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## TGS EARNINGS RELEASE

### 4<sup>th</sup> QUARTER RESULTS

#### 4<sup>th</sup> QUARTER FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)	Q4 2017	Q4 2016	2017	2016
<b>Net operating revenues</b>	<b>156,671</b>	<b>164,687</b>	<b>492,181</b>	<b>455,991</b>
- Net prefunding revenues	11,438	17,103	115,809	105,198
- Net late sales revenues	143,329	144,537	369,379	333,353
- Net proprietary revenues	1,904	3,045	6,993	17,437
<b>EBIT</b>	<b>51,630</b>	<b>41,970</b>	<b>97,429</b>	<b>53,035</b>
- EBIT margin	33%	25%	20%	12%
<b>Pre-tax profit</b>	<b>52,982</b>	<b>38,650</b>	<b>99,636</b>	<b>52,675</b>
<b>Net income</b>	<b>54,984</b>	<b>29,295</b>	<b>75,594</b>	<b>27,653</b>
<b>EPS (fully diluted)</b>	<b>0.53</b>	<b>0.29</b>	<b>0.73</b>	<b>0.28</b>
<b>Operational investments in new projects</b>	<b>28,137</b>	<b>45,990</b>	<b>260,277</b>	<b>220,476</b>
- Pre-funding % on operational investments	41%	37%	44%	48%
<b>Risk-sharing investments</b>	<b>9,726</b>	<b>42,317</b>	<b>18,104</b>	<b>50,705</b>
<b>Non-operational investments</b>	<b>-</b>	<b>-</b>	<b>10,581</b>	<b>-</b>
Amortization	(76,797)	(92,230)	(302,346)	(297,693)
<b>MC library ending net book value</b>	<b>799,015</b>	<b>812,399</b>	<b>799,015</b>	<b>812,399</b>
Return on average capital employed <sup>(1)</sup>	10%	5%	10%	5%
Equity ratio	84%	79%	84%	79%
Cash flow from operations	137,319	78,605	461,306	324,366
Free cash flow (after MC investments)	56,158	33,387	123,342	91,069
<b>Cash balance</b>	<b>249,917</b>	<b>190,739</b>	<b>249,917</b>	<b>190,739</b>

- Strong development in cash flow and profits – cash position of USD 250 million at year-end
- Quarterly dividend increased by 33% to USD 0.20 per share
- Improved market conditions, but full recovery of oil companies' exploration budgets expected to take time
- 2018 guidance as follows:
  - New multi-client investments of approximately USD 260 million
  - Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
  - Pre-funding of new multi-client investments expected to be approximately 45-50%
  - Amortization expected to be approximately USD 310 million

<sup>1</sup> Trailing 12 months

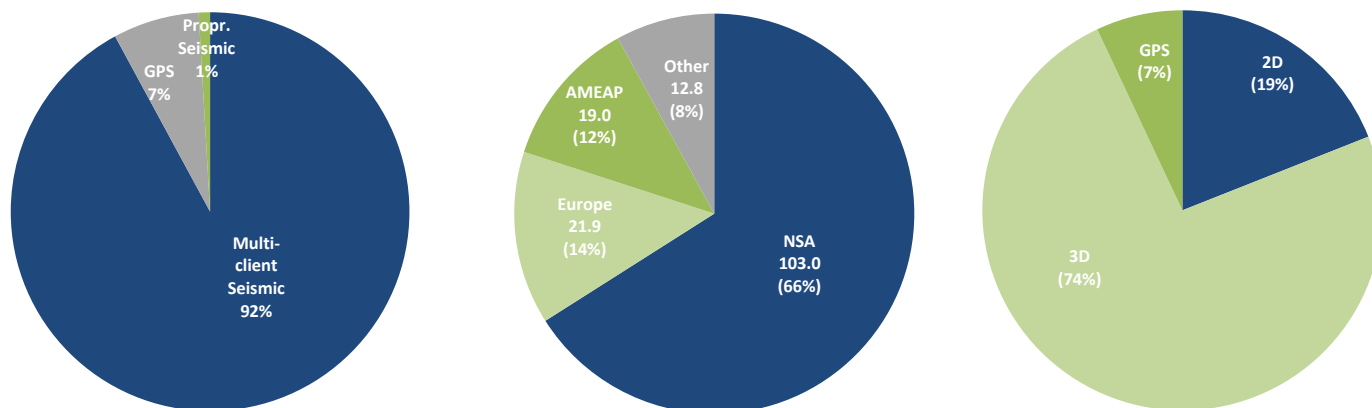
## REVENUE BREAKDOWN

Net late sales for the quarter amounted to USD 143.3 million, compared to USD 144.5 million in Q4 2016. Net pre-funding revenues in the quarter totaled USD 11.4 million, a decrease of 33% compared to Q4 2016 due to lower investments. The pre-funding revenues recognized in the fourth quarter funded 41% of the operational investments of USD 28.1 million in the multi-client library. In addition, the Company recognized investments related to risk sharing arrangements of USD 9.7 million. Proprietary contract revenues during the quarter totaled USD 1.9 million compared to USD 3.0 million in Q4 2016.

In Q4 2017, 27% of net multi-client seismic revenues came from fully amortized projects.

### Revenue distribution

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Source: TGS

## OPERATIONAL COSTS

The amortization of the multi-client library for Q4 2017 amounted to USD 76.8 million which is down from USD 92.2 million in Q4 2016.

Cost of goods sold (COGS) was USD 0.1 million for the quarter, which is at the same level as in Q4 2016. Personnel costs in the quarter were USD 17.4 million compared to USD 15.9 million in Q4 2016. The increase is due to higher costs related to employee incentive plans in Q4 2017. Other operating expenses were USD 8.7 million in Q4 2017 compared to USD 11.4 million in Q4 2016. Q4 2017 includes an extraordinary lease provision of USD 1.2 million, while Q4 2016 included a bad debt provision of USD 3.0 million and other non-recurring costs of USD 0.8 million.

## EBITDA AND EBIT

Reported EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter ended 31 December 2017 was USD 130.5 million, which corresponds to 83% of net revenues, which is at the same level as in Q4 2016. Operating profit (EBIT) for the quarter amounted to USD 51.6 million, which is up from USD 42.0 million in Q4 2016.

## FINANCIAL ITEMS

The Company recorded a net currency exchange loss of USD 0.01 million in Q4 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 by local profits, but also by fluctuations in exchange rates between the respective 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.

TGS has assessed the normalized operating consolidated tax rate to be at approximately 28% during 2017. Due to the reduced corporate income tax rate in Norway and in the US, TGS considers the normalized operating consolidated tax rate to be reduced to approximately 23% in 2018.

The tax rate reported for the quarter is at -4% compared to 24% last year. The low tax rate in Q4 2017 is mainly due to the effect of the reduced corporate income tax rate in the United States from 35% to 21%. TGS has deferred tax liabilities in the US which are now measured at 21%. The corresponding reduction in the tax liabilities is recognized as a negative tax expense. The low tax rate is also due to currency effects, as the NOK depreciated versus the USD during the quarter. 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. These items have had limited impact on payable taxes.

## NET INCOME AND EARNINGS PER SHARE (EPS)

Net income for Q4 2017 was USD 55.0 million (35% of net revenues), up from USD 29.3 million in Q4 2016. Quarterly earnings per share (EPS) were USD 0.53 fully diluted (USD 0.54 undiluted), which is up from USD 0.29 fully diluted (USD 0.29 undiluted) in Q4 2016.

## BALANCE SHEET AND CASH FLOW

The net book value of the multi-client library was USD 799.0 million at 31 December 2017 compared to USD 812.4 million at 31 December 2016. Combined operational multi-client investments and risk-share investments amounted to USD 37.9 million in Q4 2017 (USD 88.3 million in Q4 2016), while amortization was USD 76.8 million (USD 92.2 million in Q4 2016) (see note 5 to the interim financial statements).

The net cash flow from operations for the quarter, after taxes and before investments, totaled USD 137.3 million compared to USD 78.6 million in Q4 2016. As of 31 December 2017, the Company's total cash holdings amounted to USD 249.9 million compared to USD 190.7 million at 31 December 2016.

Total equity as of 31 December 2017 was USD 1,200.1 million, representing 84% of total assets. A total of 176,850 new shares were issued during Q4 2017 in relation to stock options exercised by key employees in November 2017. As of 31 December 2017, TGS held 116,180 treasury shares.

## BACKLOG

TGS' backlog amounted to USD 81.9 million at the end of Q4 2017, an increase of 29% from Q3 2017 and 60% higher than at the end of Q4 2016. The increase during the quarter was driven by the order backlog related to recently announced projects.

## 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 0.20 per share to be paid in Q1 2018. The dividend will be paid in the form of NOK 1.57 per share on 1 March 2018. The share will trade ex-dividend on 15 February 2018.

## OPERATIONAL HIGHLIGHTS

Vessels operating for TGS during all or parts of Q4 2017 included one 2D vessel, one seafloor sampling vessel and five 3D vessels. The 2D vessel and three of the 3D vessels were operating under joint venture agreements. Onshore TGS had two crews operating in the Permian Basin, one in the SCOOP and STACK plays in Oklahoma and one in Canada.

The first season of data acquisition on the 40,000 km<sup>2</sup> Atlantic Margin 3D AM17 project in the central-southern Norwegian Sea was completed in October. Due to high efficiency in the operations only about 7,500 km<sup>2</sup> of the committed area remains for the 2018 season. The project is the single largest 3D survey carried out by any company in Northern Europe and covers largely open blocks in a relatively under-explored area with limited drilling to date. Fast track data has already been delivered to customers, with final results available in 2019.

Acquisition of the 5,400 km<sup>2</sup> Crean 3D project commenced in early July 2017 and completed in October 2017. The project, located in the Irish Atlantic Margin is designed to illuminate multi-level targets in an area of increasing customer activity.

Data acquisition in offshore Eastern Canada comprising 22,000 km<sup>2</sup> 2D data and four 3D projects of approximately 18,000 km<sup>2</sup> was completed in early Q4. This marks the seventh consecutive season working in partnership with PGS in Canada. Following the most active year ever in this region, the TGS/PGS JV library will exceed 175,000 km<sup>2</sup> of 2D data and 29,250 km<sup>2</sup> of 3D data. In addition, TGS has 83,700 km<sup>2</sup> of vintage 2D data.

The Otos 289,000 km<sup>2</sup> seep and geochemistry program covering the U.S. Gulf of Mexico is designed to mirror the successful Gigante seep study in the Mexican Gulf of Mexico conducted in 2016. The extended sea seep coring operations completed in early Q4, following the completion of the multibeam bathymetry data in Q2. Final results were available from late 2017.

Acquisition of the 1,050 km<sup>2</sup> high-resolution West Kermit 3D U.S. onshore project was completed in Q4. The project covering the Loving, Ward and Winkler Counties, Texas, is TGS' first survey in the prolific Permian Basin where TGS already has a comprehensive well database. TGS followed up with a second project in the Permian Basin, the 440 km<sup>2</sup> West Lindsey survey in late Q4. This survey is predominantly in Reeves County, Texas, southwest of West Kermit. TGS was also active in the SCOOP and STACK plays in Oklahoma, where acquisition of the 200 km<sup>2</sup> Geary 3D survey was completed during the quarter.

TGS also acquired a 107 km<sup>2</sup> multi-client project in onshore Canada during Q4. The Grayling 3D survey is located in West Central Alberta and represents an expansion of TGS' existing coverage along the Duvernay fairway. The program is designed to assist in the evaluation and development of multiple zones from the Cretaceous to Devonian, including the prolific Duvernay and Montney formations.

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 17,000 new digital well logs, 1,900 new enhanced digital well logs and 98,000 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.

In December 2017, TGS obtained commercial authorization from the Mexican regulator Comisión Nacional de Hidrocarburos (CNH) to process from its entire library of more than 30,000 wells in Mexico. The first phase of processing is focused on all onshore and offshore exploration and appraisal wells, plus key development wells for bid rounds.

## **OTHER MATTERS**

With effect from Q1 2018, TGS will start pre-announcing estimated net revenues on or before the sixth trading day at the Oslo Stock Exchange following the close of each quarter. The Board is of the opinion that this will provide better transparency and predictability for investors and analysts.

## **OUTLOOK**

In parallel with the substantial increase in the oil price over the past 8-9 months, oil companies are to an increasing extent seeing the impact of the cost reductions and efficiency measures implemented over the past years, resulting in sharply increasing cash flows. Nevertheless, most of the oil companies that have made public outlook comments for 2018 so far have signaled a continued cautious approach towards exploration spending. As such, the demand for seismic data in 2018 is expected to remain weak in a historical perspective, although there could be upside to this assumption if the oil price remains stable at the current level or higher through the year.

As a result of the steep reduction in exploration spending over the past few years the global reserve replacement ratio has dropped to historically low levels. At some stage oil companies need to increase exploration efforts in order to meet the continued growth in demand as well as compensating the declining production at existing fields. Combined with the efficiency gains realized across the oil & gas industry during the downturn, this should lead to substantial increases in the oil companies' exploration budgets in the long-term.

TGS is well positioned to benefit from improved market conditions. In 2017 the company once again demonstrated its industry-leading ability to generate cash flow and returns, and the Company enters 2018 with a solid balance sheet that allows for both increased dividends and continued counter-cyclical investments in the multi-client library.

TGS guidance for 2018 is as follows:

- New multi-client investments<sup>1</sup> of approximately USD 260 million
- Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
- Pre-funding of new multi-client investments<sup>1</sup> expected to be approximately 45-50%
- Amortization expected to be approximately USD 310 million

### **Asker, 7 February 2018**

The Board of Directors of TGS-NOPEC Geophysical Company ASA

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<sup>1</sup> New multi-client investments excluding investments related to surveys with risk sharing arrangements

## ABOUT TGS

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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 "TGSFY".

Website: [www.tgs.com](http://www.tgs.com)

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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 Q4 Unaudited	2016 Q4 Unaudited	2017 Unaudited	2016 Audited
<b>Net revenues</b>	4	<b>156,671</b>	<b>164,687</b>	<b>492,181</b>	<b>455,991</b>
<i>Operating expenses</i>					
Cost of goods sold - proprietary and other		81	88	565	5,759
Amortization and impairment of multi-client library	5	76,797	92,230	302,346	297,693
Personnel costs		17,355	15,932	54,293	51,670
Cost of stock options		-	134	243	751
Other operating expenses		8,699	11,424	27,805	35,039
Depreciation, amortization and impairment		2,109	2,909	9,499	12,046
<b>Total operating expenses</b>		<b>105,041</b>	<b>122,717</b>	<b>394,752</b>	<b>402,956</b>
<b>Operating profit</b>	4	<b>51,630</b>	<b>41,970</b>	<b>97,429</b>	<b>53,035</b>
<i>Financial income and expenses</i>					
Financial income		1,576	105	2,998	3,053
Financial expenses		-218	-2,698	-1,640	-3,967
Net exchange gains/(losses)		-7	-727	848	553
<b>Net financial items</b>		<b>1,352</b>	<b>-3,319</b>	<b>2,207</b>	<b>-360</b>
<b>Profit before taxes</b>		<b>52,982</b>	<b>38,650</b>	<b>99,636</b>	<b>52,675</b>
Taxes		-2,002	9,355	24,042	25,022
<b>Net income</b>		<b>54,984</b>	<b>29,295</b>	<b>75,594</b>	<b>27,653</b>
<b>EPS USD</b>		<b>0.54</b>	<b>0.29</b>	<b>0.74</b>	<b>0.28</b>
<b>EPS USD, fully diluted</b>		<b>0.53</b>	<b>0.29</b>	<b>0.73</b>	<b>0.28</b>
<i>Other comprehensive income:</i>					
Exchange differences on translation of foreign operations		-1,032	-51	359	114
Other comprehensive income/(loss) for the period, net of tax		-1,032	-51	359	114
<b>Total comprehensive income for the period</b>		<b>53,952</b>	<b>29,244</b>	<b>75,952</b>	<b>27,766</b>



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## Interim Consolidated Balance Sheet

(All amounts in USD 1,000s)	Note	2017 31-Dec Unaudited	2016 31-Dec Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		67,925	67,925
Multi-client library	5	799,015	812,399
Other intangible non-current assets		9,045	9,009
Deferred tax asset		4,390	9,565
Buildings		5,213	6,759
Machinery and equipment		14,452	16,263
Other non-current assets		496	10,500
<b>Total non-current assets</b>		<b>900,535</b>	<b>932,420</b>
<b>Current assets</b>			
Accounts receivable		157,423	201,231
Accrued revenues		97,285	119,112
Other receivables		18,939	33,073
Cash and cash equivalents		249,917	190,739
<b>Total current assets</b>		<b>523,564</b>	<b>544,155</b>
<b>TOTAL ASSETS</b>		<b>1,424,100</b>	<b>1,476,575</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		3,659	3,636
Other equity		1,196,443	1,165,488
<b>Total equity</b>	3	<b>1,200,102</b>	<b>1,169,124</b>
<b>Non-current liabilities</b>			
Long-term debt		2,500	-
Other non-current liabilities		2,850	6,057
Deferred taxes		23,721	39,284
<b>Total non-current liabilities</b>		<b>29,071</b>	<b>45,341</b>
<b>Current liabilities</b>			
Accounts payable and debt to partners		101,385	116,534
Taxes payable, withheld payroll tax, social security		25,197	18,066
Other current liabilities		68,345	127,510
<b>Total current liabilities</b>		<b>194,925</b>	<b>262,110</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,424,100</b>	<b>1,476,575</b>





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## Interim Consolidated Statement of Cash flow

(All amounts in USD 1,000s)	Note	2017 Q4 Unaudited	2016 Q4 Unaudited	2017 Unaudited	2016 Audited
<b>Cash flow from operating activities:</b>					
Received payments from customers		172,689	110,802	579,854	424,428
Payments for salaries, pensions, social security tax		-12,973	-11,247	-56,567	-49,549
Payments of other operational costs		-21,022	-16,129	-49,559	-48,532
Paid taxes		-1,375	-4,821	-12,422	-1,981
<b>Net cash flow from operating activities<sup>1</sup></b>		<b>137,319</b>	<b>78,605</b>	<b>461,306</b>	<b>324,366</b>
<b>Cash flow from investing activities:</b>					
Investments in tangible and intangible assets		-1,541	-2,395	-9,919	-8,128
Investments in multi-client library		-81,161	-45,218	-337,964	-233,297
Investments through mergers and acquisitions	8	-	-	-7,776	-
Interest received		1,559	198	2,958	1,429
<b>Net cash flow from investing activities</b>		<b>-81,143</b>	<b>-47,415</b>	<b>-352,701</b>	<b>-239,996</b>
<b>Cash flow from financing activities:</b>					
Interest paid		-176	-48	-328	-400
Dividend payments	3	-15,295	-13,591	-62,767	-59,458
Proceeds from share issuances	3	3,948	-	13,141	1,798
<b>Net cash flow from financing activities</b>		<b>-11,523</b>	<b>-13,639</b>	<b>-49,954</b>	<b>-58,060</b>
<b>Net change in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of period		204,988	173,237	190,739	162,733
Net unrealized currency gains/(losses)		276	-47	527	1,698
<b>Cash and cash equivalents at the end of period</b>		<b>249,917</b>	<b>190,739</b>	<b>249,917</b>	<b>190,739</b>
<b>1) Reconciliation</b>					
Profit before taxes		52,982	38,650	99,636	52,675
Depreciation/amortization/impairment		78,906	95,139	311,846	309,739
Changes in accounts receivables and accrued revenues		-15,639	-79,373	65,634	-42,696
Unrealized currency gains/(losses)		-208	-263	-168	-1,576
Changes in other receivables		1,487	3,798	20,156	11,892
Changes in other balance sheet items		21,166	25,475	-23,376	-3,687
Paid taxes		-1,375	-4,821	-12,422	-1,981
<b>Net cash flow from operating activities</b>		<b>137,319</b>	<b>78,605</b>	<b>461,306</b>	<b>324,366</b>



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## Interim Consolidated Statement of Changes in Equity

(All amounts in USD 1,000s)	Share	Treasury	Share	Other Paid-In	Foreign Currency	Retained	Total
	Capital	Shares	Premium	Capital	Translation Reserve	Earnings	Equity
<b>Opening balance 1 January 2017</b>	<b>3,657</b>	<b>-21</b>	<b>58,107</b>	<b>36,964</b>	<b>-21,933</b>	<b>1,092,352</b>	<b>1,169,124</b>
Net income	-	-	-	-	-	75,594	75,594
Other comprehensive income	-	-	-	-	359	-	359
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>359</b>	<b>75,594</b>	<b>75,952</b>
Paid-in-equity through exercise of stock options	6	14	4,664	-	-	8,456	13,141
Distribution of treasury shares	-	0.4	-	-	-	250	250
Deferred tax asset related to stock options	-	-	-	-	-	26	26
Cost of equity-settled long term incentive plans	-	-	-	2,758	-	-	2,758
Dividends	-	-	-	-	-	-61,146	-61,146
<b>Closing balance per 31 December 2017</b>	<b>3,663</b>	<b>-6</b>	<b>62,771</b>	<b>39,722</b>	<b>-21,574</b>	<b>1,115,531</b>	<b>1,200,102</b>

(All amounts in USD 1,000s)	Share	Treasury	Share	Other Paid-In	Foreign Currency	Retained	Total
	Capital	Shares	Premium	Capital	Translation Reserve	Earnings	Equity
<b>Opening balance 1 January 2016</b>	<b>3,657</b>	<b>-26</b>	<b>58,107</b>	<b>34,728</b>	<b>-22,047</b>	<b>1,123,670</b>	<b>1,198,088</b>
Net income	-	-	-	-	-	27,653	27,653
Other comprehensive income	-	-	-	-	114	-	114
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>27,653</b>	<b>27,766</b>
Paid-in-equity through exercise of stock options	-	5	-	-	-	1,793	1,798
Distribution of treasury shares	-	0.4	-	-	-	156	156
Deferred tax asset related to stock options	-	-	-	-	-	20	20
Cost of equity-settled long term incentive plans	-	-	-	2,236	-	-	2,236
Dividends	-	-	-	-	-	-60,940	-60,940
<b>Closing balance per 31 December 2016</b>	<b>3,657</b>	<b>-21</b>	<b>58,107</b>	<b>36,964</b>	<b>-21,933</b>	<b>1,092,352</b>	<b>1,169,124</b>

## Largest Shareholders per 5 February 2018

					%
1	FOLKETRYGDFONDET	NORWAY		10,111,495	9.9%
2	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	9,010,524	8.8%
3	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,980,281	3.9%
4	RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	3,866,721	3.8%
5	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,110,428	3.0%
6	SANTANDER SECURITIES SERVICES, S.A	SPAIN	NOM	2,893,544	2.8%
7	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	2,181,612	2.1%
8	CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	1,884,690	1.8%
9	PARETO AKSJE NORGE	NORWAY		1,821,286	1.8%
10	INVESCO FUNDS	LUXEMBOURG		1,639,221	1.6%
<b>10 Largest</b>				<b>40,499,802</b>	<b>40%</b>
<b>Total Shares Outstanding *</b>				<b>102,229,710</b>	<b>100%</b>

\* Total shares outstanding are net of shares held in treasury per 5 February 2018

## Average number of shares outstanding for Current Quarter \*

Average number of shares outstanding during the quarter	102,131,674
Average number of shares fully diluted during the quarter	103,415,554

\* Shares outstanding net of shares held in treasury per 31 December 2017 (116,180 TGS shares), composed of average outstanding TGS shares during the full quarter

## Share price information

Share price 31 December 2017 (NOK)	194.20
USD/NOK exchange rate end of period	8.21
Market capitalization 31 December 2017 (NOK million)	19,876



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## 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 Lensmannsliia 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](http://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 2017.

### Note 3 Share capital and equity

Ordinary shares	Number of shares
<b>1 January 2017</b>	<b>102,135,990</b>
Issued 20 February 2017 for cash on exercise of stock options	33,050
Issued 20 November 2017 for cash on exercise of stock options	176,850
<b>31 December 2017</b>	<b>102,345,890</b>
Treasury shares	Number of shares
<b>1 January 2017</b>	<b>533,500</b>
16 February 2017, treasury shares transferred to cover exercise of stock options	(285,875)
10 May 2017, treasury shares distributed to Board members	(11,550)
24 May 2017, treasury shares transferred to cover exercise of stock options	(14,520)
31 May 2017, treasury shares transferred to cover exercise of stock options	(105,375)
<b>31 December 2017</b>	<b>116,180</b>

The Annual General Meeting held 9 May 2017 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2016 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2018, but no later than 30 June 2018.

On 25 October 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.20) to the shareholders. The dividends were paid to the shareholders on 16 November 2017.

On 7 February 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.57) to the shareholders. The dividends will be paid to the shareholders on 1 March 2018.

#### Note 4 Segment information

	<b>North &amp; South America</b>	<b>Europe &amp; Russia</b>	<b>Africa, Middle East &amp; Asia/Pacific</b>	<b>Other segments/ Corporate costs</b>	<b>Consolidated</b>
<b>2017 Q4</b>					
Net external revenues	102,953	21,908	19,005	12,805	<b>156,671</b>
Operating profit	51,329	7,935	9,303	-16,937	<b>51,630</b>
<b>2017 YTD</b>					
Net external revenues	239,940	157,336	44,357	50,548	<b>492,181</b>
Operating profit	58,433	76,147	11,619	-48,770	<b>97,429</b>
<b>2016 Q4</b>					
Net external revenues	107,962	34,458	8,036	14,230	<b>164,687</b>
Operating profit	46,452	18,692	-9,195	-13,978	<b>41,970</b>
<b>2016 YTD</b>					
Net external revenues	267,007	109,168	25,939	53,878	<b>455,991</b>
Operating profit	82,090	39,170	-20,133	-48,092	<b>53,035</b>

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	Q4 2017	Q4 2016	2017	2016	2015	2014
Beginning net book value	837.9	816.3	812.4	838.9	818.1	758.1
Non-operational investments	-	-	10.6	-	26.4	-
Operational investments	37.9	88.3	278.4	271.2	501.7	462.3
Amortization and impairment	(76.8)	(92.2)	(302.3)	(297.7)	(507.3)	(396.7)
Exchange Rate Adjustment	-	-	-	-	-	(5.6)
Ending net book value	799.0	812.4	799.0	812.4	838.9	818.1

Numbers in USD millions	Q4 2017	Q4 2016	2017	2016	2015	2014
Net MC revenues	154.8	161.6	485.2	438.6	590.6	877.7
Change in MC revenue	-4%	27%	11%	-26%	-33%	7%
Change in MC investment	-57%	-5%	7%	-49%	14%	5%
Amort. in % of net MC revs.	50%	57%	62%	68%	86%	45%
Change in net book value	-5%	0%	-2%	-3%	3%	8%

## Note 6 Related parties

On 9 November 2017, certain members of the executive management exercised in total 62,600 options and sold 56,600 shares. No other material transactions with related parties took place during the fourth 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 2016.

On 2 March 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 11 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. The Company rejected the fine, and a trial regarding the alleged violations commenced 22 January 2018. The trial is expected to conclude in April 2018. If TGS is convicted, the fine would increase to NOK 90 million.

Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and the 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. In November 2017, TGS received notification that, notwithstanding the standstill, DNB had filed a claim against TGS and various other parties for responsibility for any amounts that DNB may owe in relation to this matter. This claim initially arose out of the claims against Skeie Technology by the Norwegian Government in connection with Skeie Technology's parental guarantee (see details on this matter in Note 21 of the 2016 Annual Report), but the DNB claim has now been severed as a separate case. TGS has requested a stay in the proceedings of this case.

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 Investments during 2017 in surveys of Multi-Client Geophysical ASA, Seabird Ltd and Dolphin UK Ltd**

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), a Norway based multi-client seismic company that was acquired by Geoex in Q2 2017. The acquisition of most of these surveys closed in Q3 2017, with the closing of the remaining surveys pending receipt of third party consents.

In connection with restructuring of the debt of Seabird Ltd. (Seabird), a Cyprus based geophysical company, TGS entered into an agreement in Q2 2017 to exchange USD 5 million of outstanding bond debt owed to TGS by Seabird for Seabird's interest in its multi-client surveys. The transfer to TGS of most of these surveys occurred during Q3 2017.

In Q1 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.

## DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

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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 Q4	2016 Q4	2017 YTD	2016 YTD
Net income	54,984	29,295	75,594	27,653
Taxes	-2,002	9,355	24,042	25,022
Net financial items	-1,352	3,319	-2,207	360
Depreciation, amortization and impairment	2,109	2,909	9,499	12,046
Amortization and impairment of multi-client library	76,797	92,230	302,346	297,693
<b>EBITDA</b>	<b>130,536</b>	<b>137,108</b>	<b>409,275</b>	<b>362,774</b>

### 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 December 2017	31 December 2016
Equity	1,200,102	1,169,124
Interest bearing debt	2,500	0
Cash	249,917	190,739
Net interest bearing debt	-247,417	-190,739
<b>Capital employed</b>	<b>952,685</b>	<b>978,385</b>
<b>Average capital employed</b>	<b>965,535</b>	<b>1,006,870</b>
Operating profit (12 months trailing)	97,429	53,035
<b>ROACE</b>	<b>10%</b>	<b>5%</b>

### 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 Q4	2016 Q4	2017 YTD	2016 YTD
Cash flow from operational activities	137,319	78,605	461,306	324,366
Investments in multi-client library	-81,161	-45,218	-337,964	-233,297
<b>Free cash flow (after MC investments)</b>	<b>56,158</b>	<b>33,387</b>	<b>123,342</b>	<b>91,069</b>

### Backlog

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