TGS

Energy starts with us.

TGS EARNINGS RELEASE
2nd QUARTER 2020 RESULTS*

* In accordance with IFRS 3 Spectrum is included from 14 August 2019

2nd QUARTER 2020 FINANCIAL HIGHLIGHTS

IFRS (all amounts in USD 1,000 unless specified otherwise)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Net operating revenues	**66,156**	**104,831**	**118,324**	**204,679**
Operating profit (EBIT)	**-96,942**	**4,657**	**-154,857**	**4,171**
- Operating profit margin	-147 %	4 %	-131 %	2 %
Net income	**-79,933**	**-1,737**	**-136,418**	**2,472**
EPS (fully diluted) (USD)	**-0.68**	**-0.02**	**-1.17**	**0.02**
Organic multi-client investments in new projects	77,399	87,494	215,705	124,300
Risk-sharing investments	-	6,000	-	7,039
Inorganic multi-client investments	-	-	15,000	-
Amortization and impairment of multi-client library	114,418	69,547	195,250	142,791
Multi-client library net book value	**1,126,750**	**859,069**	**1,126,750**	**859,069**
Free cash flow (after multi-client investments)	-10,000	8,473	-8,858	155,788
Cash balance	**198,483**	**354,259**	**198,483**	**354,259**
Return on average capital employed[1]	-3 %	24 %	-3 %	24 %

Segment reporting[2] (all amounts in USD 1,000 unless specified otherwise)	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Net operating revenues	**95,848**	**166,354**	**247,908**	**276,220**
- Net pre-funding revenues	37,944	28,014	121,222	41,578
- Net late sales	54,814	134,038	117,759	225,311
- Net proprietary revenues	3,089	4,303	8,927	9,330
EBITDA	**56,310**	**140,010**	**181,848**	**227,912**
Operating profit	**-83,568**	**42,869**	**-102,983**	**59,722**
- Operating profit margin	-87 %	26 %	-42 %	22 %
Amortization and impairment of multi-client library	130,735	92,859	272,959	158,780
Multi-client library net book value	**788,549**	**698,672**	**788,549**	**698,672**
Pre-funding rate	49 %	32 %	56 %	33 %
Return on average capital employed[1]	5 %	17 %	5 %	17 %

"Despite the unprecedented weak market conditions in Q2, TGS generated improved cash flow from operations compared to Q2 2019. During the quarter, TGS' cost level has been reduced significantly in light of the weak market conditions. Lower cost and a continued strong balance sheet, place TGS in a unique position to continue generating strong cash flow and industry leading return on capital," says TGS' CEO Kristian Johansen.

[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.

Q2 HIGHLIGHTS – SEGMENT REPORTING

- Segment net revenues were USD 96 million in Q2 2020, down 55% versus USD 215 million in Q2 2019 (pro-forma including Spectrum).
- Investments of USD 77 million were supported by USD 38 million (49%) in prefunding in Q2 2020. This compares to USD 136 million in investments and prefunding of USD 43 million (32%) in Q2 2019 (pro-forma).
- Q2 2020 EBITDA adjusted for non-recurring items was USD 69 million, down 61% from USD 178 million in Q2 2019 (pro-forma). Restructuring and severance costs recognized in Q2 2020 totaled USD 16.8 million and impairment of selected projects in the multi-client library was USD 30 million.
- Cash balance ending June 2020 was USD 198 million and supports continued dividend of USD 0.125 per share.
- 2020 financial targets revised on 8 April 2020 remain as follows:
  - Multi-client investments of approximately USD 325 million
  - Continued sector outperformance on cashflow and ROACE
  - Industry leading distribution to shareholders

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 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 are based on IFRS reporting standard.

Net operating revenues and operating profit

Net revenues amounted to USD 66.2 million in Q2 2020, a decrease of 37% from USD 104.8 million in Q2 2019. Revenues from projects completed during the quarter increased by USD 10.2 million compared to last year, while proprietary revenues decreased USD 1.2 million. Revenues from late sales were USD 34.9 million, a decrease of 58% from the same period last year.

Amortization and impairments of the multi-client library amounted to USD 114.4 million in Q2 2020 versus USD 69.5 million in Q2 2019. Amortization in Q2 2020 was USD 74.9 million compared to USD 58.8 million in Q2 2019 and impairments was USD 39.5 million compared to USD 10.7 million in 2019. See note 6 for further details.

Personnel cost totaled USD 20.3 million, an increase of 18% compared to USD 17.2 million in Q2 2019. Other operating expenses amounted to USD 18.1 million, compared to USD 9.2 million in Q2 2019. The increases are mainly due to the cost reduction program announced on 8 April 2020 and resulting non-recurring costs recognized in Q2 to implement cost reductions, including USD 6.8 million in severance costs due to reduction in headcount and USD 5.6 million of other operational costs based on onerous contracts related to centralization of offices. In addition, the Company recognized USD 1.6 million in expected credit loss in accordance with IFRS 9. Spectrum integration completed in Q1 and annual synergy target of USD 20 million will be exceeded.

Depreciation increased to USD 9.1 million in Q2 2020 from USD 4.3 million in Q2 2019. This increase includes USD 4.4 million for impairment of right of use assets, related to office leases, as a result of reduction in number of offices across the TGS Group.

Operating profit amounted to USD -96.9 million in the quarter compared to USD 4.7 million in the same quarter of last year.

Financial items and profit before tax

Net financial items for Q2 2020 totaled USD -7.0 million compared to USD -0.2 million in Q2 2019. The increase is a result of currency exchange losses, mainly related to tax positions in NOK and cash and account receivables in Brazillian Real (BRL). Certain client commitments related to our activity in Brazil are in BRL and converted to USD at time of commitment. A currency effect occurs on cash collection.

Pre-tax profit was USD -103.9 million in Q2 2020 compared to USD 4.5 million in Q2 2019.

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. 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.

Based on the corporate income tax rate in Norway (22% in 2020) and in the US (21% in 2020), TGS has assessed the normalized operating consolidated tax rate to be approximately 22% for 2020.

The tax charge for Q2 2020 was USD -24.0 million (USD 6.2 million in Q2 2019), corresponding to a tax rate of 23%

Net income amounted to USD -79.9 million in Q2 2020, compared to USD -1.7 million in Q2 2019. This corresponds to a fully diluted EPS of USD -0.68 versus USD -0.02 in Q2 2019.

Balance sheet

As of 30 June 2020, the Company had a cash position of USD 198.5 million, a decrease of USD 155.8 million from 30 June 2019. Interest-bearing debt was unchanged at USD 2.5 million, resulting in a net cash balance of USD 196.0 million (USD 351.8 million in Q2 2019).

Goodwill was USD 284.8 million as of 30 June 2020, an increase of USD 216.8 million from 30 June 2019 caused by the acquisition of Spectrum in August 2019.

The net book value of the multi-client library was USD 1,126.8 million as of 30 June 2020, compared to USD 859.1 million as of 30 June 2019. The increase is primarily a result of the Spectrum acquisition.

Total equity as of 30 June 2020 was USD 1,350.7 million, corresponding to 62.61% of total assets. On 30 June 2019, total equity amounted to USD 1,173.0 million (67.91% of total assets). No new shares were issued in Q2 2020. As of 30 June 2020, TGS held 1,999,450 treasury shares. The Annual General Meeting held 12 May 2020 approved a reduction of the share capital by NOK 481,112.50 through cancellation of 1,924,450 treasury shares, which will be registered once the creditor phase has expired.

Cash flow

Net cash flow from operations for the quarter totaled USD 98.1 million, compared to USD 59.7 million in Q2 2019. Investments in the multi-client library were USD 108.1 million, compared to USD 51.2 million in Q2 2019, resulting in free cash flow (cash flow from operations after investments in the multi-client library) of USD -10.0 million versus USD 8.5 million in Q2 2019. Net decrease in cash for Q2 2020 was USD 49.9 million (decrease of USD 35.7 million in Q2 2019).

FINANCIALS – SEGMENT REPORTING

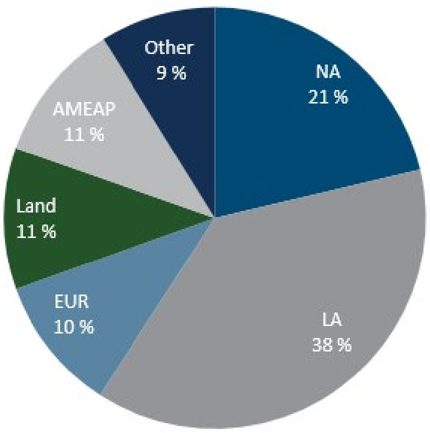
For internal reporting purposes TGS uses segment reporting, with net revenues from projects-in-progress recognized based on Percentage of Completion (POC), as opposed to the IFRS accounts where revenue recognition is deferred until project completion and delivery to the customer. It is the Board's opinion 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.

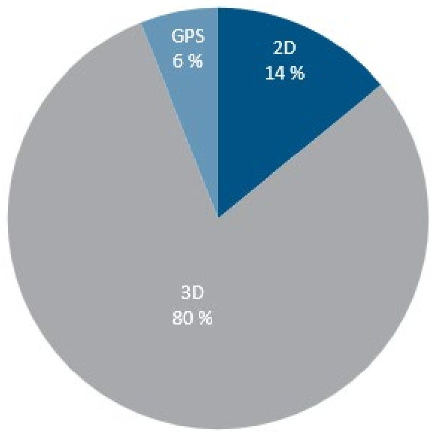
Net operating revenues

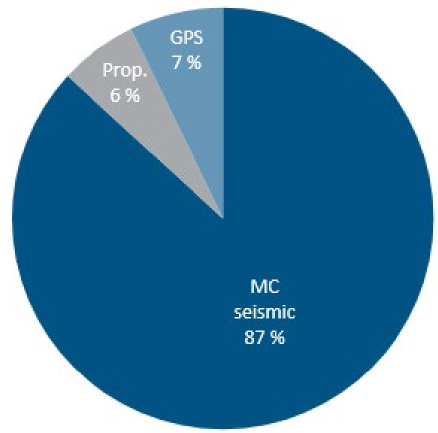
Net operating revenues for Q2 2020 amounted to USD 95.8 million, a decrease of 42.4% from the USD 166.4 million recognized in Q2 2019. Net pre-funding revenues totaled USD 37.9 million in the quarter (USD 28.0 million in Q2 2019), which funded 49% (32% in Q2 2019) of the USD 77.4 million (USD 87.5 million in Q2 2019) of organic investments in the multi-client library (excluding risk-share investments).

Net late sales for the quarter amounted to USD 54.8 million, a decrease of 59.1% compared to the USD 134.0 million booked in Q2 2019. Proprietary contract revenues decreased by 28.2% to USD 3.1 million from USD 4.3 million in Q2 2019.

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 56.3 million in Q2 2020, compared to USD 140.0 million in Q2 2019, a decrease of 59.8%.

Amortization and impairment of the multi-client library amounted to USD 130.7 million in Q2 2020, up from USD 92.9 million in Q2 2019. The increase is mainly due to impairments. See note 6 to the Interim Consolidated Financials Statements for further details.

Operating profit in Q2 2020 amounted to USD -83.6 million (margin of -87%), down from USD 42.9 million (margin of 26%) in Q2 2019.

Multi-client library

Organic multi-client investments amounted to USD 77.4 million in Q2 2020, 12% lower than the USD 87.5 million invested in Q2 2019. There were no investments contingent on sales (risk share investments) in Q2 2020 compared to USD 6.0 million in Q2 2019.

This resulted in a net book value of the multi-client library of USD 788.5 million as of 30 June 2020, compared to USD 698.7 million as of 30 June 2019. The change in book value is mainly related to the acquisition of Spectrum in August 2019.

Backlog

TGS' backlog amounted to USD 98 million at the end of Q2 2020, compared to USD 181 million at the end of Q4 2019 and USD 130 million at the end of Q2 2019.

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.

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 0.125 per share in Q3 2020. The dividend will be paid in the form of NOK 1.14 per share on 13 August 2020. The share will trade ex-dividend on 30 July 2020.

OPERATIONAL HIGHLIGHTS

During Q2 2020, TGS had five 3D seismic vessels (one operated under a joint venture agreement), one 2D vessel (operated under a joint venture agreement), one multibeam / coring vessel, one OBN crew (operated under a joint venture agreement) and one land crew in operation.

TGS commenced acquisition of the 5,600 km^2 Atlantic Margin 20 (AM20) 3D multi-client project offshore north-west Europe. The survey is an extension of the Atlantic Margin seismic programs acquired between 2017 and 2019.

In the MSGBC Basin, TGS completed acquisition of the 2,000 km^2 Senegal North OUP 3D multi-client survey.

In Nigeria, TGS completed the multibeam portion of the country's first regional multi-client Multibeam and Seafloor Sampling Study. The study will cover approximately 80,000 km^2 of the offshore Niger Delta and will incorporate around 200 cores from the seabed.

In Brazil, TGS, in partnership with BGP, completed acquisition of the 3,400 km Potiguar Ph III 2D multi-client survey. In addition, TGS continued acquisition of the expanded 22,500 km^2 Santos multi-client 3D program.

In Argentina, acquisition of the 17,800 km^2 Malvinas 3D multi-client project in the Malvinas Basin continued during the quarter.

In Q2, TGS, in collaboration with Schlumberger, commenced acquisition of Engagement, the second ultra-long offset sparse node project in the Green Canyon protraction area of the U.S. Gulf of Mexico.The initial results of the first OBN survey, Amendment, carried out in 2019, shows that the combination of ultra-long offsets and full waveform inversion delivers a significant imaging uplift in areas characterized by complex geology and multiple salt bodies.

Onshore North America, TGS completed the acquisition of the 623 km^2 Kuukpik 3D Phase 2 multi-client survey in the North Slope region of Alaska.

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 3,570 new digital well logs, 5,420 new enhanced digital well logs and 8,130 new validated well headers.

OUTLOOK AND OTHER MATTERS

The COVID-19 pandemic and the subsequent drop in oil price have had severe short-term consequences for the global oil & gas industry. As a response to the ongoing crisis and lack of visibility, E&P companies have reduced their 2020 spending budgets 25-30% on average, with most of the cuts in discretionary (uncommitted) spending. As the purchase of seismic data tends to fall into the discretionary category, geophysical industry revenues are likely to fall significantly more than the overall spending cuts. While continuing to look for counter cyclical opportunities, the Company is focused on maintaining its strong liquidity and balance sheet to manage the down cycle through targeted cost cutting initiatives and lowered investments as communicated to the market on 8 April 2020.

In early April, the Company also revised its 2020 financial targets as a consequence of the prevailing market situation. The revised 2020 financial targets currently remain as follows:

- Multi-client investments of approximately USD 325 million
- Continued sector outperformance on cashflow and ROACE
- Industry leading distribution to shareholders

During Q2, the Company completed most of the restructuring communicated to the market and recognized non-recurring items in its Q2 results of USD 16.8 million related to severance, office closures and other cost cutting activities. The Company has performed a full review of its multi-client library, goodwill and accounts receivables. Based on this review, the Company has recognized an impairment of its multi-client library of USD 39.5 million, partly related to the pandemic and partly related to the changed level of international activity in Mexico. The Company has a strong cash balance of USD 198.5 million. Please see note 6 to the Interim Consolidated Financial Statements.

While the short-term outlook is challenging, the long-term fundamentals remain robust. Following the massive drop in global oil demand in Q1 and the beginning of Q2, we have seen the progression of a gradual recovery as some countries have seen a drop in COVID-19 cases and slight improvements in their economies. Simultaneously, supply has been cut substantially, partly through reduction of OPEC quotas and partly as a result of unappealing economics, particularly in North American unconventional plays. As a result, the global oil market is expected to be more balanced in the second half of 2020. Continued high decline rates, along with record low exploration activity, will eventually put pressure on exploration budgets to maintain a balanced market in the long-term.

With continued pricing pressure and increasing concentration of customers' spending, cost efficiency and economies of scale are going to be key success factors going forward. Through our asset light business model and strong focus on quality and efficiency, TGS is continuing to enhance its position as the leading geophysical data company. And with our robust balance sheet and proven cash generation abilities we are prepared to take a primary role in shaping and developing the industry structure further.

Oslo, 22 July 2020

The Board of Directors of TGS-NOPEC Geophysical Company ASA

Henry H. Hamilton III Chairman	Mark S. Leonard Director	Wenche Agerup Director
Irene Egset Director	Torstein Sannes Director	Vicki Messer Director
Christopher Finlayson 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

CONTACT FOR ADDITIONAL INFORMATION

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	2020 Q2	2019 Q2	2020 YTD	2019 YTD
Net revenues	4	**66,156**	**104,831**	**118,324**	**204,679**
Cost of goods sold - proprietary and other		1,137	-71	3,474	1,041
Amortization and impairment of multi-client library	5, 6	114,418	69,547	195,250	142,791
Personnel costs		20,265	17,177	33,795	32,325
Other operating expenses		18,135	9,238	28,791	14,942
Depreciation, amortization and impairment		9,143	4,283	11,872	9,409
Total operating expenses		**163,098**	**100,174**	**273,182**	**200,508**
Operating profit	4	**-96,942**	**4,657**	**-154,857**	**4,171**
Financial income and expenses					
Financial income		548	2,039	1,002	8,502
Financial expenses		-947	-652	-1,693	-1,262
Net exchange gains/(losses)		-6,560	-1,583	-19,646	-1,421
Net financial items		**-6,958**	**-196**	**-20,337**	**5,819**
Profit before taxes		**-103,900**	**4,461**	**-175,195**	**9,989**
Taxes[1]		-23,967	6,198	-38,777	7,518
Net income		**-79,933**	**-1,737**	**-136,418**	**2,472**
EPS USD		**-0.68**	**-0.02**	**-1.17**	**0.02**
EPS USD, fully diluted		**-0.68**	**-0.02**	**-1.17**	**0.02**
Other comprehensive income:					
Exchange differences on translation of foreign operations		3,107	6,520	2,203	5,100
Other comprehensive income/(loss) for the period, net of tax		3,107	6,520	2,203	5,100
Total comprehensive income for the period		**-76,826**	**4,783**	**-134,215**	**7,572**

[1] Tax expense includes estimated expenses in certain jurisdictions.

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2020 30-Jun	2019 30-Jun	2019 31-Dec
Goodwill	6, 9	284,753	67,925	284,753
Multi-client library	5, 6	1,126,750	859,069	1,091,294
Other intangible non-current assets		14,618	8,687	13,703
Deferred tax asset		67,788	483	21,807
Buildings		1,578	2,887	2,396
Machinery and equipment		32,064	22,295	22,314
Right of use asset	6	55,056	29,267	23,445
Sublease asset		1,704	-	2,366
Other non-current assets		9,740	852	11,061
Total non-current assets		**1,594,052**	**991,465**	**1,473,139**
Accounts receivable	6	133,989	142,603	223,211
Accrued revenues		111,750	176,558	101,153
Other receivables		119,226	62,351	73,978
Cash and cash equivalents		198,483	354,259	323,408
Total current assets		**563,449**	**735,772**	**721,750**
TOTAL ASSETS		**2,157,502**	**1,727,237**	**2,194,889**
Share capital		4,127	3,652	4,127
Other equity		1,346,596	1,169,348	1,541,679
Total equity	3	**1,350,723**	**1,173,001**	**1,545,806**
Long-term debt		2,500	2,500	2,809
Other non-current liabilities		924	1,780	1,503
Lease liability		49,859	19,523	19,589
Deferred taxes		22,566	55,748	40,375
Total non-current liabilities		**75,848**	**79,551**	**64,276**
Accounts payable and debt to partners		126,572	32,968	108,087
Taxes payable, withheld payroll tax, social security		27,150	18,249	32,784
Other current liabilities		577,208	423,468	443,935
Total current liabilities		**730,930**	**474,684**	**584,806**
TOTAL EQUITY AND LIABILITIES		**2,157,502**	**1,727,237**	**2,194,889**

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2020 Q2	2019 Q2	2020 YTD	2019 YTD
Cash flow from operating activities:					
Received payments from customers		138,017	100,008	357,138	351,556
Payments for salaries, pensions, social security tax		-16,342	-12,743	-37,764	-35,390
Payments of other operational costs		-15,163	-19,224	-45,791	-35,404
Paid taxes		-8,446	-8,388	-29,076	-12,517
Net cash flow from operating activities [1]		**98,066**	**59,653**	**244,507**	**268,245**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-21,798	-4,707	-29,012	-11,570
Investments in multi-client library		-108,066	-51,180	-253,365	-112,457
Investments through mergers and acquisitions		-	-	-15,000	-
Interest received		186	1,991	640	4,634
Net cash flow from investing activities		**-129,678**	**-53,896**	**-296,737**	**-119,393**
Cash flow from financing activites:					
Interest paid		-603	-652	-1,349	-1,262
Dividend payments	3	-16,054	-25,280	-56,943	-52,731
Purchase of own shares	3	-	-15,547	-6,600	-15,547
Net cash flow from financing activites		**-16,657**	**-41,479**	**-64,892**	**-69,540**
Net change in cash and cash equivalents		**-48,269**	**-35,722**	**-117,122**	**79,312**
Cash and cash equivalents at the beginning of period		248,370	389,961	323,408	273,527
Net unrealized currency gains/(losses)		-1,617	19	-7,802	1,419
Cash and cash equivalents at the end of period		**198,483**	**354,258**	**198,483**	**354,258**
1) Reconciliation					
Profit before taxes		-103,900	4,461	-175,195	9,989
Depreciation/amortization/impairment		123,561	73,830	207,122	152,201
Disposals at cost price		-	13	-	4,666
Changes in accounts receivables and accrued revenues		39,750	-123,150	65,416	29,695
Unrealized currency gains/(losses)		1,617	6,458	7,802	3,660
Changes in other receivables		-34,099	1,020	-4,395	1,889
Changes in other balance sheet items		79,583	105,409	172,832	78,661
Paid taxes		-8,446	-8,387	-29,076	-12,516
Net cash flow from operating activities		**98,066**	**59,653**	**244,507**	**268,245**

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ending June 30, 2020

(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 2019	**4,127**	**-49**	**416,878**	**45,248**	**-22,233**	**1,101,834**	**1,545,806**
Net income	-	-	-	-	-	-136,418	**-136,418**
Other comprehensive income	-	-	-	-	2,203	-	**2,203**
Total comprehensive income	**-**	**-**	**-**	**-**	**2,203**	**-136,418**	**-134,215**
Purchase of own shares	-	-7	-	-	-	-6,593	**-6,601**
Distribution of treasury shares	-	0	-	-	-	276	**276**
Cost of equity-settled long term incentive plans	-	-	-	-	-	3,972	**3,972**
Dividends	-	-	-	-	-	-58,516	**-58,516**
Closing balance as of 30 June 2020	**4,127**	**-56**	**416,878**	**45,248**	**-20,030**	**904,555**	**1,350,723**

For the six months ending June 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**	**1,138,807**	**1,232,606**
Net income	-	-	-	-	-	2,472	**2,472**
Other comprehensive income	-	-	-	-	5,100	-	**5,100**
Total comprehensive income	**-**	**-**	**-**	**-**	**5,100**	**2,472**	**7,572**
Paid-in-equity through exercise of stock options	-	-	-	-	-	-	-
Distribution of treasury shares	-	1	-	-	-	249	**250**
Purchase of own shares	-	-17	-	-	-	-15,797	**-15,814**
Cost of equity-settled long term incentive plans	-	-	-	-	-	3,759	**3,759**
Dividends	-	-	-	-	-	-55,372	**-55,372**
Closing balance as of 30 June 2019	**3,672**	**-20**	**67,355**	**45,248**	**-17,373**	**1,074,118**	**1,173,001**

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 Askekroken 11, 0277 Oslo, 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 2019 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 2019.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2020	**118,906,778**
Shares issued during Q1 2020	-
Shares issued during Q2 2020	-
30 June 2020	**118,906,778**

Treasury shares	Number of shares
1 January 2020	**1,742,100**
Net change in period	257,350
30 June 2020	**1,999,450**

The Annual General Meeting held 12 May 2020 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2019 financial statements. The authorization is valid until the Company's Annual General Meeting in 2021, but no later than 30 June 2021.

The Annual General Meeting held 12 May 2020 approved a reduction of the share capital by NOK 481,112.50 through cancellation of 1,924,450 treasury shares, which will be registered once the creditor phase has expired.

On 22 July 2020, the Board of Directors resolved to pay a quarterly dividend of the NOK equivalent of USD 0.125 per share (NOK 1.14) to the shareholders. The dividend will be paid to the shareholders on 13 August 2020.

Largest Shareholders as of 30 June 2020	Country	Account type	No. of shares	Share
1. Folketrygdfondet	Norway		12,802,804	11.0 %
2. State Street Bank and Trust Comp	USA	NOM	8,912,447	7.6 %
3. The Bank of New York Mellon SA/NV	The Netherlands	NOM	8,507,076	7.3 %
4. RBC Investor Services Trust	Canada	NOM	4,319,992	3.7 %
5. State Street Bank and Trust Comp	USA	NOM	2,867,162	2.5 %
6. The Northern Trust Comp London Br	United Kingdom	NOM	2,426,072	2.1 %
7. State Street Bank and Trust Comp	USA	NOM	2,189,870	1.9 %
8. Pareto Aksje Norge Verdipapirfond	Norway		2,128,945	1.8 %
9. JPMorgan Chase Bank N.A. London	USA	NOM	2,032,587	1.7 %
10. JPMorgan Chase Bank N.A. London	USA	NOM	1,933,586	1.7 %
10 largest			**48,120,541**	**41 %**
Total Shares Outstanding *			**116,907,328**	**100 %**

* Total shares outstanding are net of shares held in treasury per 30 June 2020

Average number of shares outstanding for Current Quarter *	
Average number of shares outstanding during the quarter	116,889,867
Average number of shares fully diluted during the quarter	118,141,577

* Shares outstanding net of shares held in treasury per 30 June 2020 (1,999,450 TGS shares), composed of average outstanding TGS shares during the quarter

Share price information	
Share price 30 June 2020 (NOK)	139.35
USD/NOK exchange rate end of period	9.74
Market capitalization 30 June 2020 (NOK million)	16,570

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 America	Latin America	Europe & Russia	Land	Africa, Middle East & Asia/Pacific	Other segments / Corporate costs	Segment reporting consolidated	Adjustment	IFRS reporting
Q2 2020									
Net external revenues	20,428	36,258	9,957	10,406	10,332	8,467	95,848	-29,692	66,156
Operating profit	-14,611	-20,282	-4,871	-5,175	981	-39,609	-83,567	-13,375	-96,942
Q2 2019									
Net external revenues	60,440	44,257	20,786	15,279	12,865	12,728	166,354	-61,523	104,831
Operating profit	27,067	10,252	9,991	7,835	6,740	-19,016	42,869	-38,210	4,657
YTD 2020									
Net external revenues	27,903	99,498	24,912	53,306	22,955	19,334	247,908	-129,584	118,324
Operating profit	-32,898	-16,320	-7,430	6,183	2,362	-54,878	-102,982	-51,875	-154,857
YTD 2019									
Net external revenues	83,865	49,780	44,851	50,345	20,697	26,682	276,220	-71,541	204,679
Operating profit	23,644	8,619	19,774	31,603	8,275	-32,193	59,722	-55,551	4,171

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)	Q2 2020 As reported	Adjustments	Q2 2020 Segment
Net revenues	**66,156**	**29,691**	**95,848**
Amortization and impairment of multi-client library	114,418	16,317	130,735
Total operating expenses	**163,098**	**16,317**	**179,415**
Taxes	-23,967	7,067	-16,901
Net income	**-79,933**	**6,308**	**-73,625**

(All amounts in USD 1,000s)	YTD 2020 As reported	Adjustments	YTD 2020 Segment
Net revenues	**118,324**	**129,584**	**247,908**
Amortization and impairment of multi-client library	195,250	77,709	272,959
Total operating expenses	**273,182**	**77,709**	**350,891**
Taxes	-38,777	15,937	-22,840
Net income	**-136,418**	**35,938**	**-100,480**

Impact on Balance Sheet

(All amounts in USD 1,000s)	30-Jun-20 As reported	Adjustments	30-Jun-20 Segment
Multi-client library	1,126,750	-338,201	788,549
Deferred tax asset	67,788	-44,918	22,870
Total non-current assets	**1,594,052**	**-383,119**	**1,210,933**
Accrued revenues	111,750	129,387	241,138
Total current assets	**563,449**	**129,387**	**706,046**
Equity	**1,350,723**	**115,727**	**1,466,450**
Deferred taxes	22,566	4,757	27,323
Total non-current liabilities	**75,848**	**4,757**	**80,606**
Accounts payable and debt to partners	126,572	68,812	195,384
Other current liabilities	577,208	-429,819	147,389
Total current liabilities	**730,930**	**-361,007**	**369,923**

Note 5 Multi-client library

(Numbers in USD millions)	Segment Q2 2020	IFRS Q2 2020	Segment Q2 2019	IFRS Q2 2019	Segment YTD 2020	IFRS YTD 2020	Segment YTD 2019	IFRS YTD 2019
Opening balance net book value	**841.9**	**1,163.8**	**698.1**	**835.1**	**830.8**	**1,091.3**	**726.1**	**870.5**
Non-operational investments	0.0	0.0	0.0	0.0	15.0	15.0	0.0	0.0
Operational investments	77.4	77.4	93.5	93.5	215.7	215.7	131.3	131.3
Amortization and impairment	-130.7	-114.4	-92.9	-69.5	-273.0	-195.2	-158.7	-142.8
Closing net book value	**788.5**	**1,126.7**	**698.7**	**859.1**	**788.5**	**1,126.7**	**698.7**	**859.1**
Net MC revenues	92.8	63.1	162.1	104.8	239.0	109.4	276.2	204.7
Change in MC revenue	-43 %	-40 %	6 %	-3 %	-13 %	-47 %	4 %	-1 %
Change in Operational MC investment	-17 %	-17 %	56 %	56 %	64 %	64 %	44 %	44 %
Amort. in % of net MC revs.	141 %	181 %	57 %	66 %	114 %	178 %	57 %	70 %
Change in net book value	13 %	31 %	0 %	3 %	13 %	31 %	-4 %	-1 %
Contract Revenues	3.1	3.1	4.3	4.3	8.9	8.9	9.3	9.3

Note 6 Evaluation of estimates and assumptions

TGS reviews the carrying value of its multi-client libraries and goodwill when there are events and changes in circumstances that indicate that the carrying value of these assets may not be recoverable. Impairment indicators have been assessed as a result of the significant volatility in the market during first half of 2020. Key inputs and assumptions in the impairment model have been revisited. The sales forecasts for 2020 and future periods, where reliable information is available, have been adjusted. Please see the section Outlook and Other Matters, page 6, for further details for the Company`s view of the current market situation.

Multi-client library

The Company estimates value in use based on discounted estimated future sales forecasts. For the multi-client library, the value in use has been determined based on revenue and cash flow projections from financial estimates prepared by management. Due to the prevailing markets, future expected cash flows are reduced and consequently the value in use of the multi-client library is reduced. The underlying estimates that form the basis for the sales forecast depend on a number of variables, such as the number of oil and gas exploration and production (E&P) companies operating in the area with potential interest in the data, overall E&P spending, expectations regarding hydrocarbons in the sector, whether licenses to perform exploration in the sectors exist or will be given in the future, expected farm-ins to licenses, relinquishments, etc. Local tax rates and sales costs are applied.

TGS is operating in a global industry. TGS' customers are operating on a global scale, and the market for TGS' products is global. However, many local aspects affect the risk of the various cash generating units (CGUs) across the world, as each survey is considered a CGU. Based on this, TGS applies a country risk premium to determine the post-tax weighted average cost of capital (WACC) of all CGUs. The WACC varies between 7.4% to 22.4% for all the CGUs throughout the Company. The significant difference is due to the country risk added for specific surveys in the multi-client library. The WACC unadjusted country specific risk is 7.4%. At year-end 2019, TGS used a WACC between 8.4% to 19.4% for all the CGUs throughout the Company, with an WACC unadjusted country specific risks of 9.3%. The reduction from 2019 to 2020 is mainly due to a reduction of risk-free rate.

The table below shows the impairment charges recognized for the multi-client library in the applicable quarter, reflected in line item "Amortization and impairment of the multi-client library" in the statement of comprehensive income:

(USD 1,000)	North America	Latin America	Europe & Russia	Land	Africa, Middle East & Asia/Pacific	Other	IFRS reporting
Q2 2020							
Impairment	11,412	22,619	0	5,043	422	0	39,496
YTD 2020							
Impairment	14,937	23,462	6,413	5,043	422	0	50,277

The impairment review is sensitive to multiple inputs, such as expected sales forecasts, tax rates, gross margins on sales and WACC. A change in expected sales forecast can significantly impact the impairment review for a CGU. The impact will depend on the current value in use and carrying value of the relevant CGU. A change in WACC will also impact the impairment review, while other inputs are considered not to have a significant impact.

- 10% reduction of sales forecast would lead to increased impairment of USD 10.4 million
- 20% reduction of sales forecast would lead to increased impairment of USD 25.7 million
- 2.5% increase in WACC would lead to increased impairment of USD 5.6 million
- 5% increase in WACC would lead to increased impairment of USD 12.7 million

Goodwill

In accordance with IFRS, TGS tests goodwill for impairment annually at year-end, or more frequently if there are indications that goodwill might be impaired. A group of CGUs should be impaired if the carrying amount is higher than the recoverable amount. The recoverable amount is the higher amount of the fair value and the value in use of a CGU. The carrying amount is the carrying amount of all PPE, intangibles, multi-client library, net working capital and goodwill allocated to the groups of CGUs.

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGU) as referred to in the table below:

(USD 1,000)	North America	Latin America	Europe & Russia	Land	Africa, Middle East & Asia/Pacific	Other	IFRS reporting
Net book value as of 30 June 2020	24,899	97,232	37,201	26,894	48,820	49,707	284,753

Based on the impairment testing performed, no impairments have been recognized during first half of 2020.

In assessing value in use, the estimated future cash flows both from current multi-client library and expected future investments are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The post-tax rate is calculated based on the local tax rates in the relevant tax jurisdictions and applying an average of the relevant country risks for the groups of CGUs as specified in the table above. TGS bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of TGS' CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

The impairment calculations are most sensitive to the changes in the forecasted sales, which depend on both the expected investments and expected returns of investments. These factors are mainly influenced by future E&P spending and demand for TGS' products. A change in expected sales forecast can significantly impact the impairment review for a CGU. The impact will depend on the current value in use and carrying value of the relevant CGU. In addition, the impairment calculations are sensitive to changes in WACC, as well as expected cost levels and expected development of working capital.

- 10% reduction of expected return of investments would lead to an impairment of USD 3.1 million
- 20% reduction of expected return of investments would lead to an impairment of USD 23.4 million
- 2.5% increase in WACC would lead to an impairment of USD 8.2 million
- 5% increase in WACC would lead to an impairment of USD 35.8 million

Management does not see any other reasonable changes in the key assumptions that would cause the value in use to be lower than its carrying value.

Expected credit losses

The Company has assessed the measurement of expected credit losses in light of the current market situation. An allowance for expected credit losses of USD 1.6 million has been recognized in the quarter.

Non-recurring items

The Company announced a cost reduction program on 8 April 2020. USD 18.3 million has been recognized in non-recurring costs in the quarter, comprised of USD 6.8 million in severance cost due to reduction in headcounts, USD 7.2 million of other operational costs based on onerous contracts related to centralization of offices, and an impairment of USD 4.4 million related to centralization of offices as leases are recognized as right of use assets.

Note 7 Related parties

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

Note 8 Økokrim charges and related civil matters

Reference is made to Note 24 to the Consolidated Financial Statements included in the 2019 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 2019.

The appellate trial before Borgarting Lagmannsrett referenced in Note 24 of the Consolidated Financial Statement resulted in a unanimous decision issued in April 2020, acquitting TGS and all other defendants in the matter. The Appeal Court's decision is in line with the view TGS has argued since the case materialized in 2014. All charges in this matter against TGS and its former CFO are now fully resolved as Økokrim did not appeal the decision in their favor to the Norwegian Supreme Court.

The civil matters that have arisen relate to the transactions that formed the basis for the Økokrim charges. Given the early stage of these proceedings, it is impracticable to render an accurate assessment of the outcome. However, consistent with the Company's belief that it did nothing wrong in the criminal proceedings, as supported by Borgarting Appeal Court's decision, the Company also believes these claims of liability are not well-founded, and it intends to challenge the claims vigorously. As a result, the Company does not consider it probable that an outflow of resources embodying economic benefits will be required to settle the obligation and no provisions have been made.

Note 9 Business combinations & significant transactions

Reference is made to Note 3 to the Consolidated Financial Statements included in the 2019 Annual Report, which includes a detailed description of the acquisition of Spectrum ASA with effective date from 14 August 2019.

If new information is obtained within one year of the date of the acquisition, relating to facts or circumstances that existed at the date of the acquisition that requires adjustments to the preliminary fair value of assets acquired and liabilities assumed at the date of the acquisition, or relating to additional provisions that existed at the date of acquisition, the accounting for the acquisition will be revised. Such new information may include unidentified tax positions and other contingencies.

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)	Q2 2020 Segment	Q2 2020 IFRS	Q2 2019 Segment	Q2 2019 IFRS
Net income	-73,625	-79,933	23,181	-1,737
Taxes	-16,901	-23,967	19,492	6,198
Net financial items	6,958	6,958	196	196
Depreciation, amortization and impairment	9,143	9,143	92,859	4,283
Amortization and impairment of multi-client library	130,735	114,418	4,283	69,547
EBITDA	**56,310**	**26,619**	**140,010**	**78,487**

(All amounts in USD 1,000s)	YTD 2020 Segment	YTD 2020 IFRS	YTD 2019 Segment	YTD 2019 IFRS
Net income	-100,480	-136,418	40,914	2,472
Taxes	-22,840	-38,777	24,627	7,518
Net financial items	20,337	20,337	-5,819	-5,819
Depreciation, amortization and impairment	11,872	11,872	9,409	9,409
Amortization and impairment of multi-client library	272,959	195,250	158,780	142,791
EBITDA	**181,848**	**52,265**	**227,912**	**156,371**

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-20 Segment	30-Jun-20 IFRS	30-Jun-19 Segment	30-Jun-19 IFRS
Equity	1,466,450	1,350,723	1,237,802	1,181,941
Interest bearing debt	2,500	2,500	2,500	2,500
Cash	198,483	198,483	354,259	354,259
Net interest bearing debt	-195,983	-195,983	-351,759	-351,759
Capital employed	**1,270,467**	**1,154,740**	**886,043**	**830,183**
Average capital employed	1,078,255	992,461	888,345	813,609
Operating profit (12 months trailing)	58,487	-30,031	152,555	195,618
ROACE	**5 %**	**-3 %**	**17 %**	**24 %**

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 2020	Q2 2019	YTD 2020	YTD 2019
Cash flow from operational activities	98,066	59,653	244,507	268,245
Investments in multi-client library	-108,066	-51,180	-253,365	-112,457
Free cash flow (after MC investments)	**-10,000**	**8,473**	**-8,858**	**155,788**

Backlog

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

Responsibility Statement

We confirm to the best of our knowledge that the condensed interim financial statements for the period 1 January to 30 June 2020 has been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by EU, and additional requirements found in the Norwegian Securities Trading Act, Norwegian Accounting Act, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Oslo, 22 July 2020

The Board of Directors of TGS-NOPEC Geophysical Company ASA

Henry H. Hamilton III Chairman	Mark S. Leonard Director	Wenche Agerup Director
Irene Egset Director	Torstein Sannes Director	Vicki Messer Director
Christopher Finlayson Director	Kristian Johansen Chief Executive Officer	