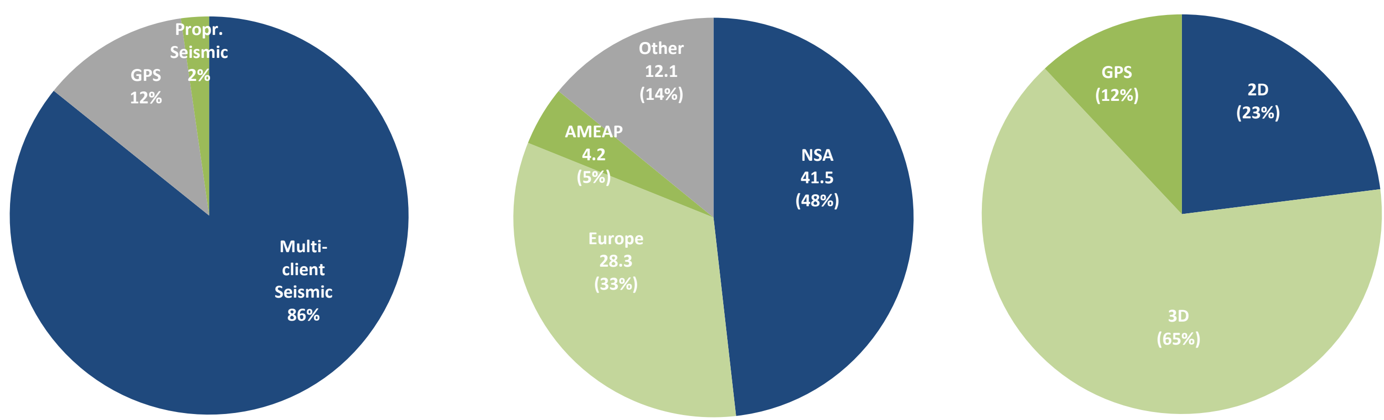
REVENUE BREAKDOWN

Net late sales for the quarter amounted to USD 68.9 million, an increase of 82% compared to Q1 2016. Net pre-funding revenues in the quarter totaled USD 15.3 million compared to USD 22.6 million in Q1 2016. The pre-funding revenues recognized in the first quarter funded 26% of the operational investments of USD 58.4 million in the multi-client library. In addition, the Company recognized investments related to risk sharing arrangements of USD 4.9 million.

Proprietary contract revenues during the quarter totaled USD 2.0 million compared to USD 3.4 million in Q1 2016.

In Q1 2017, 18% of net multi-client seismic revenues came from fully amortized projects.

Revenue distribution



Source: TGS

OPERATIONAL COSTS

The amortization of the multi-client library for Q1 2017 amounted to USD 61.8 million which is at the same level as in Q1 2016. Cost of goods sold (COGS) was USD 0.1 million for the quarter, up from USD 0.01 million in Q1 2016. Personnel costs in the quarter were USD 12.4 million compared to USD 13.2 million in Q1 2016. The decrease is mainly due to severance provisions in Q1 2016, partly offset by higher costs related to employee incentive plans in Q1 2017. Other operating expenses were USD 6.9 million in Q1 2017 compared to USD 7.0 million in Q1 2016.

EBITDA AND EBIT

Reported EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter ended 31 March 2017 was USD 66.7 million, which corresponds to 77% of net revenues, up 54% from USD 43.4 million in Q1 2016. Operating profit (EBIT) for the quarter amounted to USD 1.9 million, which is up from USD -21.3 million in Q1 2016.

FINANCIAL ITEMS

The Company recorded a net currency exchange gain of USD 0.4 million in Q1 2017. TGS holds NOK bank accounts primarily to pay taxes and dividends in NOK.

TAX

TGS reports tax charges in accordance with the Accounting Standard IAS 12. Taxes are computed based on the USD value of the appropriate tax provisions according to local tax regulations and currencies in each jurisdiction. The tax charges are influenced not only from local profits, but also from fluctuations in exchange rates between the local currencies and USD. This method makes it difficult to predict tax charges on a quarterly or annual basis. Currency effects within the current year are classified as tax expenses.

Management assesses that the normalized operating consolidated tax rate is approximately 28%. The tax rate reported for the quarter is at 42% compared to 1% last year. The high tax rate is due to currency effects. The Norwegian taxes are settled in NOK on an annual basis and the USD/NOK exchange variation will impact the quarterly calculations of taxes. Also, the exchange effects of translating intercompany balances into NOK are taxable in Norway. Accordingly the tax expense is impacted by items which are not recognized in the consolidated income statement.

NET INCOME AND EARNINGS PER SHARE (EPS)

Net income for Q1 2017 was USD 1.6 million (2% of net revenues), up from USD -20.2 million in Q1 2016. Quarterly earnings per share (EPS) were USD 0.02 fully diluted (USD 0.02 undiluted), which is up from USD -0.20 fully diluted (USD -0.20 undiluted) in Q1 2016.

BALANCE SHEET AND CASH FLOW

The net book value of the multi-client library was USD 819.9 million at 31 March 2017 compared to USD 812.4 million at 31 December 2016. Combined operational multi-client investments and risk-share investments amounted to USD 63.3 million in Q1 2017 (USD 52.8 million in Q1 2016), while amortization was USD 61.8 million (USD 61.8 million in Q1 2016) (see note 5 to the interim financial statements). Non-operational multi-client investments amounted to USD 5.9 million in Q1 2017 and relate to the acquisition of the multi-client library from Dolphin UK Ltd, together with PGS, which was concluded in January 2017.

The net cash flow from operations for the quarter, after taxes and before investments, totaled USD 184.5 million compared to USD 144.8 million in Q1 2016. As of 31 March 2017, the Company's total cash holdings amounted to USD 248.1 million compared to USD 190.7 million at 31 December 2016.

Total equity as of 31 March 2017 was USD 1,162.4 million, representing 83% of total assets. A total of 33,050 new shares were issued during Q1 2017 in relation to stock options exercised by key employees in February 2017. Further, the Company transferred 285,875 treasury shares to cover the exercise of stock options by key employees. As of 31 March 2017, TGS held 247,625 treasury shares.

BACKLOG

TGS' backlog amounted to USD 120.7 million at the end of Q1 2017, an increase of 136% from Q4 2016 and 4% lower than at the end of Q1 2016. The increase during the quarter was driven by client commitments to newly announced projects, including the 40,000 km^2 Atlantic Margin project in Norway

DIVIDEND

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.

As from 2016, TGS has paid quarterly dividends in accordance with the resolution made by the Annual General Meeting. 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 Board of Directors has resolved to pay a dividend of USD 0.15 per share to be paid in Q2 2017. The dividend will be paid in the form of NOK 1.30 per share on 31 May 2017. The share will trade ex-dividend on 18 May 2017.

OPERATIONAL HIGHLIGHTS

Vessels operating for TGS during all or parts of Q1 2017 included one 2D vessel, two multibeam vessels and one 3D EM (electromagnetic) vessel. In addition, TGS had one multi-vessel full-azimuth acquisition crew operating in Q1. Both the 2D and the 3D EM vessels, and the full-azimuth crew were operating under joint venture agreements.

Acquisition of the 7,150 km^2 (306 OCS blocks) Revolution XII and XIII surveys in the U.S. Gulf of Mexico continued throughout Q1 2017. These surveys are being acquired in partnership with Schlumberger using the WesternGeco Q-Marine* point-receiver marine seismic system combined with the proprietary multivessel, Dual Coil Shooting* acquisition technique, which will provide broadband, long-offset, full-azimuth data. Acquisition will complete early Q2 2017 with final processed data available in early 2018.

Acquisition of the expanded 22,500 km long offset 2D North-West African Atlantic Margin (NWAAM 2017) seismic survey, a collaboration with PGS and GeoPartners, continued throughout Q1 2017. The survey, using broadband 2D seismic data in the Mauritania-Senegal-Gambia-Bissau-Conakry (MSGBC) Basin, is designed to infill, extend and complement the NWAAM 2012 2D survey which supported recent commercial discoveries in the MSGBC basin.

In Q1 2017, TGS commenced the acquisition of multibeam bathymetry data in the U.S Gulf of Mexico. The multibeam acquisition is the first stage of the Otos seep and geochemistry program covering the U.S Gulf of Mexico, designed to mirror the successful Gigante seep study in the Mexican Gulf of Mexico conducted in 2016. The new program will cover approximately 289,000 km^2 and include 250 cores with advanced geochemistry analysis. TGS continues to work with the same acquisition providers as in the Mexico program, Fugro (Multibeam) and TDI Brooks (Coring and Geochemical analysis). Final results are planned to be available late 2017.

In late February 2017, TGS and Schlumberger commenced the Fusion M-WAZ reimaging program covering more than 1,000 Outer Continental Shelf (OCS) blocks (~23,000 km^2) from 3D WAZ programs previously acquired by TGS and Schlumberger between 2008 and 2012. The reimaging program covers data from Mississippi Canyon, Atwater Valley and Ewing Bank areas, using the latest imaging technology to provide significant uplift in data quality for upcoming licensing rounds.

The Geologic Products and Services Division (GPS) continued to add to its inventory of multi-client products in the quarter. The well data library grew with the addition of approximately 28,000 new digital well logs, 1,900 new enhanced digital well logs and 113,000 new Validated Well Headers. GPS also had ongoing multi-client interpretive projects geared towards supplying customers with information on stratigraphy, structure and basin maturity in Norway, the UK, Mexico, Canada, and the US onshore.

* Mark of Schlumberger

OTHER MATTERS

In Q1 2017, TGS entered into an agreement with Geoex Ltd (Geoex), a UK based geophysical company to acquire the Norwegian and Barbados surveys of Multi-Client Geophysical ASA (MCG). In December 2016, Geoex announced a tender for the shares of MCG, and on 30 March 2017, announced the conditions set out in its voluntary offer had been completed. TGS expects to complete the acquisition of the surveys during Q2 2017.

OUTLOOK

The global seismic market is likely to remain challenging in the near-term. Oil companies are still cautious with their spending and although there are some early signs of increasing exploration activity, the monetary value of spending is likely to be lower in 2017 compared to 2016. Despite the continued weak market conditions TGS has been successful in increasing order backlog over the past months. The backlog was approximately USD 121 million at the end of Q1 17 compared to USD 51 million as of 31 December 2016.

Due to the substantial reduction of exploration budgets, discovery of new hydrocarbon resources dropped to historically low levels over the past couple of years. This has driven reserve replacement ratios down to unsustainably low levels. Oil companies will need to increase exploration efforts at some stage in order to grow production levels in the longer term to meet the long-term oil demand, which is likely to continue to increase in the foreseeable future.

Simultaneously, both the E&P sector and the service industry are continuing to cut costs, leading to substantial reduction of marginal costs of bringing new resources on stream. TGS has reduced cash operating expenses by 40% from 2014 to 2016, enabling the company to continue to deliver quality products to customers at a lower cost.

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.

TGS has currently committed multi-client investments of over USD 200 million. TGS reiterates guidance for 2017:

- New multi-client investments** at approximately the same level as in 2016
- 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%

**New multi-client investments excluding investments related to surveys with risk sharing arrangements

Asker, 9 May 2017

The Board of Directors of TGS-NOPEC Geophysical Company ASA

ABOUT TGS

TGS provides 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.

TGS-NOPEC Geophysical Company ASA is listed on the Oslo Stock Exchange (OSLO:TGS).
TGS sponsored American Depositary Shares trade on the U.S. over-the-counter market under the symbol "TGSGY".
Website: www.tgs.com

CONTACT FOR ADDITIONAL INFORMATION

Sven Børre Larsen, CFO **tel +47 90 94 36 73**
Will Ashby, Vice President HR & Communication **tel +1-713-860-2184**

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All statements in this earnings release 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.

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Interim Consolidated Statement of Comprehensive Income

(All amounts in USD 1,000s unless noted otherwise)	Note	2017 Q1 Unaudited	2016 Q1 Unaudited
Net revenues	4	**86,155**	**63,749**
Operating expenses			
Cost of goods sold - proprietary and other		60	14
Amortization and impairment of multi-client library	5	61,815	61,757
Personnel costs		12,373	13,242
Cost of stock options		87	48
Other operating expenses		6,926	7,044
Depreciation, amortization and impairment		2,991	2,975
Total operating expenses		**84,251**	**85,081**
Operating profit	4	**1,905**	**-21,331**
Financial income and expenses			
Financial income		413	304
Financial expenses		-29	-903
Net exchange gains/(losses)		437	1,610
Net financial items		**820**	**1,011**
Profit before taxes		**2,725**	**-20,320**
Taxes		1,158	-125
Net income		**1,567**	**-20,196**
EPS USD		**0.02**	**-0.20**
EPS USD, fully diluted		**0.02**	**-0.20**
Other comprehensive income:			
Exchange differences on translation of foreign operations		-358	240
Other comprehensive income/(loss) for the period, net of tax		-358	240
Total comprehensive income for the period		1,209	-19,956

Interim Consolidated Balance Sheet

(All amounts in USD 1,000s)	Note	2017 31-Mar Unaudited	2016 31-Mar Unaudited	2016 31-Dec Audited
ASSETS				
Non-current assets				
Goodwill		67,925	67,647	67,925
Multi-client library	5,8	819,871	829,931	812,399
Other intangible non-current assets		8,933	9,583	9,009
Deferred tax asset		7,799	14,422	9,565
Buildings		6,369	8,029	6,759
Machinery and equipment		15,833	20,190	16,263
Other non-current assets		10,489	15,921	10,500
Total non-current assets		**937,219**	**965,723**	**932,420**
Current assets				
Accounts receivable		67,966	49,022	201,231
Accrued revenues		117,661	104,252	119,112
Other receivables		33,733	35,831	33,073
Cash and cash equivalents		248,090	209,580	190,739
Total current assets		**467,450**	**398,685**	**544,155**
TOTAL ASSETS		**1,404,669**	**1,364,408**	**1,476,575**
EQUITY AND LIABILITIES				
Equity				
Share capital		3,649	3,633	3,636
Other equity		1,158,771	1,159,460	1,165,488
Total equity	3	**1,162,421**	**1,163,093**	**1,169,124**
Non-current liabilities				
Long-term debt	8	2,500	-	-
Other non-current liabilities		5,643	4,814	6,057
Deferred taxes		41,698	28,885	39,284
Total non-current liabilities		**49,842**	**33,700**	**45,341**
Current liabilities				
Accounts payable and debt to partners		92,140	70,375	116,534
Taxes payable, withheld payroll tax, social security		3,989	1,795	18,066
Other current liabilities		96,278	95,445	127,510
Total current liabilities		**192,406**	**167,615**	**262,110**
TOTAL EQUITY AND LIABILITIES		**1,404,669**	**1,364,408**	**1,476,575**

Interim Consolidated Statement of Cash flow

(All amounts in USD 1,000s)	Note	2017 Q1 Unaudited	2016 Q1 Unaudited
Cash flow from operating activities:			
Received payments from customers		218,775	174,811
Payments for salaries, pensions, social security tax		-16,054	-16,367
Payments of other operational costs		-12,006	-10,637
Paid taxes		-6,195	-3,032
Net cash flow from operating activities [1]		**184,520**	**144,775**
Cash flow from investing activities:			
Investments in tangible and intangible assets		-3,942	-2,863
Investments in multi-client library		-110,341	-81,700
Investments through mergers and acquisitions		-3,276	-
Interest received		367	271
Net cash flow from investing activities		**-117,192**	**-84,292**
Cash flow from financing activites:			
Interest paid		-20	-8
Dividend payments	3	-16,863	-15,387
Proceeds from share issuances	3	6,713	133
Net cash flow from financing activites		**-10,170**	**-15,262**
Net change in cash and cash equivalents		**57,158**	**45,221**
Cash and cash equivalents at the beginning of period		190,739	162,733
Net unrealized currency gains/(losses)		194	1,626
Cash and cash equivalents at the end of period		**248,090**	**209,580**
1) Reconciliation			
Profit before taxes		2,725	-20,320
Depreciation/amortization/impairment		64,806	64,732
Changes in accounts receivables and accrued revenues		134,716	124,372
Unrealized currency gains/(losses)		-552	-1,386
Changes in other receivables		2,820	11,429
Changes in other balance sheet items		-13,800	-31,020
Paid taxes		-6,195	-3,032
Net cash flow from operating activities		**184,520**	**144,775**

Interim Consolidated Statement of Changes in Equity

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Capital	Total Equity
Opening balance 1 January 2017	**3,657**	**-21**	**58,107**	**36,964**	**-21,933**	**1,092,352**	**1,169,124**
Net income	-	-	-	-	-	1,567	**1,567**
Other comprehensive income	-	-	-	-	-358	-	**-358**
Total comprehensive income	**-**	**-**	**-**	**-**	**-358**	**-**	**1,209**
Paid-in-equity through exercise of stock options	1	-	721	-	-	-	**722**
Distribution of treasury shares	-	11				5,980	**5,990**
Cost of stock options	-	-	-	616	-	-	**616**
Dividends	-	-	-	-	-	-15,240	**-15,240**
Closing balance per 31 March 2017	**3,658**	**-10**	**58,828**	**37,580**	**-22,291**	**34,776**	**1,162,421**

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2016	**3,657**	**-26**	**58,107**	**34,728**	**-22,047**	**1,123,670**	**1,198,088**
Net income	-	-	-	-	-	-20,196	**-20,196**
Other comprehensive income	-	-	-	-	240	-	**240**
Total comprehensive income	**-**	**-**	**-**	**-**	**240**	**-20,196**	**-19,956**
Distribution of treasury shares	-	0.4	-	-	-	132	**133**
Cost of stock options	-	-	-	48	-	-	**48**
Dividends	-	-	-	-	-	-15,219	**-15,219**
Closing balance per 31 March 2016	**3,657**	**-26**	**58,107**	**34,776**	**-21,807**	**1,088,387**	**1,163,093**

Largest Shareholders per 4 May 2017

					%
1	FOLKETRYGDFONDET	NORWAY		10,412,406	10.2%
2	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	8,029,129	7.9%
3	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,847,220	3.8%
4	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,146,889	3.1%
5	RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	3,099,417	3.0%
6	SANTANDER SECURITIES SERVICES, S.A	SPAIN	NOM	2,674,817	2.6%
7	THE BANK OF NEW YORK MELLON	U.S.A.	NOM	2,197,569	2.2%
8	SWEDBANK ROBUR SMABOLAGSFOND	GREAT BRITAIN		2,036,378	2.0%
9	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	2,010,972	2.0%
10	THE NORTHERN TRUST COMP, LONDON BR	GREAT BRITAIN	NOM	1,702,540	1.7%
10 Largest				**39,157,337**	**38%**
Total Shares Outstanding *				**101,921,415**	**100%**

* Total shares outstanding are net of shares held in treasury per 4 May 2017

Average number of shares outstanding for Current Quarter *

Average number of shares outstanding during the quarter	101,754,865
Average number of shares fully diluted during the quarter	102,637,437

* Shares outstanding net of shares held in treasury per 31 March 2017 (247,625 TGS shares), composed of average outstanding TGS shares during the full quarter

Share price information

Share price 31 March 2017 (NOK)	182.00
USD/NOK exchange rate end of period	8.58
Market capitalization 31 March 2017 (NOK million)	18,595

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 General information

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

Note 2 Basis for Preparation

The condensed consolidated interim financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with TGS' annual report for 2016 which is available on www.tgs.com.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for 2016. None of the new accounting standards or amendments that came into effect from 1 January 2017 has a significant impact on the presentation of the financial statements during the first quarter of 2017.

Note 3 Share capital and equity

Ordinary shares	**Number of shares**
1 January 2017	**102,135,990**
Issued 20 February 2017 for cash on exercise of stock options	33,050
31 March 2017	**102,169,040**

Treasury shares	**Number of shares**
1 January 2017	**533,500**
16 February 2017, treasury shares transferred to cover exercise of stock options	(285,875)
31 March 2017	**247,625**

The Annual General Meeting held 10 May 2016 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2015 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2017, but no later than 30 June 2017.

On 1 February 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.23) to the shareholders. The dividend payments were made on 23 February 2017.

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. The dividends will be paid to the shareholders on 31 May 2017.

Note 4 Segment information

2017 Q1	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	41,519	28,348	4,156	12,132	**86,155**
Operating profit	3,165	13,885	-3,432	-11,714	**1,905**

2016 Q1	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	36,028	11,348	3,032	13,341	**63,749**
Operating profit	3,352	-5,512	-7,426	-11,745	**-21,331**

There are no intersegment revenues between the reportable operating segments.

The Company does not allocate all cost items to its reportable operating segments during the year. Unallocated cost items are reported as "Other segments/Corporate costs".

Note 5 Multi-client library

Numbers in USD millions	Q1 2017	Q1 2016	2016	2015	2014
Beginning net book value	812.4	838.9	838.9	818.1	758.1
Non-operational investments	5.9	-	-	26.4	-
Operational investments	63.3	52.8	271.2	501.7	462.3
Amortization and impairment	(61.8)	(61.8)	(297.7)	(507.3)	(396.7)
Exchange Rate Adjustment	-	-	-	-	(5.6)
Ending net book value	819.9	829.9	812.4	838.9	818.1

Numbers in USD millions	Q1 2017	Q1 2016	2016	2015	2014
Net MC revenues	84.2	60.3	438.6	590.6	877.7
Change in MC revenue	40%	-64%	-26%	-33%	7%
Change in MC investment	31%	-68%	-49%	14%	5%
Amort. in % of net MC revs.	73%	102%	68%	86%	45%
Change in net book value	1%	-1%	-3%	3%	8%

Note 6 Related parties

On 16 February 2017, certain members of the executive management exercised in total 61,500 options and sold 61,000 shares. No other material transactions with related parties took place during the first quarter of 2017.

Note 7 Økokrim charges and related civil matters

Reference is made to Note 21 to the 2016 Annual Report, which includes a detailed description of charges issued by Økokrim in 2014 and certain subsequent civil claims, including a claim by the Norwegian Government for losses arising from alleged unwarranted tax refunds arising from the transactions with Skeie and the claims of joint responsibility by Skeie and two affiliated persons. This note provides an update as to any matters that have occurred since 31 December 31 2016.

On 2 March 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 10 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. Økokrim also advised that it will raise the fine to 90 MNOK if TGS rejects the fine and the case is brought to court. The Company rejected the fine, and a trial regarding the alleged violations is expected to occur in early 2018. Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and a 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 to settle the obligation and no provisions have been made.

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.

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 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 obligation and no provisions have been made.

Note 8 Acquisition of multi-client library from Dolphin UK Ltd

On 17 January 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. In addition, the TGS and PGS entities agreed to pay a share of revenues received from licenses of the library in excess of a specified threshold, if any, during a four-year period after the closing.

TGS has allocated the purchase price among the acquired multi-client projects. The acquired projects are amortized on a straight-line basis over the remaining useful life.

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

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 (risk-sharing investments). 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 Q1**	**2016 Q1**
Net income	1,567	(20,196)
Taxes	1,158	(125)
Net financial items	(820)	(1,011)
Depreciation, amortization and impairment	2,991	2,975
Amortization and impairment of multi-client library	61,815	61,757
EBITDA	**66,710**	**43,401**

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 March 2017**	**31 March 2016**
Equity	1,162,421	1,163,093
Interest bearing debt	2,500	-
Cash	248,090	209,580
Net interest bearing debt	(245,590)	(209,580)
Capital employed	**916,831**	**953,513**
Average capital employed	**935,172**	**983,372**
Operating profit (12 months trailing)	76,271	(79,929)
ROACE	**8%**	**-8%**

Free cash flow (after MC investments)

Free cash flow (after MC 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 Q1**	**2016 Q1**
Cash flow from operational activities	184,520	144,775
Investments in multi-client library	(110,341)	(81,700)
Free cash flow (after MC investments)	**74,179**	**63,075**

Backlog

Backlog is defined as the total value of future revenue from signed customer contracts.