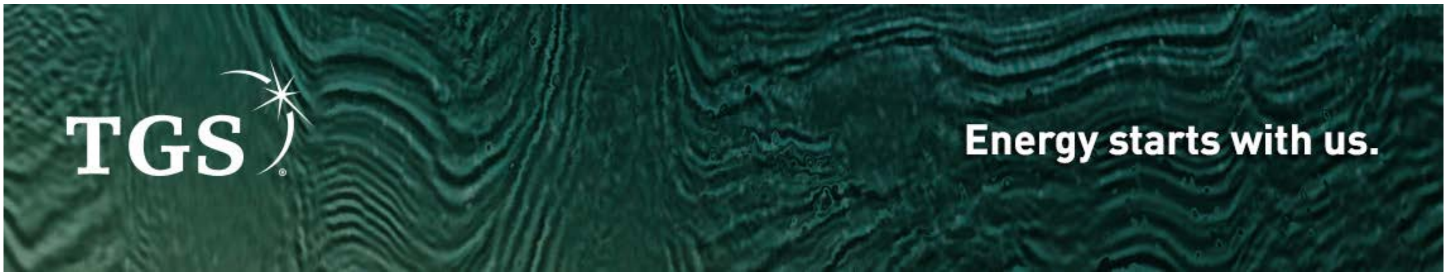


TGS EARNINGS RELEASE
2nd QUARTER 2018 RESULTS

2nd QUARTER 2018 FINANCIAL HIGHLIGHTS – SEGMENT REPORTING

(All amounts in USD 1,000 unless noted otherwise)	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Net operating revenues	**157,842**	**107,671**	**292,601**	**193,826**
-Net prefunding revenue	20,575	27,222	38,177	42,561
-Net late sales revenue	135,786	78,654	250,651	147,515
-Net proprietary revenue	1,481	1,795	3,773	3,749
Operating profit	**54,212**	**18,107**	**79,114**	**20,012**
-Operating profit margin	34%	17%	27%	10%
Pre-tax profit	**55,862**	**16,979**	**80,555**	**19,704**
Net income	**46,276**	**9,600**	**59,457**	**11,167**
EPS (fully diluted) (USD)	0.45	0.09	0.58	0.11
Operational investments in new projects	**56,203**	**59,367**	**86,986**	**117,783**
-Prefunding % on operational investments	37%	46%	44%	36%
Risk-sharing investments	**3,718**	**1,954**	**7,204**	**6,878**
Non-operational investments	**0**	**0**	**0**	**5,946**
Amortization	73,737	69,019	157,365	130,835
MC library net book value	**735,839**	**812,173**	**735,839**	**812,173**
Return on average capital employed[1]	17%	8%	17%	8%
Cash flow from operating activities	127,789	53,102	230,493	237,622
Free cash flow (after MC investments)	54,509	11,721	125,340	85,900
Cash balance	**337,514**	**239,315**	**337,514**	**239,315**

- Continued improvement in late sales – year-on-year growth of 73%
- Robust profitability – highest quarterly operating profit in four years
- Strong cash flow strengthens balance sheet further
- Quarterly dividend of USD 0.20 per share
- Outlook continues to improve – but market expected to remain volatile in the near-term
- 2018 guidance maintained:
    - 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%

[1] Trailing 12 months

CHANGE OF ACCOUNTING PRINCIPLES

TGS-NOPEC Geophysical Company ASA (TGS) and its subsidiaries have implemented the new revenue recognition standard, IFRS 15, effective January 1, 2018 as the external financial reporting method. This change impacts the timing of revenue recognition and amortization related to projects that are not yet completed. TGS will, for internal management reporting purposes, continue to use the revenue recognition principles applied historically. The numbers used for management reporting are referred to as "Segment reporting" in this report. See Note 2 for description of basis for preparation. See Note 7 for a description of the change in revenue recognition resulting from the implementation of IFRS 15. TGS will not restate prior periods.

FINANCIALS – SEGMENT REPORTING

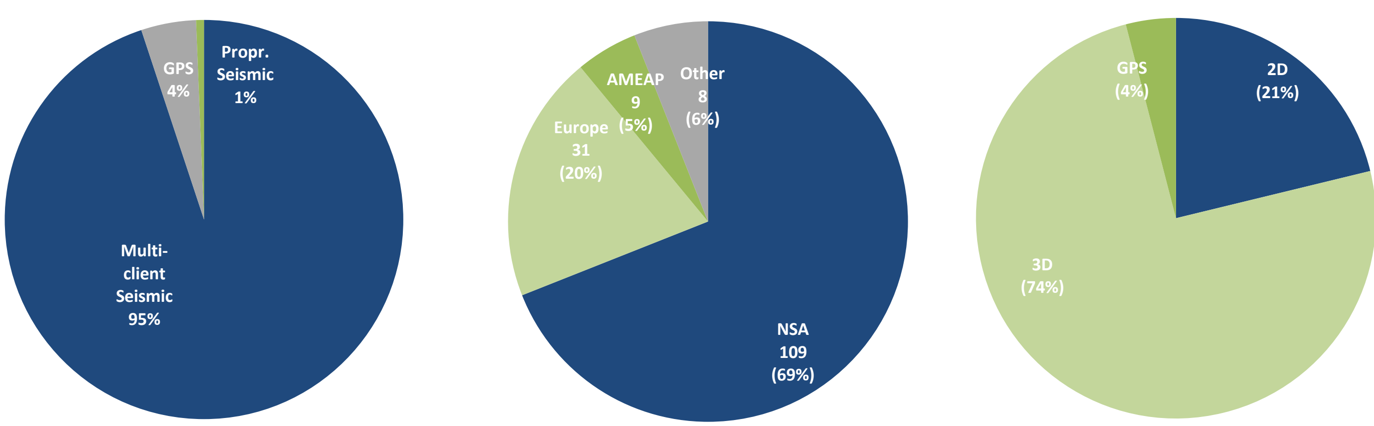
For internal reporting purposes TGS is using segment reporting with net revenues for projects in progress recognized based on Percentage of Completion. The discussion and analysis in this section are based on segment reporting.

Net operating revenues

Net operating revenues for Q2 2018 amounted to USD 157.8 million, an increase of 47% compared to the USD 107.7 million recognized in Q2 2017. Net pre-funding revenues totaled USD 20.6 million in the quarter versus USD 27.2 million in Q2 of last year. In Q2 2018 the net pre-funding revenues funded 37% of the USD 56.3 million of operational investments in the multi-client library. In the corresponding quarter of last year 46% of the operational multi-client investments of USD 59.4 million were pre-funded. In addition to the operational multi-client investments, the Company recognized investments related to risk sharing arrangements of USD 3.7 million in Q2 2018, compared to USD 1.9 million in Q2 last year.

Net late sales for the quarter amounted to USD 135.8 million, a growth of 73% compared to the USD 78.7 million booked in Q2 2017. Proprietary contract revenues declined by 17% to USD 1.5 million from USD 1.8 million in Q2 2017.

Revenue distribution



Source: TGS

Operational costs

The amortization of the multi-client library for Q2 2018 amounted to USD 73.7 million, which is up from USD 69.0 million in Q2 2017.

Cost of goods sold (COGS) was USD 0.1 million for the quarter, compared to USD 0.3 million in Q2 2017. Personnel costs in the quarter were USD 18.4 million compared to USD 11.8 million in Q2 2017. The increase is primarily due to higher costs related to performance-linked employee incentive plans. Other operating expenses were USD 9.1 million in Q2 2018 compared to USD 6.0 million in Q2 2017. The increase mainly relates to bad debt accruals of USD 2.1 million.

EBITDA and EBIT

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for Q2 2018 was USD 130.2 million, corresponding to a margin of 82.5%. In Q2 2017 EBITDA was USD 89.5 million, corresponding to a margin of 83.1%. Operating profit (EBIT) for the quarter amounted to USD 54.2 million, which is up from USD 18.1 million in Q2 2017.

Financial items

Net financial items totaled USD 1.6 million compared to USD -1.1 million in Q2 2018. The Company recorded a net currency exchange loss of USD 0.5 million in Q2 2018, mainly because of the depreciation of the USD versus NOK. 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.

Based on the reduced corporate income tax rate in Norway (23% in 2018) and in the US (21% in 2018), TGS has assessed the normalized operating consolidated tax rate to be at approximately 23% for 2018.

The tax rate reported for the quarter is at 17% compared to 43% last year. The low tax rate is mainly 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 Q2 2018 was USD 46.3 million (29% of net revenues), up from USD 9.6 million in Q2 2017. Quarterly earnings per share (EPS) were USD 0.45 fully diluted (USD 0.45 undiluted), which is up from USD 0.09 fully diluted (USD 0.09 undiluted) in Q2 2017.

Cash flow

Net cash flow from operations for the quarter, after taxes and before investments, totaled USD 127.8 million compared to USD 53.1 million in Q2 2017. Free cash flow amounted to USD 54.5 million versus USD 11.7 million in Q2 2017.

The Company's total cash holdings increased by USD 35.7 million during the quarter and totaled USD 337.5 million as of 30 June 2018, compared to USD 239.3 million at 30 June 2017.

Multi-client library

The net book value of the multi-client library was USD 735.8 million as of 30 June 2018 compared to USD 812.2 million at 30 June 2017. Combined operational multi-client investments and risk-share investments amounted to USD 59.9 million in Q2 2018 (USD 61.3 million in Q2 2017), while amortization was USD 73.7 million (USD 69.0 million in Q2 2017) (see note 5 to the interim financial statements).

Backlog

TGS' backlog amounted to USD 86 million at the end of Q2 2018, an increase of 16% from Q1 2018 and 32% lower than at the end of Q2 2017.

FINANCIALS - IFRS REPORTING

Following the implementation of the IFRS 15 accounting standard from 1 January 2018, the IFRS accounts are no longer the same as the accounts used for internal reporting. The discussion and analysis in this section are based on IFRS reporting.

Key figures - IFRS reporting[2]

(All amounts in USD 1,000 unless noted otherwise)	Q2 2018	Q2 2017[2]	YTD 2018	YTD 2017
Net operating revenues	**121,539**	**107,671**	**228,261**	**193,826**
Operating profit	**38,331**	**18,107**	**46,405**	**20,012**
-Operating profit Margin	32%	17%	20%	10%
Pre-tax profit	**39,981**	**16,979**	**47,846**	**19,704**
Net income	**30,395**	**9,600**	**26,748**	**11,167**
EPS (fully diluted) (USD)	0.29	0.09	0.26	0.11
Amortization	53,315	69,019	125,734	130,835
MC library ending net book value	**846,302**	**812,173**	**846,302**	**812,173**
Equity ratio	**74%**	**81%**	**74%**	**81%**

Income statement

Net revenues amounted to USD 121.5 million in Q2 2018, compared to USD 107.7 million in Q2 2017. Amortization of the multi-client library was USD 53.3 million versus USD 69.1 million in Q2 2017.

Operating profit totaled USD 38.3 million in Q2 2018 compared to USD 18.1 million in Q2 2017.

Net income amounted to USD 30.4 million in the quarter, while the same quarter of 2017 showed USD 9.6 million. This resulted in a fully diluted EPS of 0.29 compared to USD 0.09 in Q2 2017.

Balance sheet

The net book value of the multi-client library was USD 846.3 million as of 30 June 2018 compared to USD 812.2 million at 30 June 2017.

[2] 2017 numbers are not restated

Total equity as of 30 June 2018 was USD 1,138.1 million, 74% of total assets. On 30 June 2017 total equity amounted to USD 1,160.9 million (81% of total assets). A total of 129,500 new shares were issued during Q2 2018 in relation to stock options exercised by key employees in May 2018. As of June 2018, TGS held 116,180 treasury shares.

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 Q3 2018. The dividend will be paid in the form of NOK 1.62 per share on 23 August 2018. The share will trade ex-dividend on 9 August 2018.

OPERATIONAL HIGHLIGHTS

TGS had four 3D seismic vessels (two operated under joint venture agreements) and two multibeam vessels in operation in Q2 2018. In addition, TGS had one onshore crew operating in the Permian and two in the SCOOP/STACK.

In early June TGS continued acquisition of the expanded Atlantic Margin 3D survey in the central-southern Norwegian Sea, now covering more than 45,500 km^2. The survey 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.

June also saw the commencement of the Nansen 3D, a joint venture survey with PGS, covering 6,100 km^2 in an active APA area of the Hammerfest Basin in the Barents Sea. The project is designed to improve the imaging of the known fields and discoveries, allowing identification and development of new targets in both mature and new plays.

In June, acquisition was completed on the 6,172 km^2 Alonso 3D multi-client survey located in the Atwater Valley and Lloyd Ridge protraction areas of the US Gulf of Mexico. The survey further extends TGS' seismic coverage from the core Mississippi Canyon area to a more frontier area that is experiencing renewed interest from E&P companies.

Through Q2 2018 TGS continued with the acquisition of 200,000 km^2 multibeam data in Brazil as part of its Brazil Southern Basins SeaSeep project that also includes coring and geochemistry analysis. The project is designed to mirror the successful Gigante and Otos SeaSeep projects in the Gulf of Mexico, with final results available in late 2019.

In late May, acquisition on the 8,000 km^2 Tablelands 3D survey commenced in partnership with PGS. The survey is located in the Newfoundland area of the Flemish Pass and Orphan Basins in East Canada, a region that continues to see high levels of customer interest. In June, TGS and PGS announced that a second vessel, the Ramform Sterling, will be allocated to the 2018 East Canada acquisition program. The vessel will acquire a minimum 2,700 km^2 of 3D seismic, including additional data within the 2017 Harbour Deep and Cape Broyle 3D survey outlines.

In the Permian, acquisition of the 464 km^2 Sanderson onshore 3D multi-client survey was completed in April. Combined with TGS' West Kermit 3D, West Lindsey 3D and extensive geological products database, the Company now has a strong library position in this important region.

TGS had another active quarter in the SCOOP/STACK play fairway, completing acquisition of the 777 km^2 Hackberry Complex onshore 3D project and starting acquisition of the 1,166 km^2 Canton onshore 3D project. TGS expects to continue acquiring data in this region throughout 2018.

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 14,000 new digital well logs, 1,700 new enhanced digital well logs and 108,000 new Validated Well Headers. New well data was added to the TGS inventory in many of the 36 countries where TGS supplies well data to clients, most notably in Mexico where TGS has been authorized by the National Hydrocarbons Commission (CNH) to process and deliver high-quality, high-value well data products to companies exploring in offshore and onshore Mexico. 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.

OUTLOOK

The global multi-client seismic market has been on an improving trend for more than a year now. The main driver behind the improvement is the increased cash flow of the E&P companies, caused by a combination of a higher oil price and lower costs. TGS's strong Q2 was partly a result of high regional license round activity combined with a pick-up in activity related to acreage turnover and farm-ins particularly among independents and smaller E&P companies. These triggering events fluctuate from quarter to quarter, therefore short-term volatility continues to be high. However, TGS believes that, with oil price continuing well above the level budgeted by most E&P companies, additional funds may be available for exploration spending by our customers at the end of the year.

The drivers for increased exploration spending in the long-term remain intact. The amount of new commercially viable hydrocarbon resources discovered around the world is currently too low for replacing the declining production from existing fields as well as meeting the growing demand. Combined with the efficiency gains realized across the oil & gas industry during the downturn, this should lead to substantial increases in E&P companies' exploration budgets.

TGS is well positioned to benefit from improved market conditions. During the past few years TGS has taken advantage of the industry downturn to acquire high volumes of data at record-low unit cost, boding well for increased profitability and return on capital going forward.

TGS reiterates guidance for 2018 as follows:

- New multi-client investments[3] 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[3] expected to be approximately 45-50%

[3] New multi-client investments excluding investments related to surveys with risk sharing arrangements

Asker, 1 August 2018

The Board of Directors of TGS-NOPEC Geophysical Company ASA

Henry H. Hamilton III Chairman	Mark S. Leonard Director	Wenche Agerup Director
Elisabeth Grieg Director	Torstein Sanness Director	Vicki Messer Director
Tor Magne Lønnum Director	Nils Petter Dyvik Director	Kristian Johansen Chief Executive Officer

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

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Will Ashby, Senior Vice President, Investor Relations, HR & Communication **tel +1-713-860-2184**

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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	2018 Q2 Unaudited	2017 Q2 Unaudited	2018 YTD Unaudited	2017 YTD Unaudited
Net revenues	4	**121,539**	**107,671**	**228,261**	**193,826**
Operating expenses					
Cost of goods sold - proprietary and other		96	271	218	331
Amortization and impairment of multi-client library	5	53,315	69,019	125,734	130,835
Personnel costs		18,397	11,771	33,903	24,144
Cost of stock options		0	101	0	188
Other operating expenses		9,186	6,014	17,535	12,940
Depreciation, amortization and impairment		2,214	2,386	4,466	5,377
Total operating expenses		**83,208**	**89,563**	**181,856**	**173,814**
Operating profit	4	**38,331**	**18,107**	**46,405**	**20,012**
Financial income and expenses					
Financial income		1,475	375	2,058	788
Financial expenses		-364	-1,189	-371	-1,218
Net exchange gains/(losses)		539	-315	-246	122
Net financial items		**1,650**	**-1,129**	**1,441**	**-308**
Profit before taxes		**39,981**	**16,979**	**47,846**	**19,704**
Taxes		9,586	7,379	21,098	8,536
Net income		**30,395**	**9,600**	**26,748**	**11,167**
EPS USD		**0.30**	**0.09**	**0.26**	**0.11**
EPS USD, fully diluted		**0.29**	**0.09**	**0.26**	**0.11**
Other comprehensive income:					
Exchange differences on translation of foreign operations		104	802	-52	444
Other comprehensive income/(loss) for the period, net of tax		104	802	-52	444
Total comprehensive income for the period		**30,499**	**10,402**	**26,696**	**11,611**

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2018 30-Jun Unaudited	2017 30-Jun Unaudited	2017 31-Dec Audited
ASSETS				
Non-current assets				
Goodwill		67,925	67,925	67,925
Multi-client library	5	846,302	812,173	799,015
Other intangible non-current assets		8,673	9,034	9,045
Deferred tax asset		2,225	6,778	4,390
Buildings		4,417	5,978	5,213
Machinery and equipment		14,429	15,199	14,452
Other non-current assets		240	1,733	496
Total non-current assets		**944,210**	**918,820**	**900,536**
Current assets				
Accounts receivable		109,955	87,413	157,423
Accrued revenues		116,162	144,498	97,285
Other receivables		38,378	36,364	18,939
Cash and cash equivalents		337,514	239,315	249,917
Total current assets		**602,008**	**507,590**	**523,564**
TOTAL ASSETS		**1,546,218**	**1,426,410**	**1,424,100**
EQUITY AND LIABILITIES				
Equity				
Share capital		3,665	3,654	3,659
Other equity		1,134,407	1,157,285	1,196,443
Total equity	3	**1,138,072**	**1,160,938**	**1,200,102**
Non-current liabilities				
Long-term debt		2,500	2,500	2,500
Other non-current liabilities		2,390	2,759	2,850
Deferred taxes		6,629	32,922	23,721
Total non-current liabilities		**11,518**	**38,181**	**29,071**
Current liabilities				
Accounts payable and debt to partners		45,238	100,977	101,385
Taxes payable, withheld payroll tax, social security		42,182	11,427	25,197
Other current liabilities		309,206	114,887	68,345
Total current liabilities		**396,626**	**227,290**	**194,927**
TOTAL EQUITY AND LIABILITIES		**1,546,218**	**1,426,410**	**1,424,100**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2018 Q2 Unaudited	2017 Q2 Unaudited	2018 YTD Unaudited	2017 YTD Unaudited
Cash flow from operating activities:					
Received payments from customers		163,389	73,868	301,575	292,643
Payments for salaries, pensions, social security tax		-13,799	-10,761	-35,039	-26,815
Payments of other operational costs		-15,661	-7,585	-29,655	-19,591
Paid taxes		-6,140	-2,420	-6,387	-8,615
Net cash flow from operating activities [1]		**127,789**	**53,102**	**230,493**	**237,622**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-1,029	-2,999	-3,764	-6,941
Investments in multi-client library		-73,280	-41,381	-105,153	-151,722
Investments through mergers and acquisitions		0	-4,500	0	-7,776
Interest received		1,194	248	1,809	615
Net cash flow from investing activities		**-73,115**	**-48,632**	**-107,108**	**-165,824**
Cash flow from financing activites:					
Interest paid		-274	-91	-319	-111
Dividend payments	3	-21,991	-15,290	-40,443	-32,153
Proceeds from share issuances	3	3,249	2,480	4,974	9,193
Net cash flow from financing activites		**-19,016**	**-12,901**	**-35,788**	**-23,071**
Net change in cash and cash equivalents		**35,658**	**-8,431**	**87,597**	**48,727**
Cash and cash equivalents at the beginning of period		301,699	248,090	249,917	190,739
Net unrealized currency gains/(losses)		156	-344	0	-150
Cash and cash equivalents at the end of period		**337,514**	**239,315**	**337,514**	**239,315**
1) Reconciliation					
Profit before taxes		39,981	16,979	47,846	19,704
Depreciation/amortization/impairment		55,529	71,406	130,200	136,212
Changes in accounts receivables and accrued revenues		8,569	-46,284	28,592	88,432
Unrealized currency gains/(losses)		-53	1,146	-52	594
Changes in other receivables		-300	12,285	-1,226	15,105
Changes in other balance sheet items		30,203	-10	31,520	-13,810
Paid taxes		-6,140	-2,420	-6,387	-8,615
Net cash flow from operating activities		**127,789**	**53,102**	**230,493**	**237,622**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2018

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Closing balance as of 31 December 2017	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,115,531**	**1,200,102**
Adjustements IFRS 15						-54,895	-54,895
Opening balance 1 January 2018	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,060,637**	**1,145,207**
Net income	-	-	-	-	-	26,748	**26,748**
Other comprehensive income	-	-	-	-	-52	-	**-52**
Total comprehensive income	**-**	**-**	**-**	**-**	**-52**	**26,748**	**26,696**
Paid-in-equity through exercise of stock options	6	-	4,584		-	-	**4,591**
Distribution of treasury shares	-	-	-		-	377	**377**
Deferred tax asset related to stock options	-	-	-		-	-17	**-17**
Cost of equity-settled long term incentive plans	-	-	-	2,126	-	-	**2,126**
Dividends	-	-	-	-	-	-40,909	**-40,909**
Closing balance as of 30 June 2018	**3,670**	**-6**	**67,355**	**41,848**	**-21,626**	**1,046,835**	**1,138,072**

For the six months ended June 30, 2017

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2017	**3,657**	**-21**	**58,107**	**36,964**	**-21,933**	**1,092,352**	**1,169,124**
Net income	-	-	-	-	-	11,167	**11,167**
Other comprehensive income	-	-	-		444	-	**444**
Total comprehensive income	**-**	**-**	**-**	**-**	**444**	**11,167**	**11,611**
Paid-in-equity through exercise of stock options	1		721		-		**722**
Distribution of treasury shares	-	14.9	-		-	8,706	**8,720**
Cost of equity-settled long term incentive plans	-	-	-	1,291	-	-	**1,291**
Dividends	-	-	-	-	-	-30,530	**-30,530**
Closing balance per 30 June 2017	**3,658**	**-6**	**58,828**	**38,255**	**-21,489**	**1,081,695**	**1,160,938**

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 2017 which is available at 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 2017 except for the implementation of IFRS 15 Revenue with effect from 1 January 2018. Following the implementation of IFRS 15, consolidated shareholders' equity has been reduced by USD 54.9 million as of 1 January 2018. Revenue recognition principles related to some contracts are still being assessed, however the impact of any possible changes is not expected to be material to the quarter. None of the other new accounting standards or amendments that came into effect from 1 January 2018 have had a significant impact on the presentation of the financial statements during the first quarter of 2018. See note 7 for further information.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2018	**102,345,890**
Issued 27 February 2018 for cash on exercise of stock options	73,600
Issued 1 June 2018 for cash on exercise of stock options	129,500
30 June 2018	**102,548,990**

Treasury shares	Number of shares
1 January 2018	**116,180**
Net change in period	0
30 June 2018	**116,180**

The Annual General Meeting held 8 May 2018 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2017 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2019, but no later than 30 June 2019.

On 8 May 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.62) to the shareholders. The dividends were paid to the shareholders on 30 May 2018.

On 1 August 2018, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.20 per share (NOK 1.62) to the shareholders. The dividends will be paid to the shareholders on 23 August 2018.

Largest Shareholders as of 3 April 2018	Country	Account type	No. of shares	Share
1. FOLKETRYGDFONDET	Norway		10,193,927	10.0%
2. THE BANK OF NEW YORK MELLON SA/NV	Belgium	NOM	8,968,199	8.8%
3. STATE STREET BANK AND TRUST COMP	USA	NOM	4,378,129	4.3%
4. STATE STREET BANK AND TRUST COMP	USA	NOM	3,134,170	3.1%
5. STATE STREET BANK AND TRUST COMP	USA	NOM	2,665,267	2.6%
6. RBC INVESTOR SERVICES TRUST	UK	NOM	2,221,041	2.2%
7. STATE STREET BANK AND TRUST COMP	USA	NOM	1,984,417	1.9%
8. CLEARSTREAM BANKING S.A.	Luxembourg	NOM	1,861,359	1.8%
9. INVESCO FUNDS	Belgium		1,813,253	1.8%
10. STATE STREET BANK AND TRUST COMP	USA	NOM	1,703,464	1.7%
10 largest			**38,923,226**	**38%**
Total Shares Outstanding *			**102,444,360**	**100%**

* Total shares outstanding are net of shares held in treasury per 2 July 2018

Average number of shares outstanding for Current Quarter *	
Average number of shares outstanding during the quarter	102,346,002
Average number of shares fully diluted during the quarter	103,510,788

* Shares outstanding net of shares held in treasury per 30 June 2018 (116,180 TGS shares), composed of average outstanding TGS shares during the quarter

Share price information	
Share price 30 June 2018 (NOK)	300.00
USD/NOK exchange rate end of period	8.16
Market capitalization 31 March 2018 (NOK million)	30,765

Note 4 Segment information

TGS reports Segment information based on the information reported to the management. Segment revenues related to multi-client pre-funded contracts are measured by applying the percentage of completion method to estimated total contract revenues. As such the timing and assessment of amortization will follow the timing of revenue recognition. Management believes the segment reporting provides useful information as to the value generated by the company relative to the related activities and resources employed.

Q2 2018	North & South America	Europe & Russia	Africa, Middle East & Asia / Pacific	Other segments / Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	108,071	30,688	8,690	10,394	157,842	-36,303	121,539
Operating profit	55,467	16,936	2,606	-20,797	54,212	-15,881	38,331

Q2 2017	North & South America	Europe & Russia	Africa, Middle East & Asia / Pacific	Other segments / Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	40,076	50,568	2,705	14,320	107,671	0	107,671
Operating profit	3,336	27,356	-3,956	-8,629	18,107	0	18,107

2018 YTD	North & South America	Europe & Russia	Africa, Middle East & Asia / Pacific	Other segments / Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	166,063	76,953	19,733	29,852	292,601	-64,340	228,261
Operating profit	68,951	40,103	-1,029	-28,910	79,114	-32,709	46,405

2017 YTD	North & South America	Europe & Russia	Africa, Middle East & Asia / Pacific	Other segments / Corporate costs	Segment reporting consolidated	Adjustment	As reported IFRS
Net external revenues	81,595	78,917	6,862	26,452	193,826	0	193,826
Operating profit	6,501	41,241	-7,388	-20,343	20,012	0	20,012

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)	Segment Q2 2018	IFRS Q2 2018	Q2 2017	Segment YTD 2018	IFRS YTD 2018	YTD 2017
Opening balance net book value	**749.7**	**839.7**	**819.9**	**799.0**	**799.0**	**812.4**
Adjustment opening balance	-		-		78.9	-
Non-operational investments	-	-		-		5.9
Operational investments	59.9	59.9	61.3	94.2	94.2	124.7
Amortization and impairment	(73.7)	(53.3)	(69.0)	(157.4)	(125.7)	(130.8)
Closing net book value	**735.8**	**846.3**	**812.2**	**735.8**	**846.3**	**812.2**

(Numbers in USD millions)	Segment Q2 2018	IFRS Q2 2018	Q2 2017	Segment YTD 2018	IFRS YTD 2018	YTD 2017
Net MC revenues	156.4	120.0	105.9	288.8	224.5	190.1
Change in MC revenue	48%		-5%	52%		11%
Change in MC investment	-2%	-2%	-2%	-28%	-28%	13%
Amort. in % of net MC revs.	47%	44%	65%	54%	56%	69%
Change in net book value	-2%	1%	-1%	8%	6%	0%

Note 6 Related parties

On 23 May 2018, certain members of the executive management exercised in total 129,500 options and sold the same number of shares. No other material transactions with related parties took place during the second quarter of 2018.

Note 7 Changes in accounting standards

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new revenue recognition standard, IFRS 15, which has been implemented with effect from 1 January 2018. The standard replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). The Standard is effective for annual periods beginning on or after 1 January 2018.

For late sales and proprietary sales, there are no material effects following the implementation of IFRS 15. Multi-client pre-funded contracts are considered to be "right to use licenses" under IFRS 15, meaning that all revenues related to these contracts will be recognized at the point in time when the license is transferred to the customer, which would typically be upon completion of processing of the survey and granting of access to the finished survey or delivery of the finished data, independent of services delivered to clients during the project phase. As such the implementation of IFRS 15 impacts the timing of revenue recognition and amortization on multi-client pre-funded contracts compared to previous accounting principles whereby revenue for these contracts was recognized over time as the acquisition and processing services were delivered. Revenue recognition on pre-funded contracts will typically be recognized later under IFRS 15 compared to the previous accounting principles.

The Company has elected to apply the modified retrospective approach for the transition under IFRS 15. Under this approach, the comparative periods will not be restated, and the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application on 1 January 2018. As a consequence, some multi-client pre-funding revenues and associated amortization which was recognized in prior periods has been reversed as at 1 January 2018 and will be recognized in the income statement for 2018 and future periods, without prior periods being restated. In the financial statements for 2018 and subsequent periods, the effect of applying IFRS 15 in each period as compared to previous accounting principles will be disclosed.

Under this approach, the implementation effect reported in the opening consolidated shareholders' equity is a reduction of USD 56 million as of 1 January 2018.

TGS continues to evaluate whether elements in multi-client pre-funding and late sales contracts could be viewed as services delivered over time however this assessment has not been concluded as at the date of this report.

IFRS 8 Financial instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement and previous versions of IFRS 9. The implementation of IFRS 9 has not had a significant impact on the Company's consolidated financial statements.

Impact of changes in accounting policies on Consolidated Balance Sheet

(All amounts in USD 1,000s)	30-Jun-18 without adoption	Adjustments IFRS 15	30-Jun-18 as reported
Non-current assets			
Intangible non-current assets			
Multi-client library	735,839	110,463	846,302
Total non-current assets	**735,839**	**110,463**	**846,302**
Equity	**1,225,680**	**-87,604**	**1,138,076**
Non-current liabilities			
Deferred taxes	18,180	-11,552	6,629
Total non-current liabilities	**18,180**	**-11,552**	**6,629**
Current liabilities			
Accounts payable and debt to partners	65,502	-20,264	45,238
Taxes payable, withheld payroll tax, social security	45,914	-3,732	42,182
Other current liabilities	75,592	233,614	309,206
Total current liabilities	**187,008**	**209,618**	**396,625**

Impact of changes in accounting policies on Consolidated Income Statement

(All amounts in USD 1,000s)	Q2 2018 without adoption	Adjustments IFRS 15	Q2 2018 as reported
Net revenues	**157,842**	**-36,303**	**121,539**
Amortization and impairment of multi-client library	73,737	-20,422	53,315
Total operating expenses	**103,630**	**-20,422**	**83,208**
Net income	**46,276**	**-15,881**	**30,395**

Note 9 Økokrim charges, related civil matters and draft tax ruling in Australia

Reference is made to Note 21 to the 2017 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 certain affiliated persons, as well as DNB. This note provides an update as to any matters that have occurred since 31 December 2017.

In March 2017, TGS rejected the corporate fine of NOK 85 million (approximately USD 11 million) issued by Økokrim on 2 March 2017, which is based on alleged violations of the Norwegian Tax Assessment Act. As a result, the matter was brought to trial, which commenced on 22 January 2018 and concluded 20 April 2018. The court has indicated it will issue its decision in August 2018. If TGS is convicted, the fine will increase to NOK 90 million.

TGS maintains that it acted diligently in connection with the transactions with Skeie and did not commit the alleged violations of law. Based upon the Company's assessment of the evidence presented in the trial, the Company believes the claims by Økokrim lack merit and the decision by the court will confirm that did not engage in any wrongdoing. Accordingly, 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.

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.

Reference is made to the information disclosed regarding the draft tax ruling in Australia in Note 24 to the 2017 Annual Report. As discussed in Note 24, on December 20, 2017, the Australian Tax Office (ATO) issued a draft taxation ruling regarding the deductibility of costs incurred to collect multi-client seismic data. A final ruling has not yet been issued by the ATO, and TGS remains of the opinion the factual differences between the operations of TGS and the specific fact pattern in the draft ruling may result in a different technical position. Therefore, it is not probable that there will be an outflow of resources embodying economic benefits necessary to settle an obligation, and no provisions have been made.

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)	Q2 2018 Segment reporting	Q2 2018 IFRS reporting	Q2 2017
Net income	46,276	30,395	9,600
Taxes	9,586	9,586	7,379
Net financial items	-1,650	-1,650	1,129
Depreciation, amortization and impairment	2,214	2,214	2,386
Amortization and impairment of multi-client library	73,737	53,315	69,019
EBITDA	**130,164**	**93,860**	**89,513**

(All amounts in USD 1,000s)	YTD 2018 Segment reporting	YTD 2018 IFRS reporting	YTD 2017
Net income	59,457	26,748	11,167
Taxes	21,098	21,098	8,536
Net financial items	-1,441	-1,441	308
Depreciation, amortization and impairment	4,466	4,466	5,377
Amortization and impairment of multi-client library	157,365	125,734	130,835
EBITDA	**240,945**	**176,605**	**156,223**

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-Jun-18 Segment reporting	30-Jun-18 IFRS reporting	30 June 2017
Equity	1,225,680	1,138,076	1,160,938
Interest bearing debt	2,500	2,500	2,500
Cash	337,514	337,514	239,315
Net interest bearing debt	-335,014	-335,014	-236,815
Capital employed	**890,666**	**803,063**	**924,123**
Average capital employed	907,395	863,593	964,464
Operating profit (12 months trailing)	156,532	123,572	72,746
ROACE	**17%**	**14%**	**8%**

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)	Q2 2018	Q2 2017	2018 YTD	2017 YTD
Cash flow from operational activities	127,789	53,102	230,493	237,622
Investments in multi-client library	-73,280	-41,381	-105,153	-151,722
Free cash flow (after MC investments)	**54,509**	**11,721**	**125,340**	**85,900**

Backlog

Backlog is defined as the total value of future revenue based on segment reporting from signed customer contracts.