TGS EARNINGS RELEASE
3rd QUARTER RESULTS

3rd QUARTER AND YTD 2016 FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Net operating revenues	**113,195**	**169,468**	**291,304**	**480,612**
- Net prefunding revenues	39,125	73,630	88,096	220,000
- Net late sales revenues	66,577	90,368	188,817	243,713
- Net proprietary revenues	7,493	5,470	14,392	16,899
EBIT	**10,765**	**45,527**	**11,065**	**118,628**
- EBIT margin	10%	27%	4%	25%
Pre-tax profit	**12,983**	**43,578**	**14,025**	**117,044**
Net income	**1,749**	**40,069**	**(1,642)**	**93,199**
EPS (fully diluted)	**0.02**	**0.39**	**(0.02)**	**0.91**
Operational investments in new projects	**67,602**	**134,670**	**182,874**	**413,689**
- Pre-funding % on operational investments	58%	55%	48%	53%
Amortization (1)	(74,499)	(98,869)	(205,463)	(277,084)
MC library ending net book value	**816,322**	**976,135**	**816,322**	**976,135**
Return on average capital employed (2)	-12%	15%	-12%	15%
Equity ratio	83%	81%	83%	81%
Cash flow from operations	91,498	121,049	245,761	467,413
Free cash flow (after MC investments)	29,138	48,659	57,682	82,743
Cash balance	**173,237**	**191,459**	**173,237**	**191,459**

1) The 2016 amortization reflects the new amortization policy for seismic surveys effective from 1 January 2016
2) Trailing 12 months

- Sales continuing to be impacted by challenging market conditions
- Quarterly dividend maintained at USD 0.15 per share
- Agreement in principle to acquire the majority of Dolphin's multi-client library together with PGS
- Full-year 2016 financial guidance:
    - New operational multi-client investments of approximately USD 220 million (down from MUSD 230)
    - Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
    - Multi-client investments are expected to be prefunded 40% to 45%

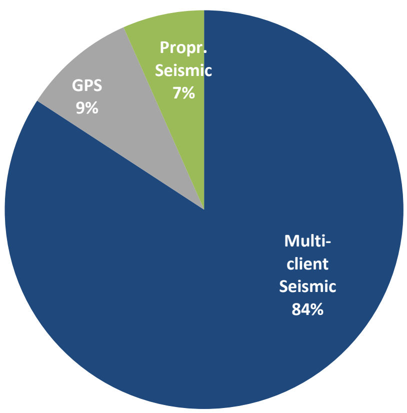
REVENUE BREAKDOWN

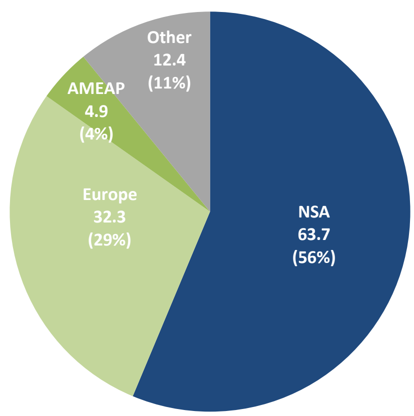
Net late sales for the quarter amounted to USD 66.6 million compared to USD 90.4 million in Q3 2015. Net pre-funding revenues in the quarter totaled USD 39.1 million, a decrease of 47% from Q3 2015. The pre-funding revenues recognized in the third quarter funded 58% of the operational investments of USD 67.6 million in the multi-client library.

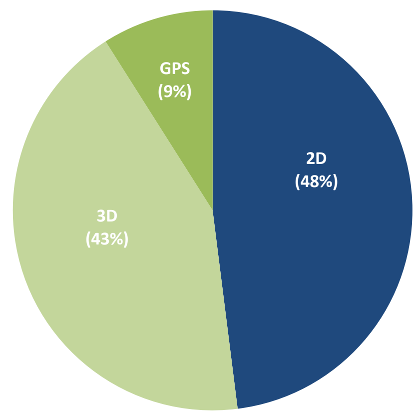
Proprietary contract revenues during the quarter totaled USD 7.5 million compared to USD 5.5 million in Q3 2015.

In Q3 2016, 13% of net multi-client seismic revenues came from fully amortized projects.

Revenue distribution







Source: TGS

OPERATIONAL COSTS

As from 1 January 2016, the amortization method for seismic multi-client libraries has changed. After a project is completed, TGS applies a straight-line amortization over a remaining useful life. For most offshore projects, the useful life after completion is considered to be four years, while a seven-year amortization period is applied for most onshore projects. The straight-line amortization is distributed evenly through the financial year independently of sales during the quarter. During the work in progress phase, amortization continues to be based on total estimated cost versus forecasted total revenues of the project.

The amortization of the multi-client library for Q3 2016 amounted to USD 74.5 million, (USD 98.9 million in Q3 2015).

Cost of goods sold (COGS) was USD 4.8 million for the quarter, up from USD 0.1 million in Q3 2015 due to a proprietary P-Cable survey in the Barents Sea undertaken in Q3 2016. Personnel costs in the quarter were USD 11.7 million compared to USD 14.4 million in Q3 2015. The decrease is due to the reductions of the global workforce in 2015, as well as lower costs related to employee incentive schemes. Other operating expenses were USD 8.0 million in Q3 2016 compared to USD 7.6 million in Q3 2015, which corresponds to an increase of 5% explained by a bad debt accrual expensed during the quarter.

EBITDA AND EBIT

Reported EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter ended 30 September 2016 was USD 88.4 million, which corresponds to 78% of net revenues, down 40% from USD 147.3 million in Q3 2015. Operating profit (EBIT) for the quarter amounted to USD 10.8 million, which is down from USD 45.5 million in Q3 2015.

FINANCIAL ITEMS

The Company recorded a net currency exchange loss of USD 0.01 million in Q3 2016. 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 87% compared to 8% 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 Q3 2016 was USD 1.7 million (2% of net revenues), down from USD 40.1 million in Q3 2015. Quarterly earnings per share (EPS) were USD 0.02 fully diluted (USD 0.02 undiluted), which is down from USD 0.39 fully diluted (USD 0.40 undiluted) in Q3 2015.

BALANCE SHEET AND CASH FLOW

The net book value of the multi-client library was USD 816.3 million at 30 September 2016 compared to USD 976.1 million at 30 September 2015. Operational multi-client investments amounted to USD 67.6 million in Q3 2016 (USD 134.7 million in Q3 2015), while amortization was USD 74.5 million (USD 98.9 million) (see note 5 to the interim financial statements).

The net cash flow from operations for the quarter, after taxes and before investments, totaled USD 91.5 million compared to USD 121.0 million in Q3 2015. As of 30 September 2016, the Company’s total cash holdings amounted to USD 173.2 million compared to USD 162.7 million at 31 December 2015.

Total equity as of 30 September 2016 was USD 1,155.0 million, representing 83% of total assets. As of 30 September 2016, TGS held 533,500 treasury shares.

BACKLOG

TGS' backlog amounted to USD 71.2 million at the end of Q3 2016, a decrease of 61% from Q3 2015 and 31% lower than last quarter. The decrease is mainly due to high production on the Gigante projects in the vast offshore sector of Mexico.

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 started paying 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 Q4 2016. The dividend will be paid in the form of NOK 1.23 per share on 18 November 2016. The share will trade ex-dividend on 4 November 2016.

OPERATIONAL HIGHLIGHTS

Vessels operating for TGS during all or parts of Q3 2016 included one 3D vessel, seven 2D vessels, one multibeam vessel and one core sampling vessel. In addition, TGS had one multi-vessel full-azimuth acquisition crew operating in Q3. Two of the 2D vessels, the 3D vessel and the full-azimuth crew were operating under joint venture agreements. In addition, TGS utilized one P-Cable vessel for a proprietary survey which was completed in Q3 2016.

In early August 2016, TGS announced commencement of the Revolution XII and XIII surveys in the U.S. Gulf of Mexico in partnership with Schlumberger. The surveys will cover approximately 7,150 km^2 (306 blocks) in the Green Canyon, Atwater Valley and Ewing Bank protraction areas of the Central Gulf of Mexico.

The Revolution Xll and XIII surveys are being acquired using the Schlumberger 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 is expected to complete in late Q1 2017 with final processed data available in early 2018.

During Q3 2016 TGS continued acquisition of Gigante 2D, a 186,000 km regional 2D seismic survey in the vast offshore sector of Mexico. The survey covers the proposed license rounds in the Perdido, Campeche and Mexican Ridges regions, and line ties have been made in to the US Gulf of Mexico regional grids previously acquired by TGS. Operational performance during the quarter was very good, and the acquisition was completed in early October 2016. Processing of the Gigante survey is ongoing with fast track PSTM and preliminary PSDM products available in advance of the scheduled licensing rounds.

In conjunction with the Gigante 2D seismic survey, TGS is acquiring the Gigante multibeam, coring and geochemical survey over an area of approximately 600,000 km^2, and both the Gigante multibeam bathymetry coverage and the seafloor coring is expected to be completed during Q1 2017. Interpretation of data will integrate with the 2D seismic survey and enhance the value proposition to clients.

* Mark of Schlumberger

In collaboration with PGS, TGS has built up a strong position offshore Eastern Canada. In late May 2016 the joint venture commenced its sixth consecutive season acquiring data in the area. The companies expect to acquire approximately 2,000 km^2 of 3D data and 38,000 km of 2D seismic in Newfoundland and Labrador this year.

In late Q3 2016, TGS completed the acquisition of the Northwest Shelf Renaissance 2D seismic survey outside Australia. This long offset, broadband 2D seismic survey of approximately 8,000 km ties recent and deep wells with TGS' existing 3D coverage in the Exmouth Plateau, Carnarvon Basin and traverses acreage included in the 2016 Australian licensing round.

During Q3 2016, TGS completed the acquisition of the multi-year 2D program offshore northeast Greenland. A total of close to 15,000 km of 2D data has been acquired during 2014, 2015 and 2016, and the final processed data is expected to be available to clients in late Q1 2017.

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 over 24,000 new digital well logs, 2,000 new enhanced digital well logs and over 175,000 new Validated Well Headers. In September 2016, the Administración Nacional de Combustibles, Alcoholes y Portland (ANCAP) of the Republic of Uruguay contracted with TGS for standardization and commercialization of multi-client well data in Uruguay. The group also secured a significant private well log collection containing 275,000+ historical well logs from the US that will be added to the company's commercial library over time. 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.

OTHER MATTERS

On 14 September 2016, TGS announced that it, together with Petroleum Geo-Services ASA (PGS), reached agreement on principle terms and conditions for jointly acquiring the majority of the multi-client library of Dolphin UK Ltd. The Dolphin library is considered to be a good strategic fit for TGS and will add to the already strong position in areas such as the Barents Sea, the North Sea, NW Africa and Australia, including several surveys where TGS currently holds a joint interest with Dolphin.

Following the purchase of most of the Polarcus library in 2015, this transaction will be the second strategic library acquisition TGS has concluded in this down cycle.

The parties have not yet entered into a definitive agreement for the acquisition, but the Company expects final definitive agreements, followed by closing of the transaction, to occur in the near future.

OUTLOOK

Following a strong sequential improvement in market conditions from Q1 to Q2, the fundamentals have remained stable during Q3. This means that oil companies' spending on seismic data is still at a low level and there is limited spare capacity on budgets to drive a recovery in the near term. As a result, the market is likely to remain challenging with significant volatility from quarter to quarter.

Due to the substantial reduction of exploration budgets, discovery of new hydrocarbon resources have been down to historical 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. This is essential for meeting 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 operating expenses by around 50% compared to the beginning of 2014, enabling the company to continue to deliver quality products to customers at a lower cost.

With an efficient cost base, strong balance sheet and flexible business model, TGS is uniquely positioned to enhance its status as the world's leading multi-client geophysical company through the down cycle. The company has demonstrated the capacity to undertake selected counter-cyclical organic investments, such as Gigante 2D in Mexico and Revolution XII/XIII in US Gulf of Mexico, and opportunistic inorganic investments, such as the acquisitions of the multi-client libraries of Polarcus and Dolphin.

As a result of high productivity and efficient operations the guidance for 2016 multi-client investments has been slightly reduced. Other financial guidance remains unchanged:

- New operational multi-client investments of approximately USD 220 million (down from USD 230 million previously)
- Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
- Multi-client investments are expected to be prefunded 40% to 45%

Asker, 27 October 2016

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**

****

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.

****

Interim Consolidated Statement of Comprehensive Income

(All amounts in USD 1,000s unless noted otherwise)	Note	2016 Q3 Unaudited	2015 Q3 Unaudited	2016 YTD Unaudited	2015 YTD Unaudited
Net revenues	4	**113,195**	**169,468**	**291,304**	**480,612**
Operating expenses					
Cost of goods sold - proprietary and other		4,827	58	5,670	625
Amortization and impairment of multi-client library	2,5	74,499	98,869	205,463	277,084
Personnel costs		11,682	14,369	35,737	48,080
Cost of stock options		225	116	617	1,538
Other operating expenses		8,025	7,613	23,614	24,996
Depreciation, amortization and impairment		3,173	2,916	9,137	9,662
Total operating expenses		**102,430**	**123,941**	**280,239**	**361,984**
Operating profit	4	**10,765**	**45,527**	**11,065**	**118,628**
Financial income and expenses					
Financial income		2,273	1,137	2,948	5,701
Financial expenses		-48	-380	-1,268	-423
Other financial items		-7	-2,705	1,280	-6,862
Net financial items		**2,218**	**-1,948**	**2,959**	**-1,584**
Profit before taxes		**12,983**	**43,578**	**14,025**	**117,044**
Taxes		11,234	3,509	15,667	23,844
Net income		**1,749**	**40,069**	**-1,642**	**93,199**
EPS USD		**0.02**	**0.40**	**-0.02**	**0.92**
EPS USD, fully diluted		**0.02**	**0.39**	**-0.02**	**0.91**
Other comprehensive income:					
Exchange differences on translation of foreign operations		104	-353	422	-873
Other comprehensive income for the period, net of tax		104	-353	422	-873
Total comprehensive income for the period		1,853	39,716	-1,220	92,326

Interim Consolidated Balance Sheet

(All amounts in USD 1,000s)	Note	2016 30-Sep Unaudited	2015 30-Sep Unaudited	2015 31-Dec Audited
ASSETS				
Non-current assets				
Goodwill		67,925	67,361	67,647
Multi-client library	2,5	816,322	976,135	838,916
Other intangible non-current assets		9,279	9,186	9,260
Deferred tax asset		10,876	5,578	12,941
Buildings		7,147	8,859	8,427
Machinery and equipment		16,302	24,606	21,756
Other non-current assets		20,695	19,039	25,102
Total non-current assets		**948,546**	**1,110,764**	**984,049**
Current assets				
Accounts receivable		118,259	144,906	135,384
Accrued revenues		122,711	142,611	142,263
Other receivables		34,430	40,184	30,818
Cash and cash equivalents		173,237	191,459	162,733
Total current assets		**448,637**	**519,160**	**471,198**
TOTAL ASSETS		**1,397,183**	**1,629,925**	**1,455,247**
EQUITY AND LIABILITIES				
Equity				
Share capital		3,638	3,630	3,632
Other equity		1,151,357	1,315,013	1,194,455
Total equity	3	**1,154,995**	**1,318,643**	**1,198,088**
Non-current liabilities				
Other non-current liabilities		6,976	1,618	6,182
Deferred tax		36,830	36,293	32,797
Total non-current liabilities		**43,806**	**37,911**	**38,979**
Current liabilities				
Accounts payable and debt to partners		93,635	129,208	97,798
Taxes payable, withheld payroll tax, social security		9,209	19,250	2,767
Other current liabilities		95,538	124,914	117,615
Total current liabilities		**198,382**	**273,371**	**218,180**
TOTAL EQUITY AND LIABILITIES		**1,397,183**	**1,629,925**	**1,455,247**

Interim Consolidated Statement of Cash flow

(All amounts in USD 1,000s)	Note	2016 Q3 Unaudited	2015 Q3 Unaudited	2016 YTD Unaudited	2015 YTD Unaudited
Cash flow from operating activities:					
Received payments from customers		110,326	145,347	313,626	623,189
Payments for salaries, pensions, social security tax		-11,542	-14,170	-38,302	-53,895
Payments of other operational costs		-13,158	-8,828	-32,403	-25,714
Paid taxes		5,872	-1,300	2,840	-76,167
Net cash flow from operating activities [1]		**91,498**	**121,049**	**245,761**	**467,413**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-1,699	-1,044	-5,733	-6,230
Investments in multi-client library		-62,360	-72,390	-188,079	-384,670
Investments through mergers and acquisitions		-	-18,761	-	-18,761
Payments made to acquire debt instruments		-	-	-	-5,000
Interest received		662	1,161	1,231	4,822
Net cash flow from investing activities		**-63,397**	**-91,034**	**-192,581**	**-409,839**
Cash flow from financing activites:					
Interest paid		-27	-58	-352	-79
Dividend payments		-16,898	-14,162	-45,867	-112,861
Purchase of treasury shares		-	-	-	-4,844
Proceeds from share issuances	3	-	1,664	1,798	3,253
Net cash flow from financing activites		**-16,925**	**-12,556**	**-44,421**	**-114,531**
Net change in cash and cash equivalents		**11,176**	**17,459**	**8,759**	**-56,957**
Cash and cash equivalents at the beginning of period		162,087	175,890	162,733	256,416
Net unrealized currency gains/(losses)		-27	-1,889	1,745	-7,998
Cash and cash equivalents at the end of period		**173,237**	**191,459**	**173,237**	**191,459**
1) Reconciliation					
Profit before taxes		12,983	43,578	14,025	117,044
Depreciation/amortization/impairment		77,671	101,786	214,600	286,746
Changes in accounts receivables and accrued revenues		-17,234	-30,667	36,677	189,783
Unrealized currency gain/(loss)		141	1,535	-1,314	7,124
Changes in other receivables		-2,600	12,450	8,094	30,370
Changes in other balance sheet items		14,665	-6,334	-29,162	-87,487
Paid taxes		5,872	-1,300	2,840	-76,167
Net cash flow from operating activities		**91,498**	**121,049**	**245,761**	**467,413**

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 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	-	-	-	-	-	-1,642	**-1,642**
Other comprehensive income	-	-	-	-	422	-	**422**
Total comprehensive income	**-**	**-**	**-**	**-**	**422**	**-1,642**	**-1,220**
Paid-in-equity through exercise of stock options	-	5	-	-	-	1,793	**1,798**
Distribution of treasury shares	-	0.4	-	-	-	156	**156**
Cost of equity-settled long-term incentive plans	-	-	-	1,873	-	-	**1,873**
Dividends	-	-	-	-	-	-45,700	**-45,700**
Closing balance per 30 September 2016	**3,657**	**-21**	**58,107**	**36,601**	**-21,625**	**1,078,276**	**1,154,995**

(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 2015	**3,702**	**-76**	**58,107**	**32,915**	**-21,123**	**1,265,675**	**1,339,201**
Net income	-	-	-	-	-	93,199	**93,199**
Other comprehensive income	-	-	-	-	-873	-	**-873**
Total comprehensive income	**-**	**-**	**-**	**-**	**-873**	**93,199**	**92,326**
Distribution of treasury shares	-	10	-	-	-	3,667	**3,677**
Purchase of treasury shares	-	-6	-	-	-	-4,839	**-4,844**
Cancellation of treasury shares held	-45	45	-	-	-	-	**-**
Cost of equity-settled long-term incentive plans	-	-	-	1,538	-	-	**1,538**
Dividends	-	-	-	-	-	-113,254	**-113,254**
Closing balance per 30 September 2015	**3,657**	**-26**	**58,107**	**34,453**	**-21,996**	**1,244,448**	**1,318,643**

Largest Shareholders per 24 October 2016

				Shares	%
1	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	7,745,490	7.6%
2	FOLKETRYGDFONDET	NORWAY		7,174,412	7.1%
3	THE NORTHERN TRUST CO.	GREAT BRITAIN	NOM	4,335,969	4.3%
4	STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	3,972,825	3.9%
5	STATE STREET BANK & TRUST CO.	U.S.A.	NOM	3,790,611	3.7%
6	THE BANK OF NEW YORK MELLON	U.S.A.	NOM	2,940,393	2.9%
7	MORGAN STANLEY & CO. INTERNATIONAL	GREAT BRITAIN	NOM	2,712,908	2.7%
8	STATE STREET BANK & TRUST COMPANY	U.S.A.	NOM	2,629,204	2.6%
9	STATE STREET BANK & TRUST COMPANY	U.S.A.	NOM	2,201,720	2.2%
10	SWEDBANK ROBUR SMABOLAGSFOND	GREAT BRITAIN		2,054,767	2.0%
10 Largest				**39,558,299**	**39%**
Total Shares Outstanding *				**101,602,490**	**100%**

* Total shares outstanding are net of shares held in treasury per 24 October 2016

Average number of shares outstanding for Current Quarter *

Average number of shares outstanding during the quarter	101,602,490
Average number of shares fully diluted during the quarter	101,934,466

* Shares outstanding net of shares held in treasury per 30 September 2016 (533,500 TGS shares), composed of average outstanding TGS shares during the full quarter

Share price information

Share price 30 September 2016 (NOK)	144.00
USD/NOK exchange rate end of period	8.05
Market capitalization 30 September 2016 (NOK million)	14,708

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 2015 which is available on www.tgs.com.

As from 1 January 2016, the following amendments to the accounting standards have become effective:

- ***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***
  The amendments to these standards clarifiy that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

  TGS has implemented the following changes to amortization of the multi-client library from 1 January 2016:
  - During the work in progress (WIP) phase, amortization will continue to be based on total cost versus forecasted total revenues of the project.
  - After a project is completed, a straight-line amortization is applied. The straight-line amortization will be assigned over a remaining useful life, which for most marine projects is expected to be 4 years. For onshore projects, the remaining useful life after completion of a project is considered to be 7 years for most projects.

    The straight-line amortization will be distributed evenly through the financial year independently of sales during the quarters.

  The amendments have prospective effects, and the comparative financial figures have not been changed.

Except for the amendments described above, the same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for 2015. None of the other new accounting standards or amendments that came into effect from 1 January 2015 has a significant impact on the presentation of the financial statements during the first nine months of 2016.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2016	**102,135,990**
30 September 2016	**102,135,990**

Treasury shares	Number of shares
1 January 2016	**673,600**
18 February 2016, treasury shares transferred to cover exercise of stock options	(10,000)
6 May 2016, treasury shares transferred to cover exercise of stock options	(120,200)
11 May 2016, treasury shares distributed to Board members	(9,900)
30 September 2016	**533,500**

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 3 August 2016 the Board of Directors resolved to pay a quarterly dividend of the NOK the NOK equivalent of USD 0.15 per share (NOK 1.26) to the shareholders. The dividends were paid on 25 August 2016.

On 27 October 2016 the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.23) which will be paid to the shareholders in November 2016.

Note 4 Segment information

2016 Q3	**North & South America**	**Europe & Russia**	**Africa, Middle East & Asia/Pacific**	**Other segments/ Corporate costs**	**Consolidated**
Net external revenues	63,715	32,267	4,851	12,363	**113,195**
Operating profit	15,906	10,635	-4,016	-11,761	**10,765**

2016 YTD	**North & South America**	**Europe & Russia**	**Africa, Middle East & Asia/Pacific**	**Other segments/ Corporate costs**	**Consolidated**
Net external revenues	159,045	74,710	17,902	39,647	**291,304**
Operating profit	35,638	20,478	-10,938	-34,114	**11,065**

2015 Q3	**North & South America**	**Europe & Russia**	**Africa, Middle East & Asia/Pacific**	**Other segments/ Corporate costs**	**Consolidated**
Net external revenues	87,846	50,535	12,569	18,517	**169,468**
Operating profit	30,273	26,991	-3,864	-7,872	**45,527**

2015 YTD	**North & South America**	**Europe & Russia**	**Africa, Middle East & Asia/Pacific**	**Other segments/ Corporate costs**	**Consolidated**
Net external revenues	216,087	96,380	107,511	60,634	**480,612**
Operating profit	88,601	57,282	-1,269	-25,985	**118,628**

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	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015	2014	2013
Beginning net book value	823.2	918.9	838.9	818.1	818.1	758.1	651.2
Non-operational investments	-	21.4	-	21.4	26.4	-	-
Operational investments	67.6	134.7	182.9	413.7	501.7	462.3	438.9
Amortization and impairment	(74.5)	(98.9)	(205.5)	(277.1)	(507.3)	(396.7)	(329.8)
Exchange Rate Adjustment	-	-	-	-	-	(5.6)	(2.1)
Ending net book value	816.3	976.1	816.3	976.1	838.9	818.1	758.1

Numbers in USD millions	Q3 2016	Q3 2015	YTD 2016	YTD 2015	2015	2014	2013
Net MC revenues	105.7	164.0	276.9	463.7	590.6	877.7	824.1
Change in MC revenue	-36%	-9%	-40%	-21%	-33%	7%	-9%
Change in MC investment	-57%	68%	-58%	29%	13%	5%	-17%
Amort. in % of net MC revs.	70%	60%	74%	60%	86%	45%	40%
Change in net book value	-1%	6%	-3%	19%	3%	8%	16%

Note 6 Related parties

On 2 September 2016 members of the executive management were granted in total 273,000 Performance Stock Units (PSUs). The PSUs will vest on the third anniversary of the date of grant provided the executive remains employed with TGS on the vesting date. Upon vesting, the PSUs will be converted to TGS shares, depending on performance versus target metrics. The number of shares will be determined by multiplying the number of PSUs granted by a factor of 0% to 100%. The factor is determined by performance against three target metrics: (i) market share of multi-client revenues within a peer group, (ii) return on average capital employed, and (iii) HSE. Each of the performance metrics is measured for the period 1 January 2016 through 31 December 2018. No other material transactions with related parties took place during the third quarter of 2016.

Note 7 Økokrim investigation

Note 21 to the 2015 Annual Report described the Økokrim investigation that was initiated in 2014. Since the charges were presented, Økokrim has conducted an investigation of the matter. The company has cooperated fully in the matter.

In connection with the transactions with Skeie Energy AS (later known as E&P Holdings AS) (Skeie), TGS has also received notices of potential claims of joint responsibility from Skeie and two affiliated parties, all of which are predicated on whether the parties making the claims are ultimately held responsible and suffer damages that can be attributed to TGS. In October 2016, Skeie Technology, one of the Skeie affiliates and a guarantor of certain of Skeie’s obligations, filed a writ of summons against TGS and certain other parties, seeking a declaratory judgment of joint liability for losses that, through its parent company guarantee, may be suffered by Skeie Technology as a result of the acquisition of seismic data by Skeie from TGS in 2009. No specific damages have been asserted in the writ, and the case is in the very early stages.

In May 2016, TGS received a notice of a claim for compensation from the Norwegian Government of up to NOK 326 million for the Government's alleged tax losses arising from tax benefits received by Skeie under the Petroleum Tax Act in connection with the sale of seismic data to Skeie. The Government alleges that TGS has aided and abetted Skeie in attaining undue tax advantages. The Tax Authorities have previously reported the same matter to Økokrim, and as described above, the Økokrim case is still under investigation. At the request of the Government, TGS granted the Government a three-year extension of the statute of limitations with respect to legal action on the claim of compensation.

At this stage of the investigation by Økokrim and the related civil matters, it is impracticable to render an assessment of the outcome, however TGS believes the charges against it by Økokrim and the related claims of liability from other parties are not well-founded, and it is proactively and vigorously developing its defense against the charges and claims. As a result, no provisions have been made.

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

On 14 September 2016, the Company announced that it together with Petroleum Geo-Services ASA (PGS), reached agreement on the principle terms and conditions for jointly acquiring the majority of the multi-client library of Dolphin UK Ltd. The parties have not yet entered into a definitive agreement for the acquisition, but the Company expects final definitive agreements, followed by closing of the transaction, to occur in the near future.

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) has published guidelines on Alternative Performance Measures which came into force on 3 July 2016.

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. 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	**2016 Q3**	**2015 Q3**	**2016 YTD**	**2015 YTD**
Net income	1,749	40,069	(1,642)	93,199
Taxes	11,234	3,509	15,667	23,844
Net financial items	(2,218)	1,948	(2,959)	1,584
Depreciation, amortization and impairment	3,173	2,916	9,137	9,662
Amortization and impairment of multi-client library	74,499	98,869	205,463	277,084
EBITDA	**88,436**	**147,311**	**225,665**	**405,373**

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 EBIT 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	30 September 2016	30 September 2015
Equity	1,154,995	1,318,643
Interest bearing debt	-	-
Cash	173,237	191,459
Net interest bearing debt	(173,237)	(191,459)
Capital employed	**981,758**	**1,127,184**

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	2016 Q3	2015 Q3	2016 YTD	2015 YTD
Cash flow from operational activities	91,498	121,049	245,761	467,413
Investments in multi-client library	(62,360)	(72,390)	(188,079)	(384,670)
Free cash flow (after MC investments)	**29,138**	**48,659**	**57,682**	**82,743**

Backlog

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