TGS EARNINGS RELEASE
3rd QUARTER 2019 RESULTS*

*The accounting standard IFRS 3 applies to a transaction that meets the definition of a business combination. As the transaction relating to the acquisition of Spectrum was effective from 14 August 2019, the sales and costs from the "Spectrum Group" for the period 15 August to 30 September 2019 are reflected in the TGS Q3 IFRS statement of financial position and in TGS' statement of comprehensive income.

3rd QUARTER 2019 FINANCIAL HIGHLIGHTS

IFRS (all amounts in USD 1,000 unless specified otherwise)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Net operating revenues	**162,086**	**132,884**	**366,765**	**339,725**
Operating profit (EBIT)	**55,246**	**45,535**	**59,417**	**84,113**
- Operating profit margin	34%	34%	16%	25%
Net income	**40,255**	**33,204**	**42,727**	**53,925**
EPS (fully diluted) (USD)	**0.36**	**0.32**	**0.40**	**0.52**
Organic multi-client investments in new projects	149,376	100,121	273,676	193,573
Risk-sharing investments	0	139	7,039	7,343
Inorganic multi-client investments	180,249	6,502	180,249	6,502
Amortization of multi-client library	63,815	63,899	206,606	176,040
Multi-client library net book value	**1,124,748**	**902,608**	**1,124,748**	**902,608**
Free cash flow (after multi-client investments)	-35,626	10,293	120,162	135,633
Cash balance	**265,460**	**322,150**	**265,460**	**322,150**
Return on average capital employed[1]	42%	14%	42%	14%

Segment reporting[2] (all amounts in USD 1,000 unless specified otherwise)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Net operating revenues	**263,868**	**140,731**	**540,088**	**433,332**
- Net pre-funding revenues	59,639	32,771	101,217	70,947
- Net late sales	200,842	105,959	426,153	356,611
- Net proprietary revenues	3,386	2,001	12,716	5,774
EBITDA	**224,940**	**119,516**	**452,852**	**360,461**
Operating profit	**102,504**	**24,425**	**162,226**	**103,539**
- Operating profit margin	39%	17%	30%	24%
Amortization of multi-client library	118,610	92,857	277,390	250,222
Multi-client library net book value	**888,512**	**749,594**	**888,512**	**749,594**
Pre-funding rate	40%	33%	37%	37%

- Strong sales momentum in Q3 2019 – Segment net revenues of USD 264 million, year-on-year growth of 88%
- Strong quarter for seismic industry, benefiting from client merger & acquisition (M&A) and asset transfers
- Acquisition of Spectrum ASA closed on 14 August 2019 and integration on track

[1] 12 months trailing.
[2] Revenue recognition of projects in progress recognized on a Percentage of Completion basis. Please refer to note 4 for more details. Combined TGS and Spectrum revenues from 1 July 2019 to 30 September 2019 were USD 277 million.

- Dividend of USD 0.27 per share to be paid for Q3 2019, up 35% compared to Q3 2018
- USD 29 million of total USD 50 million share repurchase program utilized as of 30 September 2019

FINANCIALS - IFRS REPORTING

Following the implementation of the IFRS 15 accounting standard from 1 January 2018, pre-funding committed prior to start-up of the project and late sales committed in the work-in-progress phase are not recognized until delivery of the data to the customer. For internal reporting purposes, TGS still prepares accounts in accordance with historical practice, with sales committed prior to completion of the project recognized on a Percentage of Completion basis. The discussion and analysis in this section is based on IFRS reporting standard.

Net operating revenues and operating profit

Net revenues amounted to USD 162.1 million in Q3 2019, an increase of 22% from USD 132.9 million in Q3 2018. Revenues from projects completed during the quarter decreased by USD 27.5 million compared to last year, while proprietary revenues grew USD 1.5 million. Revenues from late sales were USD 153.4 million, an increase of 56% from last year.

Amortization of the multi-client library amounted to USD 63.8 million in Q3 2019 versus USD 63.9 million in Q3 2018.

Personnel cost totaled USD 28.7 million in Q3 2019, an increase of 93.9% compared to USD 14.8 million in Q3 2018. Other operating expenses amounted to USD 10.4 million, compared to USD 6.3 million in Q3 2018. This includes USD 0.4 million of accrued transaction costs related to the Spectrum transaction.

Depreciation increased to USD 3.8 million in Q3 2019 from USD 2.2 million in Q3 2018 as a result of IFRS 16 implementation.

Operating profit amounted to USD 55.2 million (margin of 34.1%) in the quarter compared to USD 45.5 million (34.3%) in the same quarter of last year.

Financial items and profit before tax

Net financial items for Q3 2019 totaled USD -1.2 million compared to USD 4.0 million in Q3 2018. The decrease is mainly a result of currency exchange losses.

Pre-tax profit was USD 54.0 million in Q3 2019 compared to USD 49.5 million in Q3 2018.

Tax and net income

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 corporate income tax rate in Norway (22% in 2019) and in the US (21% in 2019), TGS has assessed the normalized operating consolidated tax rate to be approximately 22% for 2019.

The tax cost for Q3 2019 was USD 13.8 million (USD 16.3 million in Q3 2018), corresponding to a tax rate of 26%.

Net income amounted to USD 40.3 million in Q3 2019, compared to USD 33.2 million in Q3 2018. This corresponds to a fully diluted EPS of USD 0.36 versus USD 0.32 in Q3 2018.

Balance sheet

As of 30 September 2019, the Company had a cash position of USD 265.5 million, a decrease of USD 56.7 million from 30 September 2018. Net interest-bearing debt increased to USD 2.9 million in Q3 2019 from USD 2.5 million in Q3 2018, resulting in a net cash of USD 262.6 million (USD 319.7 million in Q3 2018).

Goodwill was USD 284.8 million as of 30 September 2019, an increase of USD 216.8 million, due to the Spectrum merger. Please see note 9 for further details.

The net book value of the multi-client library was USD 1,124.7 million as of 30 September 2019, compared to USD 902.6 million as of 30 September 2018. The net book value reflects an increase of USD 180.2 million due to the Spectrum acquisition.

Total equity as of 30 September 2019 was USD 1,520.0 million, 64.6% of total assets. On 30 September 2018, total equity amounted to USD 1,144.5 million (71.7% of total assets). The company issued 16,076,047 new shares to the shareholders of Spectrum ASA in Q3 2019. Please see note 9. As of 30 September 2019, TGS held 1,240,100 treasury shares.

Cash flow

Net cash flow from operations for the quarter totaled USD 70.5 million, compared to USD 96.1 million in Q3 2018. Investments in the multi-client library were USD 106.1 million, compared to USD 85.8 million in Q3 2018, resulting in a free cash flow (cash flow from operations after investments in the multi-client library) of negative USD 35.6 million versus USD 10.3 million in Q3 2018. Net change in cash for Q3 2019 was a negative figure of USD 86.7 million (negative USD 15.4 million in Q3 2018).

FINANCIALS – SEGMENT REPORTING

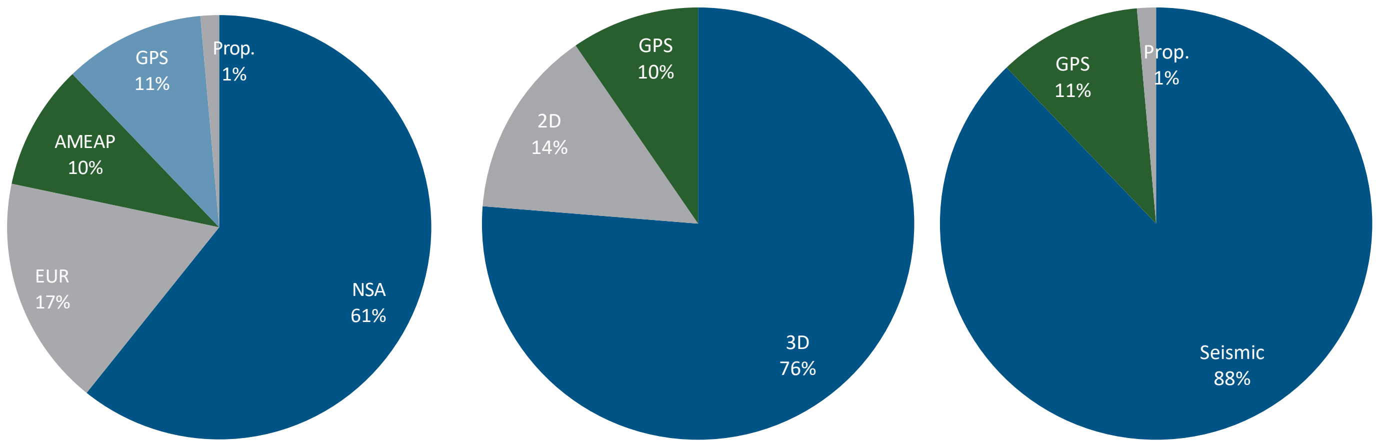
For internal reporting purposes TGS is using segment reporting, with net revenues from projects-in-progress recognized based on Percentage of Completion (POC), as opposed to the IFRS accounts where revenues are not recognized until the relevant project is completed. It is the Board’s opinion that the POC methodology provides a better picture of the inherent risk and value creation of the business. The discussion and analysis in this section are based on segment reporting.

Net operating revenues

Net operating revenues for Q3 2019 amounted to USD 263.9 million, an increase of 87.6% from the USD 140.7 million recognized in Q3 2018. Net pre-funding revenues totaled USD 59.6 million in the quarter (USD 32.8 million in Q3 2018), which funded 40% (33% in Q3 2018) of the USD 149.4 million (USD 100.1 million in Q3 2018) of organic investments in the multi-client library (excluding risk-share investments and inorganic investments).

Net late sales for the quarter amounted to USD 200.8 million, an increase of 69.2% compared to the USD 106.0 million booked in Q3 2018. Proprietary contract revenues increased by 69.2% to USD 3.4 million from USD 2.0 million in Q3 2018.

Revenue distribution



Source: TGS

EBITDA, amortization and operating profit

After subtracting operating costs as described in the IFRS section, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) totaled USD 224.9 million in Q3 2019, compared to USD 119.5 million in Q3 2018, an increase of 88.2%.

Amortization of the multi-client library amounted to USD 118.6 million in Q3 2019, up from USD 92.9 million in Q3 2018. The increase is mainly due to higher sales amortization resulting from increased sales of projects-in-progress.

Operating profit in Q3 2019 amounted to USD 102.5 million (margin of 39%), up from USD 24.4 million Q3 (margin of 17%) in 2018.

Multi-client library

Organic multi-client investments amounted to USD 149.4 million in Q3 2019, 49% higher than the USD 100.1 million invested in the same quarter of 2018. In addition, investments contingent on sales (risk share investments) amounted to USD 0.0 million in Q3 2019 versus USD 0.1 million in Q3 2018.

Inorganic multi-client investments amounted to USD 180.2 million due to the Spectrum merger. Please see note 9.This resulted in a net book value of the multi-client library of USD 888.5 million as of 30 September 2019, compared to USD 749.6 million as of 30 September 2018.

Backlog

TGS' backlog amounted to USD 117 million at the end of Q3 2019, compared to USD 63 million at the end of Q4 2018 and 103 million at the end of Q3 2018.

DIVIDEND AND SHARE BUYBACKS

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.

Since 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 through the year, though 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 0.27 per share in Q4 2019. The dividend will be paid in the form of NOK 2.49 per share on 20 November 2019. The share will trade ex-dividend on 6 November 2019.

On 14 May 2019 TGS announced the initiation of a share re-purchase program of up to USD 50 million. The program will be in place until the Company's annual general meeting in May 2020, or such earlier time as the maximum number of shares has been acquired or the Board resolves to terminate the program. At 30 September 2019, USD 29 million of the re-purchase program had been utilized.

In Q3 2019, 545,370 shares were repurchased at an average price of NOK 215.38 per share, corresponding to a total cash spending of USD 13.1 million.

OTHER MATTERS

On 14 August 2019 TGS announced the completion of the acquisition of Spectrum ASA ("Spectrum") enhancing its position as a leading multi-client seismic company globally. The transaction was conducted as a statutory merger pursuant to Norwegian corporate law.

The acquisition was settled by consideration to Spectrum shareholders in the form of 0.28x ordinary shares of TGS for each Spectrum share, in addition to a cash consideration of USD 0.27 multiplied by the 0.28x exchange ratio to compensate Spectrum shareholders for the dividend of USD 0.27 payable to TGS shareholders in Q3 2019 (ex-date on 1 August 2019).

Spectrum has successfully built a substantial presence in the South Atlantic and other important frontier regions. With TGS' extensive library and financial robustness, the combined entity will be well positioned to accelerate 3D seismic investment plans in an improving market. Furthermore, the combined libraries will have a scale that will help accelerate TGS' data analytics strategy.

The integration process is well underway and USD 20 million in cost savings have been identified.

On 5 September 2019, TGS announced that it had purchased all the outstanding shares and completed the acquisition of Lasser, Inc., a Fort Worth-based company which provides historical and monthly oil and gas production data. Lasser owns, maintains and licenses a nationwide U.S. well production database. The data will be added to TGS' current Well Performance Database and provides TGS clients access to previously unavailable historical production data.

On 18 September 2019, the Australian Taxation Office issued their final taxation determination following their draft taxation ruling (2017/D11 Income tax: capital allowances: expenditure incurred by a service provider in collecting and processing multiclient seismic data) referred to in the 2018 annual accounts. The ruling is in line with TGS tax treatment of such costs. The final tax ruling will not have any effect on TGS accounts as no provisions had been made for a potential tax liability.

OPERATIONAL HIGHLIGHTS

TGS[3] had nine 3D seismic vessels (four operated under joint venture agreements), two 2D vessels, one multibeam / coring vessel, two OBN crews and three land crews in operation in Q3 2019.

In Q3, TGS continued its SeaSeep project in the MSGBC Basin, offshore northwest Africa. The program will cover an area of approximately 113,500 km^2 and will incorporate around 230 cores from the seabed, located based on multibeam backscatter anomalies. Final results are expected to be available in Q2 2020.

The acquisition of the Jaan 3D survey in the southern portion of the MSGBC Basin was completed in Q3. The project consists of 11,135 km^2 of new acquisition complemented by reprocessing and full pre-stack merging of existing multi-client 3D. It is being undertaken by TGS as operator and majority investor, together with PGS and GeoPartners. Final data is expected to be available in early Q2 2020.

In Q3, TGS announced that it commenced acquisition of a new multi-client survey in the MSGBC Basin. The Senegal Ultra-Deep offshore 3D survey covers over 4,500 km^2 and is being undertaken in partnership with GeoPartners – using the vessel BGP Prospector – and is supported by the national oil company, Petrosen. Fast-track data is expected to be available in early Q2 2020, with final data expected to be available in Q4 2020.

In Q3, TGS, in collaboration with WesternGeco, completed the reprocessing of 3,600 km^2 of 3D seismic data in the Egyptian Red Sea. The final dataset was available prior to the closing of Egypt's offshore Red Sea international license round in September.

In Brazil, acquisition of the Brazil Southern Basins SeaSeep project was completed in Q3. The project covers more than 210,000 km^2 in the Campos and Santos basins of Brazil, with final product deliverables expected to be available in Q4 2019. In the prospective southern Santos Basin, TGS continued its acquisition of the expanded 22,500 km^2 Santos multi-client 3D program. Final data is expected to be available in 2020. Acquisition of TGS' multi-client 3D seismic survey in the Campos Basin continued in Q3. The project scope was expanded to 14,100 km^2, based on strong industry interest. Fast-track deliverables for the project were available ahead of Bid Round 16. Further intermediate deliverables will be available in 2020 with final deliverables slated for 2021. In addition, acquisition of the 10,350 km^2 Potiguar multi-client 3D seismic survey[3] was completed during the quarter, with final data expected to be available in Q3 2020.

In Argentina, acquisition of the 23,500 km Colorado Basin multi-client 2D project[4], in partnership with BGP, was completed in Q3, with final data expected to be available in the first half of 2020. Acquisition also commenced for the 3,150 km Colorado Basin 107 & 109 multi-client 2D project[4], with final data expected to be available in Q1 2020.

Offshore East Canada, TGS, in a JV with PGS, completed the acquisition of three 3D and two 2D multi-client projects. The 3D projects include the 4,165 km^2 Jeanne d'Arc survey, the 4,608 km^2 North Tablelands survey and the 3,699 km^2 Torngat survey. The 2D projects include the 10,519 km Southeast Grand Banks survey and the 576 km Northeast Newfoundland Slope 2019 2D survey. Final data for all 3D and 2D projects is expected to be available in Q2 2020.

[3] Includes vessels related to Spectrum projects that were committed prior to TGS-Spectrum transaction close
[4] Spectrum projects that were committed prior to TGS-Spectrum transaction close that were active during Q3 2019

In the U.S. Gulf of Mexico, TGS, in collaboration with WesternGeco, completed the acquisition of the 2,758 km^2 Amendment Phase 1 multi-client ocean-bottom node (OBN) project. The survey is located in the Mississippi Canyon and Atwater Valley protraction areas and is the first large-scale multi-client sparse node program in this area. Final data is expected to be available in Q2 2020.

In the Norwegian North Sea, TGS, in a JV with AGS, continued acquisition of the 2019 portion of the Utsira OBN survey. Delivery of final volumes is expected in Q1 2020 (for 2018 acquisition season) and Q2 2020 (for 2019 acquisition season). In Q3, acquisition of the 5,950 km^2 Atlantic Margin multi-client 3D survey in the Norwegian Sea was completed with fast-track data expected to be available in Q1 2020 and final data expected to be available in Q4 2020. During the quarter, acquisition also commenced for the 5,151 km^2

Greater Castberg 2019 multi-client TopSeis 3D project in the Barents Sea, in collaboration with CGG. Fast-track data is expected to be available in Q2 2020, with final data expected to be available in Q4 2020. In addition, acquisition of the 1,332 km^2 UK SNS-3D multi-client survey[4] in the UK southern North Sea was completed in Q3, with final data expected to be available in Q1 2020.

For TGS' onshore operations, acquisition of the 350 km^2 South Hackberry multi-client 3D project in the Anadarko Basin was completed in Q3. Final data is expected to be available in Q1 2020. Also in the Anadarko Basin, acquisition resumed for phase 2 of the Gloss Mountain 3D survey. Acquisition is expected to be completed in Q4 2019, with final data also expected to be available in Q4 2019. In the Powder River Basin, acquisition of the 680 km^2 Railgun multi-client 3D survey commenced in Q3 and is expected to be completed in Q4 2019, with final data expected to be available in Q2 2020.

During Q3, TGS and Quantico Energy Solutions (Quantico) announced a technology collaboration to leverage their respective offerings in seismic data, AI-based well logs and AI-based seismic inversion. By integrating Quantico's QRes technology with TGS' data library and ARLAS solution, oil companies will have turnkey access to the most comprehensive geoscience data and technologically advanced AI solutions to deliver maximum production with faster cycle times.

Following its release in Q2 2019, TGS' well log prediction tool – Analytics Ready LAS (ARLAS) – remains on-track to be available to all US onshore areas by the end of 2019. ARLAS log prediction algorithms, part of TGS' AI initiatives, calculate missing log curves and fills in gaps to give customers complete coverage from top to bottom, standardized and ready for optimal analytic results.

TGS' 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 8,600 new digital well logs, 5,400 new enhanced digital well logs and 51,000 new validated well headers. In addition, TGS was awarded a five-year contract for digital well log data processing with the U.S. Department of the Interior, Bureau of Safety and Environmental Enforcement (BSEE). TGS has been providing digital well log data processing services to BSEE since 2004 and is the official release agent for new offshore well data. It undertakes all the digital well log processing for all four BSEE regions (Gulf of Mexico, Pacific, Alaska, and Atlantic).

OUTLOOK

As E&P companies' cash flow has improved - driven by lower costs and recovering oil prices - the global market for seismic data has gradually improved since the cyclical trough in 2016. However, E&P companies are maintaining a cautious approach to spending and although the seismic industry experienced a strong Q3 2019, benefiting particularly from client M&A and asset transfers - the size of the market is still below the average level observed over the past 15 years.

Over the past few years, the structure of the seismic industry has changed significantly. Most of the companies are now either pure vessel providers or pure multi-client companies, while the integrated model has been mostly abandoned. Moreover, there has been substantial M&A activity resulting in a more consolidated industry. The acquisition capacity has been significantly reduced, with the number of available vessels currently at less than half of the 2014 level. Together, these changes should contribute to a healthier industry in the longer-term, with better quality on deliveries and improved economics.

In accordance with its counter-cyclical investment strategy, during the downturn TGS added substantial amounts of data to its multi-client library at an attractive unit cost through both organic and inorganic investments. Furthermore, TGS completed the acquisition of Spectrum, enhancing its position as a leading, global multi-client seismic company. This, in combination with an efficient cost base, strong balance sheet and flexible business model, should put the company in a unique position to benefit from improving market conditions in the future.

Financial guidance for 2019, following the Spectrum acquisition and alignment of accounting principles, is adjusted as follows on a year-to-year proforma basis:

- Growth in multi-client investments of approximately 40%, changed from 20%
- Pre-funding of new multi-client investments expected to be 35-40%, changed from 40-45%
- Amortization to be slightly above 2018 level, changed from same level as 2018

Asker, 29 October 2019
The Board of Directors of TGS-NOPEC Geophysical Company ASA

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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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	2019 Q3 Unaudited	2018 Q3 Unaudited	2019 YTD Unaudited	2018 YTD Unaudited
Net revenues	4	**162,086**	**132,884**	**366,765**	**339,725**
Cost of goods sold - proprietary and other		119	88	1,160	306
Amortization and impairment of multi-client library	5	63,815	63,899	206,606	176,040
Personnel costs		28,725	14,822	61,050	48,725
Other operating expenses		10,355	6,305	25,297	23,840
Depreciation, amortization and impairment		3,825	2,234	13,235	6,700
Total operating expenses		**106,839**	**87,348**	**307,348**	**255,612**
Operating profit	4	**55,246**	**45,535**	**59,417**	**84,113**
Financial income and expenses					
Financial income		1,070	3,890	9,572	5,947
Financial expenses		-865	-236	-2,127	-608
Net exchange gains/(losses)		-1,414	349	-2,835	104
Net financial items		**-1,210**	**4,003**	**4,609**	**5,443**
Profit before taxes		**54,037**	**49,538**	**64,026**	**89,557**
Taxes		13,782	16,334	21,300	35,632
Net income		**40,255**	**33,204**	**42,727**	**53,925**
EPS USD		**0.36**	**0.32**	**0.41**	**0.53**
EPS USD, fully diluted		**0.36**	**0.32**	**0.40**	**0.52**
Other comprehensive income:					
Exchange differences on translation of foreign operations		3,184	-2,088	3,184	-1,984
Other comprehensive income/(loss) for the period, net of tax		3,184	-2,088	3,184	-1,984
Total comprehensive income for the period		**43,439**	**31,116**	**45,911**	**51,941**

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INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2019 30-Sep Unaudited	2018 30-Sep Unaudited	2018 31-Dec Audited
Goodwill		284,753	67,925	67,925
Multi-client library	5	1,124,748	902,608	870,495
Other intangible non-current assets		10,856	8,707	8,366
Deferred tax asset		14,927	681	884
Buildings		4,769	3,971	3,518
Machinery and equipment		22,656	15,322	19,308
Right of use asset		34,577	0	0
Other non-current assets		11,673	220	180
Total non-current assets		**1,508,959**	**999,432**	**970,676**
Accounts receivable		225,890	101,468	215,046
Accrued revenues		279,332	139,485	133,810
Other receivables		71,747	34,730	31,353
Cash and cash equivalents		265,460	322,150	273,527
Total current assets		**842,430**	**597,833**	**653,736**
TOTAL ASSETS		**2,351,389**	**1,597,265**	**1,624,412**
Share capital		4,133	3,668	3,668
Other equity		1,515,873	1,140,839	1,248,031
Total equity	3	**1,520,006**	**1,144,507**	**1,251,699**
Long-term debt		2,855	2,500	2,500
Other non-current liabilities		12,317	2,281	2,514
Lease liability		17,163	0	0
Deferred taxes		40,137	10,183	29,261
Total non-current liabilities		**72,473**	**14,964**	**34,275**
Accounts payable and debt to partners		21,498	39,774	39,922
Taxes payable, withheld payroll tax, social security		39,481	47,139	27,062
Other current liabilities		697,930	350,880	271,454
Total current liabilities		**758,910**	**437,792**	**338,437**
TOTAL EQUITY AND LIABILITIES		**2,351,389**	**1,597,265**	**1,624,412**

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2019 Q3 Unaudited	2018 Q3 Unaudited	2019 YTD Unaudited	2018 YTD Audited
Cash flow from operating activities:					
Received payments from customers		131,050	128,799	482,606	430,374
Payments for salaries, pensions, social security tax		-24,197	-20,870	-59,587	-55,909
Payments of other operational costs		-24,553	-11,451	-59,957	-41,106
Paid taxes		-11,780	-389	-24,297	-6,776
Net cash flow from operating activities [1]		**70,520**	**96,089**	**338,765**	**326,582**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-6,358	-2,202	-17,928	-5,966
Investments in multi-client library		-106,146	-85,796	-218,603	-190,949
Investments through mergers and acquisitions		14,627	-6,501	14,627	-6,501
Interest received		0	3,820	0	5,633
Net cash flow from investing activities		**-97,877**	**-90,679**	**-221,904**	**-197,783**
Cash flow from financing activites:					
Interest paid		-1,404	-289	1,718	-608
Dividend payments	3	-30,147	-20,489	-82,878	-60,932
Repayment of interest bearing debt		-16,226	0	-16,226	0
Proceeds from share issuances	3	1,262	0	1,512	0
Purchase of own shares	3	-12,871	3	-28,668	4,977
Net cash flow from financing activites		**-59,386**	**-20,775**	**-124,542**	**-56,563**
Net change in cash and cash equivalents		**-86,743**	**-15,365**	**-7,681**	**72,236**
Cash and cash equivalents at the beginning of period		354,258	337,515	273,527	249,917
Net unrealized currency gains/(losses)		-2,055	0	-386	0
Cash and cash equivalents at the end of period		**265,460**	**322,150**	**265,460**	**322,154**
1) Reconciliation					
Profit before taxes		54,037	28,889	64,026	76,736
Depreciation/amortization/impairment		67,640	76,352	219,841	206,552
Disposals at cost price		-3,660	0	4,666	0
Changes in accounts receivables and accrued revenues		-160,165	-14,836	-130,470	13,761
Unrealized currency gains/(losses)		0	-1,932	0	-1,984
Changes in other receivables		-13,898	6,027	-12,009	4,801
Changes in other balance sheet items		138,344	1,978	217,007	33,492
Paid taxes		-11,779	-389	-24,296	-6,776
Net cash flow from operating activities		**70,520**	**96,090**	**338,765**	**326,582**

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2019

(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 2018	**3,672**	**-4**	**67,355**	**45,248**	**-22,473**	**1,157,914**	**1,251,699**
Adjustments [1,2]	-	-	-	-	-	-19,093	-19,093
Opening balance 1 January 2019	**3,672**	**-4**	**67,355**	**45,248**	**-22,473**	**1,138,821**	**1,232,606**
Net income	-	-	-	-	-	42,727	**42,727**
Other comprehensive income	-	-	-	-	3,230	-	**3,230**
Total comprehensive income	**-**	**-**	**-**	**-**	**3,230**	**42,727**	**45,957**
Share issue Spectrum merger	456	-	349,516	-	-	-	**349,972**
Transaction cost share issues	-	-	-	-	-	-742	**-742**
Distribution of treasury shares	-	1	-	-	-	249	**250**
Purchase of own shares	-	-31	-	-	-	-28,887	**-28,918**
Cost of equity-settled long term incentive plans	5	-	-	-	-	3,754	**3,759**
Dividends	-	-	-	-	-	-82,878	**-82,878**
Closing balance as of 30 September 2019	**4,133**	**-34**	**416,871**	**45,248**	**-19,243**	**1,073,786**	**1,520,006**

[1] Adjustment of deferred tax liability related to TGS' Mexican branch. Due to timing differences between taxable revenue and costs between Norway and Mexico, part of the tax liability in the Mexican branch of one of the Norwegian Group companies will not be creditable in Norwegian taxation. This tax liability has been recognized in the balance sheet as an opening balance adjustment for the financial year 2019.

[2] Adjustment of deferred tax liability related to TGS' Norwegian entities. Due to an alignment of principles following the business combination deferred tax liability has been increased related to conversion of NOK temporary differences to USD.

For the nine months ended September 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**
Adjustemnts 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	-	-	-	-	-	44,052	**44,052**
Other comprehensive income	-	-	-	-	-1,980	-	**-1,980**
Total comprehensive income	**-**	**-**	**-**	**-**	**-1,980**	**44,052**	**42,072**
Paid-in-equity through exercise of stock options	9	-	4,584		-	-	**4,594**
Distribution of treasury shares	-	-	-		-	377	**377**
Deferred tax asset related to stock options	-	-	-		-	-17	**-17**
Cost of equity-settled long term incentive plans	-	-	-	3,799	-	-	**3,799**
Dividends	-	-	-	-	-	-61,398	**-61,398**
Closing balance as of 30 September 2018	**3,673**	**-6**	**67,355**	**43,521**	**-23,555**	**1,043,651**	**1,134,636**

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 2018 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 2018 except for the implementation of IFRS 16 Leases with effect from 1 January 2019. Please see note 7 for further explanation.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2019	**102,647,790**
Shares issued during Q1 2019	0
Shares issued during Q2 2019	0
Shares issued during Q3 2019	16,258,988
30 September 2019	**118,906,778**

Treasury shares	Number of shares
1 January 2019	**104,630**
Net change in period	1,135,470
30 September 2019	**1,240,100**

The Annual General Meeting held 8 May 2019 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2018 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2020, but no later than 30 June 2020.

On 8 May 2019, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.27 per share (NOK 2.36) to the shareholders. The dividend was paid to the shareholders on 31 May 2019.

On 24 July 2019, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.27 per share (NOK 2.34). The dividend was paid to the shareholders on 15 August 2019.

On 29 October 2019, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.27 per share (NOK 2.49). The dividend will be paid to the shareholders on 20 November 2019.

Largest Shareholders as of 30 September 2019	Country	Account type	No. of shares	Share
1. Folketrygdfondet	Norway		10,661,898	9.1%
2. The Bank of New York Mellon SA/NV	Belgium	NOM	8,507,076	7.2%
3. State Street Bank and Trust Comp	USA	NOM	5,469,493	4.6%
4. Verdipapirfondet DNB Norge (IV)	Norway		3,743,892	3.2%
5. RBC Investor Services Trust	Great Britain	NOM	3,584,300	3.0%
6. State Street Bank and Trust Comp	USA	NOM	3,059,529	2.6%
7. State Street Bank and Trust Comp	USA	NOM	2,870,693	2.4%
8. The Northern Trust Comp, London Br	Great Britain	NOM	2,253,750	1.9%
9. Altor Invest 2 AS	Norway		2,240,064	1.9%
10. Altor Invest 1 AS	Norway		2,240,064	1.9%
10 largest			**44,630,759**	**38%**
Total Shares Outstanding *			**117,666,678**	**100%**

* Total shares outstanding are net of shares held in treasury per 30 September 2019

Average number of shares outstanding for Current Quarter *	
Average number of shares outstanding during the quarter	110,454,804
Average number of shares fully diluted during the quarter	111,254,584

* Shares outstanding net of shares held in treasury per 30 September 2019 (1,240,000 TGS shares), composed of average outstanding TGS shares during the quarter

Share price information	
Share price 30 September 2019 (NOK)	230.90
USD/NOK exchange rate end of period	9.09
Market capitalization 30 September 2019 (NOK million)	27,456

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.

(USD 1,000)	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate	Segment reporting consolidated	Adjustment	IFRS reporting
Q3 2019							
Net external revenues	171,671	42,799	19,616	29,783	263,868	-101,782	162,086
Operating profit	82,283	23,055	18,739	-21,574	102,504	-47,258	55,246
Q3 2018							
Net external revenues	91,412	22,071	4,613	22,635	140,731	-7,847	132,884
Operating profit	20,894	5,769	-112	-1,600	24,425	21,110	45,535
YTD 2019							
Net external revenues	355,660	87,650	40,314	56,463	540,087	-173,322	366,765
Operating profit	146,149	42,829	27,014	-53,767	162,226	-102,809	59,417
YTD 2018							
Net external revenues	257,478	99,025	24,346	52,487	433,332	-93,607	339,725
Operating profit	89,844	45,872	-1,141	-31,036	103,539	-19,426	84,113

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”.

Impact on Income Statement

(All amounts in USD 1,000s)	Q3 2019 As reported	Adjustments	Q3 2019 Segment
Net revenues	**162,086**	**101,782**	**263,868**
Amortization and impairment of multi-client library	63,815	54,795	118,610
Total operating expenses	**106,839**	**54,795**	**161,634**
Taxes	13,782	6,119	19,901
Net income	**40,255**	**41,137**	**81,392**

(All amounts in USD 1,000s)	YTD 2019 As reported	Adjustments	YTD 2019 Segment
Net revenues	**366,765**	**173,323**	**540,087**
Amortization and impairment of multi-client library	206,606	70,784	277,390
Total operating expenses	**307,348**	**70,784**	**378,132**
Taxes	21,300	19,414	40,713
Net income	**42,727**	**83,395**	**126,122**

Impact on Balance Sheet

(All amounts in USD 1,000s)	30-Sep-19 As reported	Adjustments	30-Sep-19 Segment
Multi-client library	1,124,748	-236,237	888,512
Deferred tax asset	14,927	-435	14,491
Total non-current assets	**1,508,959**	**-236,672**	**1,272,287**
Current assets	842,430	9,771	852,201
Total current assets	**842,430**	**9,771**	**852,201**
Equity	**1,520,006**	**98,805**	**1,618,811**
Deferred taxes	40,137	15,312	55,449
Non current liabilities	32,336	0	32,336
Total non-current liabilities	**72,473**	**15,312**	**87,785**
Accounts payable and debt to partners	21,498	97,603	119,101
Taxes payable, withheld payroll tax, social security	39,481	9,390	48,871
Other current liabilities	697,930	-448,011	249,919
Total current liabilities	**758,910**	**-341,018**	**417,892**

Note 5 Multi-client library

(Numbers in USD millions)	Segment Q3 2019	IFRS Q3 2019	Segment Q3 2018	IFRS Q3 2018	Segment YTD 2019	IFRS YTD 2019	Segment YTD 2018	IFRS YTD 2018
Opening balance net book value	**698.7**	**859.1**	**735.8**	**846.3**	**726.1**	**870.5**	**799.0**	**799.0**
Adjustment opening balance	-3.2	-0.2	0.0	13.6	-3.2	-0.2	**0.0**	78.9
Non-operational investments	162.2	180.2	6.5	6.5	162.2	180.2	6.5	6.5
Operational investments	149.4	149.4	100.1	100.1	280.8	280.8	194.3	194.3
Amortization and impairment	-118.6	-63.8	-92.9	-63.9	-277.4	-206.7	-250.2	-176.1
Closing net book value	**888.5**	**1,124.7**	**749.6**	**902.6**	**888.5**	**1,124.7**	**749.6**	**902.6**
Net MC revenues	260.5	163.2	138.7	120.4	527.4	268.0	427.6	334.9
Change in MC revenue	88%	36%	-1%		23%	-20%	29%	
Change in Operational MC investment	49%	49%	12%	12%	45%	45%	-20%	-20%
Amort. in % of net MC revs.	46%	39%	67%	62%	53%	77%	59%	60%
Change in net book value	19%	25%	2%	1%	19%	25%	-6%	1%
Contract Revenues	3.4	3.4	2.0	2.0	12.7	12.7	5.8	5.8

Note 6 Related parties

No other material transactions with related parties took place during the quarter.

Note 7 Changes in accounting standards

IFRS 16 Leases

IFRS 16 Leases is effective from the financial year starting at 1 January 2019. The new standard is replacing IAS 17 Leases.

TGS Group has chosen the modified retrospective approach for the implementation of IFRS 16 Leases where comparative figures are not restated. The reclassifications and adjustments on implementation are recognized in the opening balance of 2019. The Group will apply transition reliefs where the lease asset will be equal to the lease liability at the transition date.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

As of 1 January 2019, TGS Group recognized lease liabilities for properties and other assets. The liabilities were measured at the present value of the remaining lease payments. The remaining lease payments were discounted using the incremental borrowing rate as of 1 January 2019. The incremental borrowing rate applied was 4.45 %. As of 1 January 2019, a lease liability of USD 36 million was recognized. A corresponding right-of-use asset was recognized measured at a value of USD 36 million.

Below is a reconciliation of total operating lease commitments as of 31 December 2018 to the lease liability recognized at 1 January 2019.

Reconciliation of lease commitments to lease liabilites (USD 1,000)	01-Jan-19
Non-cancellable operating lease commitments as at 31.12.2018	53,861
Adjustments for property tax and other lease related costs not incl in lease commitment	-11,370
Discounting using the incremental borrowing rate	-6,607
Lease liabilities recognized at initial application	**35,884**
The weighted average incremental borrowing rate applied	4.45%
The right-of-use asset recognized at initial application	**35,884**
Amount recognized in retained earnings at initial application	-

Note 8 Økokrim charges and related civil matters; draft tax ruling in Australia

Reference is made to Note 23 to the 2018 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 2018.

In October 2018, the Oslo District Court issued its decision, holding TGS guilty and assessing a corporate fine of NOK 90 million (approximately USD 11 million) (which was as expected, due to the rejection of the fine in March 2017). The decision was split, with the majority holding TGS guilty, and the minority finding no guilt. TGS has appealed the decision, which deferred the payment of any fine. The appellate court, Borgarting Lagmannsrett, granted the appeal in March 2019 and the appellate trial is scheduled to start in November 2019.

Despite the court's decision, TGS maintains that it acted diligently in connection with the transactions with Skeie and did not commit the alleged violations of law. TGS believes that the court's reasoning in the case is both legally and factually inaccurate and is not reflective of the evidence presented at trial. 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 court's decision in the Økokrim case was erroneous and the appeal 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 26 to the 2018 Annual Report. As discussed in Note 26, 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. The final ruling was issued 18 September 2019 (TR 2019/4). The comments made by the seismic industry to the draft tax ruling have to a significant degree been considered, and the conclusions of the final tax ruling have been adjusted compared to the draft version. TGS considers that the conclusions in the final tax ruling will not lead to a significantly different tax position compared to the current practice. 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. Multi-client data will now be considered capital in nature and as such is not a deductible cost. However, seismic companies are also considered to be first users of the data, and can therefore deduct the cost of acquiring the multi-client data in the income year the expenditure was incurred.

Note 9 Business combinations & significant transactions

TGS-NOPEC Geophysical Company ASA has acquired 100 % of the outstanding ordinary shares in Spectrum ASA with effective date from 14 August 2019. The consideration for the acquisition was 0.28 x ordinary shares of TGS for each Spectrum share (the "exchange ratio"), in addition to a cash consideration of USD 0.27 multiplied by the exchange ratio.

Spectrum provides innovative multi-client seismic surveys and high-quality seismic imaging services to the global oil and gas industry from offices in the Norway, UK, USA, Brazil, Australia and Singapore. Spectrum designs, acquires and processes seismic data to deliver high quality solutions through its dedicated and experienced workforce. Spectrum holds the world's largest library of multi-client 2D marine seismic data and a significant amount of 3D seismic data. The company's strategy focuses on both the major, established hydrocarbon-producing regions of the world as well as key frontier areas identified by the experienced team of geoscientists. The Spectrum library of multi-client data contains projects from many of the foremost oil producing regions of the world. These include new acquisition, reprocessing and interpretation reports.

The transaction enhances TGS’ position as a leading multi-client geophysical data provider with a 2D and 3D seismic data library covering all major mature and frontier basins worldwide. Spectrum has successfully built a substantial presence in the South Atlantic and other important frontier regions. With TGS’ extensive library and financial robustness, the combined entity will be well positioned to accelerate 3D seismic investment plans in an improving market. Furthermore, the combined libraries will have a scale that will help accelerate TGS’ data analytics strategy.

As the transaction was effective from 14 August 2019, the sales and costs from the acquired library for the period 15 August to 30 September 2019 is reflected in the TGS Q3 statement of financial position and in TGS' statement of comprehensive income.

The fair value of the goodwill represents the excess purchase price after all the identifiable assets, liabilities and obligations are recognized. The goodwill arising from the acquisition consists mainly of synergies and economies of scale expected from combining the operations of TGS and Spectrum. None of the goodwill recognized is expected to be deductible for tax purposes.

In the period from 15 August 2019 to 30 September 2019, the acquired Group contributed with net revenues of USD 16.3 million, and loss before tax amounting to USD 0.9 million. This is reflected in the consolidated statement of comprehensive income for TGS. If the acquisition had been completed as of 1 January 2019, management estimates that consolidated net revenue for the 9 months ended 30 September 2019 would have been USD 472.1 million, and consolidated profit/loss for the same period would have been USD 59.5 million. These amounts have been determined by applying TGS' principles and assumes that the fair values arising on the date of the acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The following table summarizes the acquisition date fair value of each major class of consideration transferred.

Consideration transferred (USD 1,000)	**14-Aug-19**
Cash	4,341
Equity instruments (16 076 047 shares)	349,972
Total consideration transferred	**354,312**

The fair value of the ordinary shares issued was based on the listed share price of the company at 14 August 2019 of NOK 194.65.

TGS incurred acquisition-related costs of USD 2.0 million, consisting of legal fees and due diligence costs. USD 1.3 million have been included in operating expenses and USD 0.7 million have been recorded in equity as share issuance costs.

The following table summarises the preliminary fair value of assets acquired and liabilities assumed at the date of the acquisition.

Fair value recognized at acquisition (USD 1,000)			**14-Aug-19**
Assets			
Non-current assets	**Segment opening balance**	**Adjustment**	**PPA**
Multi-Client library	162,225	18,024	180,249
Investment in Joint Ventures	2,524	-	2,524
Deferred tax assets	13,277	-	13,277
Software	1,466	-	1,466
Fixtures, fittings and office equipment	1,599	-	1,599
Right-of-use assets	7,699	-	7,699
Non-current other receivables	5,035	-	5,035
Total non-current assets	**193,826**	**18,024**	**211,850**
Current assets			
Restricted cash	2,291	-	2,291
Cash and cash equivalents	18,968	-	18,968
Total current assets	**21,259**	-	**21,259**
Equity			
Segment equity adjustment	-8,702	8,702	-
Total segment equity adjustment	**-8,702**	**8,702**	-
Non-current liabilities			
Deferred tax liability	-6,886	3,879	-3,007
Long term interest bearing debt	-8,545	-	-8,545
Other long term liabilities	-10,809	-	-10,809
Total non-current liabilities	**-26,240**	**3,879**	**-22,361**
Current liabilities			
NWC	-35,052	-30,604	-65,656
Short term interest bearing debt	-8,465	-	-8,465
Other tax liabilities	-1,599	-	-1,599
Total current liabilities	**-45,116**	**-30,604**	**-75,720**
Total identifiable net assets acquired	**135,028**	-	**135,028**

The adjustment between the purchase price allocation (PPA) and the segment opening balance relates to sales amortisation of USD 18.0 million and net revenue of USD 30.6 million that are presented in the segment opening balance.

The Multi Excess Earnings Method (MEEM) has been applied for measuring the fair value of the multi-client library, as a market price for the individual assets does not exist. The MEEM have been estimated for each multi-client library by projecting the future cash flow for a period of four years for each multi-client library. The cash flow has been discounted with an average discount rate of 12.18%. The discount rate varies between the CGU's based on the geographical risks in the regions. The discount rate is based on, among other, a risk-free rate of 1.6 % and an asset beta ratio of 1.

The fair value of the receivable is measured at USD 43.7 million (accounts receivable of USD 25.9 million and other receivables of USD 17.8 million classified as NWC). The gross contractual amounts of the receivables are USD 44.6 million. The best estimate of contractual cash flows not expected to be collected are USD 0.9 million.

Liabilities are measured at fair value. Contingent liabilities have not been recognized as these are not considered probable to occur.

Goodwill arising from the acquisition has been recognised as follows:

(USD 1,000)	
Consideration transferred	354,312
Fair value of identfiable net assets	-135,028
Goodwill	**219,285**
Deferred tax liability	-2,456
Total Goodwill	**216,829**

If new information obtained within one year of the date of acquisition, relating to facts or circumstances that existed at the date of acquisition that requires adjustments to the above amounts, or relating to additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

TGS Energy starts with us.

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)	Q3 2019 Segment	Q3 2019 IFRS	Q3 2018 Segment	Q3 2018 IFRS
Net income	81,392	40,255	16,842	17,304
Taxes	19,901	13,782	11,585	11,585
Net financial items	1,210	1,210	-4,003	-4,003
Depreciation, amortization and impairment	3,826	3,825	2,234	2,234
Amortization and impairment of multi-client library	118,610	63,815	92,857	74,118
EBITDA	**224,940**	**122,887**	**119,516**	**101,239**

(All amounts in USD 1,000s)	9M 2019 Segment	9M 2019 IFRS	9M 2018 Segment	9M 2018 IFRS
Net income	126,122	42,727	76,299	44,052
Taxes	40,713	21,300	32,683	32,683
Net financial items	-4,609	-4,609	-5,443	-5,443
Depreciation, amortization and impairment	13,236	13,235	6,700	6,700
Amortization and impairment of multi-client library	277,390	206,606	250,222	199,852
EBITDA	**452,852**	**279,258**	**360,461**	**277,844**

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-Sep-19 Segment	30-Sep-19 IFRS	30-Sep-18 Segment	30-Sep-18 IFRS
Equity	1,618,811	1,520,006	1,221,778	1,134,636
Interest bearing debt	2,855	2,855	2,500	2,500
Cash	265,460	265,460	322,150	322,150
Net interest bearing debt	-262,605	-262,605	-319,650	-319,650
Capital employed	**1,356,206**	**1,257,401**	**902,128**	**814,987**
Average capital employed	1,129,167	1,036,194	928,390	884,819
Operating profit (12 months trailing)	377,133	436,127	155,169	122,672
ROACE	**33%**	**42%**	**17%**	**14%**

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)	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash flow from operational activities	70,520	96,089	338,765	326,582
Investments in multi-client library	-106,146	-85,796	-218,603	-190,949
Free cash flow (after MC investments)	**-35,626**	**10,293**	**120,162**	**135,633**

Backlog

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