



Energy starts with us.

## TGS EARNINGS RELEASE

### 3<sup>rd</sup> QUARTER RESULTS

#### 3<sup>rd</sup> QUARTER FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
<b>Net operating revenues</b>	<b>141,684</b>	<b>113,195</b>	<b>335,510</b>	<b>291,304</b>
- Net prefunding revenues	61,809	39,125	104,371	88,096
- Net late sales revenues	78,535	66,577	226,050	188,817
- Net proprietary revenues	1,340	7,493	5,089	14,392
<b>EBIT</b>	<b>25,787</b>	<b>10,765</b>	<b>45,799</b>	<b>11,065</b>
- EBIT margin	18%	10%	14%	4%
<b>Pre-tax profit</b>	<b>26,950</b>	<b>12,983</b>	<b>46,654</b>	<b>14,025</b>
<b>Net income</b>	<b>9,442</b>	<b>1,749</b>	<b>20,609</b>	<b>(1,642)</b>
<b>EPS (fully diluted)</b>	<b>0.09</b>	<b>0.02</b>	<b>0.20</b>	<b>(0.02)</b>
<b>Operational investments in new projects</b>	<b>114,371</b>	<b>63,929</b>	<b>232,156</b>	<b>174,487</b>
- Pre-funding % on operational investments	54%	61%	45%	50%
<b>Risk-sharing investments</b>	<b>1,485</b>	<b>3,673</b>	<b>8,363</b>	<b>8,387</b>
<b>Non-operational investments</b>	<b>4,635</b>	<b>-</b>	<b>10,581</b>	<b>-</b>
Amortization	(94,715)	(74,499)	(225,550)	(205,463)
<b>MC library ending net book value</b>	<b>837,949</b>	<b>816,322</b>	<b>837,949</b>	<b>816,322</b>
Return on average capital employed <sup>(1)</sup>	9%	-12%	9%	-12%
Equity ratio	82%	83%	82%	83%
Cash flow from operations	86,365	91,498	323,987	245,761
Free cash flow (after MC investments)	(18,716)	29,138	67,184	57,682
<b>Cash balance</b>	<b>204,988</b>	<b>173,237</b>	<b>204,988</b>	<b>173,237</b>

- Net revenues up 25% from Q3 2016
- EBIT margin at 18% compared to 10% in Q3 2016
- Quarterly dividend maintained at USD 0.15 per share
- 2017 guidance reiterated:
  - New multi-client investments<sup>2</sup> of approximately USD 260 million
  - Pre-funding of new multi-client investments<sup>2</sup> expected to be approximately 40-45%

#### REVENUE BREAKDOWN

<sup>1</sup> Trailing 12 months

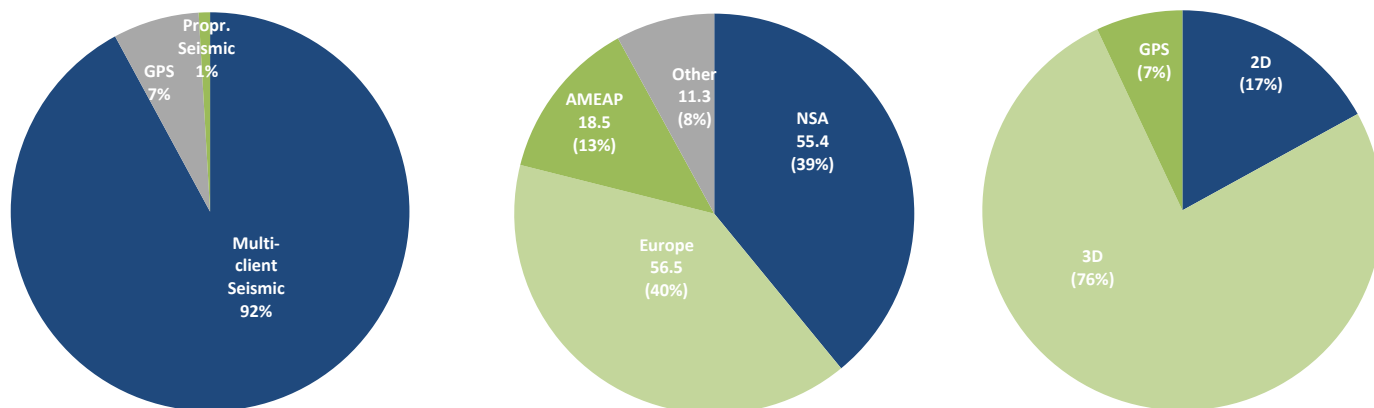
<sup>2</sup> New multi-client investments excluding investments related to surveys with risk sharing arrangements

Net late sales for the quarter amounted to USD 78.5 million, an increase of 18% compared to USD 66.6 million in Q3 2016. Net pre-funding revenues in the quarter totaled USD 61.8 million, an increase of 58% compared to Q3 2016. The pre-funding revenues recognized in the third quarter funded 54% of the operational investments of USD 114.4 million in the multi-client library. In addition, the Company recognized investments related to risk sharing arrangements of USD 1.5 million and non-operational investments of USD 4.6 million.

Proprietary contract revenues during the quarter totaled USD 1.3 million compared to USD 7.5 million in Q3 2016.

In Q3 2017, 9% of net multi-client seismic revenues came from fully amortized projects.

## Revenue distribution



Source: TGS

## OPERATIONAL COSTS

The amortization of the multi-client library for Q3 2017 amounted to USD 94.7 million which is up from USD 74.5 million in Q3 2016.

Cost of goods sold (COGS) was USD 0.2 million for the quarter, down from USD 4.8 million in Q3 2016 due to a proprietary survey in the Barents Sea undertaken one year ago. Personnel costs in the quarter were USD 12.8 million compared to USD 11.7 million in Q3 2016. The increase is due to higher costs related to employee incentive plans in Q3 2017. Other operating expenses were USD 6.2 million in Q3 2017 compared to USD 8.0 million in Q3 2016, where Q3 2016 included a bad debt provision of USD 0.7 million.

## EBITDA AND EBIT

Reported EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter ended 30 September 2017 was USD 122.5 million, which corresponds to 86% of net revenues, up from USD 88.4 million in Q3 2016. Operating profit (EBIT) for the quarter amounted to USD 25.8 million, which is up from USD 10.8 million in Q3 2016.

## FINANCIAL ITEMS

The Company recorded a net currency exchange gain of USD 0.7 million in Q3 2017. TGS holds NOK bank accounts primarily to pay taxes and dividends in NOK.

## TAX

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

Management assesses that the normalized operating consolidated tax rate is approximately 28%. The tax rate reported for the quarter is at 65% compared to 87% last year. The unusually high tax rate is due to currency effects, as the NOK appreciated 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 Q3 2017 was USD 9.4 million (7% of net revenues), up from USD 1.7 million in Q3 2016. Quarterly earnings per share (EPS) were USD 0.09 fully diluted (USD 0.09 undiluted), which is up from USD 0.02 fully diluted (USD 0.02 undiluted) in Q3 2016.

## BALANCE SHEET AND CASH FLOW

The net book value of the multi-client library was USD 837.9 million at 30 September 2017 compared to USD 812.4 million at 31 December 2016. Combined operational multi-client investments and risk-share investments amounted to USD 115.9 million in Q3 2017 (USD 67.6 million in Q3 2016), while amortization was USD 94.7 million (USD 74.5 million in Q3 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 86.4 million compared to USD 91.5 million in Q3 2016. As of 30 September 2017, the Company's total cash holdings amounted to USD 205.0 million compared to USD 190.7 million at 31 December 2016.

Total equity as of 30 September 2017 was USD 1,157.1 million, representing 82% of total assets. As of 30 September 2017, TGS held 116,180 treasury shares.

## BACKLOG

TGS' backlog amounted to USD 63.4 million at the end of Q3 2017, a decrease of 50% from Q2 2017 and 11% lower than at the end of Q3 2016. The reduction during the quarter was primarily driven by high production on the seismic projects in Europe and offshore Eastern Canada.

## DIVIDEND

It is the ambition of TGS to pay a cash dividend that is in line with its long-term underlying cash flow. When deciding the dividend amount, the TGS Board of Directors will consider expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model.

As from 2016, TGS has paid quarterly dividends in accordance with the resolution made by the Annual General Meeting. The aim will be to keep a stable quarterly dividend in US dollars through the year, but the actual level paid will be subject to continuous evaluation of the underlying development of the company and the market.

The Board of Directors has resolved to pay a dividend of USD 0.15 per share to be paid in Q4 2017. The dividend will be paid in the form of NOK 1.20 per share on 16 November 2017. The share will trade ex-dividend on 2 November 2017.

## OPERATIONAL HIGHLIGHTS

Vessels operating for TGS during all or parts of Q3 2017 included one 2D vessel, one seafloor sampling vessel and eight 3D vessels. The 2D vessel and three of the 3D vessels were operating under joint venture agreements. In the onshore TGS had one crew operating in the Permian Basin and one in the SCOOP and STACK plays in Oklahoma.

The 289,000 km<sup>2</sup> Otos seep and geochemistry program covering the U.S. Gulf of Mexico continued during Q3. Acquisition of the multibeam bathymetry data completed earlier in Q2 with the extended sea seep coring operations completing in Q4. The Otos seep and geochemistry program is designed to mirror the successful Gigante seep study in the Mexican Gulf of Mexico conducted in 2016. Final results will be available late 2017.

Data acquisition continued on the 40,000 km<sup>2</sup> Atlantic Margin 3D AM17 project in the central-southern Norwegian Sea. The 2017 acquisition season ended in October and the project will restart in spring 2018. 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 covering 24<sup>th</sup> Norwegian Licensing round blocks is scheduled available in Q4 2017, with final results available in 2019.

Acquisition of the 5,490 km<sup>2</sup> Carlsen 3D survey in Norway completed in August 2017. Carlsen 3D is a survey in open acreage located in the Southwest Barents Sea between the Tromsø and Sørvestnaget Basins, expanding TGS' already extensive data coverage in the Barents Sea. Fast track data covering 24<sup>th</sup> Norwegian Licensing round blocks is scheduled available in Q4 2017, with final results available in 2018.

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> continued in Q3. 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 of 2D data and 29,250 km<sup>2</sup> of 3D data. In addition, TGS has 83,700 km of vintage 2D data.

The 1,050 km<sup>2</sup> high-resolution West Kermit 3D U.S. onshore project continued in Q3. 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. A second U.S. onshore project, the Geary 3D started acquiring data in Q3. Geary 3D covers approximately 200 km<sup>2</sup> in the SCOOP and STACK plays and sits adjacent to TGS' highly successful Loyal Complex 3D survey.

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 24,000 new digital well logs, 1,600 new enhanced digital well logs and 97,000 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.

## OTHER MATTERS

In Q1 2017, TGS entered into an agreement with Geox Ltd (Geox), 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 has been acquired by Geox. The acquisition of most of these surveys closed in Q3 2017.

In connection with restructuring of the debt of Seabird Ltd. (Seabird), a Cyprus based geophysical company, TGS has entered into an agreement to take over Seabird's multi-client library against forgiving USD 5 million of outstanding bond debt. The transfer to TGS of most of these surveys occurred in Q3 2017.

## OUTLOOK

Early indications with respect to oil companies' 2018 budgets indicate continued cautious investment plans, with modest growth in exploration spending at best. Moreover, estimates from the U.S. Energy Information Administration (EIA) imply that the over-supply situation in the oil market may persist in 2018. As a result, the market for seismic data is likely to remain challenging in the near-term, with continued pressure on pricing and high volatility from quarter-to-quarter.

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

Simultaneously, both the E&P sector and the service industry are continuing to cut costs, leading to substantial reduction of marginal costs of bringing new resources on stream. TGS has reduced cash operating expenses by almost 60% from 2014 to 2017, enabling the company to continue to deliver quality products to customers at a lower cost.

In accordance with its counter-cyclical investment strategy, the Company has over the past couple of years added substantial amounts of data to its multi-client library at attractive unit cost through both organic and inorganic investments. This should, in combination with an efficient cost base, strong balance sheet and flexible business model, put TGS in a unique position to continue enhancing its status as the world's leading multi-client geophysical company in the years to come.

TGS guidance for 2017 is reiterated:

- New multi-client investments<sup>3</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>3</sup> expected to be approximately 40-45%

## Asker, 25 October 2017

The Board of Directors of TGS-NOPEC Geophysical Company ASA

---

<sup>3</sup> New multi-client investments excluding investments related to surveys with risk sharing arrangements

## 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](http://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.*  
\*\*\*\*\*



Energy starts with us.

## Interim Consolidated Statement of Comprehensive Income

(All amounts in USD 1,000s unless noted otherwise)	Note	2017 Q3 Unaudited	2016 Q3 Unaudited	2017 YTD Unaudited	2016 YTD Unaudited
<b>Net revenues</b>	4	<b>141,684</b>	<b>113,195</b>	<b>335,510</b>	<b>291,304</b>
<i>Operating expenses</i>					
Cost of goods sold - proprietary and other		154	4,827	484	5,670
Amortization and impairment of multi-client library	5	94,715	74,499	225,550	205,463
Personnel costs		12,794	11,682	36,938	35,737
Cost of stock options		56	225	243	617
Other operating expenses		6,166	8,025	19,106	23,614
Depreciation, amortization and impairment		2,013	3,173	7,390	9,137
<b>Total operating expenses</b>		<b>115,897</b>	<b>102,430</b>	<b>289,711</b>	<b>280,239</b>
<b>Operating profit</b>	4	<b>25,787</b>	<b>10,765</b>	<b>45,799</b>	<b>11,065</b>
<i>Financial income and expenses</i>					
Financial income		634	2,273	1,422	2,948
Financial expenses		-204	-48	-1,422	-1,268
Net exchange gains/(losses)		733	-7	855	1,280
<b>Net financial items</b>		<b>1,163</b>	<b>2,218</b>	<b>855</b>	<b>2,959</b>
<b>Profit before taxes</b>		<b>26,950</b>	<b>12,983</b>	<b>46,654</b>	<b>14,025</b>
Taxes		17,508	11,234	26,044	15,667
<b>Net income</b>		<b>9,442</b>	<b>1,749</b>	<b>20,609</b>	<b>-1,642</b>
<b>EPS USD</b>		<b>0.09</b>	<b>0.02</b>	<b>0.20</b>	<b>-0.02</b>
<b>EPS USD, fully diluted</b>		<b>0.09</b>	<b>0.02</b>	<b>0.20</b>	<b>-0.02</b>
<i>Other comprehensive income:</i>					
Exchange differences on translation of foreign operations		947	104	1,391	422
Other comprehensive income/(loss) for the period, net of tax		947	104	1,391	422
<b>Total comprehensive income for the period</b>		<b>10,390</b>	<b>1,853</b>	<b>22,001</b>	<b>-1,220</b>



Energy starts with us.

## Interim Consolidated Balance Sheet

(All amounts in USD 1,000s)	Note	2017 30-Sep Unaudited	2016 30-Sep Unaudited	2016 31-Dec Audited
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		67,925	67,925	67,925
Multi-client library	5	837,949	816,322	812,399
Other intangible non-current assets		8,988	9,279	9,009
Deferred tax asset		5,479	10,876	9,565
Buildings		5,635	7,147	6,759
Machinery and equipment		14,893	16,302	16,263
Other non-current assets		466	20,695	10,500
<b>Total non-current assets</b>		<b>941,335</b>	<b>948,546</b>	<b>932,420</b>
<b>Current assets</b>				
Accounts receivable		92,045	118,259	201,231
Accrued revenues		147,024	122,711	119,112
Other receivables		32,658	34,430	33,073
Cash and cash equivalents		204,988	173,237	190,739
<b>Total current assets</b>		<b>476,715</b>	<b>448,637</b>	<b>544,155</b>
<b>TOTAL ASSETS</b>		<b>1,418,050</b>	<b>1,397,183</b>	<b>1,476,575</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		3,654	3,638	3,636
Other equity		1,153,487	1,151,357	1,165,488
<b>Total equity</b>	3	<b>1,157,141</b>	<b>1,154,995</b>	<b>1,169,124</b>
<b>Non-current liabilities</b>				
Long-term debt		2,500	-	-
Other non-current liabilities		2,336	6,976	6,057
Deferred taxes		32,643	36,830	39,284
<b>Total non-current liabilities</b>		<b>37,479</b>	<b>43,806</b>	<b>45,341</b>
<b>Current liabilities</b>				
Accounts payable and debt to partners		120,084	93,635	116,534
Taxes payable, withheld payroll tax, social security		23,274	9,209	18,066
Other current liabilities		80,072	95,538	127,510
<b>Total current liabilities</b>		<b>223,430</b>	<b>198,382</b>	<b>262,110</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,418,050</b>	<b>1,397,183</b>	<b>1,476,575</b>





Energy starts with us.

## Interim Consolidated Statement of Cash flow

(All amounts in USD 1,000s)	Note	2017 Q3 Unaudited	2016 Q3 Unaudited	2017 YTD Unaudited	2016 YTD Unaudited
<b>Cash flow from operating activities:</b>					
Received payments from customers		114,522	110,326	407,165	313,626
Payments for salaries, pensions, social security tax		-16,779	-11,542	-43,594	-38,302
Payments of other operational costs		-8,946	-13,158	-28,537	-32,403
Paid taxes		-2,432	5,872	-11,047	2,840
<b>Net cash flow from operating activities<sup>1</sup></b>		<b>86,365</b>	<b>91,498</b>	<b>323,987</b>	<b>245,761</b>
<b>Cash flow from investing activities:</b>					
Investments in tangible and intangible assets		-1,437	-1,699	-8,378	-5,733
Investments in multi-client library		-105,081	-62,360	-256,803	-188,079
Investments through mergers and acquisitions	8	-	-	-7,776	-
Interest received		784	662	1,399	1,231
<b>Net cash flow from investing activities</b>		<b>-105,734</b>	<b>-63,397</b>	<b>-271,558</b>	<b>-192,581</b>
<b>Cash flow from financing activities:</b>					
Interest paid		-41	-27	-152	-352
Dividend payments	3	-15,319	-16,898	-47,472	-45,867
Proceeds from share issuances	3	-	-	9,193	1,798
<b>Net cash flow from financing activities</b>		<b>-15,360</b>	<b>-16,925</b>	<b>-38,431</b>	<b>-44,421</b>
<b>Net change in cash and cash equivalents</b>		<b>-34,729</b>	<b>11,176</b>	<b>13,998</b>	<b>8,759</b>
Cash and cash equivalents at the beginning of period		239,315	162,087	190,739	162,733
Net unrealized currency gains/(losses)		401	-27	251	1,745
<b>Cash and cash equivalents at the end of period</b>		<b>204,988</b>	<b>173,237</b>	<b>204,988</b>	<b>173,237</b>
<b>1) Reconciliation</b>					
Profit before taxes		26,950	12,983	46,654	14,025
Depreciation/amortization/impairment		96,728	77,671	232,940	214,600
Changes in accounts receivables and accrued revenues		-7,159	-17,234	81,273	36,677
Unrealized currency gains/(losses)		1,645	141	1,140	-1,314
Changes in other receivables		3,564	-2,600	18,669	8,094
Changes in other balance sheet items		-32,932	14,665	-45,642	-29,162
Paid taxes		-2,432	5,872	-11,047	2,840
<b>Net cash flow from operating activities</b>		<b>86,365</b>	<b>91,498</b>	<b>323,987</b>	<b>245,761</b>



Energy starts with us.

## Interim Consolidated Statement of Changes in Equity

	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
<b>(All amounts in USD 1,000s)</b>							
<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	-	-	-	-	-	20,609	<b>20,609</b>
Other comprehensive income	-	-	-	-	1,391	-	<b>1,391</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,391</b>	<b>20,609</b>	<b>22,001</b>
Paid-in-equity through exercise of stock options	1	-	721	-	-	-	<b>722</b>
Distribution of treasury shares	-	15	-	-	-	8,706	<b>8,720</b>
Cost of stock options	-	-	-	2,412	-	-	<b>2,412</b>
Dividends	-	-	-	-	-	-45,838	<b>-45,838</b>
<b>Closing balance per 30 September 2017</b>	<b>3,658</b>	<b>-6</b>	<b>58,828</b>	<b>39,376</b>	<b>-20,542</b>	<b>1,075,829</b>	<b>1,157,141</b>

	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
<b>(All amounts in USD 1,000s)</b>							
<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	-	-	-	-	-	-1,642	<b>-1,642</b>
Other comprehensive income	-	-	-	-	422	-	<b>422</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>422</b>	<b>-1,642</b>	<b>-1,220</b>
Paid-in-equity through exercise of stock options	-	5	-	-	-	1,793	<b>1,798</b>
Distribution of treasury shares	-	0.4	-	-	-	156	<b>156</b>
Cost of stock options	-	-	-	1,873	-	-	<b>1,873</b>
Dividends	-	-	-	-	-	-45,700	<b>-45,700</b>
<b>Closing balance per 30 September 2016</b>	<b>3,657</b>	<b>-21</b>	<b>58,107</b>	<b>36,601</b>	<b>-21,625</b>	<b>1,078,276</b>	<b>1,154,995</b>

## Largest Shareholders per 23 October 2017

					%
1	FOLKETRYGDFONDET	NORWAY		10,593,770	10.4%
2	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	8,937,964	8.8%
3	RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	3,648,585	3.6%
4	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	3,495,007	3.4%
5	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	2,900,050	2.8%
6	SANTANDER SECURITIES SERVICES, S.A.	SPAIN	NOM	2,888,587	2.8%
7	STATE STREET BANK AND TRUST COMP	U.S.A.	NOM	2,015,298	2.0%
8	THE BANK OF NEW YORK MELLON	U.S.A.	NOM	1,902,336	1.9%
9	PARETO AKSJE NORGE	NORWAY		1,877,386	1.8%
10	CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	1,760,549	1.7%
<b>10 Largest</b>				<b>40,019,532</b>	<b>39%</b>
<b>Total Shares Outstanding *</b>				<b>102,052,860</b>	<b>100%</b>

\* Total shares outstanding are net of shares held in treasury per 23 October 2017

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

Average number of shares outstanding during the quarter	102,052,860
Average number of shares fully diluted during the quarter	102,881,140

\* Shares outstanding net of shares held in treasury per 30 September 2017 (116,180 TGS shares), composed of average outstanding TGS shares during the full quarter

## Share price information

Share price 30 September 2017 (NOK)	189.50
USD/NOK exchange rate end of period	7.97
Market capitalization 30 September 2017 (NOK million)	19,361



Energy starts with us.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Note 1 General information

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

### Note 2 Basis for Preparation

The condensed consolidated interim financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with TGS' annual report for 2016 which is available on [www.tgs.com](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 the first nine months of 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
<b>30 September 2017</b>	<b>102,169,040</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>30 September 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 2 August 2017, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.19) to the shareholders. The dividends were paid to the shareholders on 24 August 2017.

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 will be paid to the shareholders on 16 November 2017.

#### Note 4 Segment information

	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
<b>2017 Q3</b>					
Net external revenues	55,392	56,511	18,490	11,291	<b>141,684</b>
Operating profit	603	26,971	9,703	-11,490	<b>25,787</b>
<b>2017 YTD</b>					
Net external revenues	136,987	135,428	25,352	37,744	<b>335,510</b>
Operating profit	7,104	68,212	2,315	-31,833	<b>45,799</b>
<b>2016 Q3</b>					
Net external revenues	63,715	32,267	4,851	12,363	<b>113,195</b>
Operating profit	15,906	10,635	-4,016	-11,761	<b>10,765</b>
<b>2016 YTD</b>					
Net external revenues	159,045	74,710	17,902	39,647	<b>291,304</b>
Operating profit	35,638	20,478	-10,938	-34,114	<b>11,065</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	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2016	2015	2014
Beginning net book value	812.2	823.2	812.4	838.9	838.9	818.1	758.1
Non-operational investments	4.6	-	10.6	-	-	26.4	-
Operational investments	115.9	67.6	240.5	182.9	271.2	501.7	462.3
Amortization and impairment	(94.7)	(74.5)	(225.5)	(205.5)	(297.7)	(507.3)	(396.7)
Exchange Rate Adjustment	-	-	-	-	-	-	(5.6)
Ending net book value	837.9	816.3	837.9	816.3	812.4	838.9	818.1

Numbers in USD millions	Q3 2017	Q3 2016	YTD 2017	YTD 2016	2016	2015	2014
Net MC revenues	140.3	105.7	330.4	276.9	438.6	590.6	877.7
Change in MC revenue	33%	-36%	19%	-40%	-26%	-33%	7%
Change in MC investment	80%	-57%	38%	-58%	-49%	14%	5%
Amort. in % of net MC revs.	67%	70%	68%	74%	68%	86%	45%
Change in net book value	3%	-1%	3%	-3%	-3%	3%	8%

#### Note 6 Related parties

No material transactions with related parties took place during the third quarter of 2017.

#### Note 7 Økokrim charges and related civil matters

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

On 2 March 2017, Økokrim issued a corporate fine of NOK 85 million (approximately USD 10 million) against TGS based on the alleged violations of the Norwegian Tax Assessment Act. Økokrim dismissed the charges against TGS for market manipulation in violation of the Securities Trading Act due to insufficient evidence. Økokrim also advised that it will raise the fine to 90 MNOK if TGS rejects the fine and the case is brought to court. The Company rejected the fine, and a trial regarding the alleged violations is scheduled to commence in January 2018. Based upon the Company's assessment of the evidence in the case to date, the Company believes the claims by Økokrim lack merit and a trial will confirm that TGS acted diligently in connection with the transactions with Skeie and no wrongdoing by the Company occurred. Given the early stage of the trial process, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's rejection of the fine and its assessment of the case at this point, it does not consider it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no provisions have been made.

On 26 March 2017, TGS received notice from DNB that it will hold TGS responsible for any amounts payable by DNB to the Norwegian Government. DNB received notice from the Norwegian Government in December 2016, claiming liability for repayment of the tax refunds under a provision in the Tax Payment Act due to DNB's status as a pledgee of the tax refunds. In April 2017, the parties entered into a mutual standstill agreement to stop the tolling of the statute of limitations for three years.

The civil matters that have arisen in relation to the transactions that form the basis for the Økokrim charges, and the outcome of these matters, will depend in large part on the outcome of the Økokrim matter. Given the early stage of these proceedings, it is impracticable to render an accurate assessment of the outcome. However, based upon the Company's belief that the Økokrim allegations lack merit, and the trial will confirm that TGS did nothing wrong, the Company also believes these claims of liability are not well-founded, and it intends to challenge the claims vigorously. As a result, the Company does not consider it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no provisions have been made.

#### Note 8 Investment in surveys of Multi-Client Geophysical ASA, Seabird Ltd and Dolphin UK Ltd

In Q1 2017, TGS entered into an agreement with Geox Ltd (Geox), 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 Geox 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

---

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 Q3	2016 Q3	2017 YTD	2016 YTD
Net income	9,442	1,749	20,609	-1,642
Taxes	17,508	11,234	26,044	15,667
Net financial items	-1,163	-2,218	-855	-2,959
Depreciation, amortization and impairment	2,013	3,173	7,390	9,137
Amortization and impairment of multi-client library	94,715	74,499	225,550	205,463
<b>EBITDA</b>	<b>122,516</b>	<b>88,437</b>	<b>278,739</b>	<b>225,666</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	30 September 2017	30 September 2016
Equity	1,157,141	1,154,995
Interest bearing debt	2,500	0
Cash	204,988	173,237
Net interest bearing debt	-202,488	-173,237
<b>Capital employed</b>	<b>954,653</b>	<b>981,758</b>
<b>Average capital employed</b>	<b>968,205</b>	<b>1,054,471</b>
Operating profit (12 months trailing)	87,769	-128,793
<b>ROACE</b>	<b>9%</b>	<b>-12%</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 Q3	2016 Q3	2017 YTD	2016 YTD
Cash flow from operational activities	86,365	91,498	323,987	245,761
Investments in multi-client library	-105,081	-62,360	-256,803	-188,079
<b>Free cash flow (after MC investments)</b>	<b>-18,716</b>	<b>29,138</b>	<b>67,184</b>	<b>57,682</b>

### Backlog

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