



# Q2 2015 Earnings Release

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30 July 2015

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# Forward-Looking Statements

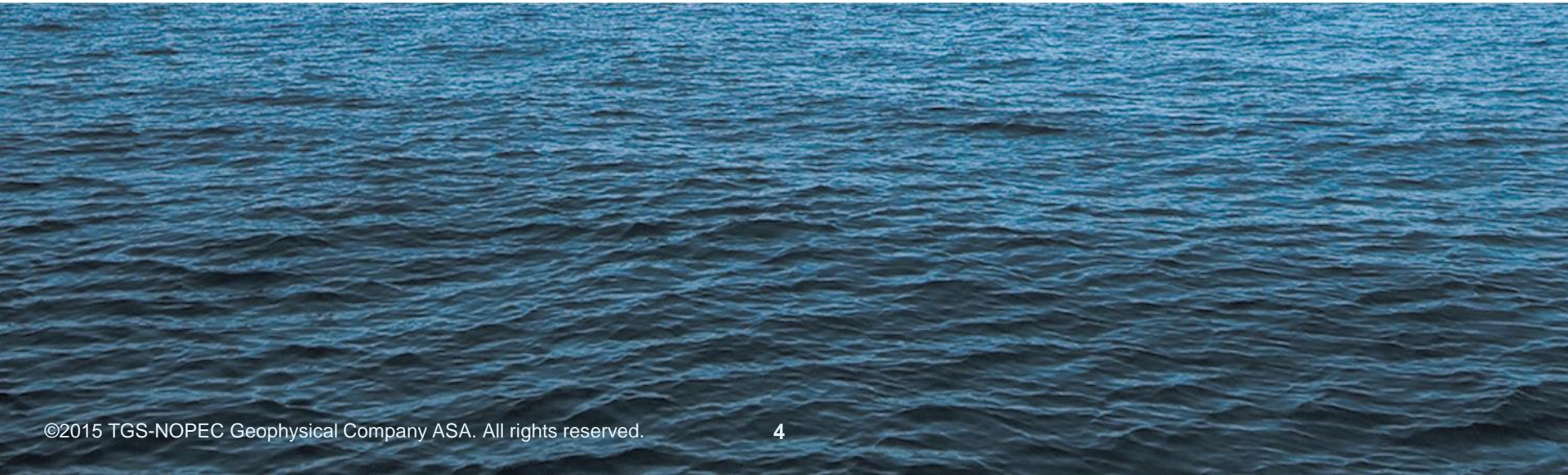
*All statements in this presentation other than statements of historical fact, are forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions that are difficult to predict and are based upon assumptions as to future events that may not prove accurate. These factors 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 2015 Highlights

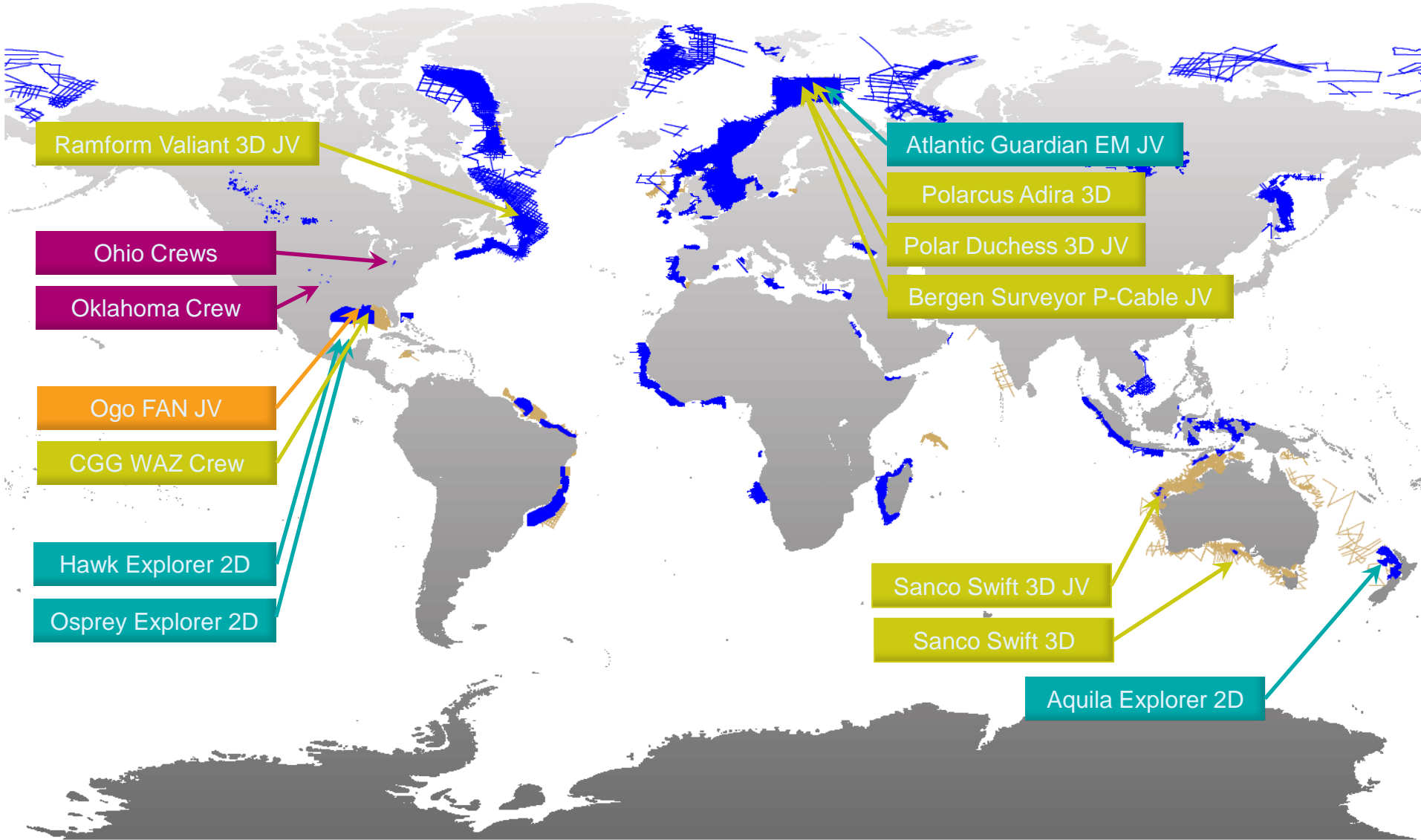
- Q2 Net revenues of 140 MUSD compared to 205 MUSD in Q2 2014
  - Net late sales of 82 MUSD, down 40% from 137 MUSD in Q2 2014
  - Net pre-funding revenues of 53 MUSD were down 12% from Q2 2014, funding 45% of TGS' operational multi-client investments for the quarter (116 MUSD)
- Operating profit for the quarter was 36 MUSD, 26% of net revenues, compared to 82 MUSD (40% of net revenues) in Q2 2014
- Cash flow from operations was 86 MUSD compared to 66 MUSD in Q2 2014
  - Cash balance of 176 MUSD at 30 June 2015
- Two 3D vessels, three 2D vessels, one WAZ 3D crew and three land crews operating under TGS control in Q2 2015
  - TGS was also a participant in one 3D ocean bottom seismic, three 3D seismic, one P-Cable and one EM joint venture projects
- Counter-cyclical investment strategy organic and inorganic (Polarcus data library)



# Operational Highlights



# Q2 2015 Operations



# Q2 Activity – North America

## Mexico

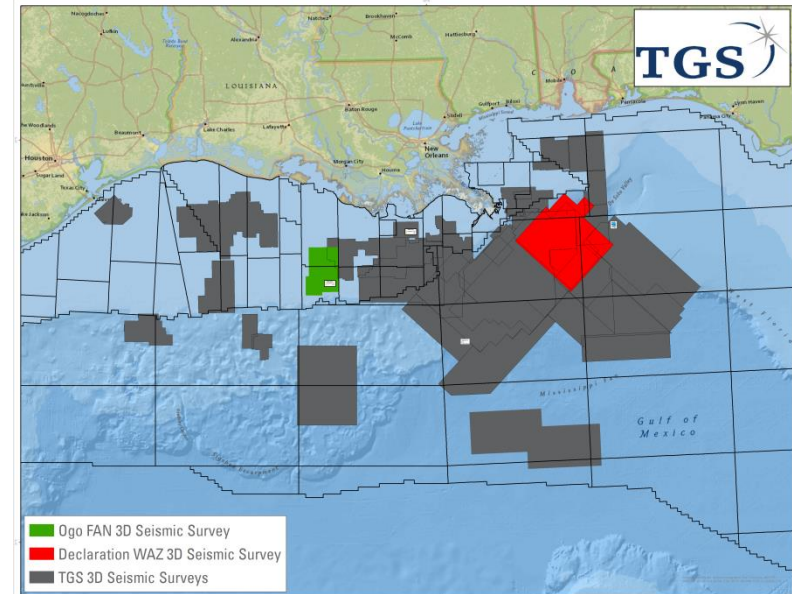
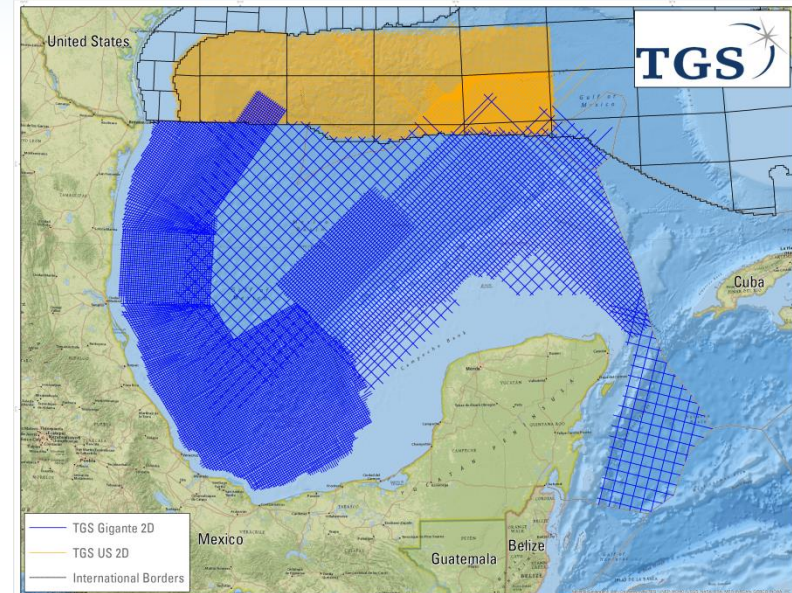
- **Gigante** – 181,500 km multi-client 2D survey
  - Regional 2D survey commenced in Q2 2015 and expected to complete in H2 2016
  - Survey includes world class producing trends such as the Perdido fold belt and Campeche Bay
  - Line ties will be made to the US Gulf of Mexico regional grids previously acquired by TGS

## East Canada

- **Flemish Pass** – 4,300 km<sup>2</sup> multi-client 3D survey
  - TGS' first 3D acquisition offshore East Canada in partnership with PGS
  - Survey will be acquired during the 2015 summer season

## U.S Central Gulf of Mexico

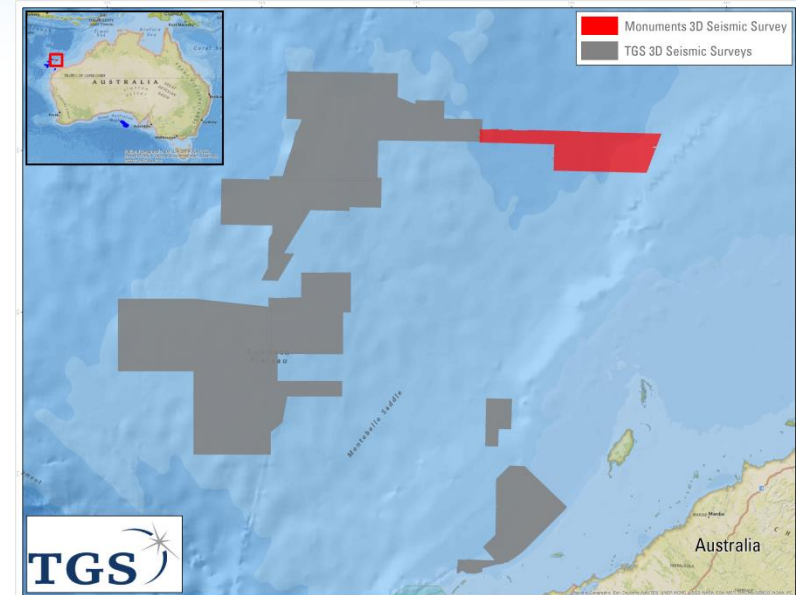
- **Ogo FAN™** - multi-client Full Azimuth Nodal survey
  - 136 shelf blocks over existing fields and exploratory acreage
  - Part of multi-year collaboration agreement with FairfieldNodal
- **Declaration** - 9,600 km<sup>2</sup> multi-client M-WAZ survey
  - 3,000 km<sup>2</sup> extension completed in Q2 2015
  - Long offset data being acquired orthogonal to TGS' underlying Justice WAZ survey with single pass vessel configuration derived from CGG's StagSeis™ technology



# Q2 Activity – Asia Pacific

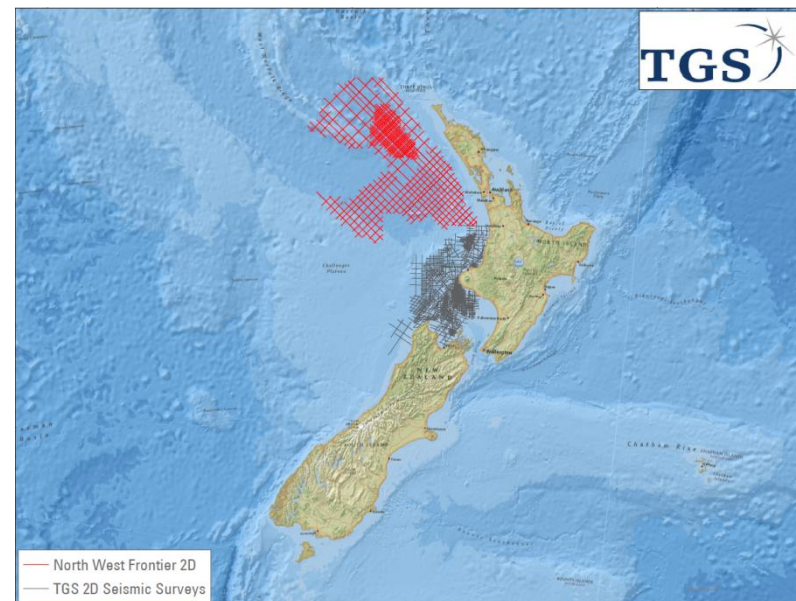
## Australia

- **Monuments** – 2,500 km<sup>2</sup> multi-client 3D survey
  - Acquisition completed in Q2 2015 in partnership with Dolphin Geophysical
  - Extends TGS' data coverage in North Carnarvon Basin
- **Nerites Season 2** – 13,000 km<sup>2</sup> multi-client 3D survey
  - Acquisition completed in Q2 2015
  - Prospective frontier acreage with block relinquishment expected in 2019
  - Solid prefunding but high amortization due to timing of relinquishments



## New Zealand

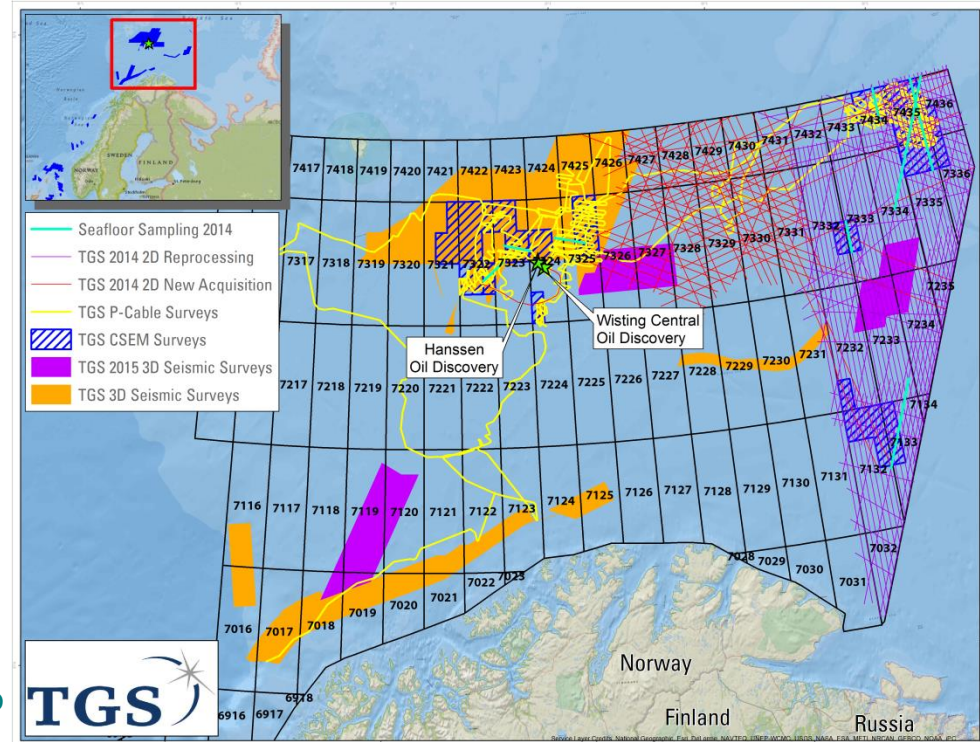
- **NWF14** - 17,500 km<sup>2</sup> 2D multi-client survey
  - Acquisition completed in Q2 2015
  - Within the Reinga, Northland and Taranaki basins, offshore Northwest New Zealand
  - 2015 New Zealand block offer launched with bids due 30 September 2015



# Q2 Activity – Europe

## Barents Sea

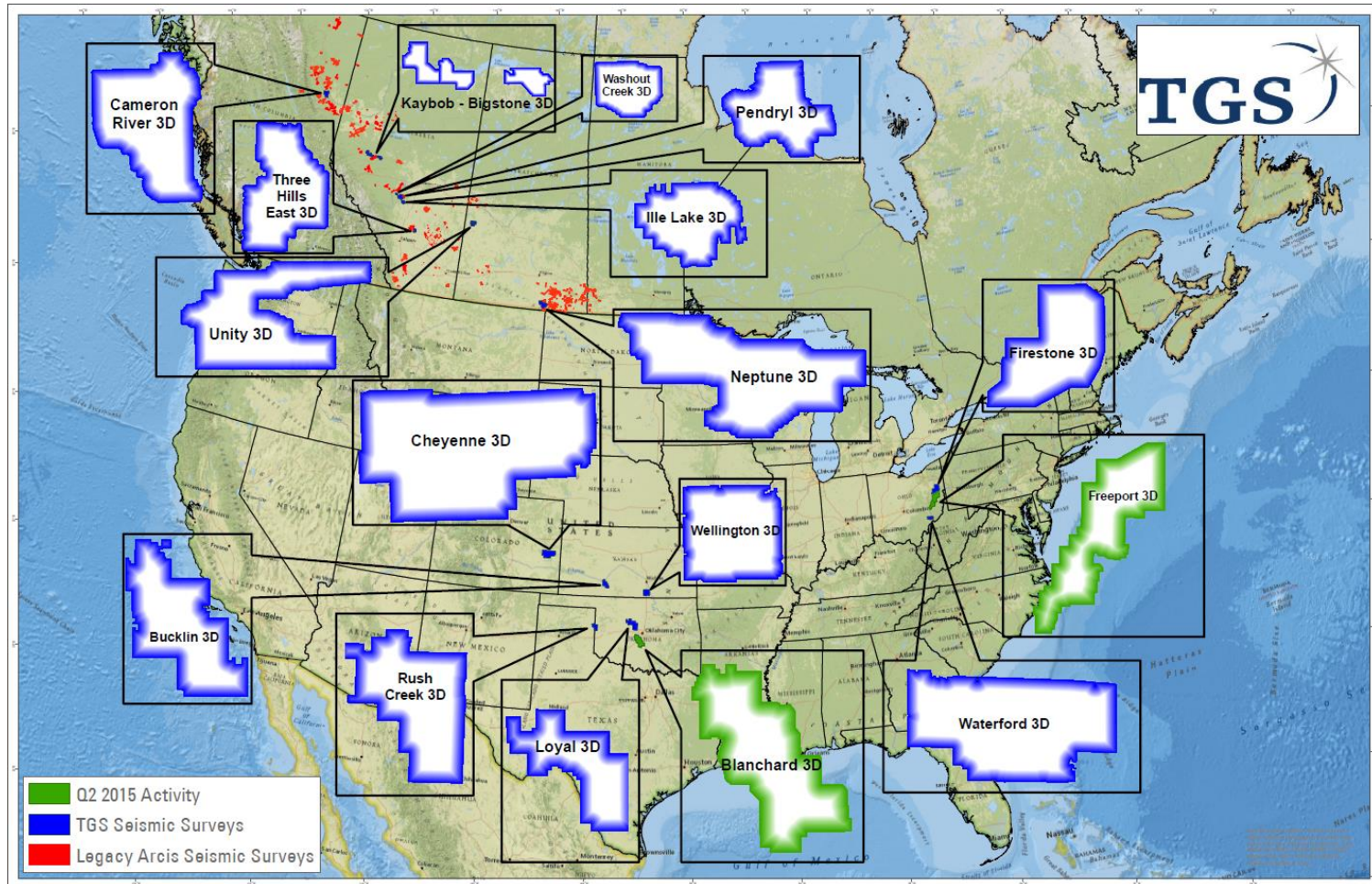
- **Europa** - 2,900 km<sup>2</sup> multi-client 3D survey
  - Acquisition completed in Q2 2015
  - South-East Norwegian Barents Sea
- **Hjalmar** – 3,000 km<sup>2</sup> multi-client 3D survey
  - Acquisition expected to complete in Q3 2015
  - Extends TGS 3D data coverage in the Hoop area to over 25,000 km<sup>2</sup>
- **Ringvassøy** - 4,100 km<sup>2</sup> multi-client 3D survey
  - Acquisition completed in Q2 2015
  - Data acquired in partnership with Dolphin Geophysical in Hammerfest Basin
- **Barents P-Cable™ 2015** - 500 km<sup>2</sup> multi-client 3D survey
  - Acquisition of high resolution survey expected to complete in Q3 2015
  - Further expansion of partnership with WGP
- **Barents EM 2015** – 9 new blocks in the Nordkapp and Tiddly areas
  - Survey completed in Q2 2015
  - Further expansion of cooperation with EMGS



In addition to its modern regional 2D seismic grid, the TGS data library has been expanded to include high quality 2D, 3D, P-Cable and EM data targeting client interest ahead of the 23rd Round and future licensing rounds in Norway



# Q2 Activity – North America Onshore



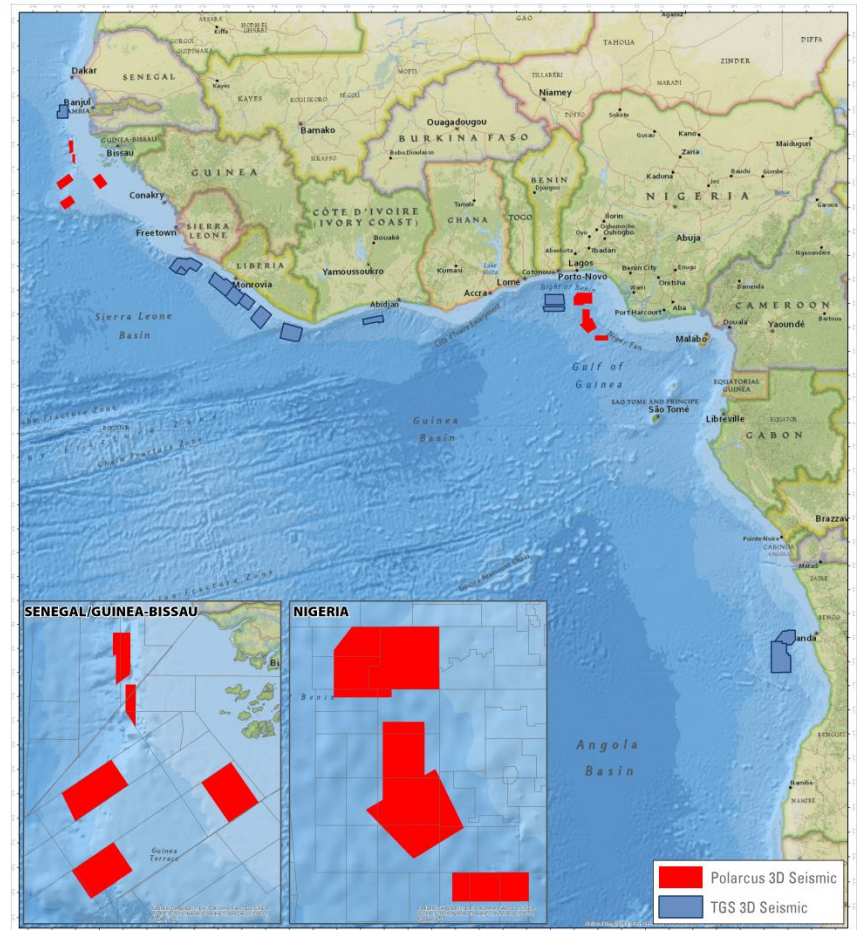
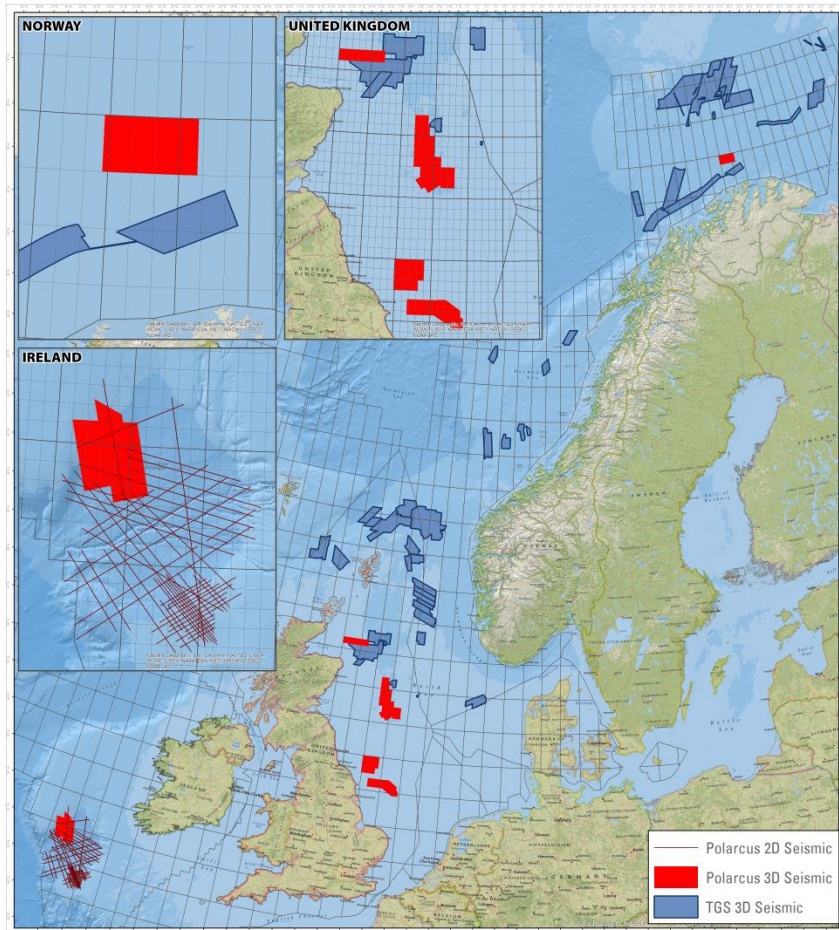
- **Freeport - 1,777 km<sup>2</sup> 3D multi-client survey**

- Utica play, central Ohio
- Acquisition will complete in H2 2015

- **Blanchard – 1,100 km<sup>2</sup> 3D multi-client survey**

- South Central Oklahoma Oil Play (SCOOP), Oklahoma
- Acquisition will complete in H2 2015

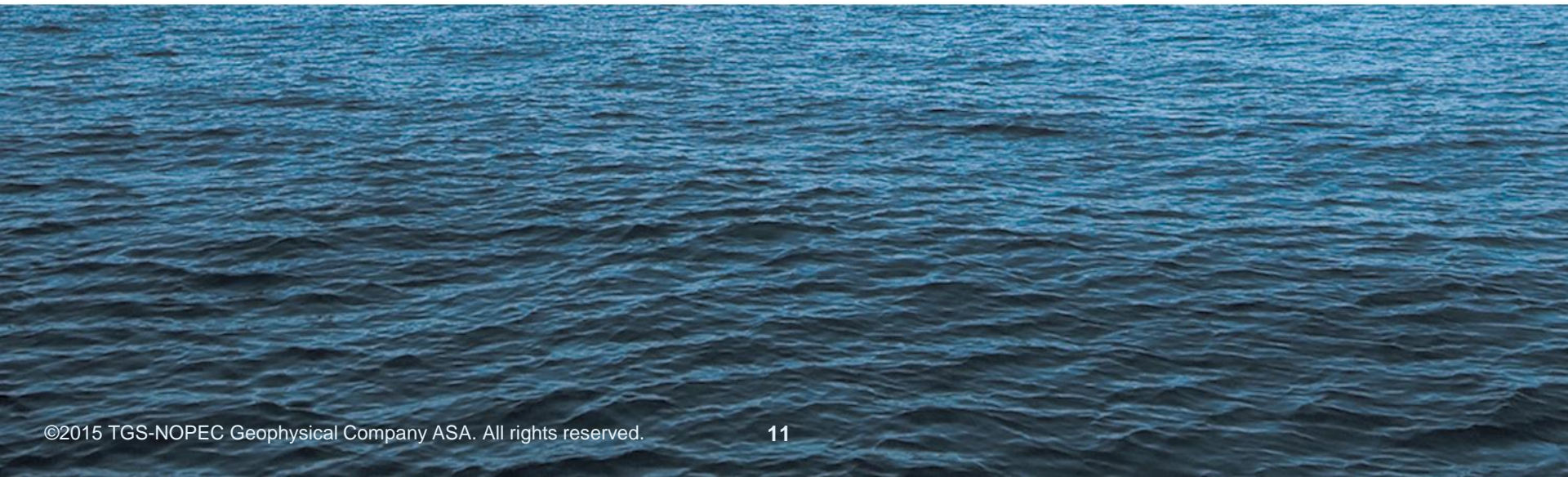
# Polarcus Library: Western Atlantic Margin Corridor



- Letter of Intent to acquire Polarcus' multi-client library (excluding Australia) for 27.5 MUSD, target close date early August
- Deal includes payments of 2014 and 2015 acquisition costs deferred under previous contractual agreements
- Polarcus revenue share after TGS has realized a predetermined return on its investment
- 22 3D seismic surveys comprising a total area of 40,000 km<sup>2</sup> and one 2D survey comprising 5,000 linear km
- Brings TGS seismic library to approximately 511,000 km<sup>2</sup> 3D and 2,600,000 km 2D

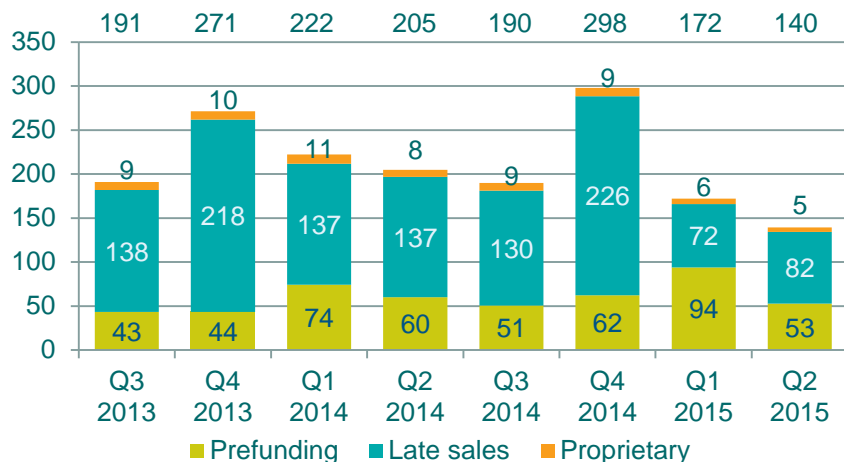


# Financials

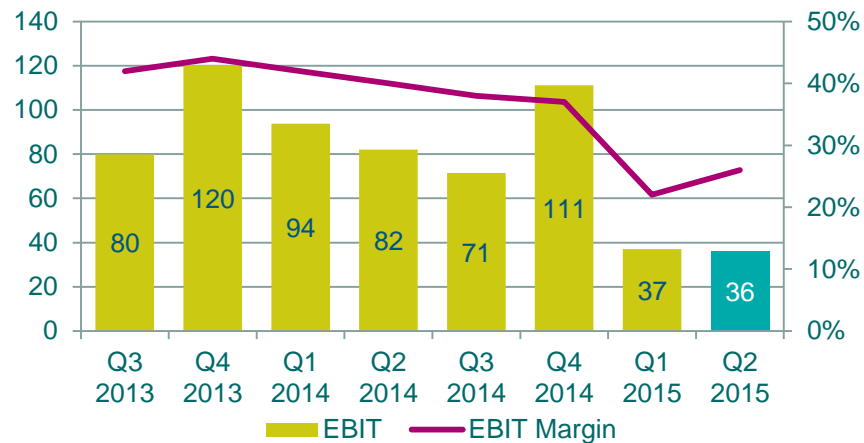


# Key Financials

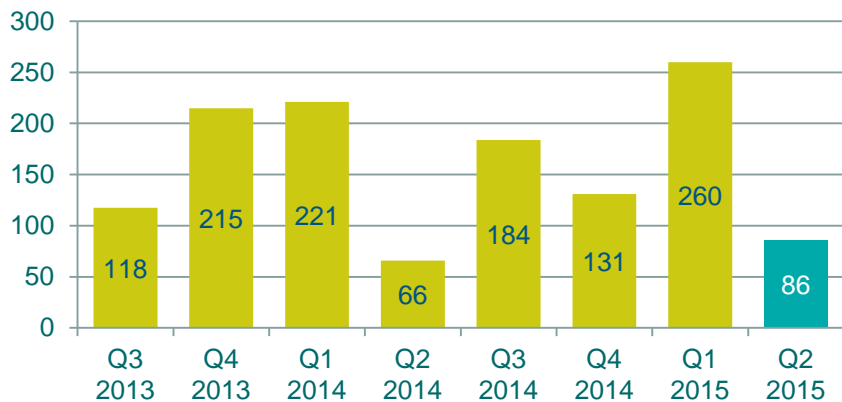
### Net Revenues



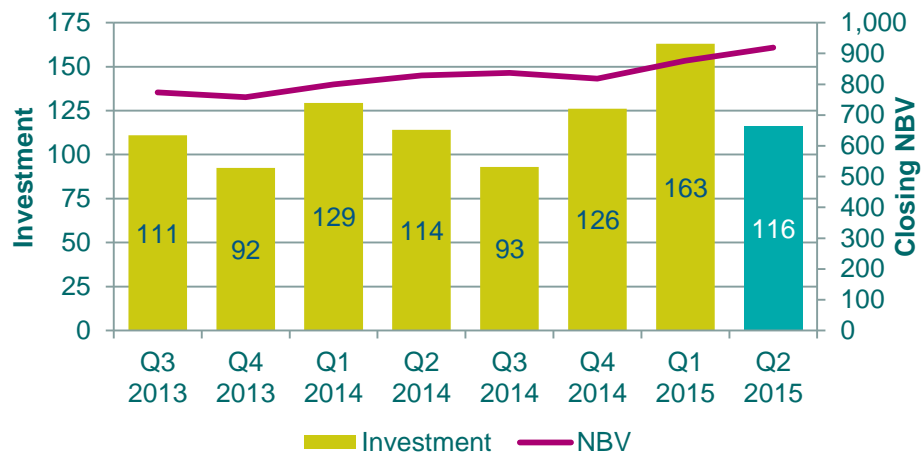
### EBIT before non-recurring items



### Cash Flow from Operations

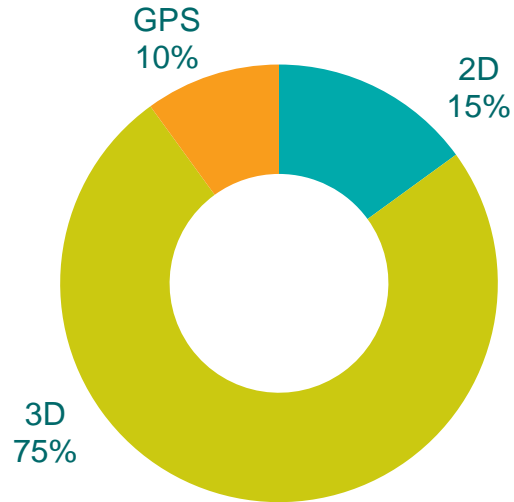


### Multi-client NBV and Investments (operational)

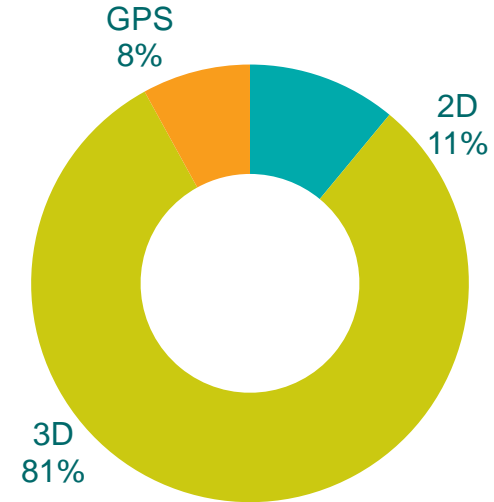


# Net Revenue Breakdown

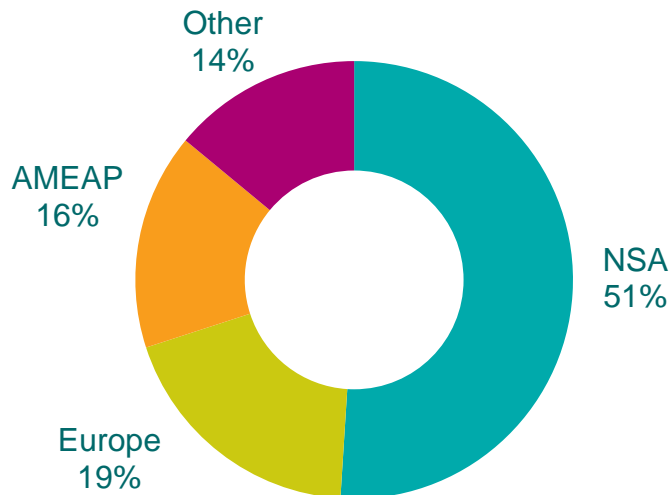
Q2 2015



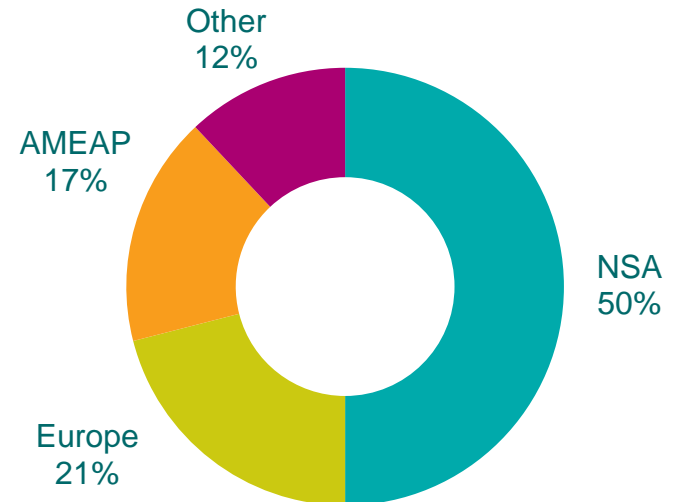
Q2 2014



Q2 2015



Q2 2014



# Q2 2015 Income Statement

USD million, except EPS		Q2 2015	Q2 2014	Change in %
<b>Net revenues</b>		<b>140</b>	<b>205</b>	<b>-32%</b>
Cost of goods sold – proprietary and other		0.1	0.4	-85%
Amortization of multi-client library	55%	74	85	-13%
<b>Gross margin</b>		<b>66</b>	<b>119</b>	<b>-45%</b>
Personnel costs		17	21	-19%
Other operating expenses		9	10	-15%
Cost of stock options		0.9	1	-38%
Depreciation		3	4	-20%
<b>Operating profit</b>	<b>26%</b>	<b>36</b>	<b>82</b>	<b>-56%</b>
Net financial items		2	2	-6%
<b>Profit before taxes</b>	<b>27%</b>	<b>37</b>	<b>84</b>	<b>-55%</b>
Taxes		13	23	-42%
<b>Net Income</b>	<b>18%</b>	<b>24</b>	<b>61</b>	<b>-60%</b>
EPS, Undiluted		0.24	0.60	-60%
EPS, Fully Diluted		0.24	0.59	-59%

# Q2 2015 Cash Flow Statement

USD million	Q2 2015	Q2 2014	Change in %
Received payments from customers	141	163	-14%
Payments for operational expenses	(25)	(33)	23%
Paid taxes	(29)	(64)	54%
<b>Operational cash flow</b>	<b>86</b>	<b>66</b>	<b>30%</b>
Investments in tangible and intangible assets	(3)	(9)	70%
Investments in multi-client library	(162)	(92)	-75%
Interest received/paid	2	3	-45%
Dividend payments	(99)	(126)	21%
Proceeds from share issuances	0.0	0.8	-96%
<b>Change in cash balance</b>	<b>(175)</b>	<b>(157)</b>	<b>-12%</b>

# YTD 2015 Income Statement

USD million, except EPS		YTD 2015	YTD 2014	Change in %
<b>Net revenues</b>		<b>311</b>	<b>427</b>	<b>-27%</b>
Cost of goods sold – proprietary and other		0.6	3	-80%
Amortization of multi-client library	59%	178	173	3%
<b>Gross margin</b>		<b>132</b>	<b>251</b>	<b>-47%</b>
Personnel costs		34	45	-26%
Other operating expenses		17	20	-13%
Cost of stock options		1	3	-49%
Depreciation		7	7	-10%
<b>Operating profit</b>	<b>23%</b>	<b>73</b>	<b>176</b>	<b>-58%</b>
Net financial items		0.4	5	-93%
<b>Profit before taxes</b>	<b>24%</b>	<b>73</b>	<b>181</b>	<b>-59%</b>
Taxes		20	52	-61%
<b>Net Income</b>	<b>17%</b>	<b>53</b>	<b>129</b>	<b>-59%</b>
EPS, Undiluted		0.52	1.27	-59%
EPS, Fully Diluted		0.52	1.25	-58%



# YTD 2015 Cash Flow Statement

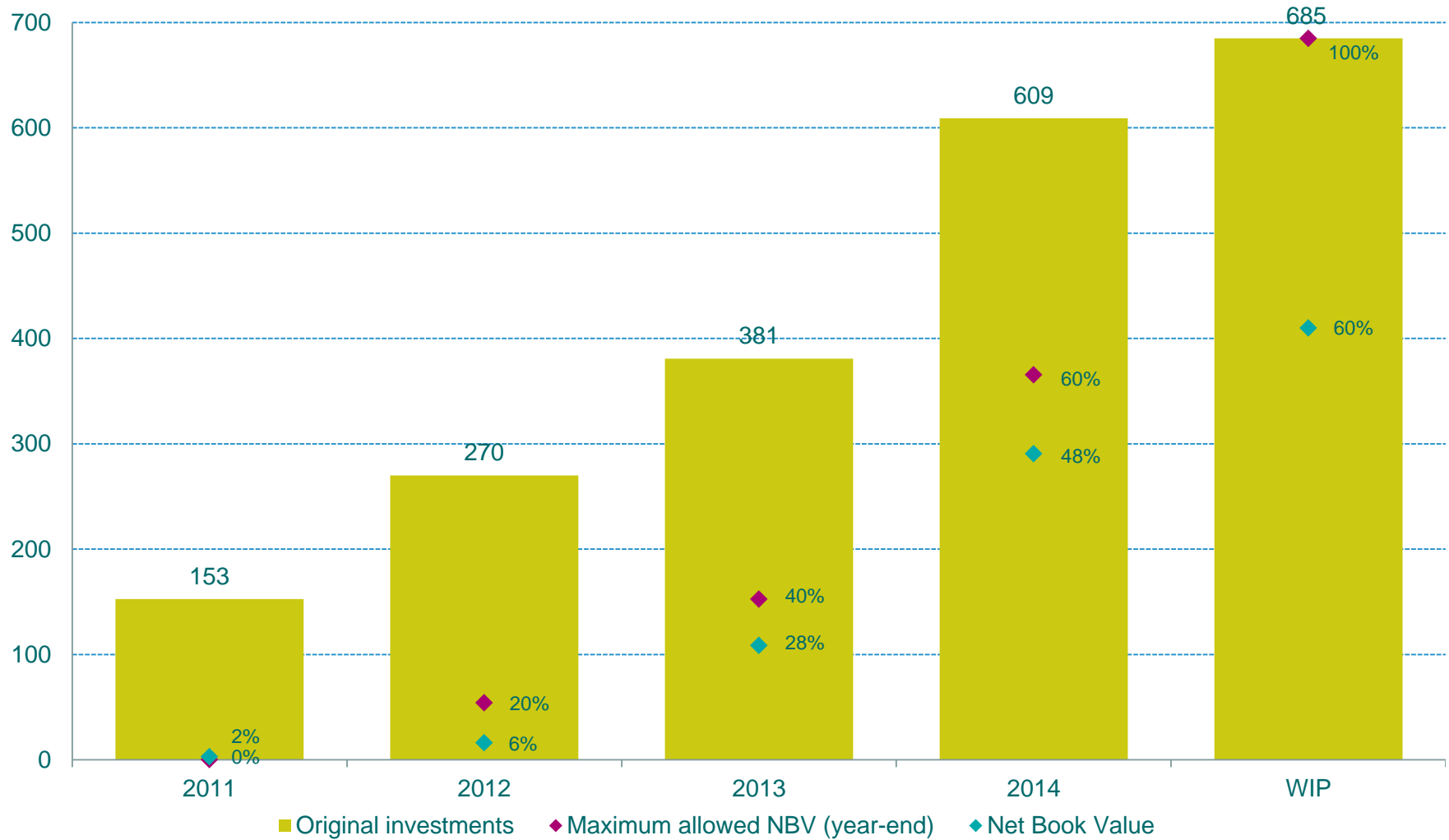
USD million	YTD 2015	YTD 2014	Change in %
Received payments from customers	478	468	2%
Payments for operational expenses	(57)	(69)	19%
Paid taxes	(75)	(111)	33%
<b>Operational cash flow</b>	<b>346</b>	<b>287</b>	<b>21%</b>
Investments in tangible and intangible assets	(5)	(18)	71%
Investments in multi-client library	(312)	(219)	-42%
Payments made to acquire debt instruments	(5)	-	
Interest received/paid	4	4	0%
Dividend payments	(99)	(126)	21%
Purchase of treasury shares	(5)	(3)	-41%
Proceeds from share issuances	2	1	37%
<b>Change in cash balance</b>	<b>(74)</b>	<b>(74)</b>	<b>0%</b>

# Balance Sheet

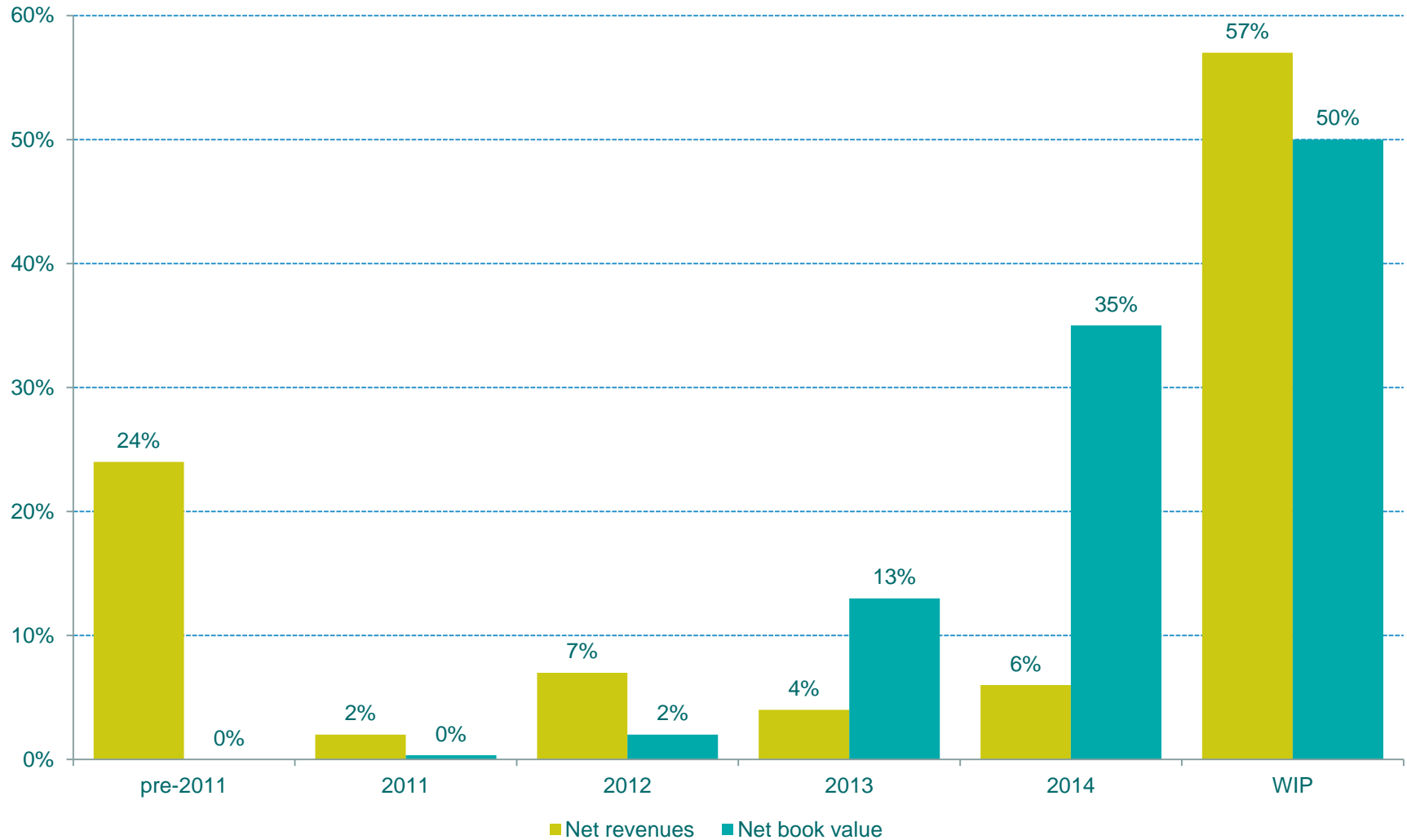
USD million	Q2 2015	Q1 2015	Change in %	Q4 2014
<b>Assets</b>				
Cash and cash equivalents	176	352	-50%	256
Other current assets	308	312	-1%	521
<b>Total current assets</b>	<b>484</b>	<b>664</b>	<b>-27%</b>	<b>778</b>
Intangible assets and deferred tax asset	82	83	-1%	85
Other non-current assets	25	24	4%	44
Multi-client library	919	876	5%	818
Fixed assets	36	39	-7%	43
<b>Total Assets</b>	<b>1,546</b>	<b>1,686</b>	<b>-8%</b>	<b>1,768</b>
<b>Liabilities</b>				
Current liabilities	234	282	-17%	393
Non-current liabilities	4	9	-59%	7
Deferred tax liability	31	30	3%	29
<b>Total Liabilities</b>	<b>269</b>	<b>321</b>	<b>-16%</b>	<b>428</b>
<b>Equity</b>	<b>1,277</b>	<b>1,365</b>	<b>-6%</b>	<b>1,339</b>
<b>Total Liabilities and Equity</b>	<b>1,546</b>	<b>1,686</b>	<b>-8%</b>	<b>1,768</b>

*The Company holds no interest-bearing debt*

# Investments per Vintage



# Net Revenues vs. Net Book Value per Vintage



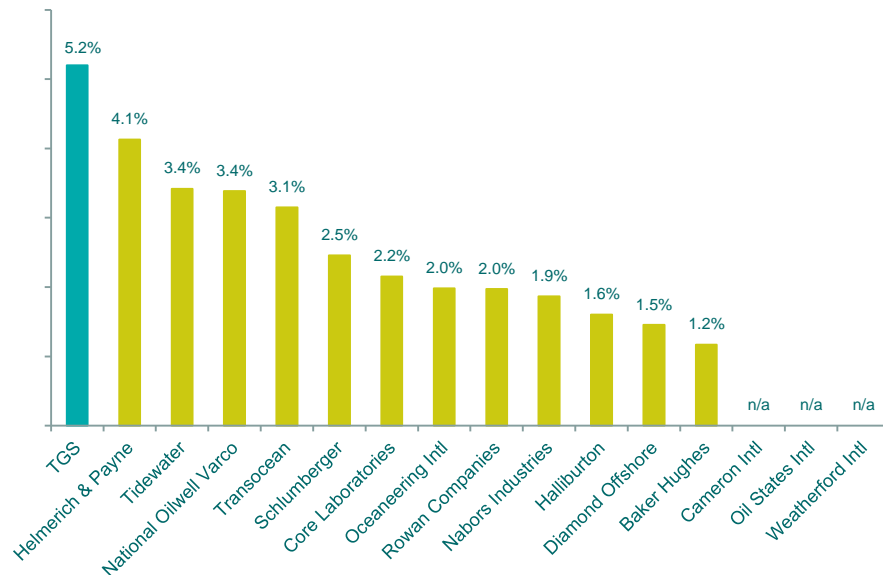
# Strong Cash Generation Delivers Shareholder Value

Dividend per Share (NOK) and Dividend Yield\*



\* Dividend yield calculated based on share price at day of announcement

2015 Dividend Yield vs OSX Index\*

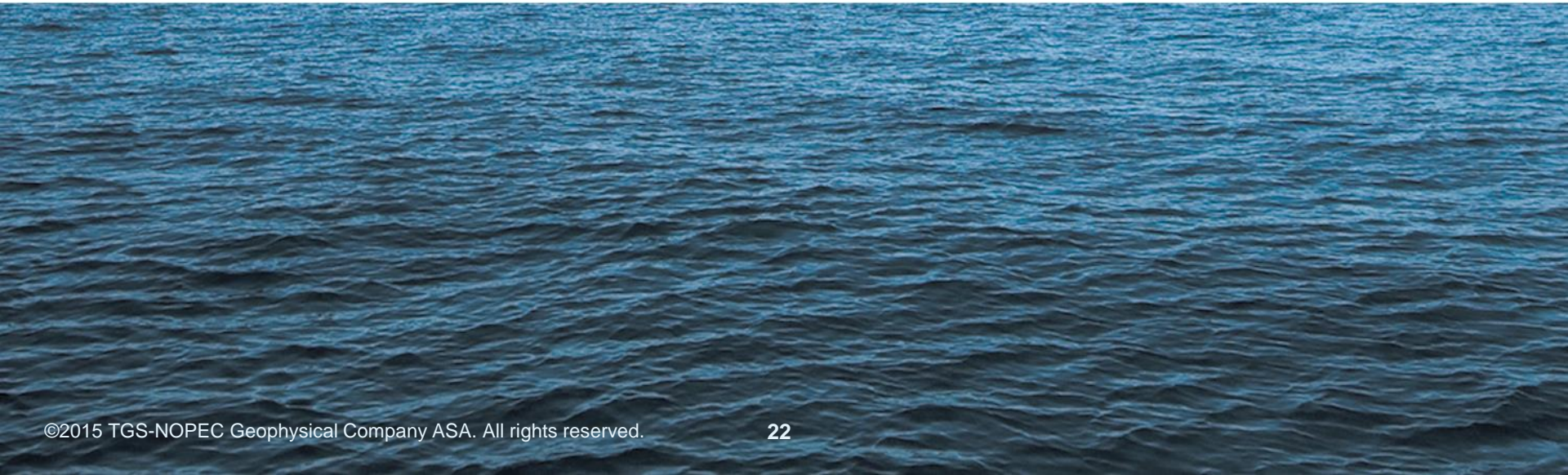


\* The OSX Index (PHLX Oil Service Sector Index) is a price weighted index composed of companies involved in the oil services sector. Yields based on share price at day of announcement

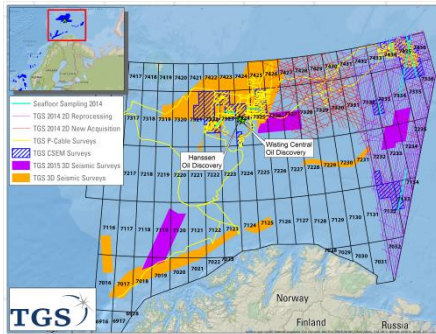
- Shareholder approval received for dividend of NOK 8.5 per share at AGM on 6 May 2015
  - Shares quoted exclusive of dividend on 7 May 2015
  - Dividend paid on 21 May 2015 to shareholders of record as of AGM
- Shareholder authorization to distribute quarterly dividend payments from Q1 2016
- USD 30 million share buy back program completed in Q1 2015



# Outlook



# Outlook



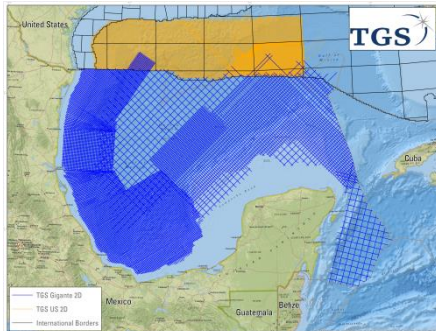
- Demand for seismic data has significantly deteriorated over the first six months of 2015 and the outlook for improvement in the market remains quite uncertain

## ▪ EUR

- Hjalmar 3D and P-Cable surveys expected to complete in Q3 2015
- Norwegian 23rd Licensing Round and 2015 APA Round bids due 2H 2015
- 2015 season of Greenland 13,500 km multi-year program to commence in Q3

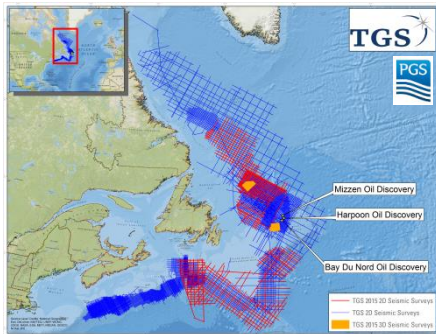
## ▪ NSA

- 181,500 km Gigante regional 2D survey commenced
- Active summer season in East Canada including first 3D multi-client projects
- BOEM five-year plan (2017-2022) proposal includes 10 lease sales in GOM and one Atlantic lease sale
- TGS positioning for particularly high GOM lease turnover 2017 - 2019

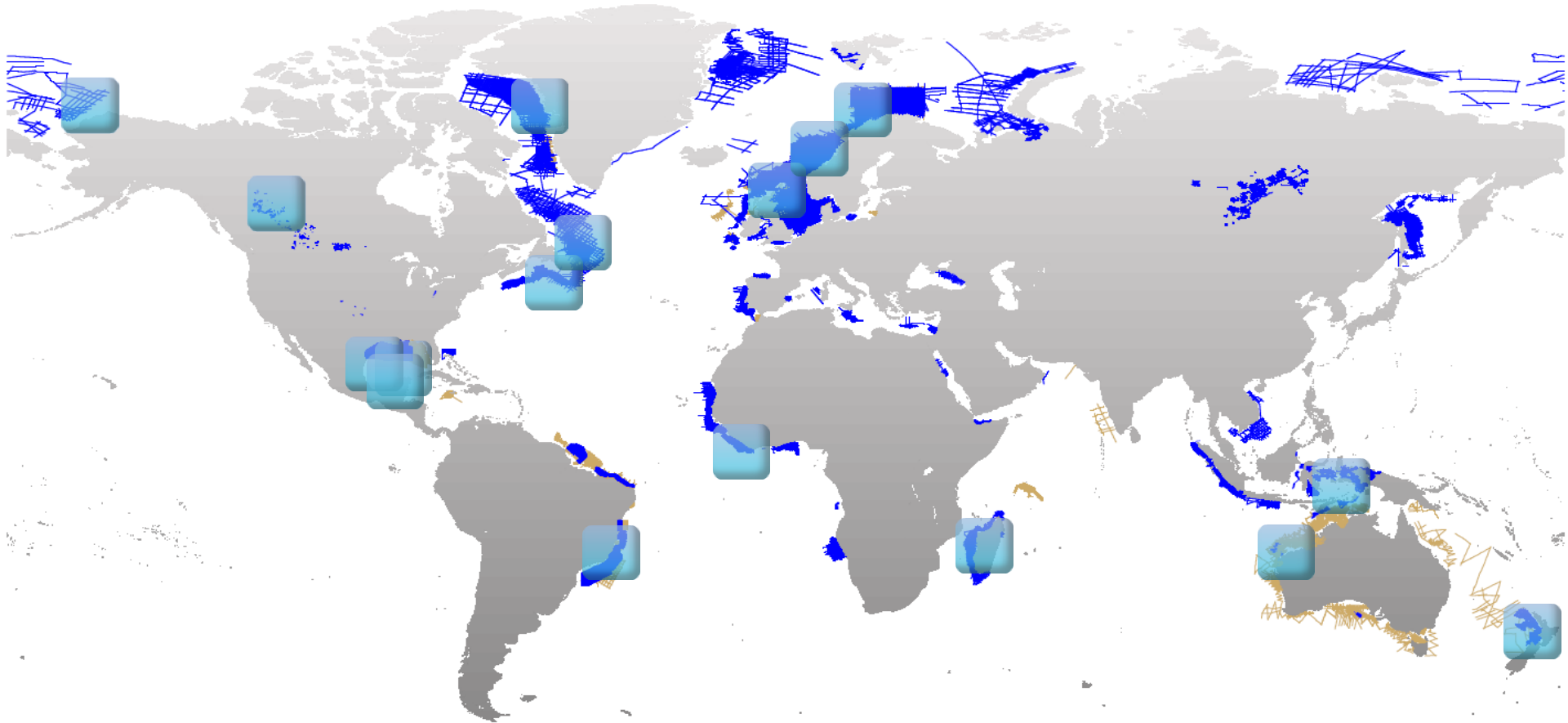


## ▪ AMEAP

- Exploration success offshore Mauritania (Kosmos) drives industry interest in NW Africa
- Expansion of Western Atlantic Margin Corridor data through Polarcus library purchase
- Ongoing scheduled license rounds in Australia, New Zealand and Indonesia



# License Round Activity and TGS Positioning



## North & South America

- Central GOM – Mar 2016 (5-Year Plan)
- Western GOM – Aug 2015 (5-Year Plan)
- Alaska Offshore - 2016 & 2017 (5-Year Plan)
- Newfoundland & Labrador – Nov 2015 (bids due, Scheduled Land Tenure)
- Nova Scotia – Oct 2015 (bids due, 3-Year Rolling Plan)
- Canada Onshore – at least monthly
- Brazil 13<sup>th</sup> Round - Oct 2015 (public presentation of bids)
- Mexico – Round 1 phased across 2015, 3 more rounds proposed by 2019

## Africa, Middle East, Asia Pacific

- Madagascar – 2015 (expected)
- Liberia Basin 2014 – awards pending
- Australia – Oct 2015, Feb & Apr 2016 (bids due)
- New Zealand – Sep 2015 (bids due)
- Indonesia – 2015 (expected)

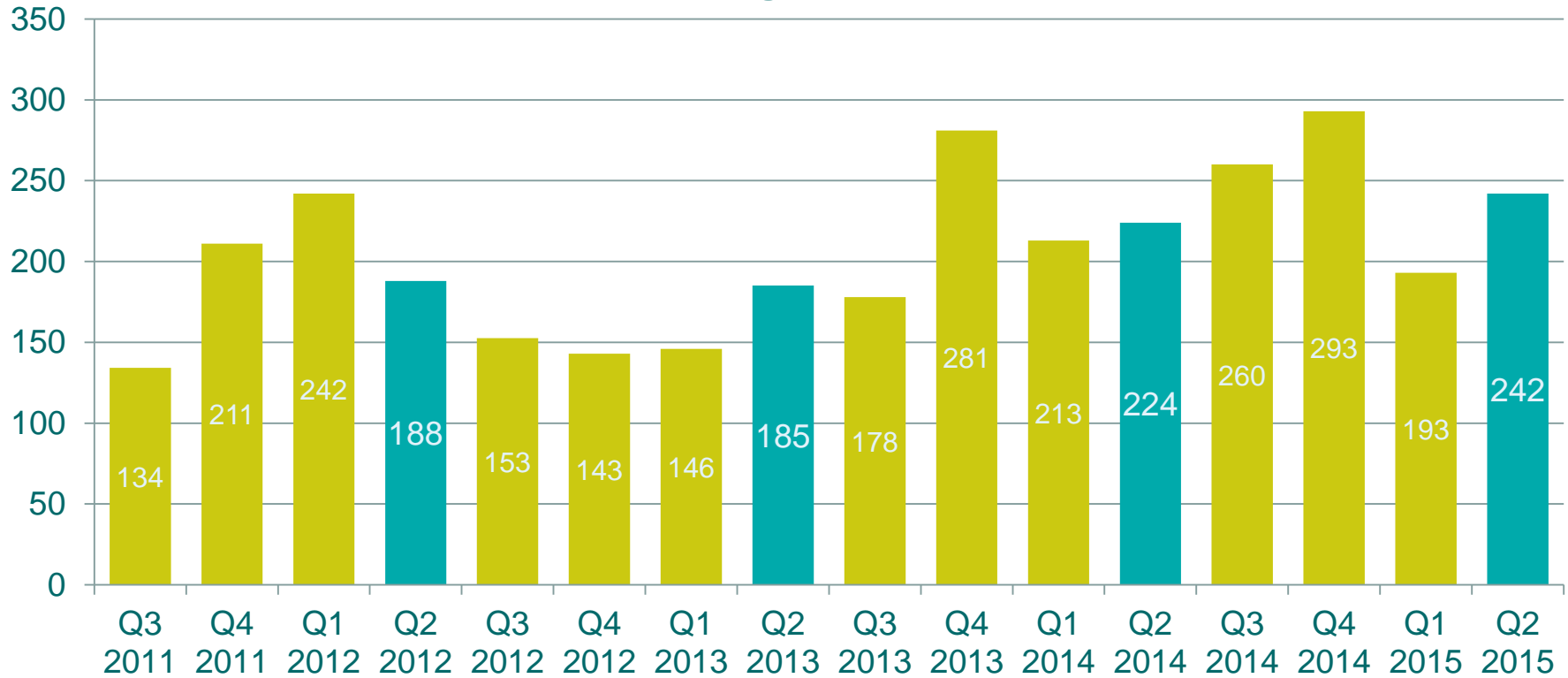
## Europe / Russia

- Norway APA – Sep 2015 (bids due)
- Norway 23<sup>rd</sup> Round – Dec 2015 (bids due)
- United Kingdom – 2016 (expected)
- Greenland – Dec 2016, 2017, 2018 (bids due)



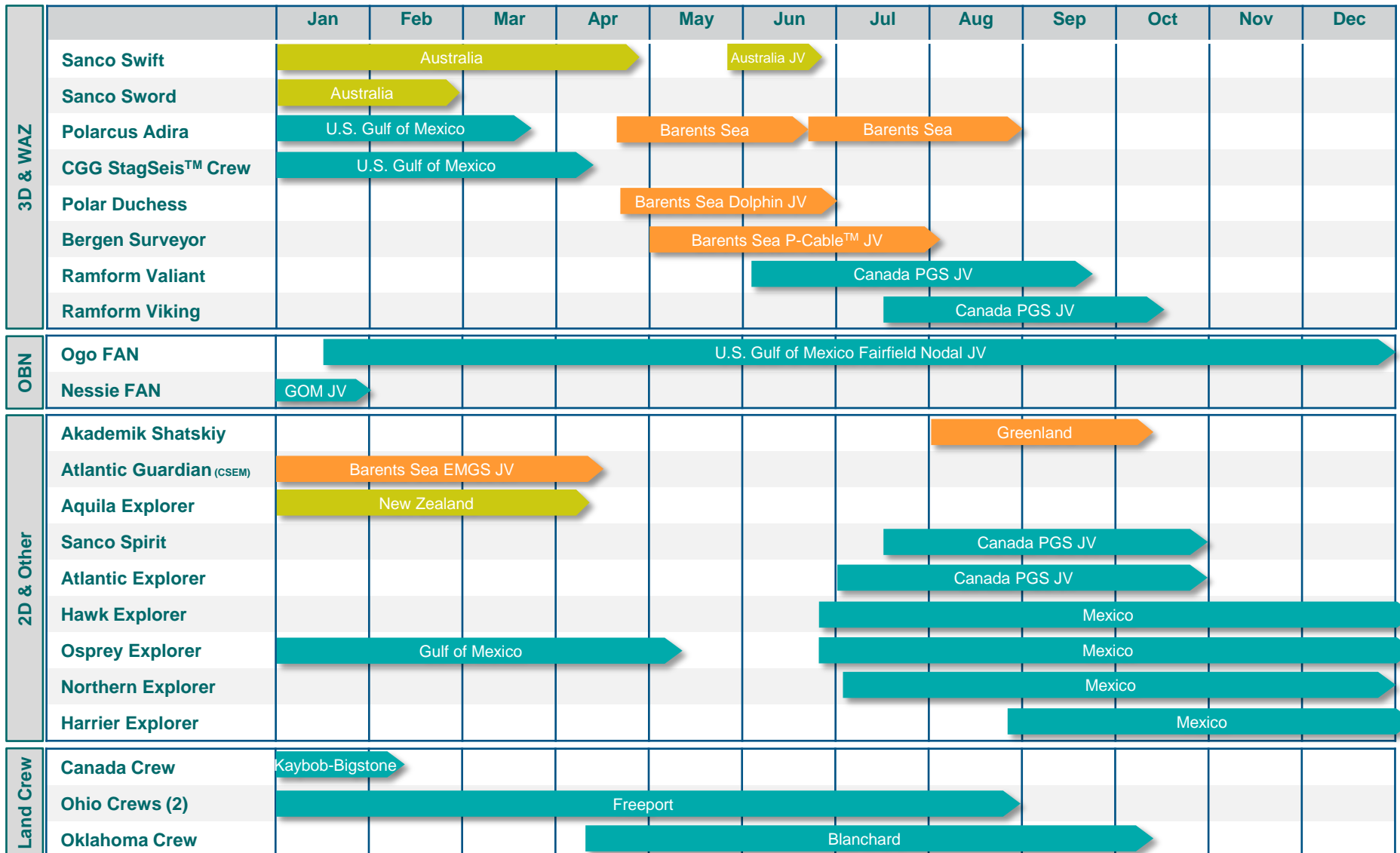
# Backlog

## Historical Backlog (MUSD) 2011 - 2015



# 2015 Projects Schedule

→ NSA    → EUR    → AMEAP

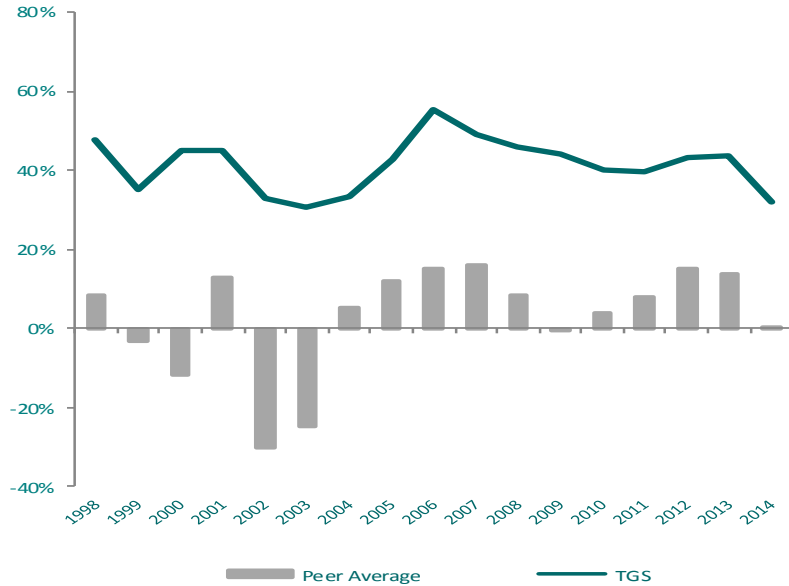


# Summary

- Q2 net revenues of 140 MUSD
- Q2 operating profit of 36 MUSD, 26% of net revenues
- Q2 multi-client investment of 116 MUSD
- Challenging seismic market characterized by uncertainty. However, long-term future of asset-light, focused multi-client business remains strong
  - TGS has a strong backlog of 242 MUSD
  - Cash balance of 176 MUSD at 30 June 2015
  - Dividend of 99 MUSD distributed in May 2015
- Attractive counter-cyclical investment opportunities identified including the purchase of the Polarcus data library
- Guidance for 2015 (investment guidance revised on 30 July 2015)
  - TGS expects multi-client investments of approximately 490 MUSD and additional Capex of 15 MUSD
  - TGS expects revenues of approximately 630 MUSD

# TGS Performs in all Cycles

## EBIT margin vs. Seismic peers



## Return on Capital Employed



- Average EBIT margin above 40% - stable EBIT – performance through the cycles
- ROCE significantly above WACC – substantial value creation in any industry cycle

\*Peer group includes CGG, Spectrum, Geokinetics, ION Geophysical, PGS, Dolphin, Polarcus



**Thank you**

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