



# Q4 2014 Earnings Release

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5 February 2015

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[www.TGS.com](http://www.TGS.com)

# Forward-Looking Statements

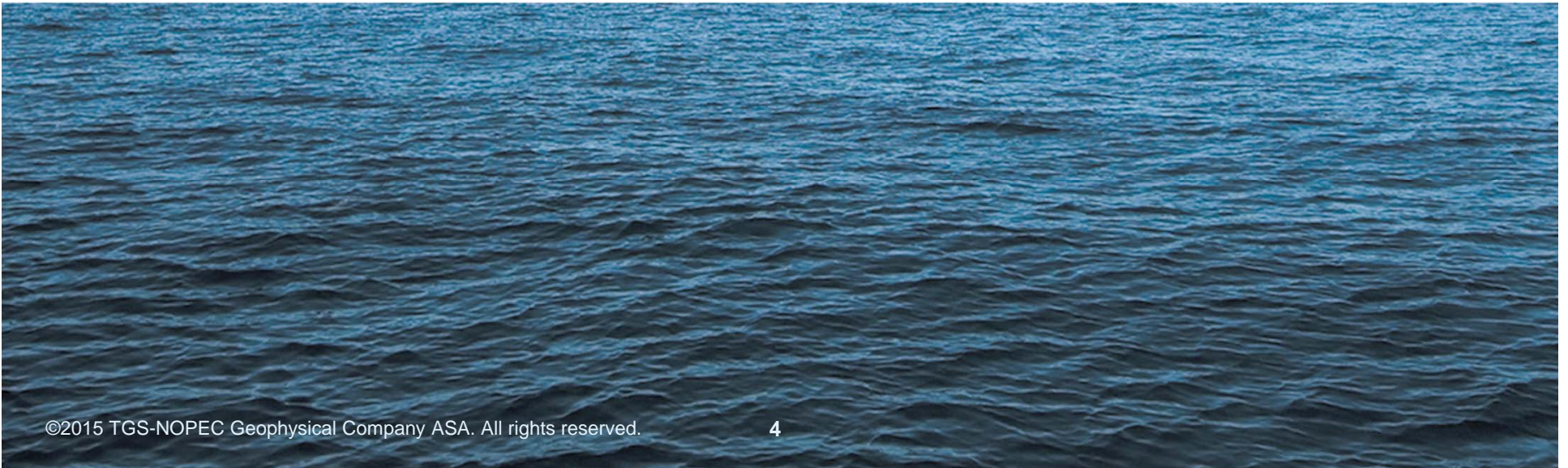
*All statements in this presentation other than statements of historical fact, are forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions that are difficult to predict and are based upon assumptions as to future events that may not prove accurate. These factors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

# Q4 2014 Highlights

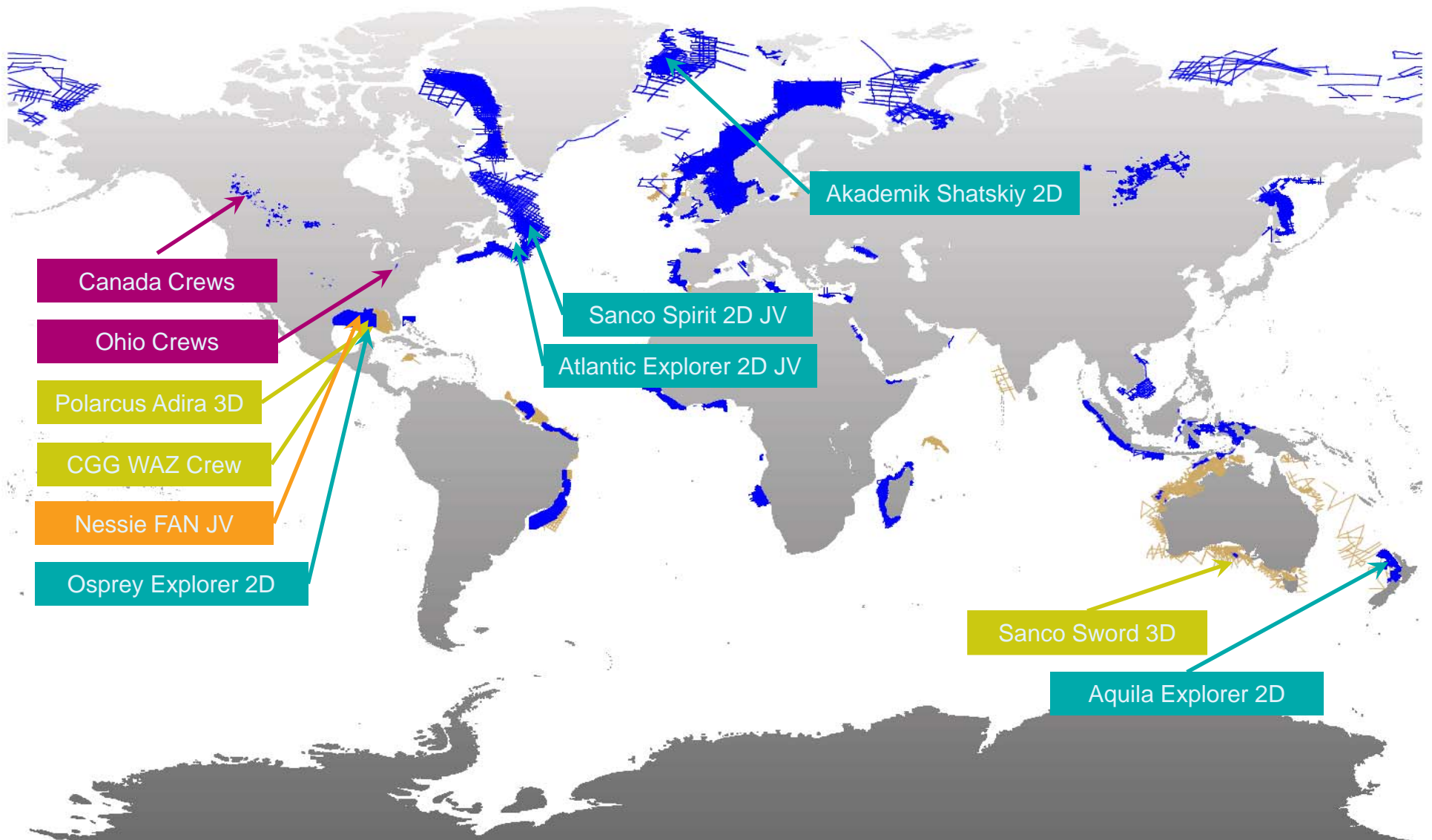
- Net revenues were a record 298 MUSD compared to 271 MUSD in Q4 2013
  - Net late sales of 226 MUSD, up 4% from 218 MUSD in Q4 2013
  - Net pre-funding revenues of 62 MUSD were up 44%, funding 49% of TGS' operational multi-client investments for the quarter (126 MUSD)
- Operating profit for the quarter was 47 MUSD, 16% of net revenues, compared to 120 MUSD (44% of net revenues) in Q4 2013
  - Q4 impairments of 63.9 MUSD related to the closure of Reservoir Solutions business unit and fair value assessment of non-current assets
  - Adjusted for the impairments, EBIT was 111 MUSD, 37% of net revenues in Q4 2014
- Full year 2014 net revenues were 915 MUSD compared to 883 MUSD in 2013
- Full year 2014 operating profit was 295 MUSD compared to 387 million in 2013
- Two 3D vessels, three 2D vessels, one WAZ crew and four land crews operating under TGS control in Q4 2014
  - TGS was also a participant in two 2D marine joint venture projects and one ocean bottom seismic JV project



# Operational Highlights



# Q4 2014 Operations



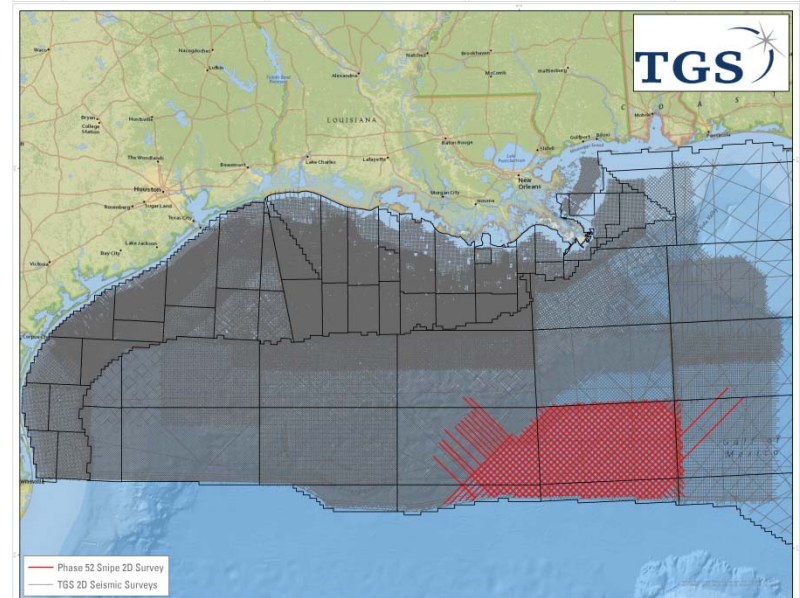
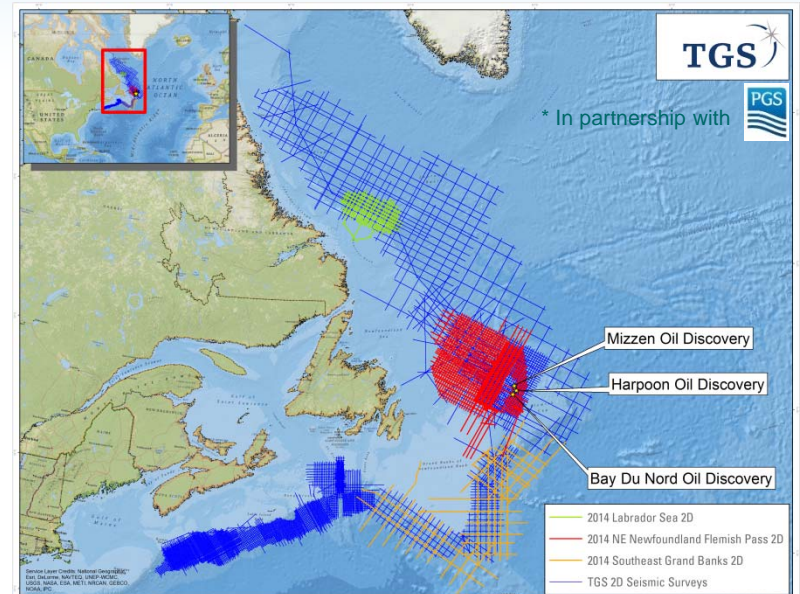
# Q4 Activity – North America

## East Canada

- **Newfoundland Labrador 2014** - 37,000 km multi-client 2D survey in partnership with PGS
  - Extended acquisition season resulted in more than 20% additional data being delivered
  - Continuation of a multi-year program targeting Sectors announced for Newfoundland Labrador's new Scheduled Land Tender system
  - Complements TGS' existing 47,500 km of 2D in this region
  - Data being acquired utilizing PGS' Geostreamer® technology with data processing performed by TGS

## Central Gulf of Mexico

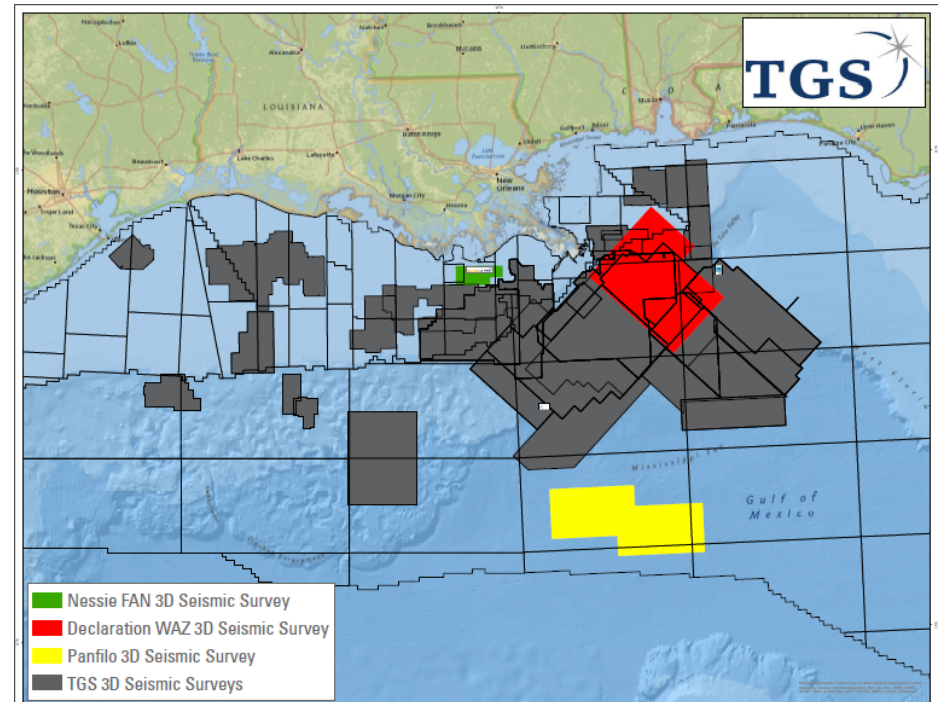
- **Snipe Phase 52** – 12,000 km multi-client 2D survey
  - Long offset, high resolution data in ultra deep water, extending to the U.S. – Mexico boundary
  - Supplements TGS' existing library in the region and provides critical well ties to a number of recent discoveries



# Q4 Activity – North America

## Central Gulf of Mexico

- **Panfilo** - 11,500 km<sup>2</sup> multi-client 3D survey commenced in Q4 2014
  - Deep water Lund and Henderson protraction areas of Central Gulf of Mexico
  - Survey covers mainly open acreage and targets future lease rounds
- **Declaration** - 6,000 km<sup>2</sup> multi-client M-WAZ survey commenced in Q4 2014
  - Mississippi Canyon and Viosca Knoll protraction areas of the Central Gulf of Mexico
  - Data being acquired orthogonal to TGS' underlying Justice WAZ 3D survey
  - Long offsets to 16 km with single pass vessel configuration derived from CGG's StagSeis™ technology
- **Nessie FAN™** - multi-client ocean bottom seismic survey commenced in Q3 2014
  - Survey covers a number of existing fields and exploratory acreage in the South Timbalier protraction area of Central Gulf of Mexico
  - Part of multi-year collaboration agreement with FairfieldNodal



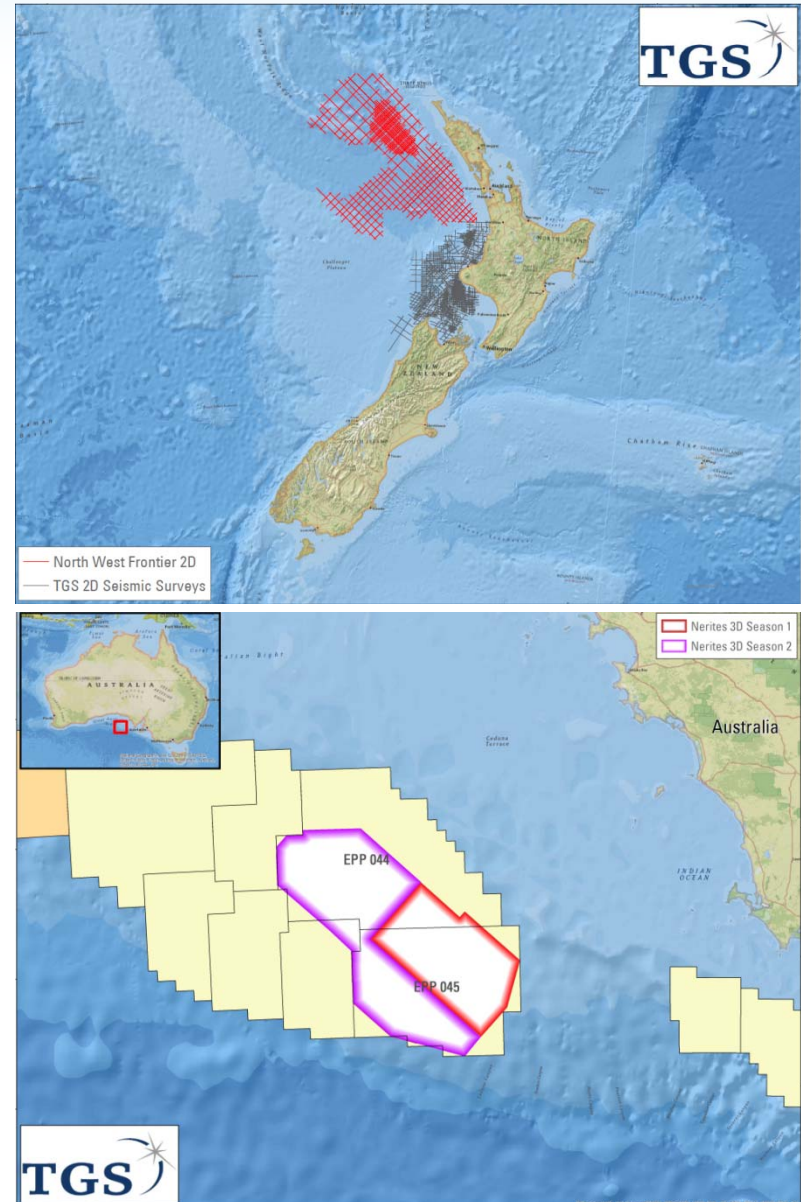
# Q4 Activity – Asia Pacific

## New Zealand

- **NWF14** - 17,500 km 2D multi-client survey
  - Within the Reinga, Northland and Taranaki basins, offshore Northwest New Zealand
  - Nine offshore permits granted to oil companies in Reinga-Northland, Taranaki, and the Pegasus basins as part of its 2014 block offer
  - Consultation process for 2015 block offer underway

## Australia

- **Nerites Season 2** – 13,000 km<sup>2</sup> multi-client 3D survey
  - Second season of the Nerites 3D seismic survey to fulfill work program commitment over EPP44 and EPP45 awarded November 2013
  - Prospective frontier acreage with block relinquishment expected in 2019
  - Solid prefunding but high amortization due to timing of relinquishments

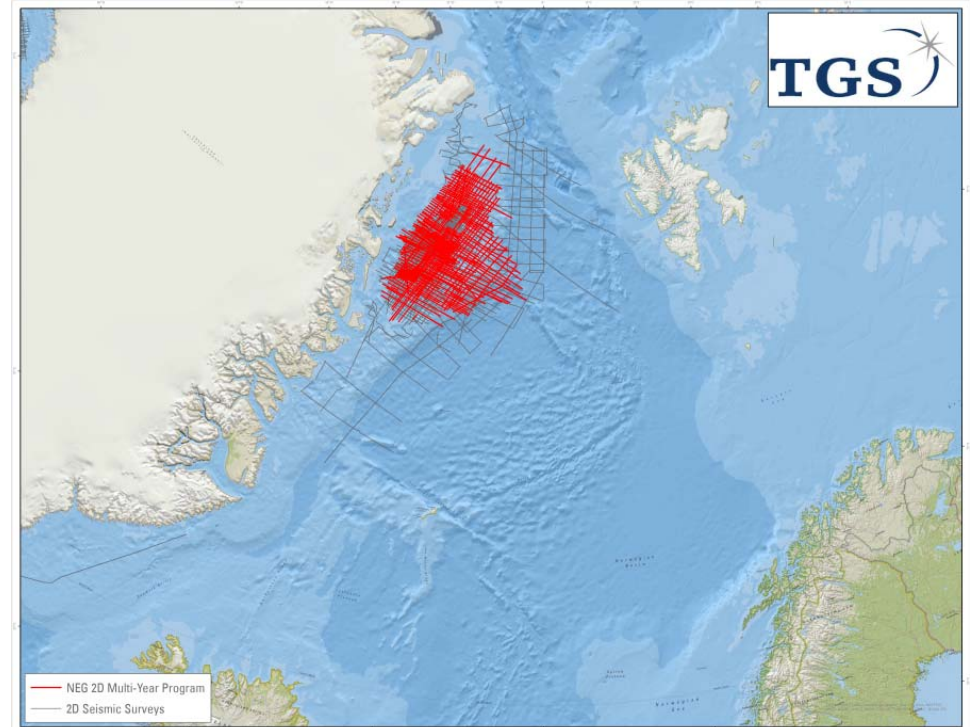




# Q4 Activity – Greenland

## Greenland

- **NE Greenland 2014** — 5,400 km multi-client 2D survey
  - Part of a 13,500 km multi-year program
  - Data being processed utilizing TGS' proprietary Clari-Fi™ broadband technology
  - Upon completion of the program TGS' 2D multi-client library in the region will total more than 36,000 km



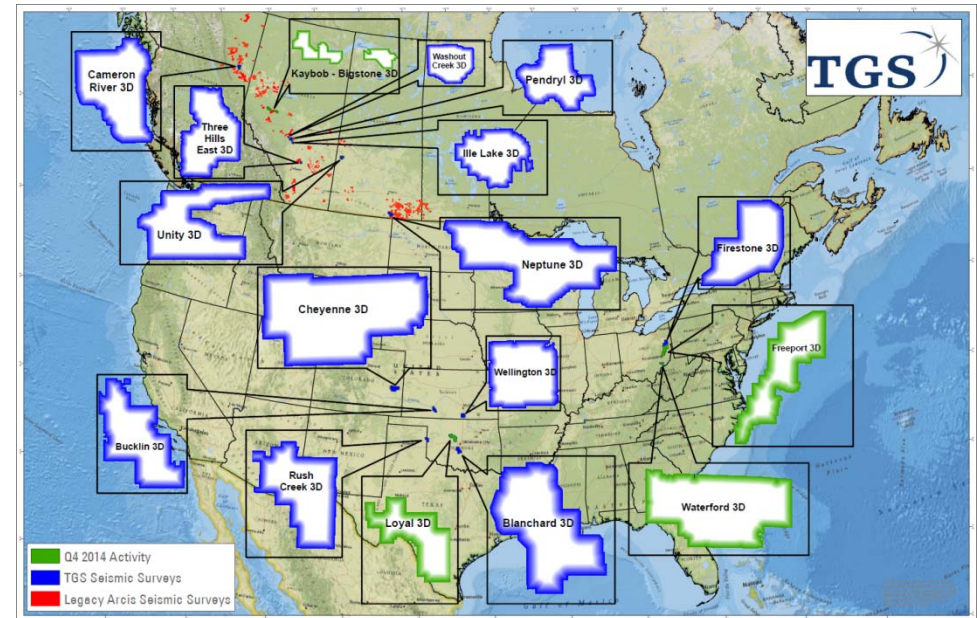
# Q4 Activity – North America Onshore

## U.S. Onshore

- **Waterford** – 295 km<sup>2</sup> 3D multi-client survey
  - Utica play, eastern Ohio
  - Acquisition completed in Q4 2014
- **Freeport** - 1,777 km<sup>2</sup> 3D multi-client survey
  - Utica play, central Ohio
  - Acquisition will complete in the second half of 2015
- **Loyal** – 1,526 km<sup>2</sup> 3D multi-client survey
  - STACK play, Oklahoma
  - Acquisition completed in Q4 2014

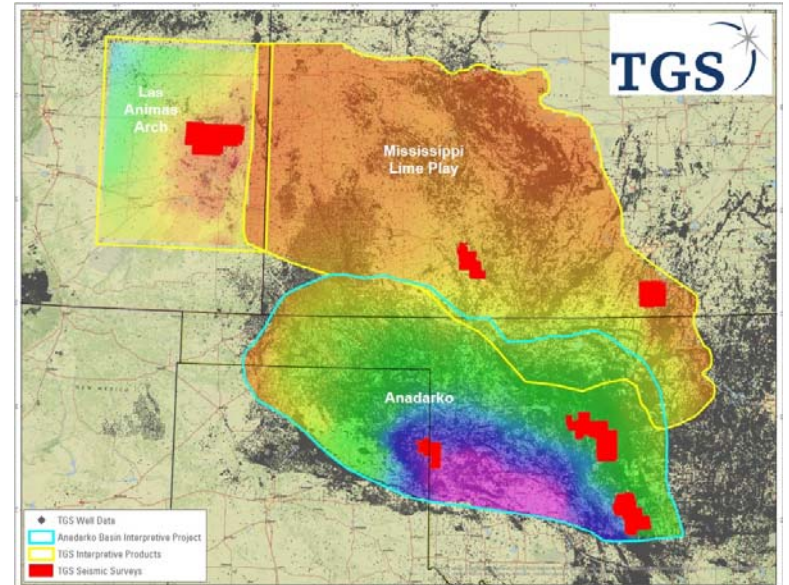
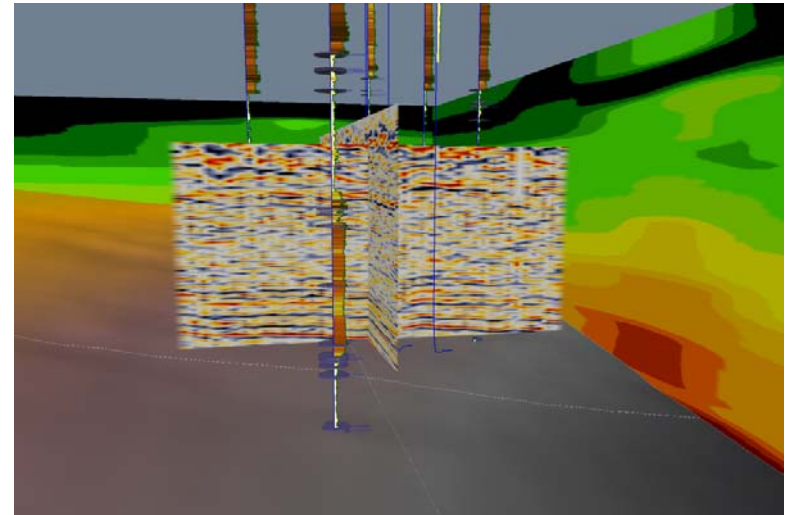
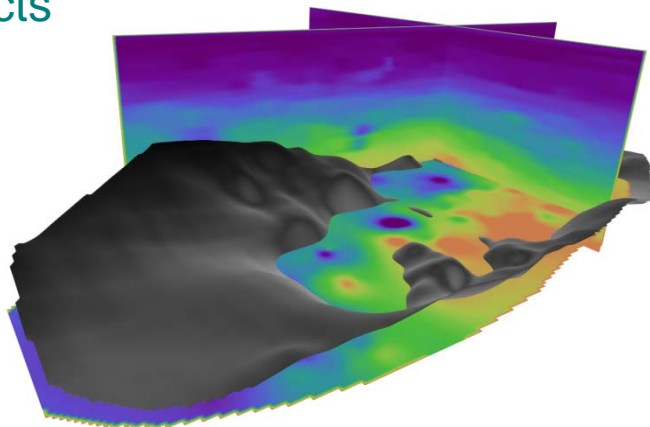
## Canada Onshore

- **Kaybob-Bigstone** - 722 km<sup>2</sup> 3D-3C multi-client survey
  - Duvernay fairway, West Central Alberta
  - Acquisition will complete in Q1 2015



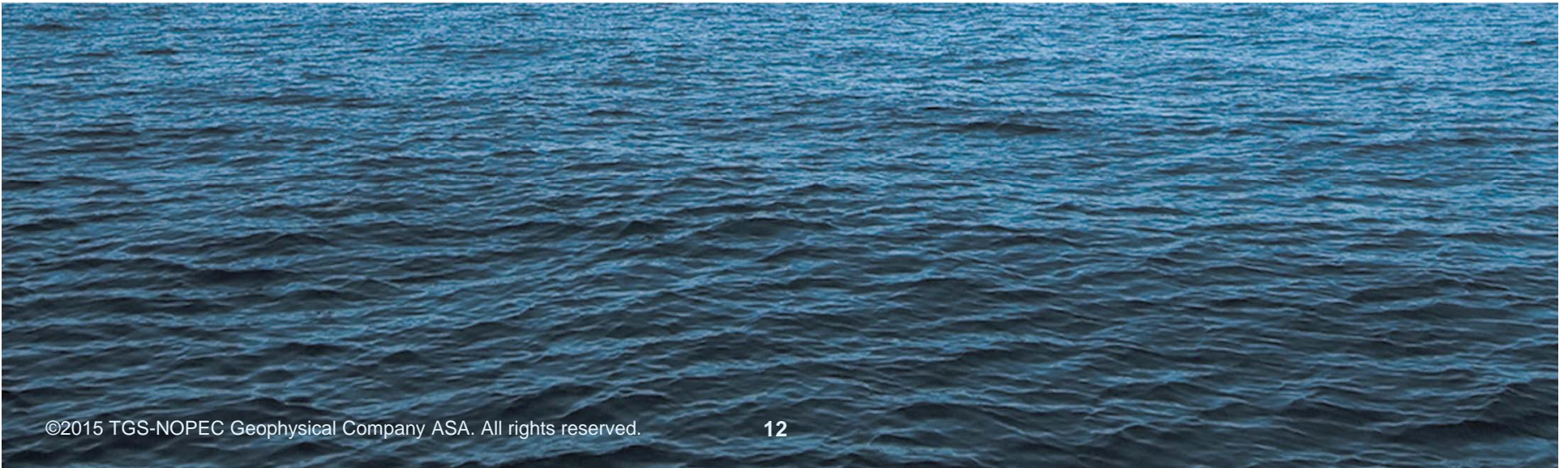
# Enhancing Value through Technology

- Interpretive project in the Anadarko Basin available to clients end Q1 2015
- Innovative approach to basin-wide multi-client interpretation to include:
  - Formation tops derived from well data
  - Data-driven temperature volume
  - Pressure volume
  - Total organic carbon (TOC) volume
- Complements TGS multi-client seismic and well data
- 11 basins now covered by TGS interpretive projects



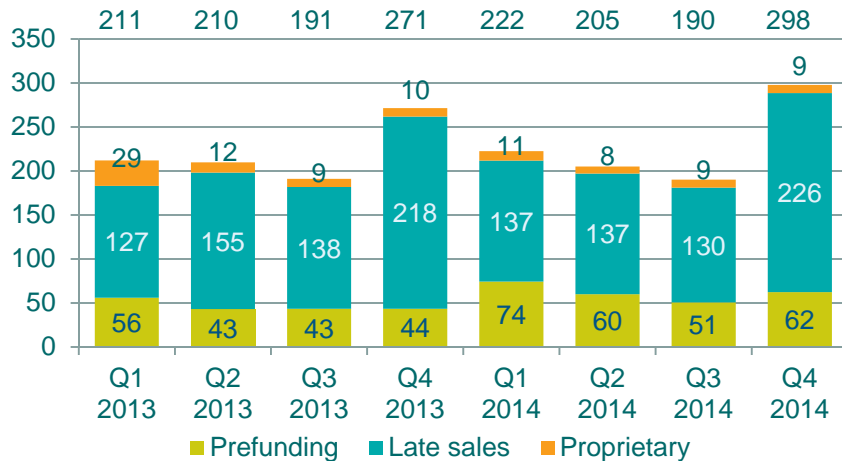


# Financials

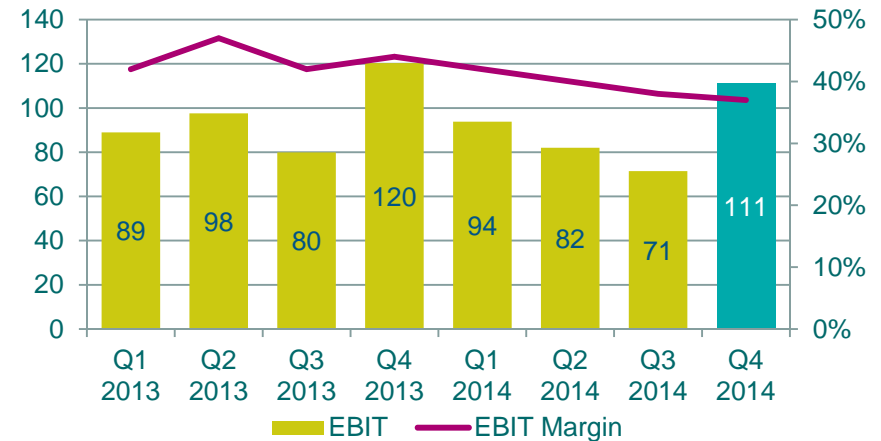


# Key Financials

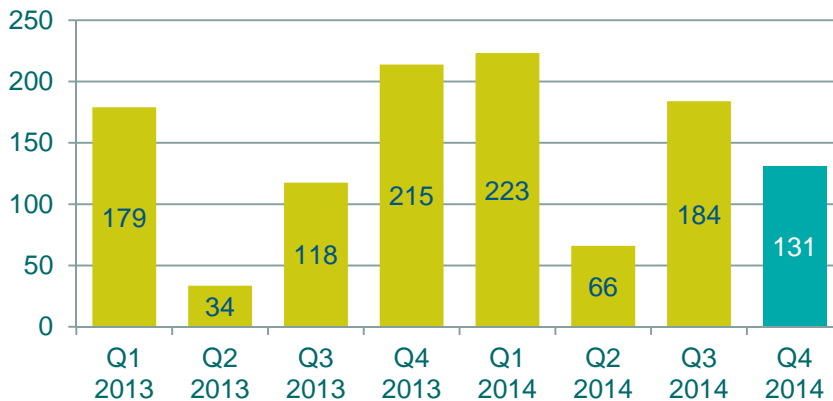
### Net Revenues



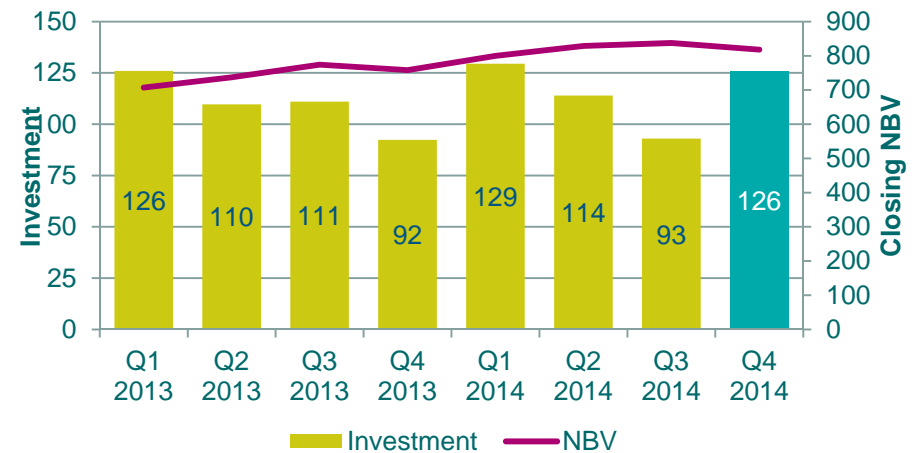
### EBIT before non-recurring items



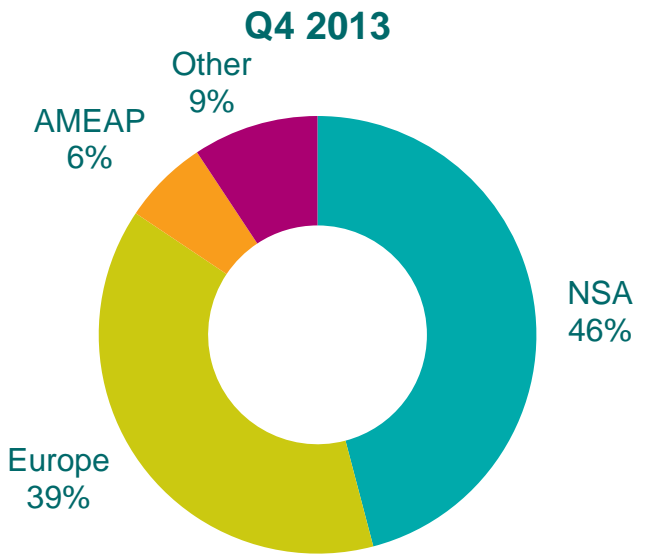
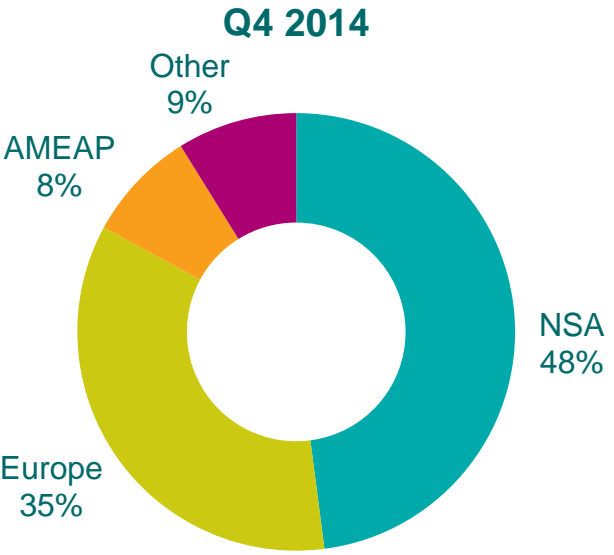
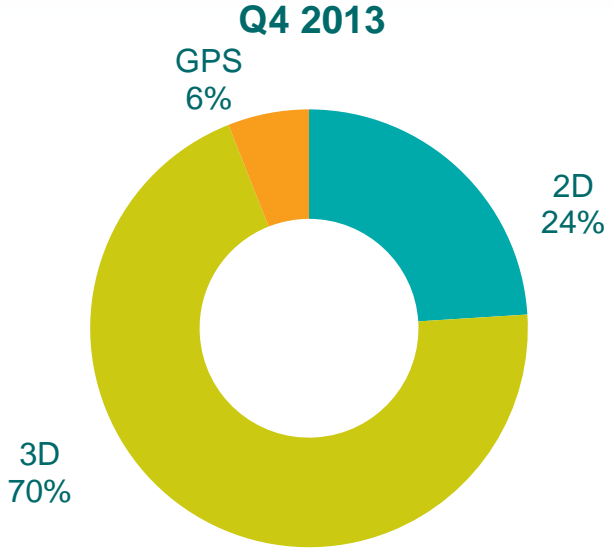
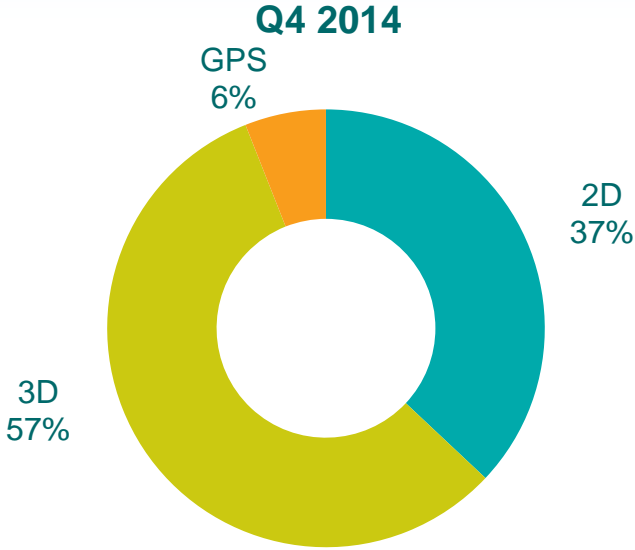
### Cash Flow from Operations



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



# Net Revenue Breakdown



# Q4 2014 Income Statement

USD million, except EPS	Q4 2014	Q4 2013	Change in %
<b>Net operating revenues</b>	<b>298</b>	<b>271</b>	<b>10%</b>
Cost of goods sold – proprietary and other	1	2	-29%
Amortization of multi-client library 49%	143	107	33%
<b>Gross margin</b>	<b>154</b>	<b>163</b>	<b>-5%</b>
Personnel costs	23	22	1%
Other operating expenses	24	14	76%
Cost of stock options	1	1	-9%
Impairment of Reservoir Solutions	54	-	
Depreciation	5	5	-17%
<b>Operating profit 16%</b>	<b>47</b>	<b>120</b>	<b>-61%</b>
Net financial items	(12)	(3)	-330%
<b>Profit before taxes 12%</b>	<b>36</b>	<b>118</b>	<b>-70%</b>
Tax expense	4	34	-89%
<b>Net Income 11%</b>	<b>32</b>	<b>84</b>	<b>-62%</b>
EPS, Undiluted	0.32	0.82	-61%
EPS, Fully Diluted	0.31	0.81	-62%

# Q4 2014 Cash Flow Statement

USD million	Q4 2014	Q4 2013	Change in %
<b>Received payments</b>	<b>166</b>	<b>239</b>	<b>-30%</b>
Payments for operational expenses	(35)	(33)	-6%
Paid taxes	0.4	9	95%
<b>Operational cash flow</b>	<b>131</b>	<b>215</b>	<b>-39%</b>
Received payments from sale of tangible assets	-	1	
Investments in tangible and intangible assets	(6)	(3)	-81%
Investments in multi-client library	(117)	(116)	-1%
Interest received	1	2	-53%
Interest paid	(0.5)	(0.02)	-2205%
Purchase of treasury shares	(8)	(5)	-66%
Proceeds from share offerings	0.3	0.1	274%
<b>Change in cash balance</b>	<b>1</b>	<b>94</b>	<b>-99%</b>



# YTD 2014 Income Statement

USD million, except EPS	YTD 2014	YTD 2013	Change in %
<b>Net operating revenues</b>	<b>915</b>	<b>883</b>	<b>4%</b>
Cost of goods sold – proprietary and other	4	20	-80%
Amortization of multi-client library 45%	397	330	20%
<b>Gross margin</b>	<b>514</b>	<b>534</b>	<b>-4%</b>
Personnel costs	88	81	9%
Other operating expenses	56	45	24%
Cost of stock options	5	4	13%
Impairment of the Reservoir Solutions net assets	54	-	
Depreciation	16	16	0%
<b>Operating profit 32%</b>	<b>295</b>	<b>387</b>	<b>-24%</b>
Net financial items	(6)	(6)	-12%
<b>Profit before taxes 32%</b>	<b>288</b>	<b>381</b>	<b>-24%</b>
Tax expense	72	112	-36%
<b>Net Income 24%</b>	<b>216</b>	<b>269</b>	<b>-20%</b>
EPS, Undiluted	2.12	2.63	-19%
EPS, Fully Diluted	2.09	2.59	-19%

# YTD 2014 Cash Flow Statement

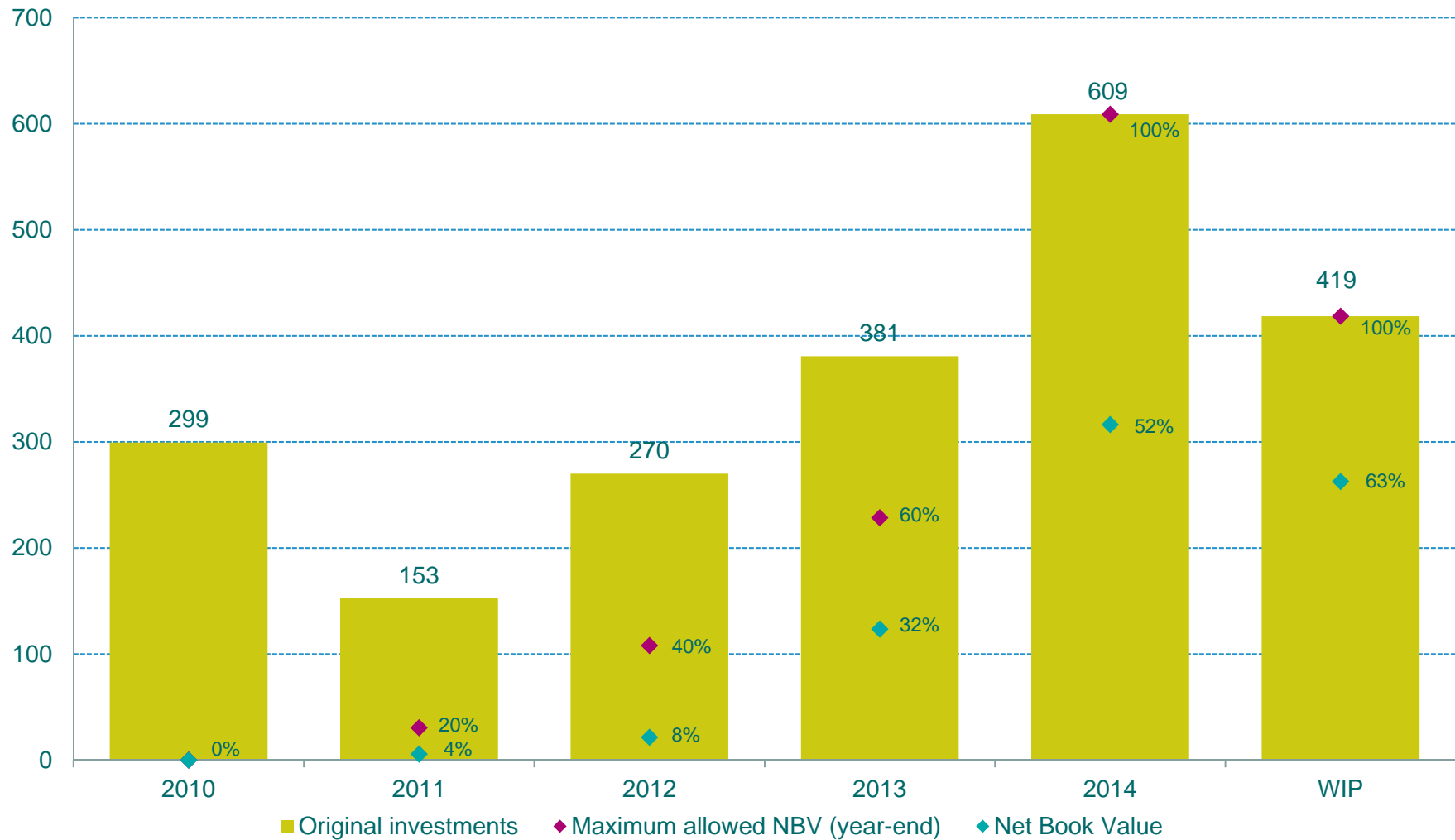
USD million	YTD 2014	YTD 2013	Change in %
<b>Received payments</b>	<b>859</b>	<b>812</b>	<b>6%</b>
Payments for operational expenses	(140)	(145)	4%
Paid taxes	(114)	(124)	8%
<b>Operational cash flow</b>	<b>605</b>	<b>543</b>	<b>11%</b>
Received payments from sale of tangible assets	-	1	-100%
Investments in tangible and intangible assets	(27)	(39)	31%
Investments in multi-client library	(437)	(422)	-3%
Proceeds from sale of short-term investments	5	-	N/A
Interest received	6	7	-15%
Interest paid	(0.8)	(3)	77%
Dividend payments	(145)	(142)	-2%
Purchase of own shares	(24)	(5)	-384%
Proceeds from share offerings	3	3	14%
<b>Change in cash balance</b>	<b>(15)</b>	<b>(59)</b>	<b>-76%</b>

# Balance Sheet

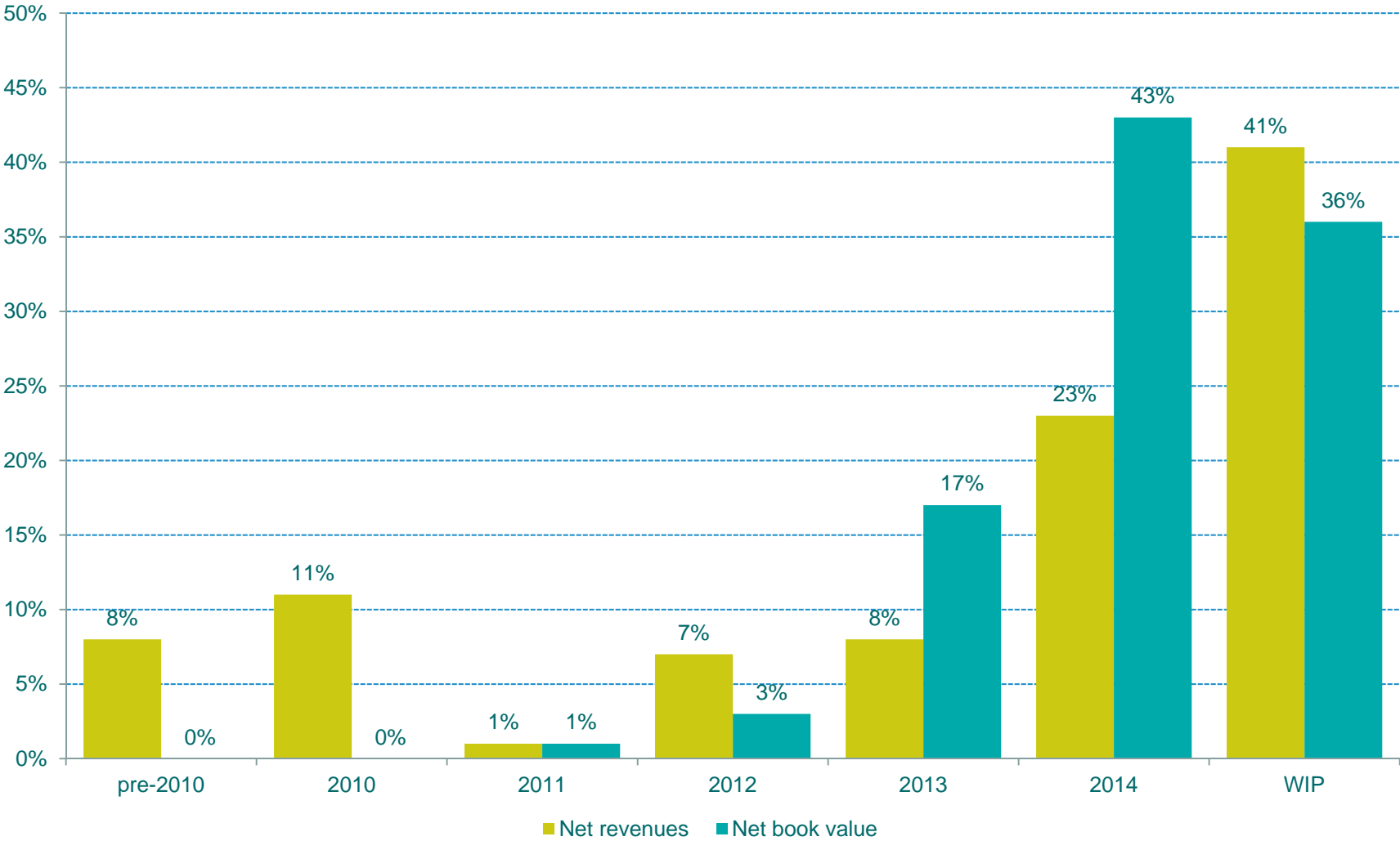
USD million	Q4 2014	Q3 2014	Change in %	Q4 2013
<b>Assets</b>				
Cash equivalents	256	264	-3%	281
Financial investments available for sale	-	-		4
Other current assets	521	365	43%	447
<b>Total current assets</b>	<b>778</b>	<b>629</b>	<b>24%</b>	<b>731</b>
Intangible assets and deferred tax asset	85	137	-38%	138
Other non-current assets	44	53	-18%	56
Multi-client library	818	837	-2%	758
Fixed assets	43	53	-18%	53
<b>Total Assets</b>	<b>1,768</b>	<b>1,710</b>	<b>3%</b>	<b>1,736</b>
<b>Liabilities</b>				
Current liabilities	393	317	24%	342
Non-current liabilities	7	19	-63%	17
Deferred tax liability	29	56	-49%	85
<b>Total Liabilities</b>	<b>428</b>	<b>392</b>	<b>9%</b>	<b>443</b>
<b>Equity</b>	<b>1,339</b>	<b>1,318</b>	<b>2%</b>	<b>1,293</b>
<b>Total Liabilities and Equity</b>	<b>1,768</b>	<b>1,710</b>	<b>3%</b>	<b>1,736</b>

*The Company holds no interest-bearing debt*

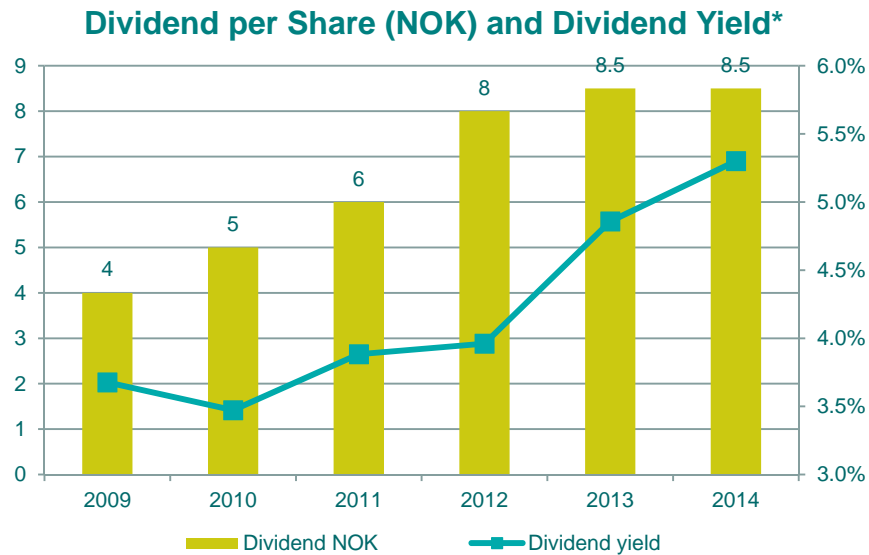
# Investments per Vintage



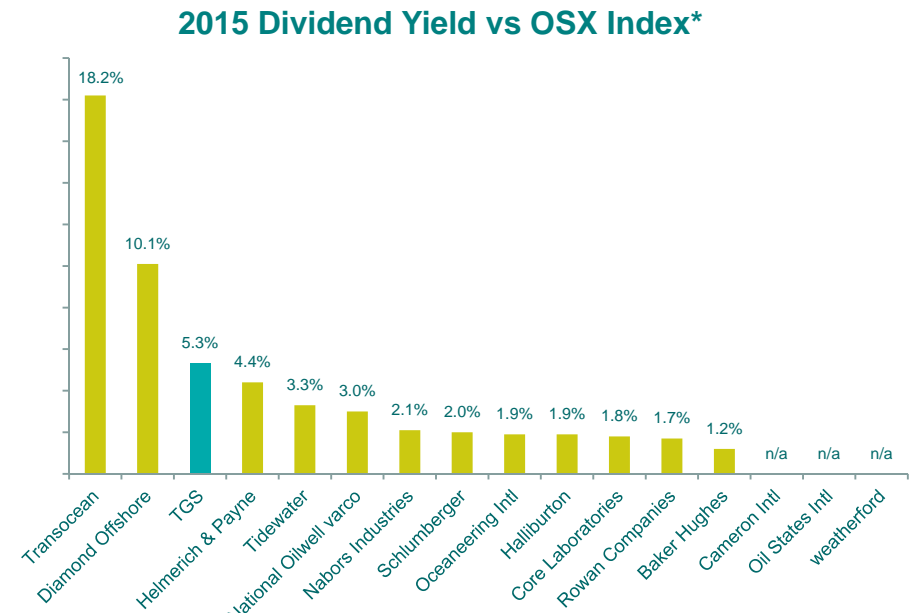
# Net Revenues vs. Net Book Value per Vintage



# Strong Cash Generation Delivers Shareholder Value



\* Dividend yield calculated based on share price at day of announcement except for 2014 when share price was based on January 6, 2015 close

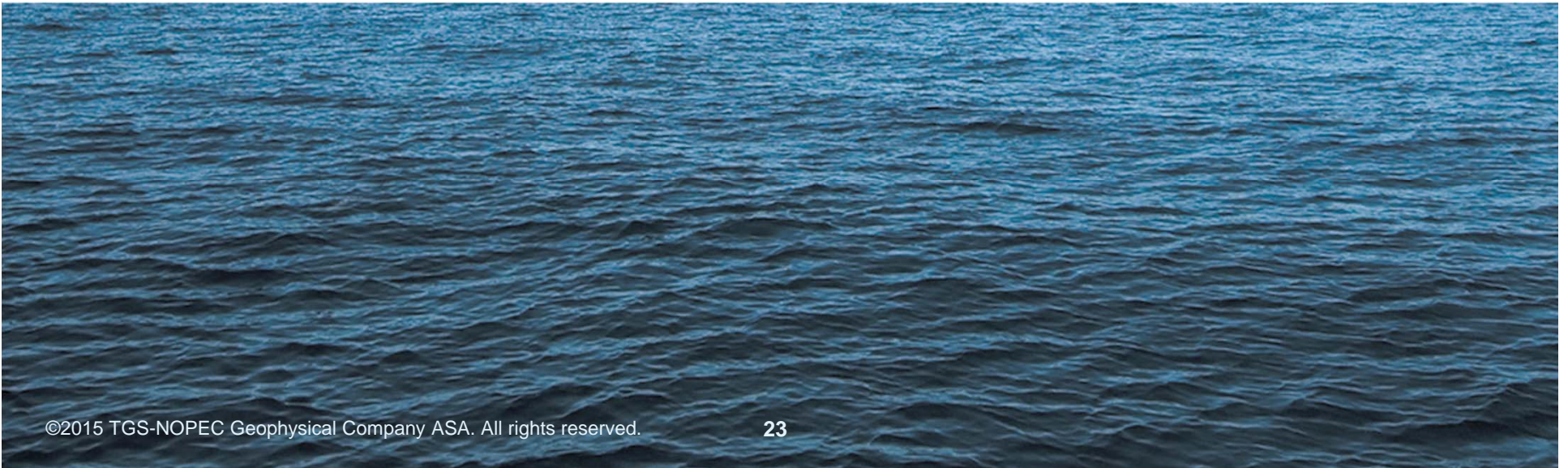


\* The OSX Index (PHLX Oil Service Sector Index) is a price weighted index composed of companies involved in the oil services sector

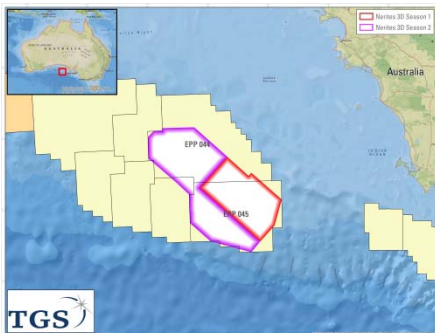
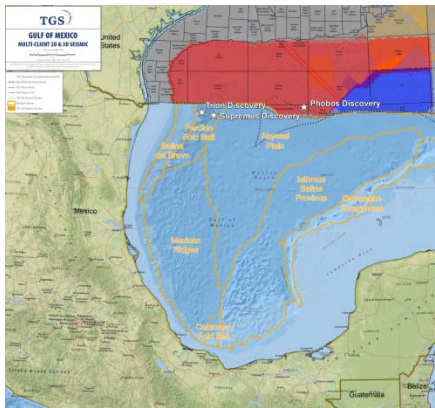
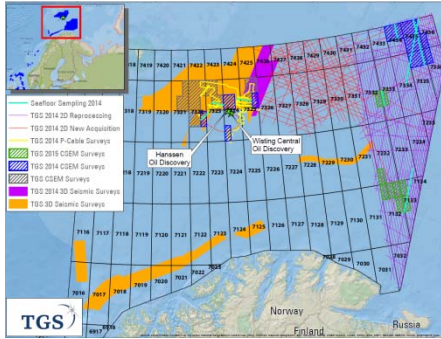
- The Board proposes a dividend of NOK 8.5 per share to the AGM in May 2015
- In addition to a dividend, the Board authorized in 2014 a share buy back program of USD 30 million of which approximately USD 26 million has been implemented to date. The remaining USD 4 million will be purchased under the current authorization.



# Outlook



# Outlook



## ■ Macro Outlook

- Recent oil price development to result in decreased exploration spend from customers

## ■ EUR

- Norwegian 23rd Licensing Round bids due 2 December 2015
- Further CSEM investment in partnership with EMGS
- 2015 season of Greenland 13,500 km multi-year program to commence in Q3

## ■ NSA

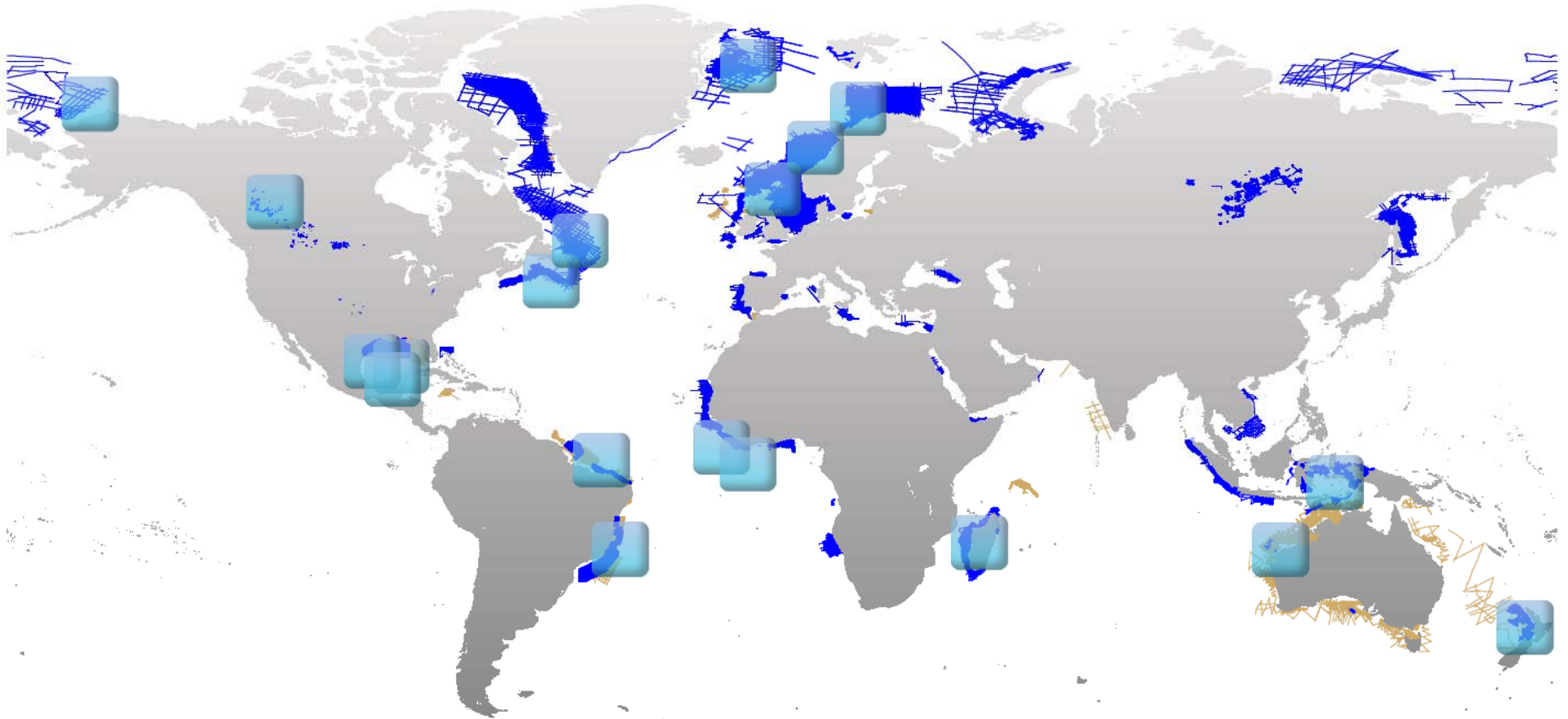
- BOEM five-year plan (2017-2022) proposal includes 10 lease sales in GOM and one Atlantic lease sale
- TGS positioning for high GOM lease turnover 2017 - 2019
- Continued strong interest in Newfoundland Labrador's scheduled land tender system
- Vessels secured for entry into Mexico (subject to permit)
- Three onshore projects announced for 2015

## ■ AMEAP

- 13,000 km<sup>2</sup> Nerites Season 2 expected to complete in Q2 2015
- 17,500 km 2D multi-client survey in Northwest New Zealand to complete in Q2 2015
- Awaiting further Africa license round announcements



# License Round Activity and TGS Positioning



## North & South America

- Central GOM – Mar 2015 (5-Year Plan)
- Western GOM – Aug 2015 (5-Year Plan)
- Alaska Offshore - 2016 & 2017 (5-Year Plan)
- Newfoundland & Labrador – Scheduled Land Tenure system
- Nova Scotia – 2015, 2016 & 2017 (3-Year Plan)
- Canada Onshore – at least monthly
- Brazil - 2015 (expected)
- Mexico – 2015 (Round 1 phased across 2015)

## Africa, Middle East, Asia Pacific

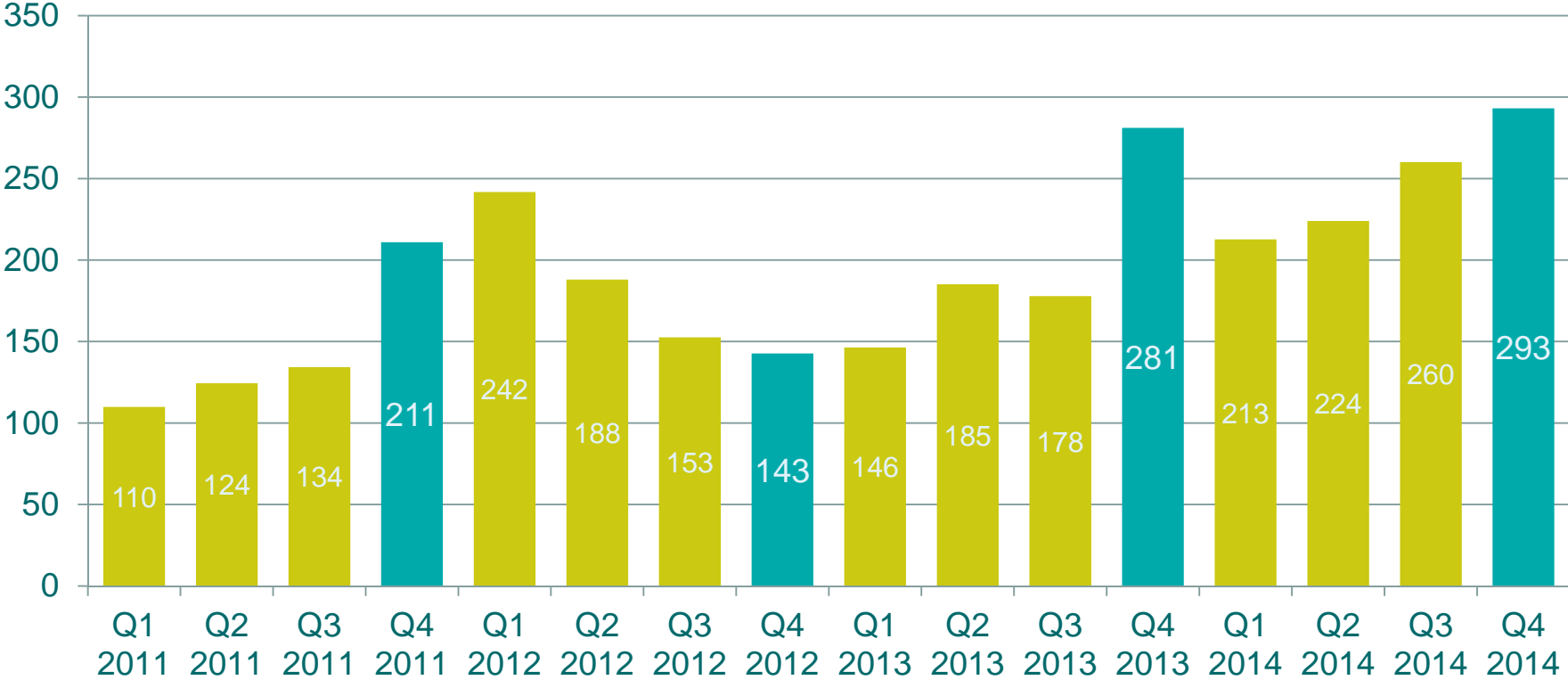
- Madagascar – 2015 (expected)
- Sierra Leone – 2015 (expected)
- Liberia Harper Basin - 2015 (expected)
- Australia – Feb 2015 & Apr 2015 (bids due)
- Indonesia – 2015 (expected)
- New Zealand – Sept 2015 (bids due)

## Europe / Russia

- Norway APA – 2014 Round awards announced in Q1 2015
- Norway 23<sup>rd</sup> Round – 2H 2015 (bids due)
- United Kingdom – 2016 (expected)
- Greenland – three rounds planned 2016-18

# Backlog

## Historical Backlog (MUSD) 2011 - 2014



# 2015 Projects Schedule



		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
3D & WAZ	Sanco Swift	Australia											
	Sanco Sword	Australia											
	Polarcus Adira	Gulf of Mexico											
	CGG StagSeis™ Crew	Gulf of Mexico											
OBN	Ogo FAN	Gulf of Mexico JV											
	Nessie FAN	Gulf of Mexico											
2D & Other	Akademik Shatskiy							Greenland					
	Atlantic Guardian (CSEM)	NW Eur EMGS JV											
	Aquila Explorer	New Zealand											
	Osprey Explorer	Gulf of Mexico											
	PGS JV						Canada (provisional, to be confirmed)						
Land Crew	Canada Crew	Kaybob-Bigstone											
	Ohio Crews (2)	Freeport											
	Oklahoma Crew			Blanchard									

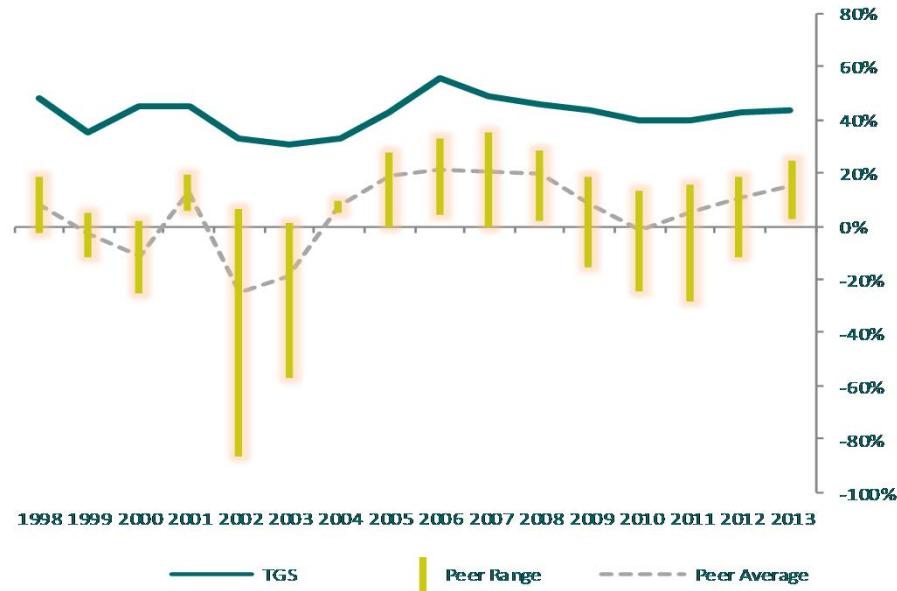
Letter of Award with Seabird Exploration provides access to up to six seismic vessels over a period of approximately 36 months in Mexico and US Atlantic waters (subject to issuance of seismic acquisition permits from relevant authorities)

# Summary

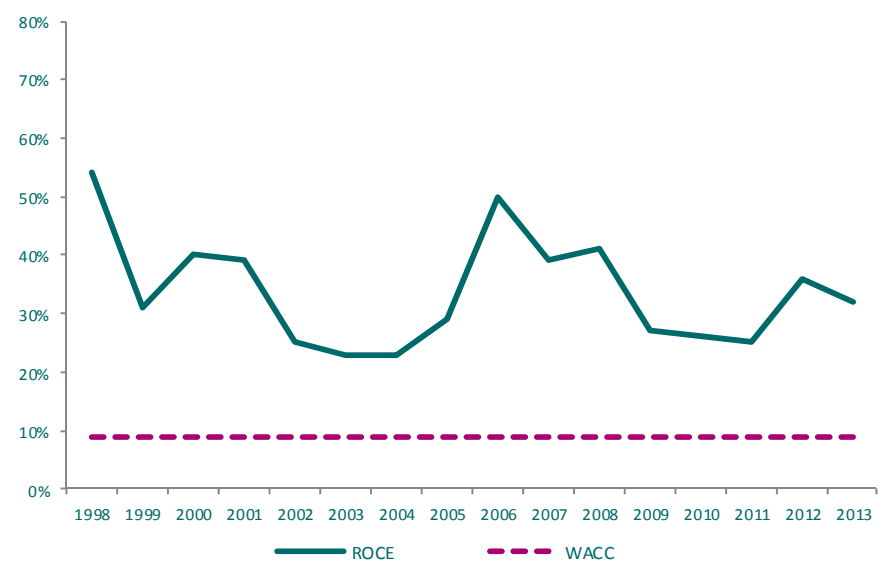
- Record Q4 net revenues of 298 MUSD with highest ever net late sales of 226 MUSD
- Full year 2014 Guidance achieved with net revenues of 915 MUSD
- Full year 2014 investment of 462 MUSD
- Recent oil price development to result in decreased exploration spend from customers
- However, long-term future of asset-light, focused multi-client business remains strong and TGS has record high backlog entering into 2015
- Guidance for 2015
  - TGS expects multi-client investments of approximately 420 MUSD and additional Capex of 15 MUSD
  - TGS targets revenues of approximately 750 MUSD
  - TGS targets an EBIT of approximately 260 MUSD
  - The Board will propose to the AGM in May a dividend of NOK 8.5 per share

# TGS Performs in all Cycles

EBIT margin vs. Seismic peers

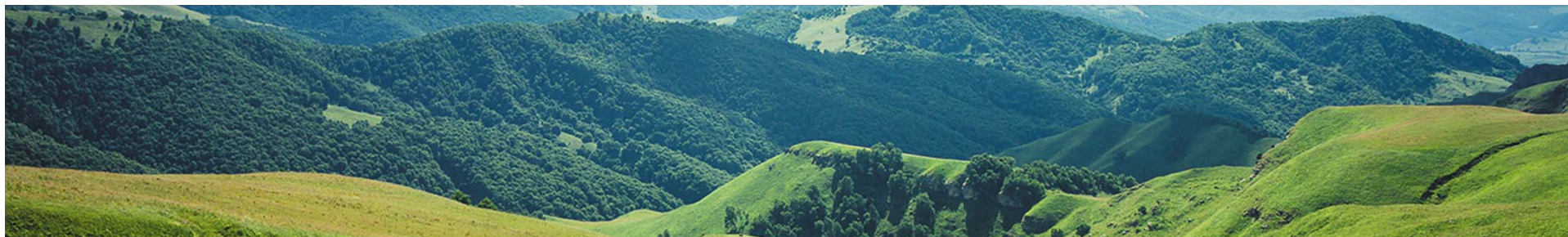


Return on Capital Employed



- 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, Geokinetics, ION Geophysical, PGS, Western Geco, Dolphin, Polarcus  
Source Platou Markets and TGS



**Thank you**

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

