



# Q2 2016 Earnings Release

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# 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.*

# Q2 2016 Highlights

- Q2 net revenues of 114 MUSD compared to 140 MUSD in Q2 2015
  - Net late sales of 84 MUSD, up 4% from 82 MUSD in Q2 2015
  - Net pre-funding revenues of 26 MUSD were down 50% from Q2 2015, funding 42% of TGS' operational multi-client investments for the quarter (62 MUSD)
  - Improved performance in Q2 2016 compared to preceding quarters as oil companies willingness to invest in seismic data has improved slightly
- Operating profit for the quarter was 22 MUSD compared to 36 MUSD in Q2 2015
  - Personnel and other operating costs reduced by 25% (30% excluding restructuring costs and impairments) from Q2 2015
- Cash flow from operations was 9 MUSD compared to 86 MUSD in Q2 2015
  - Cash balance of 162 MUSD at 30 June 2016 in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.15 per share

# New Project Announced – U.S. Gulf of Mexico

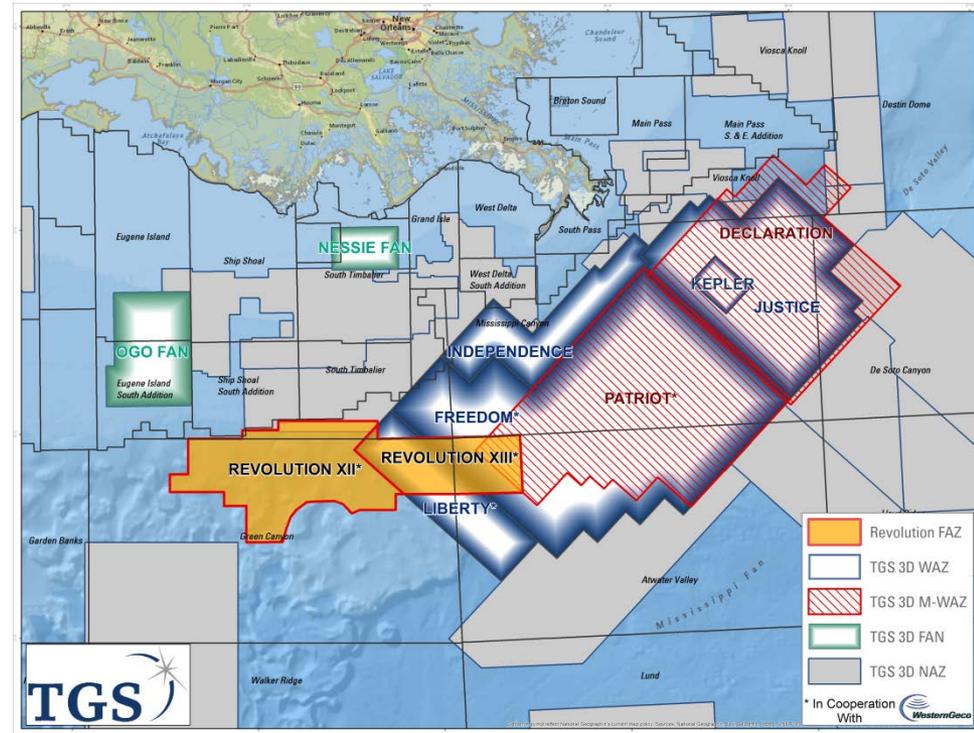
## Revolution XII and XIII

- 7,150 km<sup>2</sup> (306 blocks) multi-client 3D survey in collaboration with WesternGeco
- Located in Green Canyon, Atwater Valley and Ewing Bank protraction areas of the Central Gulf of Mexico
- Survey will utilize WesternGeco's proprietary Q-Marine\* point-receiver marine seismic system combined with the proprietary multi-vessel, Dual Coil Shooting acquisition technique, which will provide broadband, long-offset, full-azimuth data

\*Mark of Schlumberger

## Track record of success in Central GOM

- Expansion of TGS-WesternGeco WAZ surveys in U.S Central GOM; first survey Freedom was acquired in 2008
- WAZ data has proven critical to improve illumination and imaging of the sub-salt and other complex geologic features
- This part of the Gulf of Mexico continues to see the highest activity level and benefits from significant near-term lease turnover

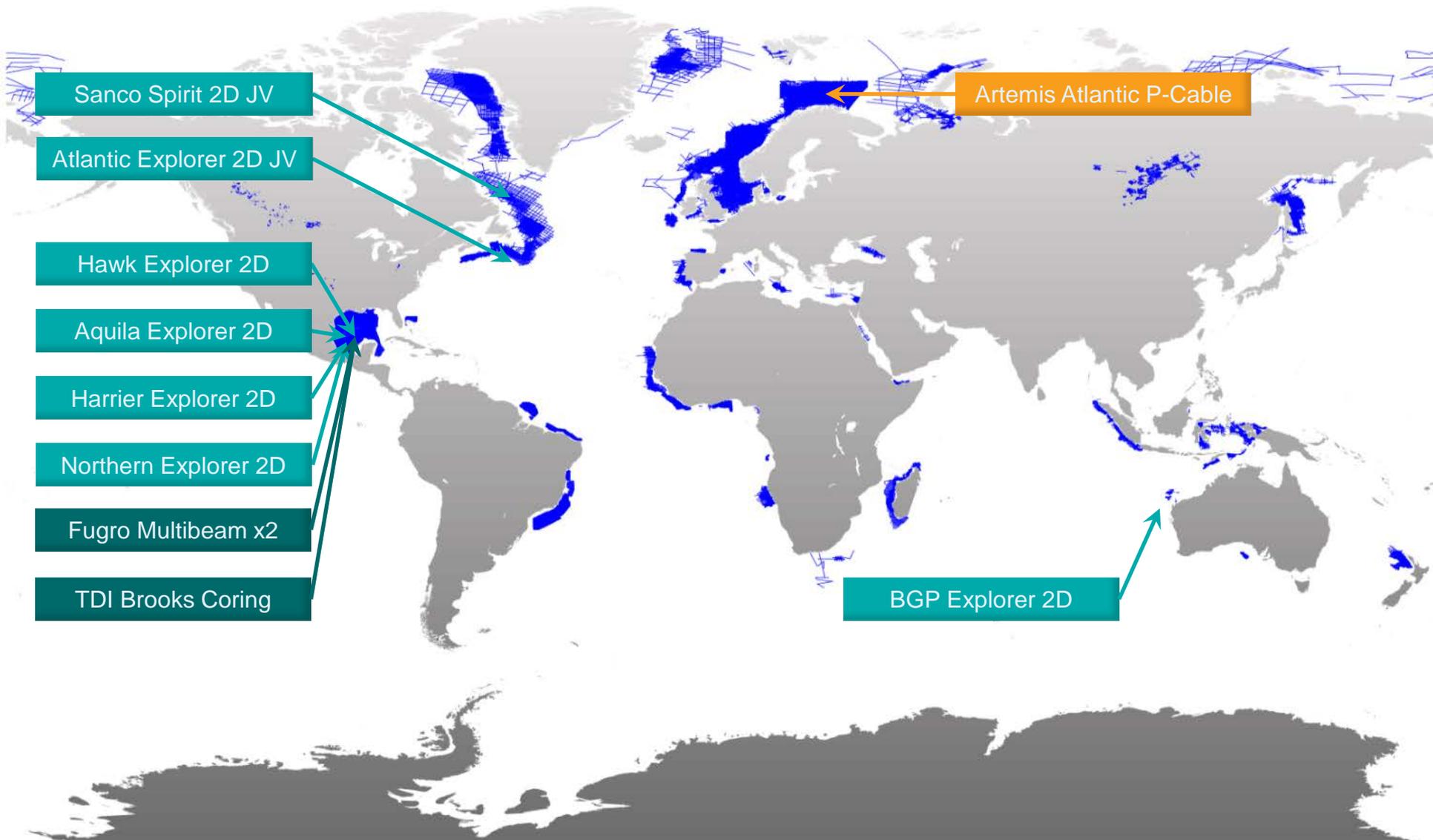




# Operational Highlights



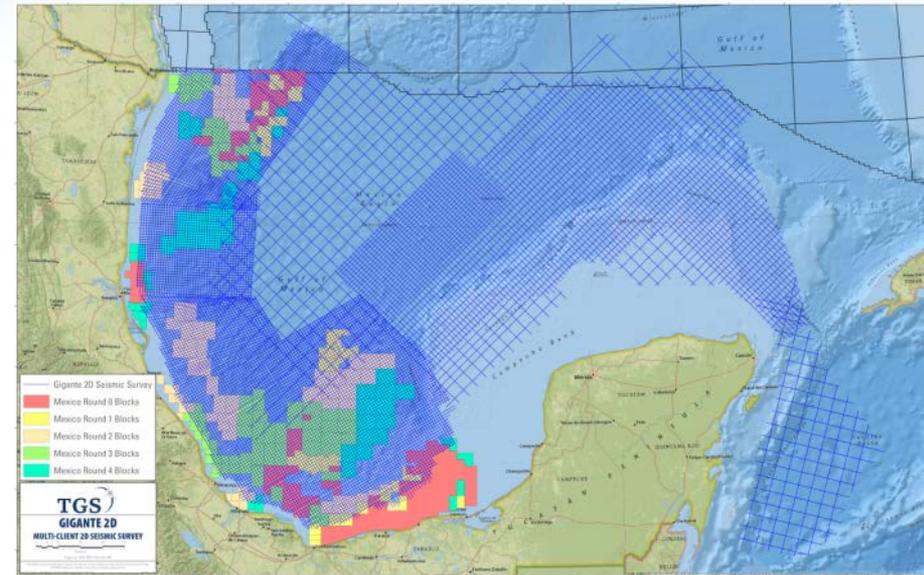
# Q2 2016 Operations



# Q2 Activity – Mexico

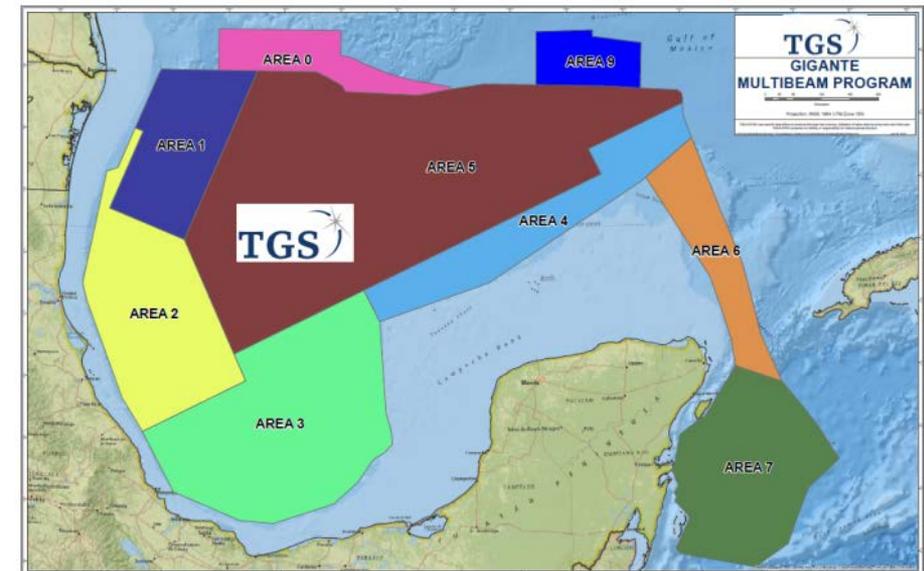
## Gigante 2D – 186,000 km multi-client 2D survey

- Regional 2D survey commenced in Q2 2015 and expected to complete in early Q4 2016
- Survey covers the proposed license rounds in the Perdido, Campeche and Mexican Ridges regions
- Line ties will be made to the US Gulf of Mexico regional grids previously acquired by TGS
- 160,000 km of 2D data acquired at end Q2 2016 with a significant amount of fast-track data already delivered to clients



## Gigante Multibeam, Coring, and Geochemical Surveys

- 600,000 km<sup>2</sup> survey commenced in 2015 and expected to complete in Q4 2016
- More than 50% of data acquired at end Q2 2016
- Interpretation of data will integrate with the 2D seismic survey and enhance the value proposition to clients



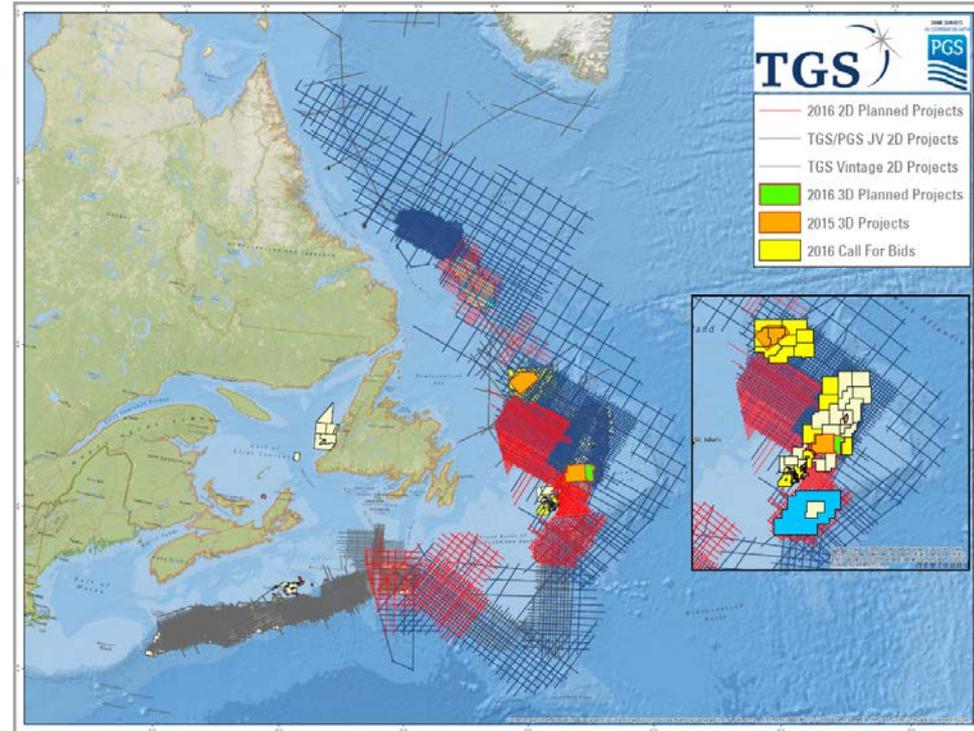
# Q2 Activity – East Canada

## Newfoundland Labrador 2016 Season

- 36,000 km multi-client 2D survey in partnership with PGS – commenced in Q2 2016
- 2,000 km<sup>2</sup> multi-client 3D survey in partnership with PGS – will commence in Q3 2016
- TGS-PGS JV library in this region will exceed 148,000 km of 2D data and 11,000 km<sup>2</sup> of 3D data in addition to 83,700 km of TGS vintage data, an expansive well log library and advanced multi-client interpretation products

## A bright spot in an otherwise challenging exploration market

- Recent exploration success
- Highly successful 2015 license round (nine companies participated with CAD 1.2 billion successful commitments)
- Two 2016 Calls for Bids issued over approximately 3.3 million hectares in Jeanne d'Arc and Eastern Newfoundland regions (bids due 9 November 2016)



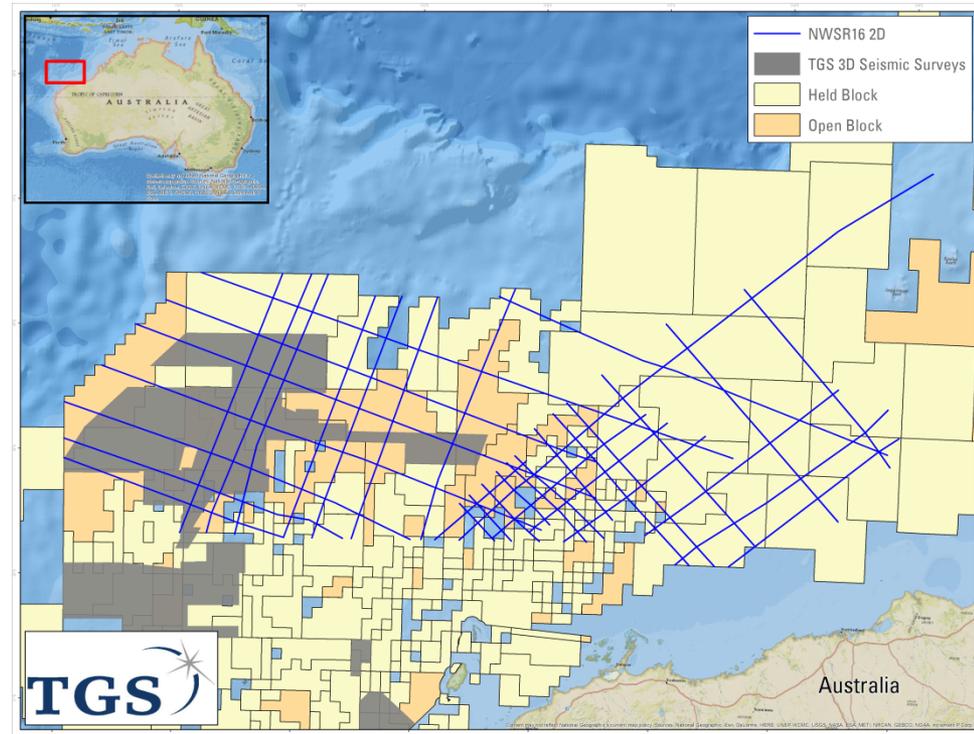
# Q2 Activity – Australia and Europe

## Northwest Shelf Renaissance - 8,000km multi-client 2D survey

- Long offset, broadband 2D seismic data as well as magnetic and gravity data
- Designed to provide enhanced imaging through to the deeper stratigraphic section of the Dampier, Beagle and Bedout Sub Basins and Exmouth Plateau
- Ties recent and deep wells with TGS' existing 3D coverage in the Carnarvon Basin
- Traverses the proposed 2016 Australian Offshore Petroleum Exploration Acreage Release areas
- Fast track data will be available November 2016 with the final data available Q2 2017

## Europe – proprietary P-Cable survey

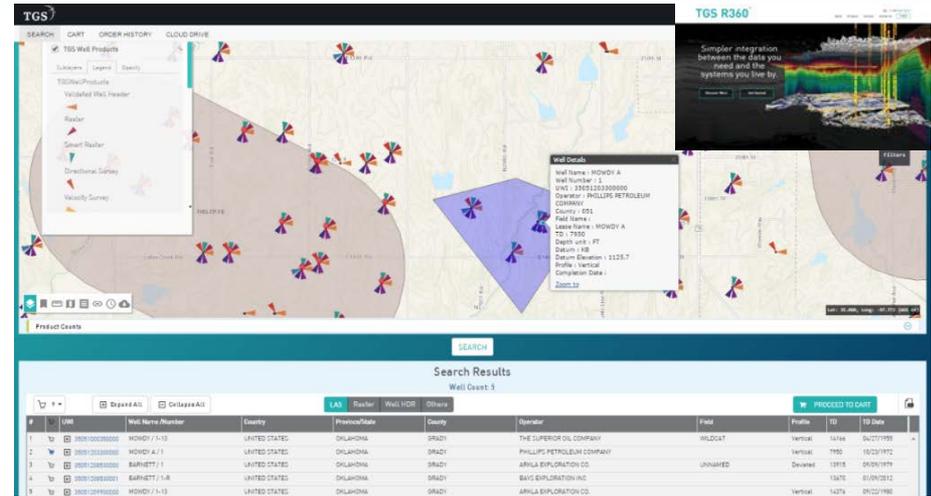
- Proprietary P-Cable survey in Barents Sea
- Builds on TGS' experience with multi-client P-Cable acquisition in the Barents Sea
- Acquisition is expected to complete during Q3 2016.



# TGS Launches New Digital Information Products

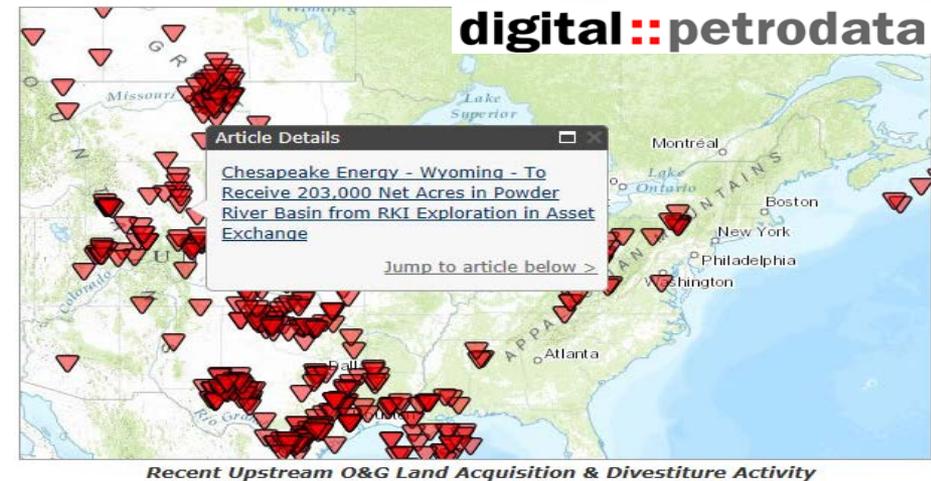
## R360

- Modern eCommerce tool to enable simpler integration of geologic data with customer systems
- Allows clients to perform data reconnaissance, identification and selection through a map-based interface with purchase and data delivery online



## Digital Petrodata GEONEWS

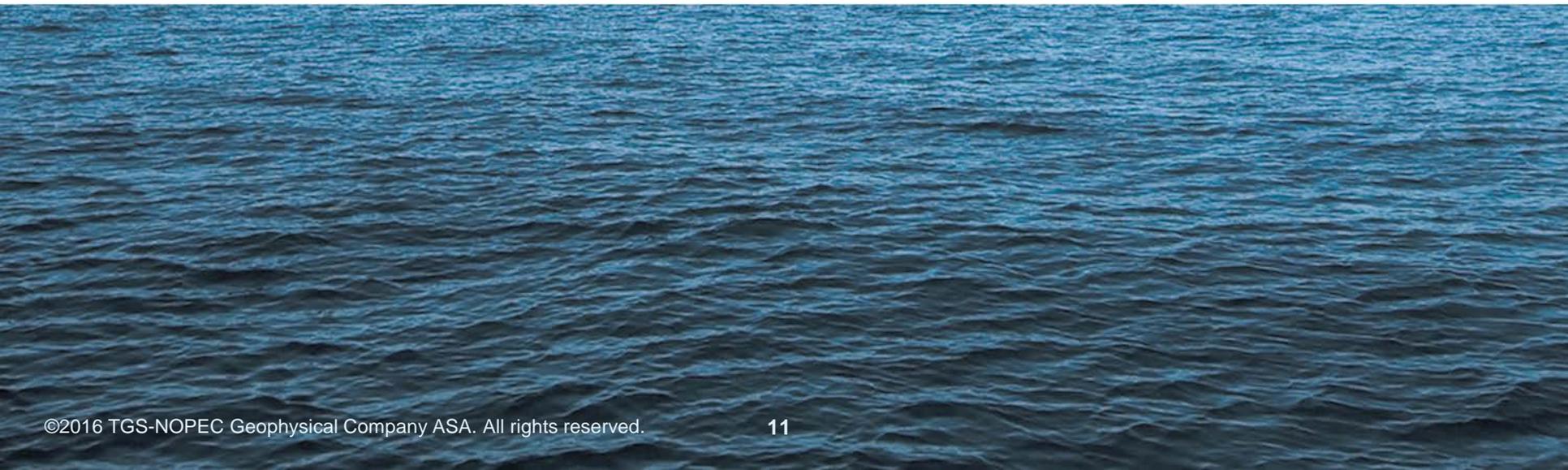
- Provides E&P, financial and investment community professionals with a quick and easy way to access pertinent and timely oil & gas industry data
- Deep tagging of articles allows creation of very focused queries and email alerts
- Data is spatially located with detailed attributes and analysis functionality



Please visit [www.tgs.com](http://www.tgs.com) for a free trial of GEONEWS!

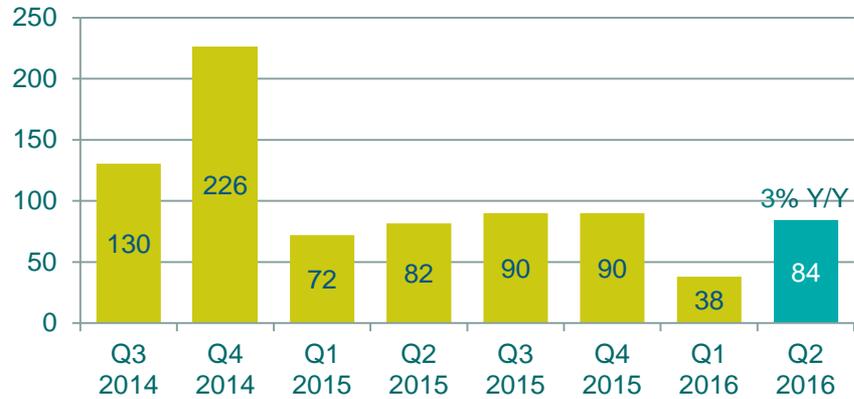


# Financials

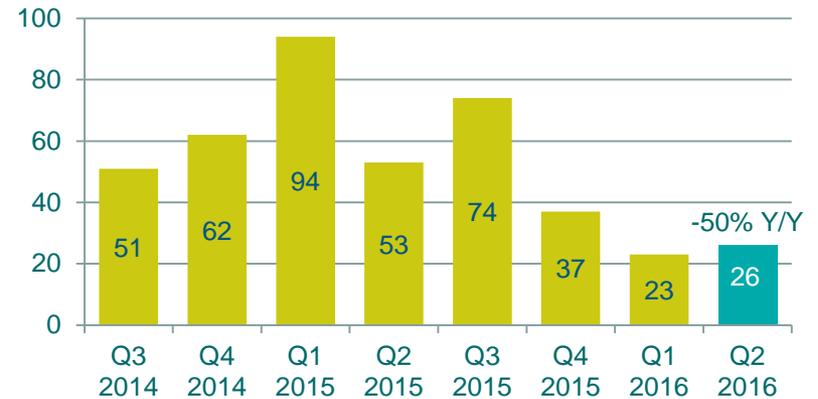


# Net Revenues

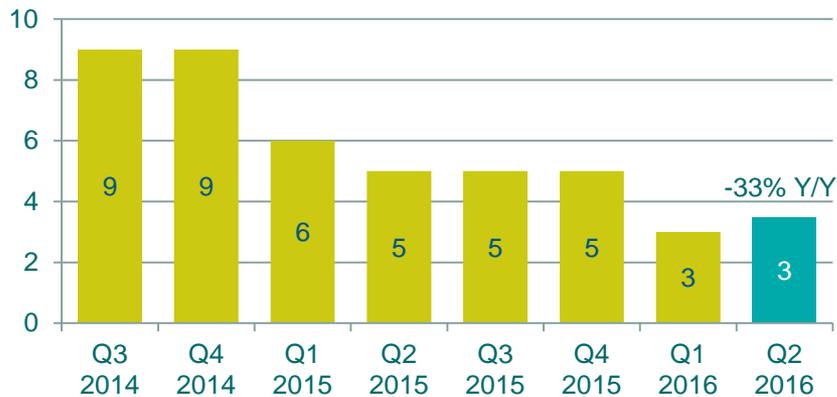
## Late sales revenues



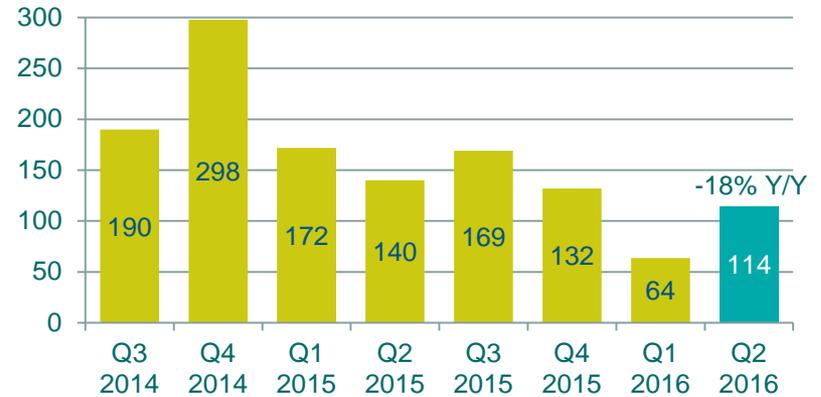
## Prefunding revenues



## Proprietary revenues

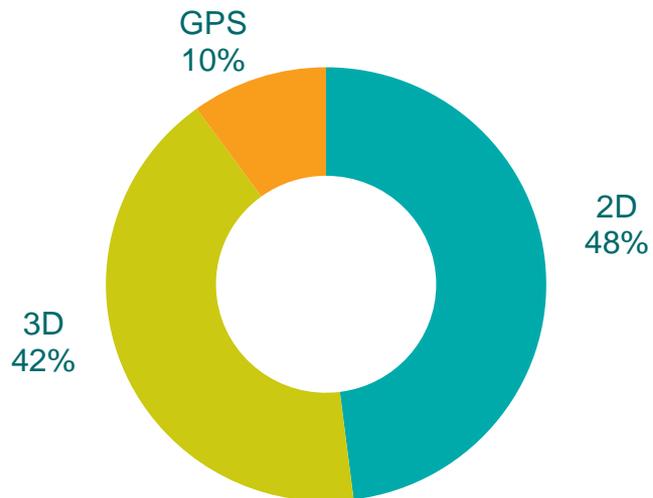


## Total revenues

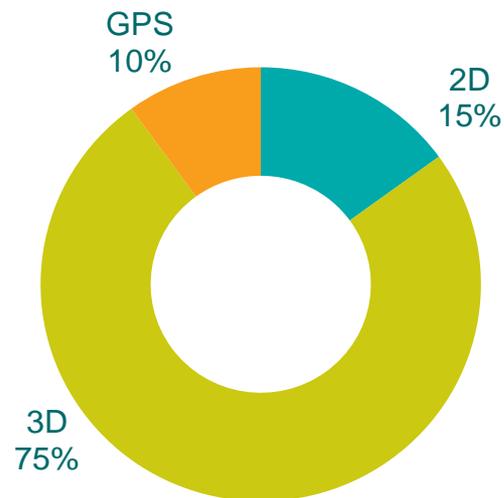


# Net Revenue Breakdown

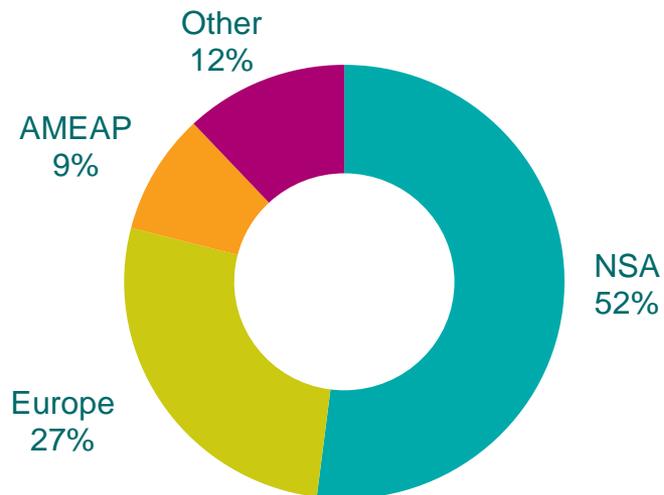
Q2 2016



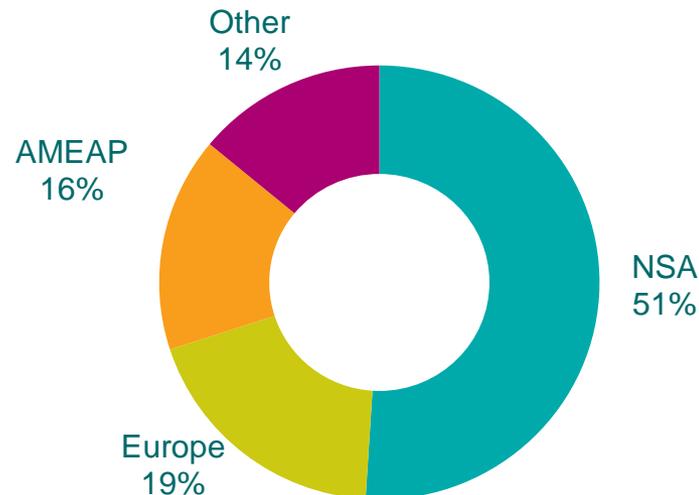
Q2 2015



Q2 2016

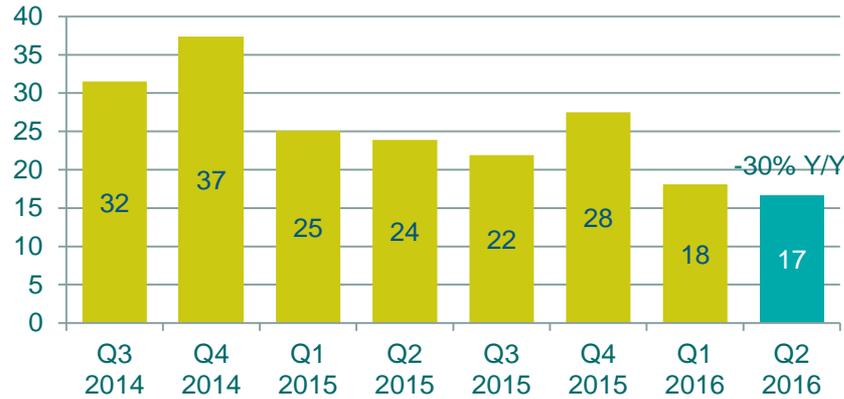


Q2 2015



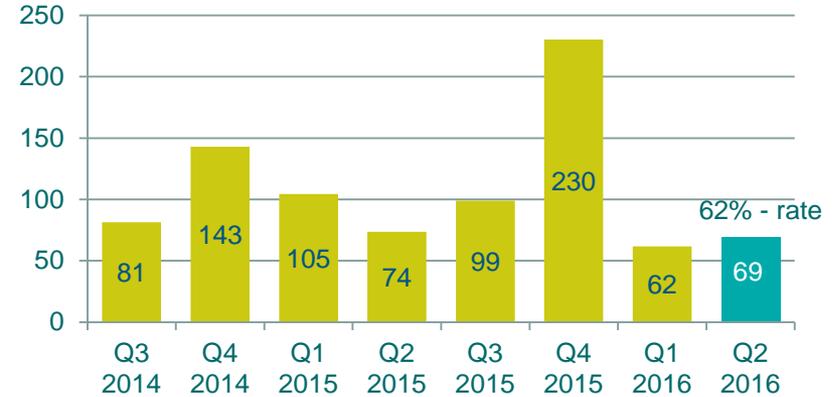
# Operating Expenses, EBIT, Free Cash Flow

### Operating expenses \*



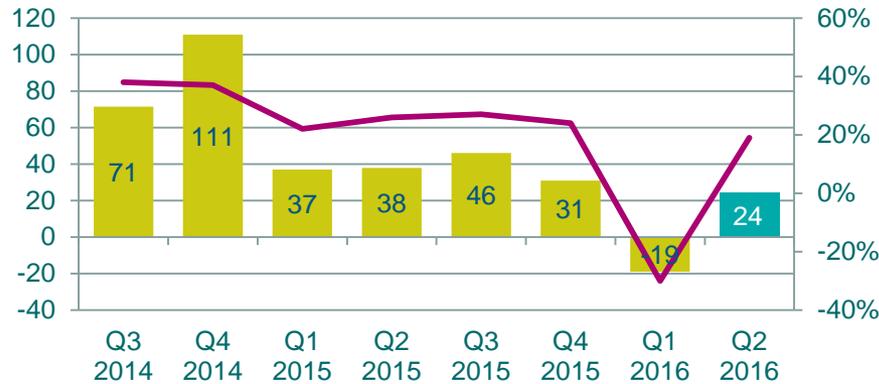
\* Include personnel costs and other operating expenses. Adjusted for restructuring costs and larger impairments of operating items

### Amortization and impairment \*



\* Q1 and Q2 2016 reflects the new amortization policy effective from 1 January 2016

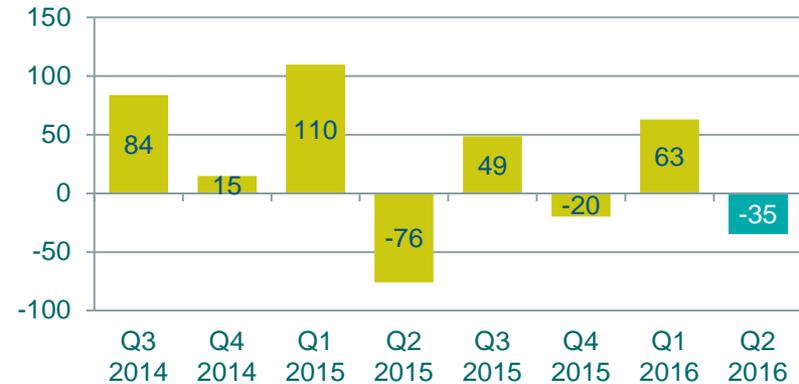
### EBIT \*



■ EBIT — EBIT Margin

\* Earnings before interest and taxes and excluding larger impairments and restructuring costs

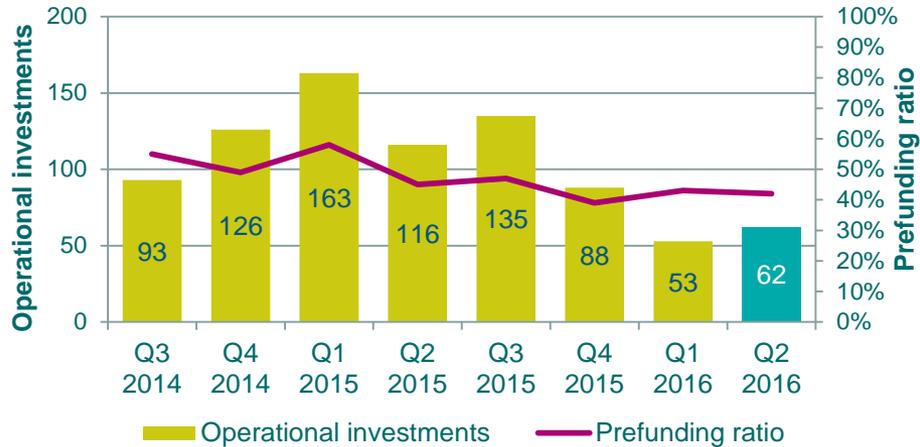
### Free cash flow \*



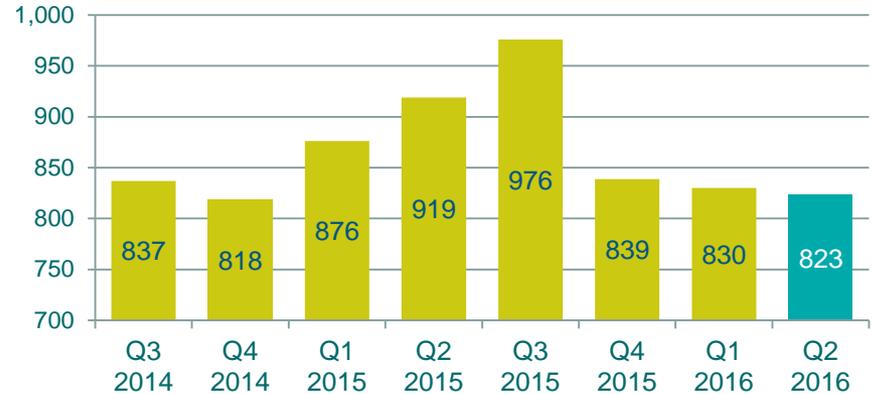
\* Defined as cash flow from operational activities minus operational cash investments in multi-client projects

# Multi-client library

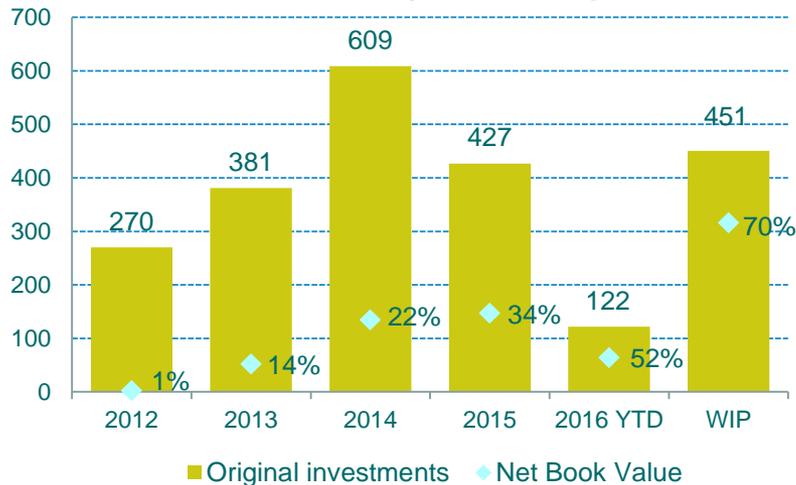
## Operational investments and prefunding ratio



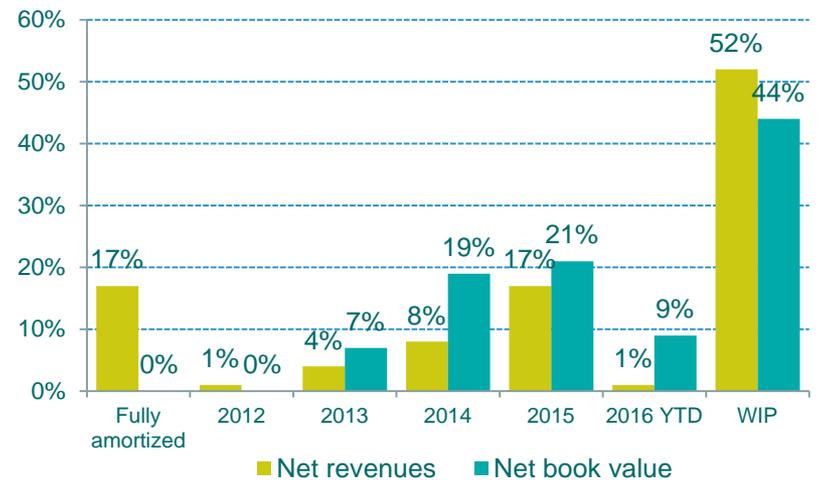
## Multi-client library - NBV



## Investments – year of completion



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



# Q2 2016 Income Statement

USD million, except EPS	Q2 2016	Q2 2015	Change in %
<b>Net revenues</b>	<b>114</b>	<b>140</b>	<b>-18%</b>
Cost of goods sold – proprietary and other	0.8	0.1	1435%
Amortization of multi-client library 62%	69	74	-6%
<b>Gross margin</b>	<b>44</b>	<b>66</b>	<b>-33%</b>
Personnel costs	11	17	-37%
Other operating expenses	9	9	-3%
Cost of stock options	0.3	0.9	-61%
Depreciation	3	3	-7%
<b>Operating profit 19%</b>	<b>22</b>	<b>36</b>	<b>-39%</b>
Net financial items	-0.3	2	-116%
<b>Profit before taxes 19%</b>	<b>21</b>	<b>37</b>	<b>-43%</b>
Taxes	5	13	-65%
<b>Net Income 15%</b>	<b>17</b>	<b>24</b>	<b>-31%</b>
EPS, Undiluted	0.17	0.24	-29%
EPS, Fully Diluted	0.17	0.24	-29%

# Q2 2016 Cash Flow Statement

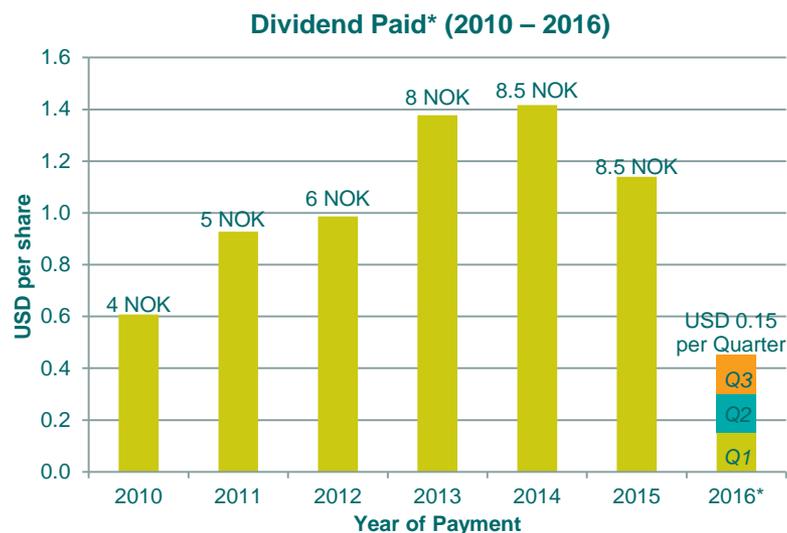
USD million	Q2 2016	Q2 2015	Change in %
Received payments from customers	28	141	-80%
Payments for operational expenses	(19)	(25)	25%
Paid taxes	-	(29)	100%
<b>Operational cash flow</b>	<b>9</b>	<b>86</b>	<b>-89%</b>
Investments in tangible and intangible assets	(1)	(3)	57%
Investments in multi-client library	(44)	(162)	73%
Interest received	0.3	2	-82%
Interest paid	(0.3)	(0.003)	-10467%
Dividend payments	(14)	(99)	86%
Proceeds from share issuances	2	0.03	5271%
<b>Change in cash balance</b>	<b>-48</b>	<b>-175</b>	<b>73%</b>

# Balance Sheet

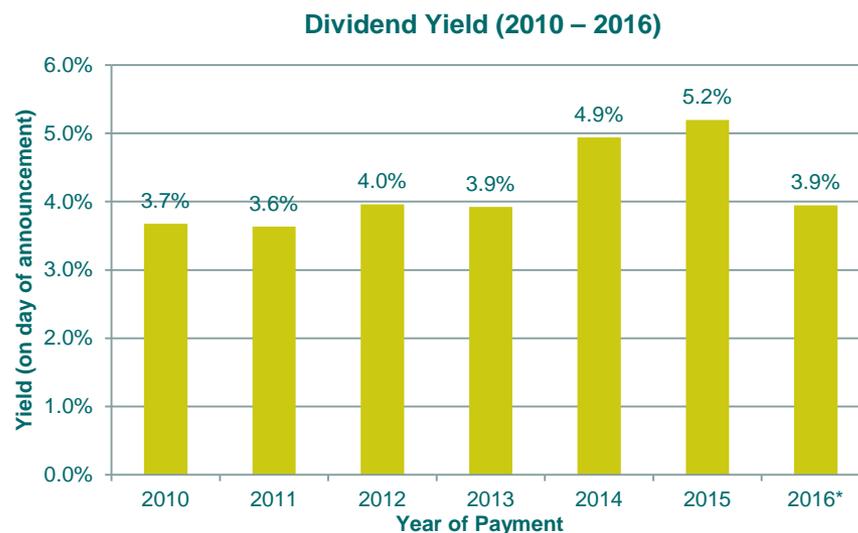
USD million	Q2 2016	Q1 2016	Change in %	Q4 2015
<b>Assets</b>				
Cash and cash equivalents	162	210	-23%	163
Other current assets	255	189	35%	308
<b>Total current assets</b>	<b>417</b>	<b>399</b>	<b>5%</b>	<b>471</b>
Intangible assets and deferred tax asset	92	92	0%	90
Other non-current assets	16	16	3%	25
Multi-client library	823	830	-1%	839
Fixed assets	26	28	-7%	30
<b>Total Assets</b>	<b>1,375</b>	<b>1,364</b>	<b>1%</b>	<b>1,455</b>
<b>Liabilities</b>				
Current liabilities	171	168	2%	218
Non-current liabilities	4	5	-9%	6
Deferred tax liability	33	29	14%	33
<b>Total Liabilities</b>	<b>208</b>	<b>201</b>	<b>3%</b>	<b>257</b>
<b>Equity</b>	<b>1,167</b>	<b>1,163</b>	<b>0%</b>	<b>1,198</b>
<b>Total Liabilities and Equity</b>	<b>1,375</b>	<b>1,364</b>	<b>1%</b>	<b>1,455</b>

*The Company holds no interest-bearing debt*

# Dividend stable at USD 0.15 per share



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



\*2016 Dividend Yield annualized based on the weighted yield at the time of announcement of quarterly dividends

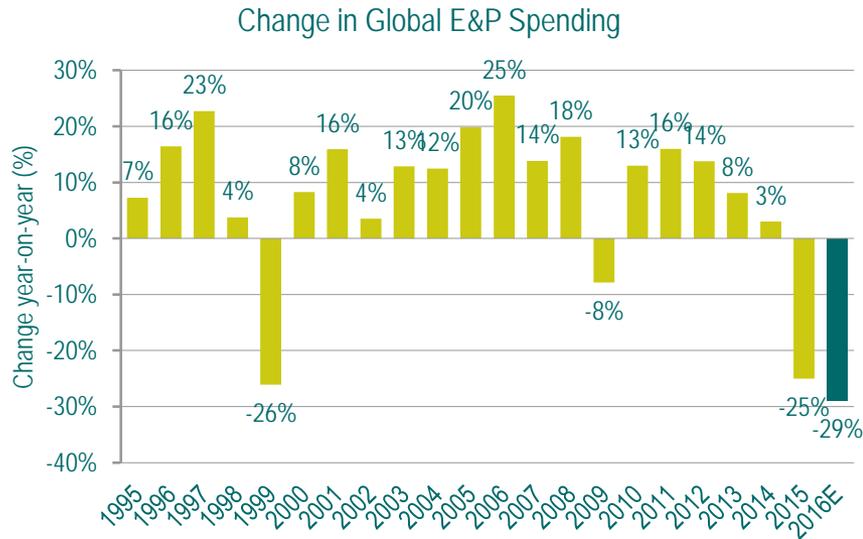
- Shareholder authorization to distribute quarterly dividend payments from Q1 2016
  - Aim to keep a stable quarterly dividend through the year
  - Actual quarterly dividend level paid will be subject to continuous evaluation of market outlook, cash flow expectations and balance sheet development
  
- Q1 2016: USD 0.15 per share dividend paid on 23 February 2016
- Q2 2016: USD 0.15 per share dividend paid on 1 June 2016
- Q3 2016: USD 0.15 per share dividend to be paid on 25 August 2016 (shares will trade ex-dividend on 11 August 2016)



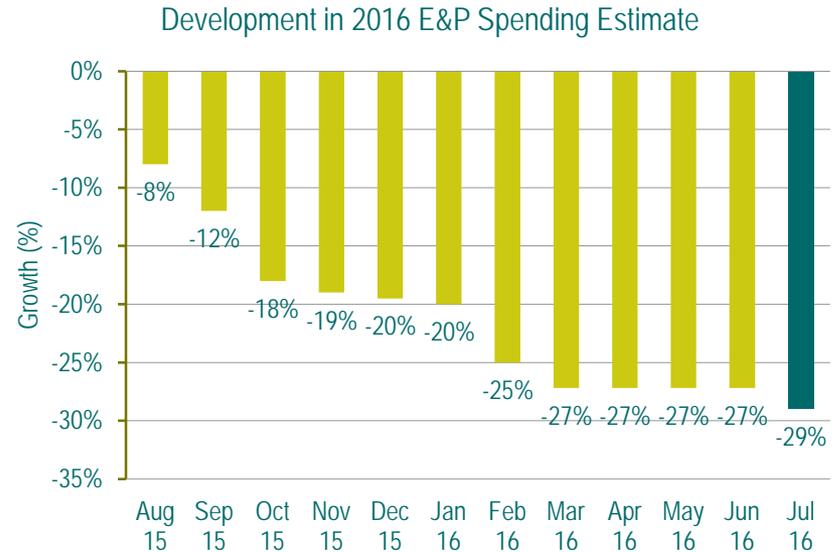
# Outlook



# Challenging Market for Exploration



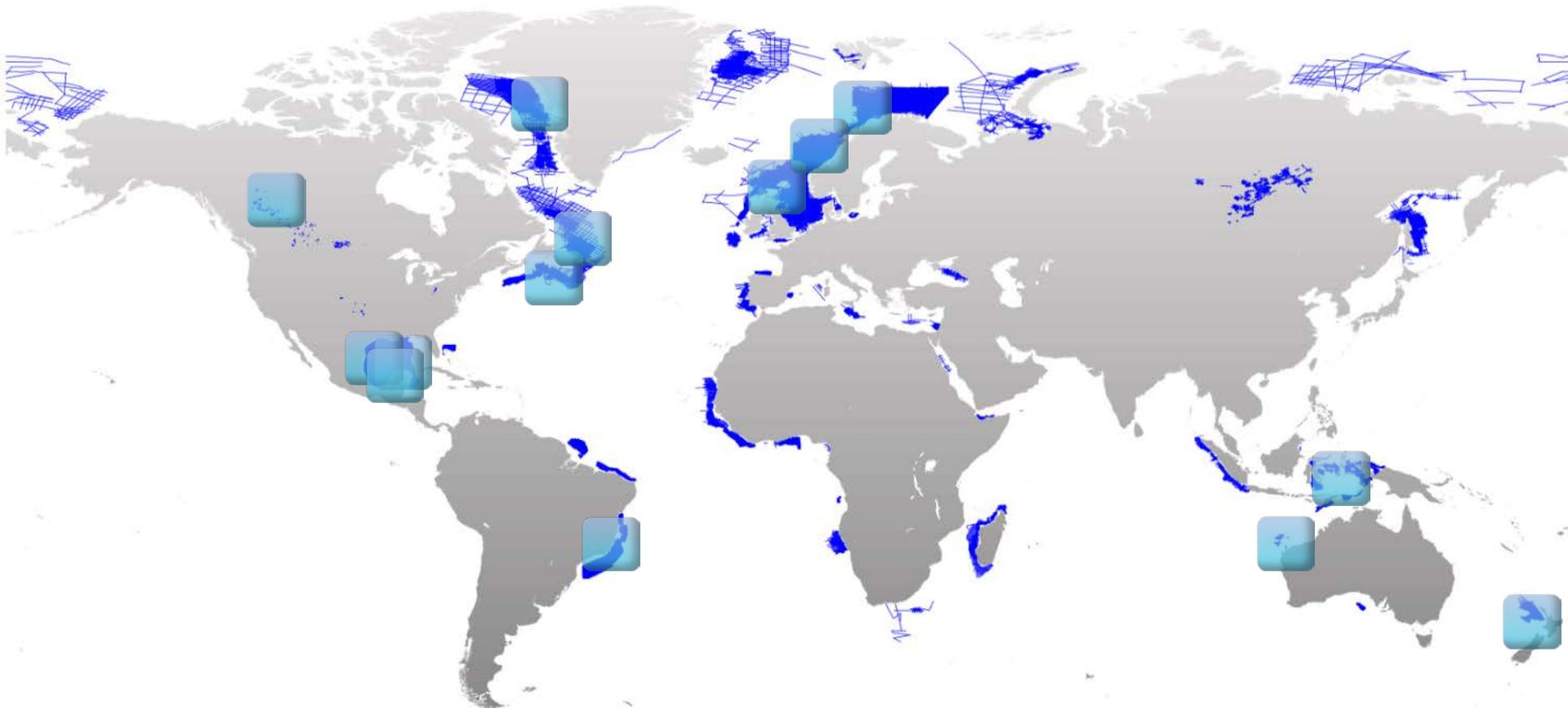
Source: SEB Research



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- E&P spending likely to decline 20-30% this year
- While seeing some signs of improvement in oil companies' willingness to invest in seismic data during Q2 2016, the market is expected to remain challenging in the near term
- Seismic data is largely a type of discretionary spending that oil companies can quickly turn on and off depending on prevailing strategies and market conditions
- High variability of seismic spending between quarters and across regions is expected to continue going forward

# License Round Activity and TGS Positioning



## North & South America

- Central GOM – Mar 2017 (5-Year Plan)
- Western GOM – Aug 2016 (5-Year Plan)
- Newfoundland & Labrador – Nov 2016 (Scheduled Land Tenure)
- Nova Scotia – Q4 2016 (3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil - Mid-2017
- Mexico – Round 1(L04) in Dec 2016, Round 2 announced for 2017, 2 more rounds proposed by 2019

## Africa, Middle East, Asia Pacific

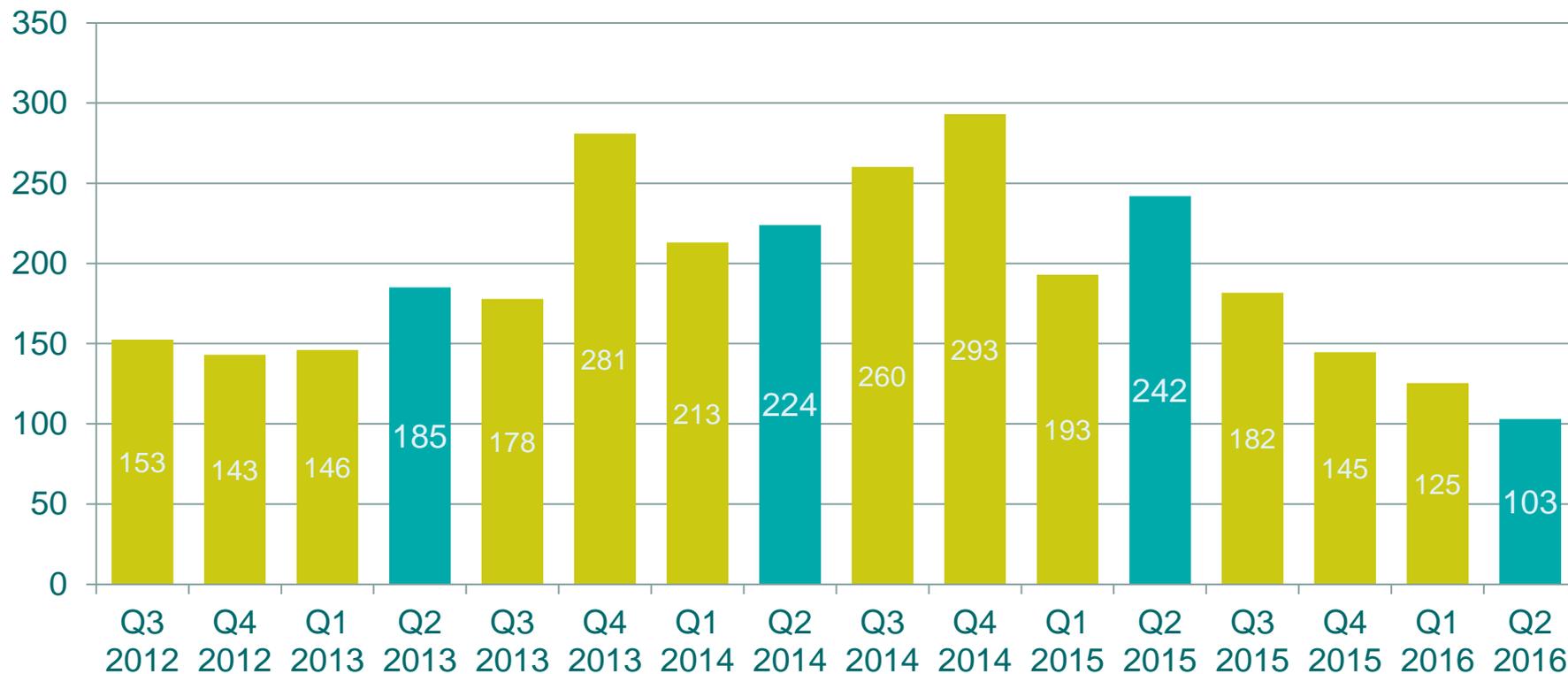
- Ongoing uncertainty on timing of African licensing rounds
- Australia – Q3 2016 (2016 round launch)
- New Zealand – Sep 2016 (bids due)
- Indonesia – Aug & Oct 2016 (bids due)

## Europe / Russia

- Norway APA – Sep 2016 (bids due)
- Norway 23<sup>rd</sup> Round – May 2016 (blocks awarded)
- UK 29<sup>th</sup> Round – Oct 2016 (bids due)
- Greenland – Dec 2016, 2017, 2018 (bids due)

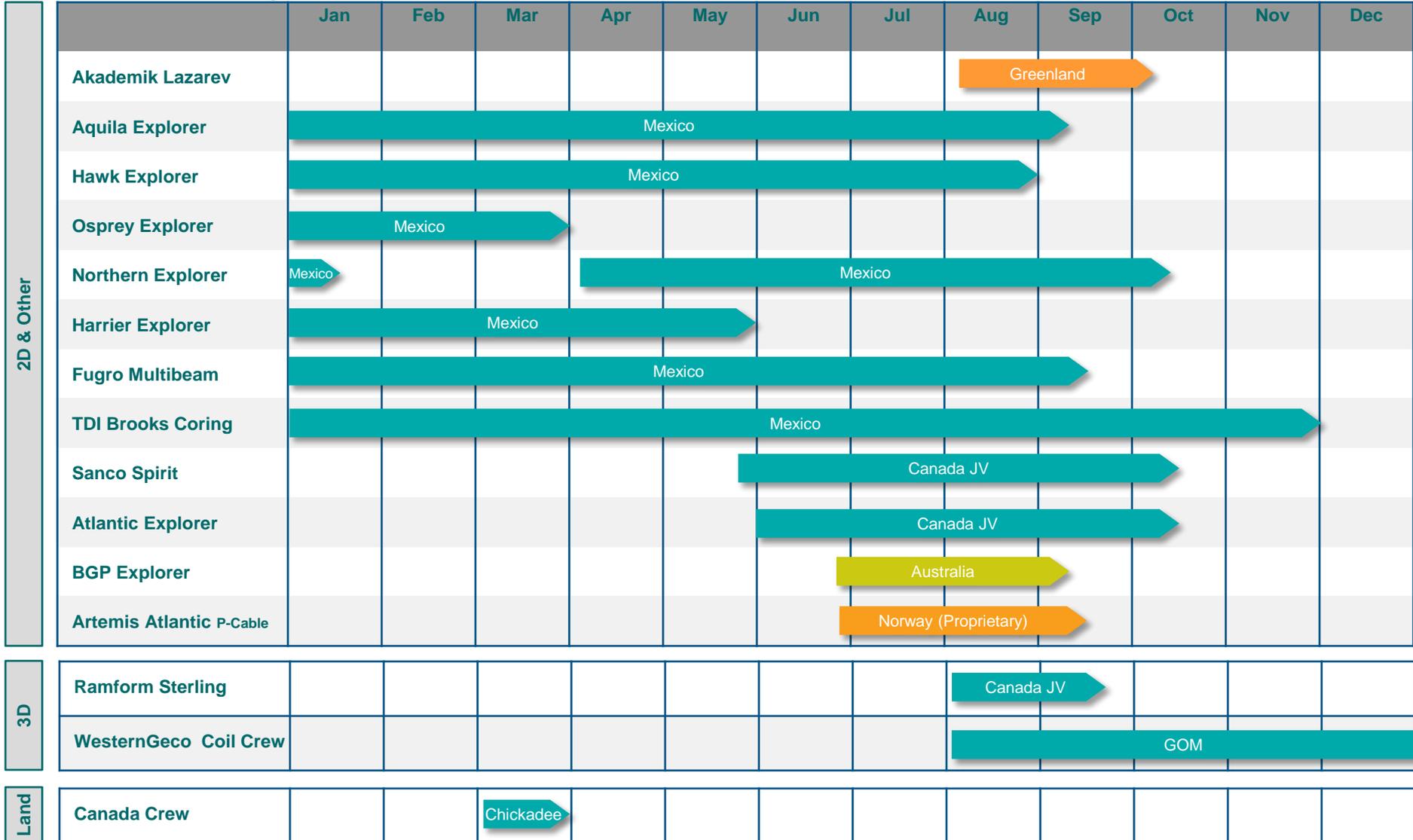
# Backlog

## Historical Backlog (MUSD) 2012 - 2016



# 2016 Projects Schedule

→ NSA      → EUR      → AMEAP



# TGS Strategy: Cost efficient, focused and quickly reacting!

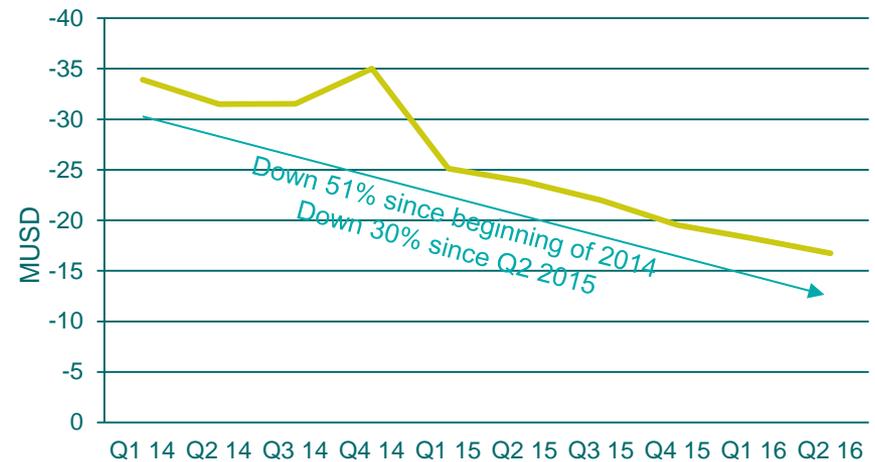
- Investment focus in areas of low break-even oil price, fast payback and client activity

- Payback time combined with break-even oil price highlights regions that E&P companies will likely prioritize when oil price starts to materially recover
- TGS will maintain a clear portfolio strategy with strict minimum targets for prefunding and expected returns

- Fast and flexible track record; reacting quickly to seize advantage

- Maintain focus on core business
- React quickly to size the company to the level of business activity
- Ongoing initiative to further reduce number of management layers
- Reward structure drives strong alignment between company and employees

Personnel and other operating costs\*



\* Adjusted for restructuring costs and larger impairments of operating items

# Summary

- Q2 net revenues of 114 MUSD
- Q2 operational investment of 62 MUSD (42% pre-funded)
- Q2 operating profit of 22 MUSD
- Cash balance of 162 MUSD in addition to undrawn 75 MUSD Revolving Credit Facility
- Quarterly dividend maintained at USD 0.15 per share
  
- Despite seeing some signs of improvement in oil companies' willingness to invest in seismic data during Q2 2016, the market is expected to remain challenging and volatile in the near term
- However, long-term future of asset-light, focused multi-client business remains strong
  - Cost control, disciplined counter-cyclical investment and balance sheet strength positions TGS to enhance its leading position
  
- Updated 2016 guidance:
  - New operational multi-client investments of approximately 230 MUSD
  - 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%



**Thank you**

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