



## Q1 2021 Financial Results

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# Forward-looking Statements

All statements in this presentation other than statements of historical fact, are forward-looking statements, which are subject to a number of risks, uncertainties, and assumptions that are difficult to predict and are based upon assumptions as to future events that may not prove accurate. These factors include TGS' reliance on a cyclical industry and principal customers, TGS' ability to continue to expand markets for licensing of data, and TGS' ability to acquire and process data products at costs commensurate with profitability. Actual results may differ materially from those expected or projected in the forward-looking statements. TGS undertakes no responsibility or obligation to update or alter forward-looking statements for any reason.

# Financial Highlights Q1

- Q1 2021 net revenues of USD 74.8 million (segment)
  - Late sales USD 44.8 million
  - Pre-funding USD 25.3 million
- Lower opex and capex result in strong free cash flow\* of USD 83.9 million
  - Cash balance of USD 254 million plus undrawn credit facility of USD 100 million
  - Supporting dividend payment of USD 0.14 per share
  - Buyback program continues with USD 17.3 million left to spend
- Weak market conditions expected to continue for 2021 despite positive oil price momentum
  - Clients prioritizing dividend and deleveraging balance sheets rather than exploration
- Lower MC investments and more risk share until permanent pick-up of activity
  - New MC-investment range expected to be USD 150 – 180 million
  - Positive for free cash flow
  - Allows strategic investments / M&A

# Other Highlights

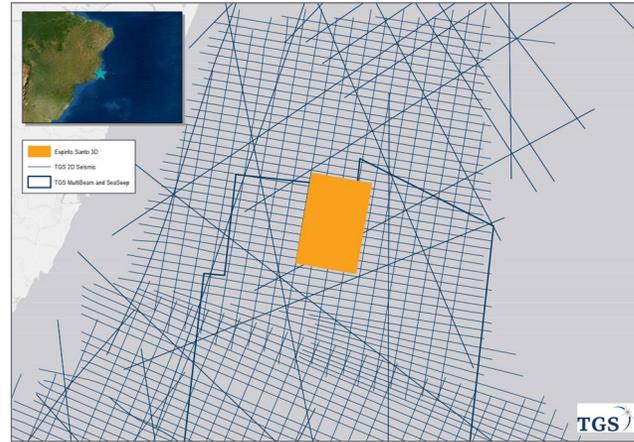
- Acquisition of 4C announced
  - First M&A in renewables – building block for additional organic and inorganic growth
  - Ambition to become the leading global provider of energy data and insights
- Supporting the establishment of new vessel company - PXGeo with cash and vessel commitment
  - Hedging 3D and OBN investment plan for 2022 and 2023

# Key projects in Q1 2021



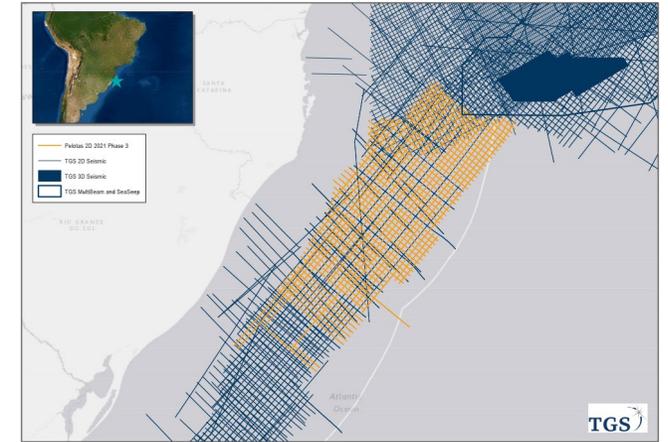
## MALVINAS 3D – Argentina

- Acquisition of the 17,800 square kilometer Malvinas 3D multi-client survey completed in Q1.
- Data covering the highly prospective Malvinas basin has been acquired over two seasons with final data expected Q1 2022.



## ESPERITO SANTO 3D - Brazil

- Covering 1,347 square kilometers of the Espirito Santo basin offshore Brazil.
- Commenced in Q1 and completed acquisition on April 12th.
- Fast-track data is expected Q4 2021 - processed using Dynamic Matching Full Wave Inversion (DM-FWI).



## PELOTAS 2D - Brazil

- Commencement of 8,559 km 2D Survey in the Pelotas Basin.
- New data set will complement the existing TGS 2D data coverage in the area and allow for better prospect mapping.
- Depth imaged products will be available in early Q3, in time for the 17th Brazil license round.

# Financials



# Segment and IFRS Reporting

## IFRS 15

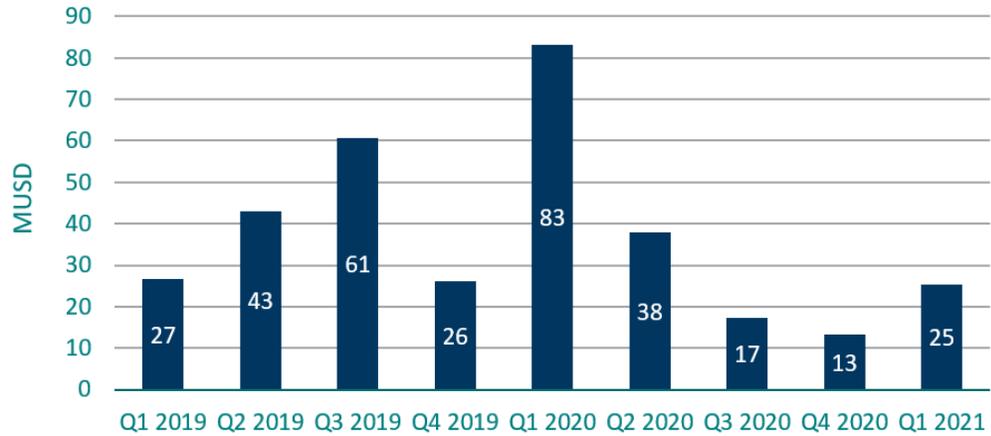
- **The accounting standard IFRS 15 regarding revenue recognition implemented from 1 January 2018**
- **Implications for TGS**
  - Recognition of revenues related to multi-client projects postponed until projects are delivered to customers
  - No amortization until completion of the project
  - No impact on sales from the library of completed surveys
- **Internal reporting**
  - TGS will continue to use the previous percentage-of-completion-method for internal segment and management reporting (referred to as *Segment Reporting*)
  - Provides the best picture of the performance and value creation of the business
- **External reporting**
  - Two sets of accounts: *Segment Reporting* and *IFRS Reporting*
  - Main focus in external communication will be on *Segment Reporting*

- Q1 presentation remains focused on Segment Reporting
- Gradually shifting to IFRS going forward
- IFRS will be accompanied by Alternative Performance Measures
  - Cash Flow
  - Order Generation and Backlog
  - Operational Progress
  - Return on Investments

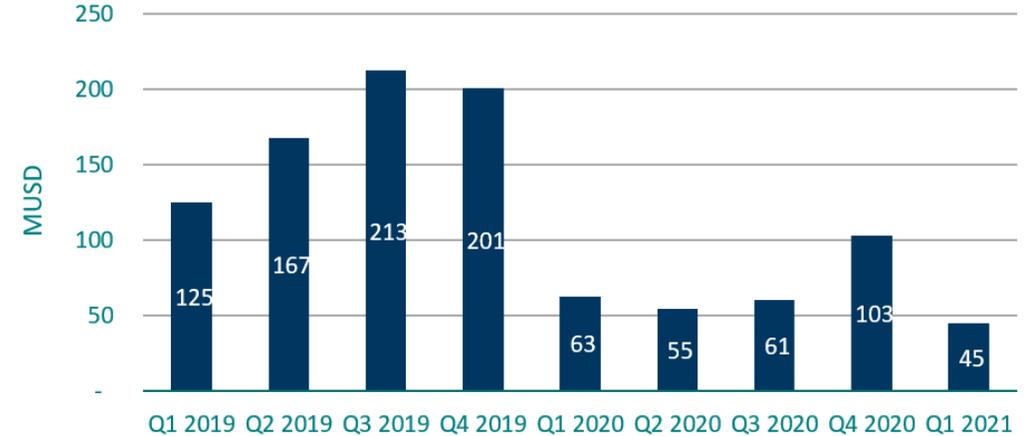
# Net Revenues

Segment reporting

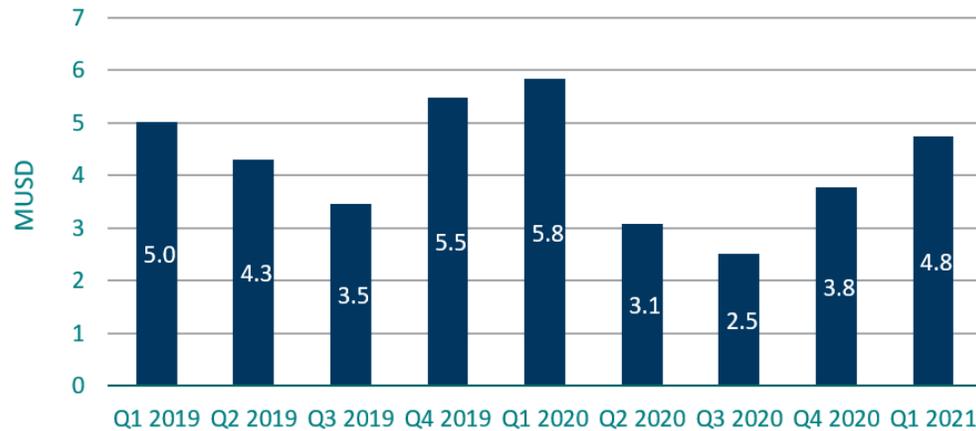
## Pre-funding revenues



## Late sales



## Proprietary revenues



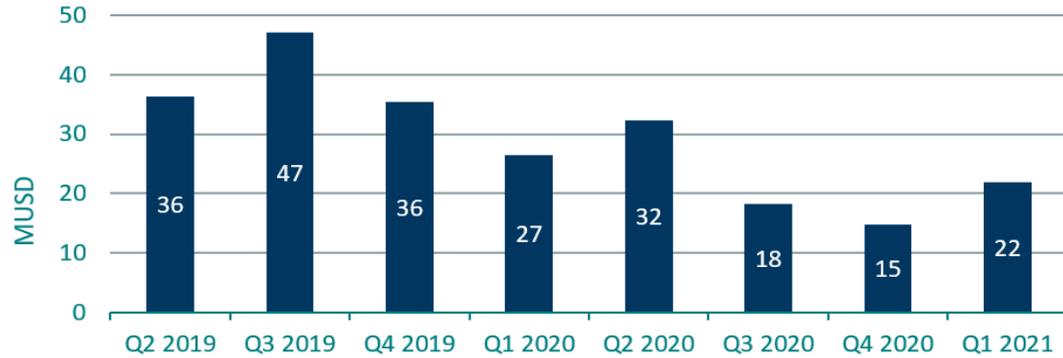
## Total Revenues



# Operating Expenses, EBIT, MC Investments

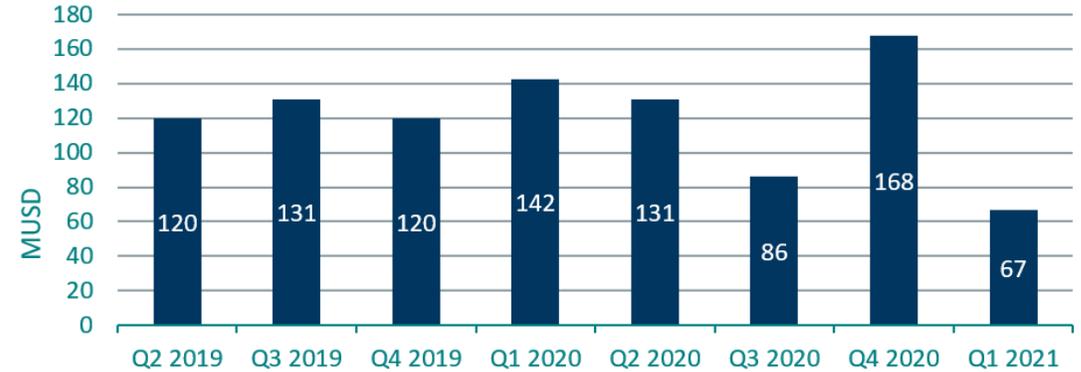
Segment reporting

## Operating Cost <sup>1)</sup>



1. Personnel costs and other operating expenses excluding reported non-recurring items

## Amortization and Impairments - Multi-Client Library

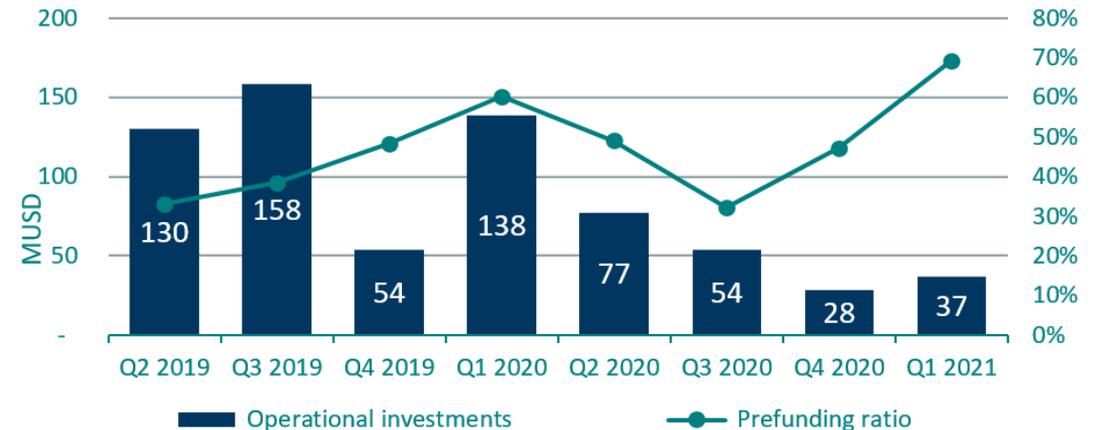


## Earnings Before Interest & Taxes <sup>2)</sup>



2. Earnings before interest and taxes excluding reported non-recurring items

## Operational investments and prefunding ratio



# Income Statement

Segment reporting

(MUSD)		Q1 2021	Q1 2020	Change
<b>Net operating revenues</b>		<b>74.8</b>	<b>152.1</b>	<b>-51%</b>
Cost of goods sold		1.3	2.3	-45%
Personnel cost		14.1	13.5	4%
Other operational costs		8.2	10.7	-23%
<b>EBITDA</b>	<b>68%</b>	<b>51.3</b>	<b>125.5</b>	<b>-59%</b>
Amortization of multi-client library		66.9	142.2	-53%
Depreciation		4.4	2.7	63%
<b>Operating result</b>	<b>-27%</b>	<b>-20.0</b>	<b>-19.4</b>	<b>3%</b>
Financial income		-0.4	0.1	-459%
Financial expenses		-0.5	-0.4	28%
Exchange gains/losses		-3.2	13.1	-124%
<b>Result before taxes</b>	<b>-32%</b>	<b>-24.1</b>	<b>-6.6</b>	<b>n/a</b>
Tax cost	10%	-2.4	-5.9	n/a
<b>Net income</b>	<b>-29%</b>	<b>-21.7</b>	<b>-0.7</b>	<b>n/a</b>
EPS (USD)		-0.16	-0.01	
EPS fully diluted (USD)		-0.16	-0.01	

# Balance Sheet

Segment reporting

Balance sheet	Q1 2021	Q1 2020	Change
Goodwill	288.4	288.4	0%
Multi-client library	593.6	841.9	-29%
Deferred tax asset	52.2	17.1	205%
Other non-current assets	104.5	96.9	8%
<b>Total non-current assets</b>	<b>1,038.7</b>	<b>1,244.2</b>	<b>-17%</b>
Cash and cash equivalents	253.5	248.4	2%
Other current assets	375.6	531.8	-29%
<b>Total current assets</b>	<b>629.1</b>	<b>780.1</b>	<b>-19%</b>
<b>TOTAL ASSETS</b>	<b>1,667.8</b>	<b>2,024.4</b>	<b>-18%</b>
<b>Total equity</b>	<b>1,353.9</b>	<b>1,562.7</b>	<b>-13%</b>
Deferred taxes	39.1	42.0	-7%
Non-current liabilities	42.2	31.3	35%
<b>Total non-current liabilities</b>	<b>81.3</b>	<b>73.3</b>	<b>11%</b>
Taxes payable, withheld payroll tax, social security	10.2	34.5	-70%
Other current liabilities	222.4	353.9	-37%
<b>Total current liabilities</b>	<b>232.6</b>	<b>388.3</b>	<b>-40%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,667.8</b>	<b>2,024.4</b>	<b>-18%</b>

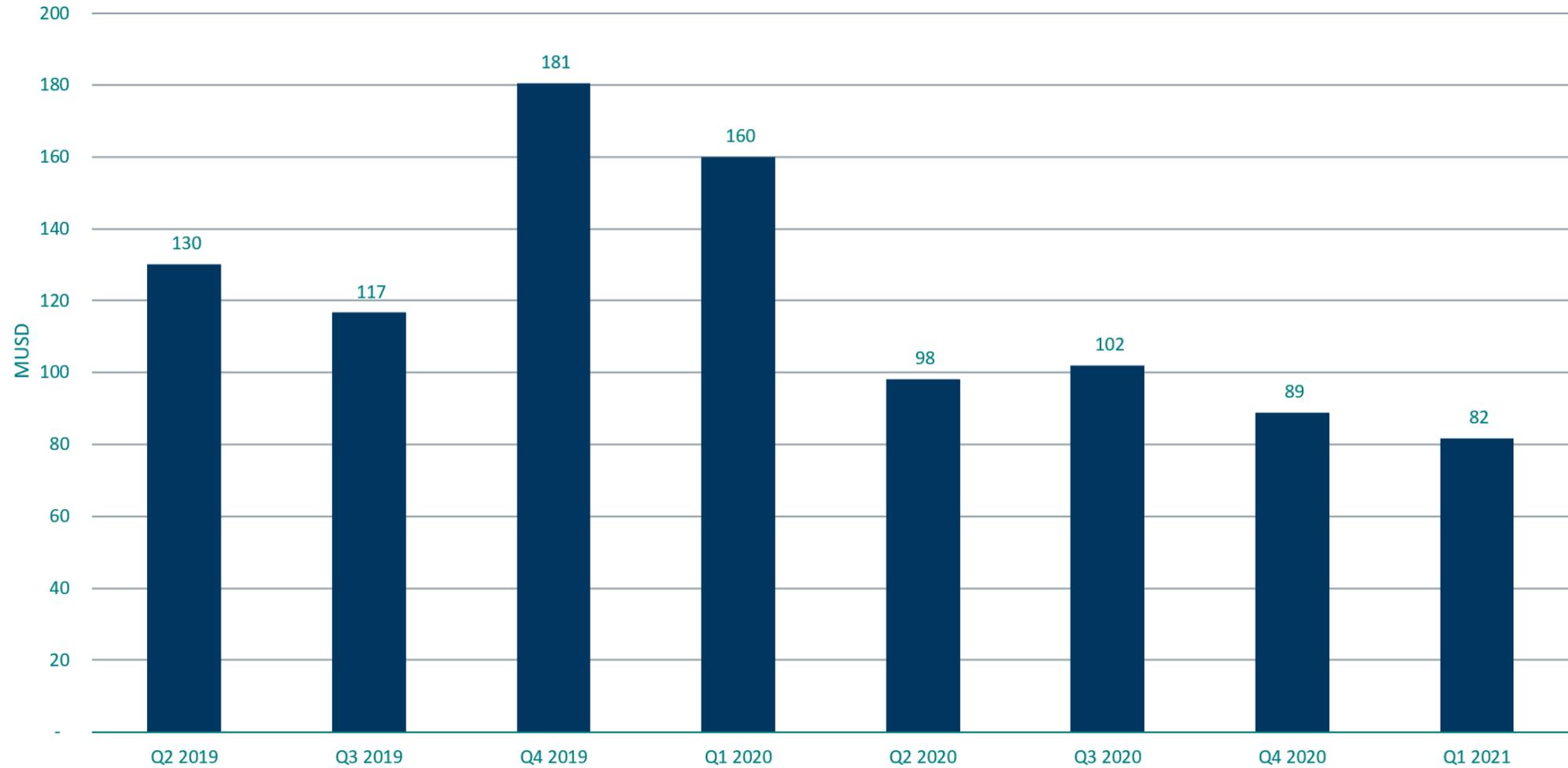
# Cash Flow Statement

(MUSD)	Q1 2021	Q1 2020	Change
Received payments	136.2	206.4	-34%
Payments for operational expenses	-23.0	-67.6	-66%
Paid taxes	-4.3	-20.6	-79%
<b>Net cash flow from operating activities</b>	<b>108.9</b>	<b>118.2</b>	<b>-8%</b>
Investment in tangible fixed assets	-0.4	-7.2	-95%
Investments in multi-client library	-25.1	-145.3	-83%
Investments through mergers and acquisitions	0.0	-15.0	-100%
Interest income	0.0	0.5	-97%
<b>Net Cash Flow from investing activities</b>	<b>-25.4</b>	<b>-167.1</b>	<b>-85%</b>
Net change in loans	-2.5	0.0	n/a
Interest expense	-0.9	-0.7	24%
Payment of dividends	-16.4	-40.9	-60%
Purchase of own shares	-2.7	-6.6	n/a
<b>Net cash flow from financing activities</b>	<b>-22.5</b>	<b>-48.2</b>	<b>-53%</b>
Net unrealized currency gains/(losses)	-3.2	6.6	n/a
<b>Net change in cash and cash equivalents</b>	<b>57.8</b>	<b>-90.5</b>	<b>n/a</b>

# Backlog

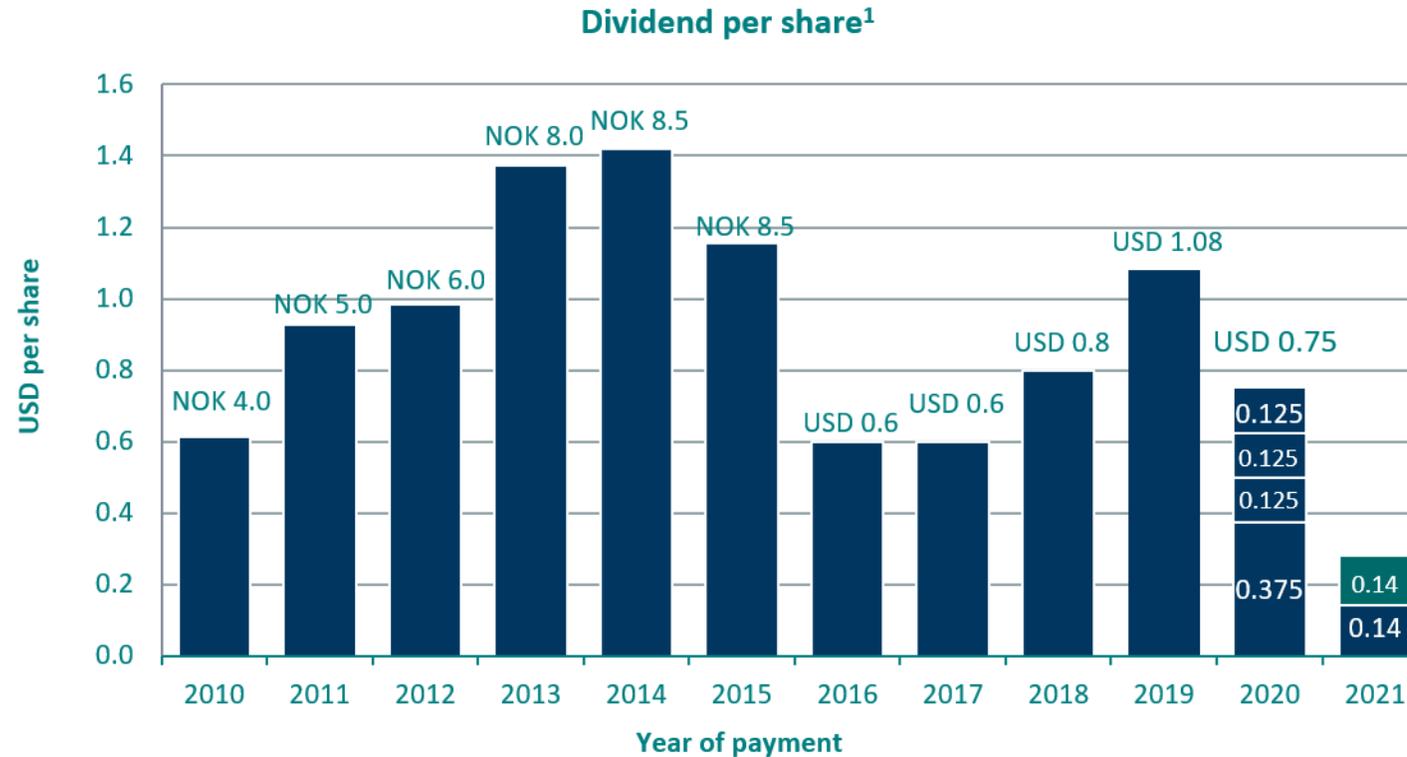
Segment reporting

Revenue backlog<sup>1</sup> as per end of quarter



1. Sales committed by customers but not yet recognized in the Segment Reporting accounts

# Dividends and Share Buyback



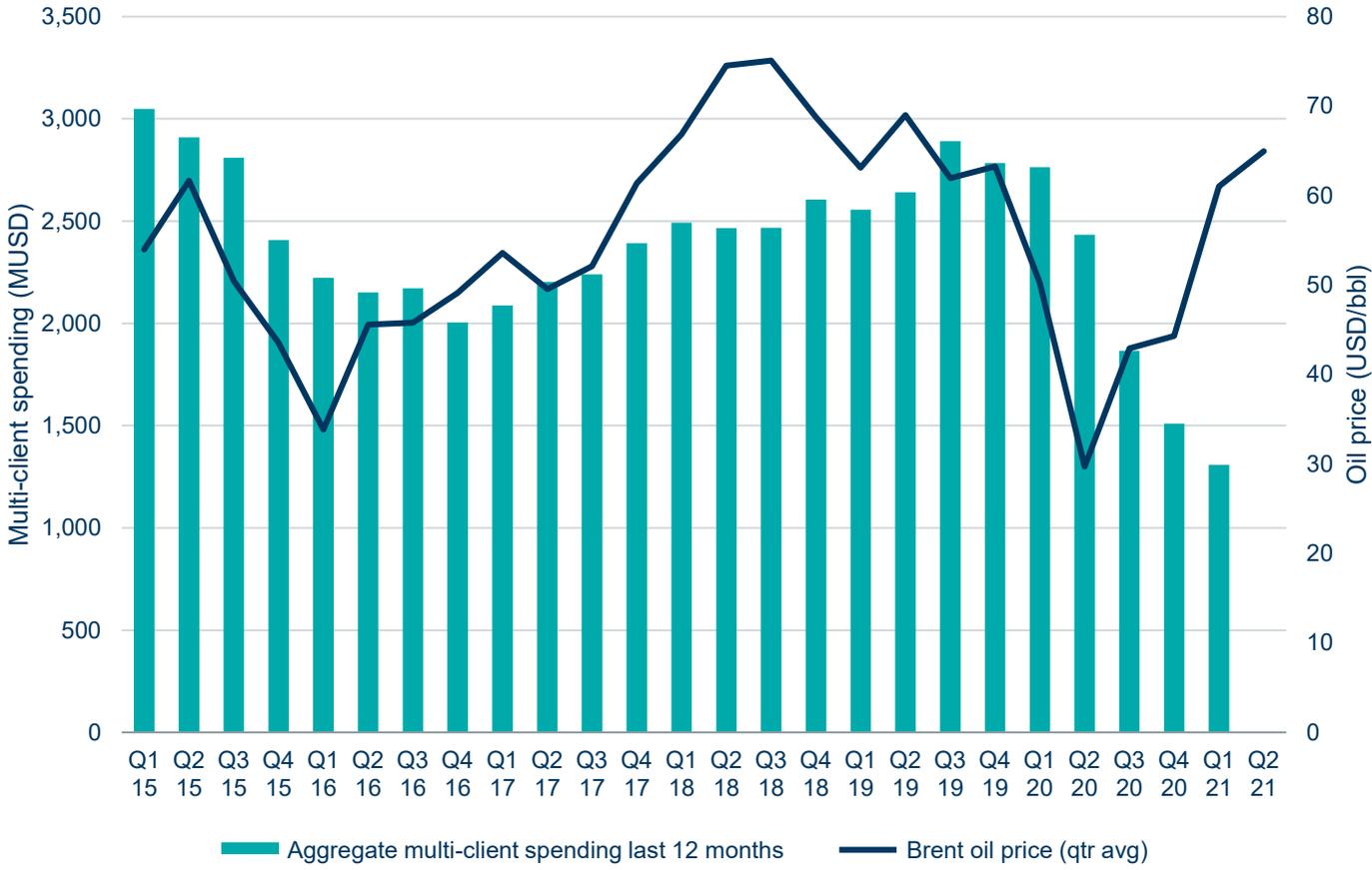
- The Board has resolved to maintain the dividend to USD 0.14 per share for Q2 2021
- Ex date 19 May 2021 – payment date 2 June 2021
- In addition, the Company repurchased 160,000 shares for USD 2.7 million under the authorization of a USD 20 million share buyback program started in Q1 2020

1. Quarterly dividends defined in USD from 2016. Annual dividends defined in NOK prior to 2016, converted to USD with the FX rate at ex-dividend dates

# Market Outlook



# The link between oil price and spending seems to be broken



- Oil price has increased significantly over the past six months – back at pre-COVID levels
- Seismic spending has remained muted – few signs of near-term recovery

# Clients' preferences are changing

- Major International Oil Companies

- Strong budget discipline
- Incremental cash flow allocated to deleveraging and shareholder returns
- Transforming from oil and gas companies into broad energy companies
- Exploration focused on near-infrastructure and selected proven greenfield areas

- National Oil Companies

- Increasing international presence
- More stable exploration spending
- Less in-house capacity – more potential vendor scope

- Smaller Independent Oil Companies

- Still exploring, but often with regional focus
- Opportunity set growing as IOCs exit prolific basins
- Little focus on renewables/alternative energy

1. Strategy Day 2021, 11 February 2021
2. Q1 2021 conference call
3. Investor Day 2020, 19 September 2020



*Shell's aim is to build material low-carbon businesses of significant scale by the early 2030s. Upstream will continue to deliver vital energy supplies, which will help to generate the cash and returns needed to fund shareholder distributions while accelerating investment in the growth businesses to capture new market opportunities..*

*Shell Energy Transition Strategy <sup>1</sup>*



*It also facilitated the launch of our Low Carbon Solutions business in the first quarter, a strategic business that we expect to grow with significant investments as we advance low-carbon technologies.*

*Darren Woods, CEO, Exxon<sup>2</sup>*



*[...]with the perspectives that we have, we need to look for oil which will have a low cost to be produced. There is a lot of oil with a low cost to be produced, but it's in the hand mainly of some national oil companies.*

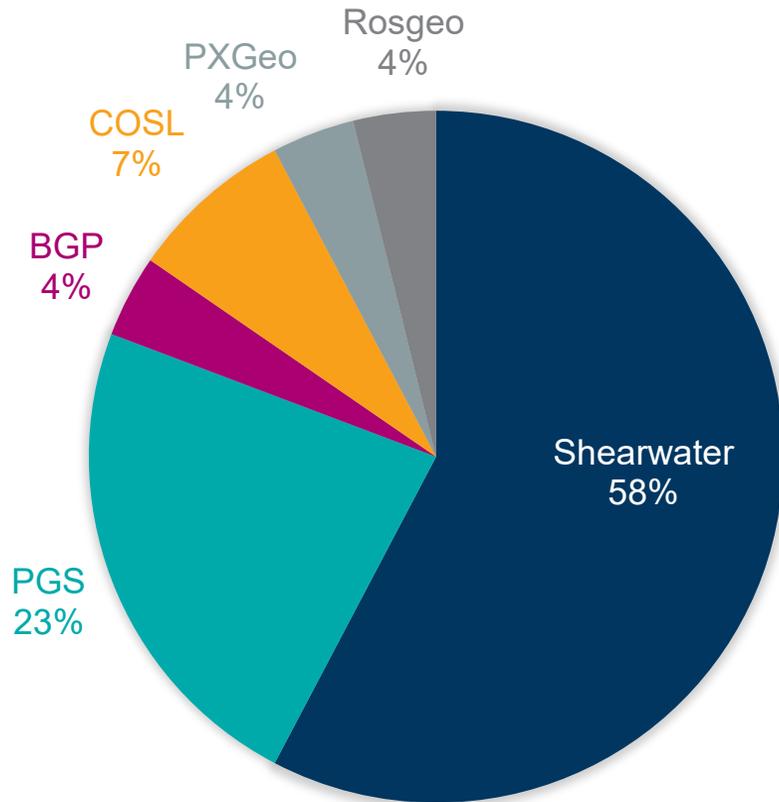
*Patrick Pouyanné, Chairman and CEO, Total<sup>3</sup>*

*Our Board has mandated us to get ready for another super-cycle.*

*CEO of small independent*

# Vessel Market Becoming More Concentrated

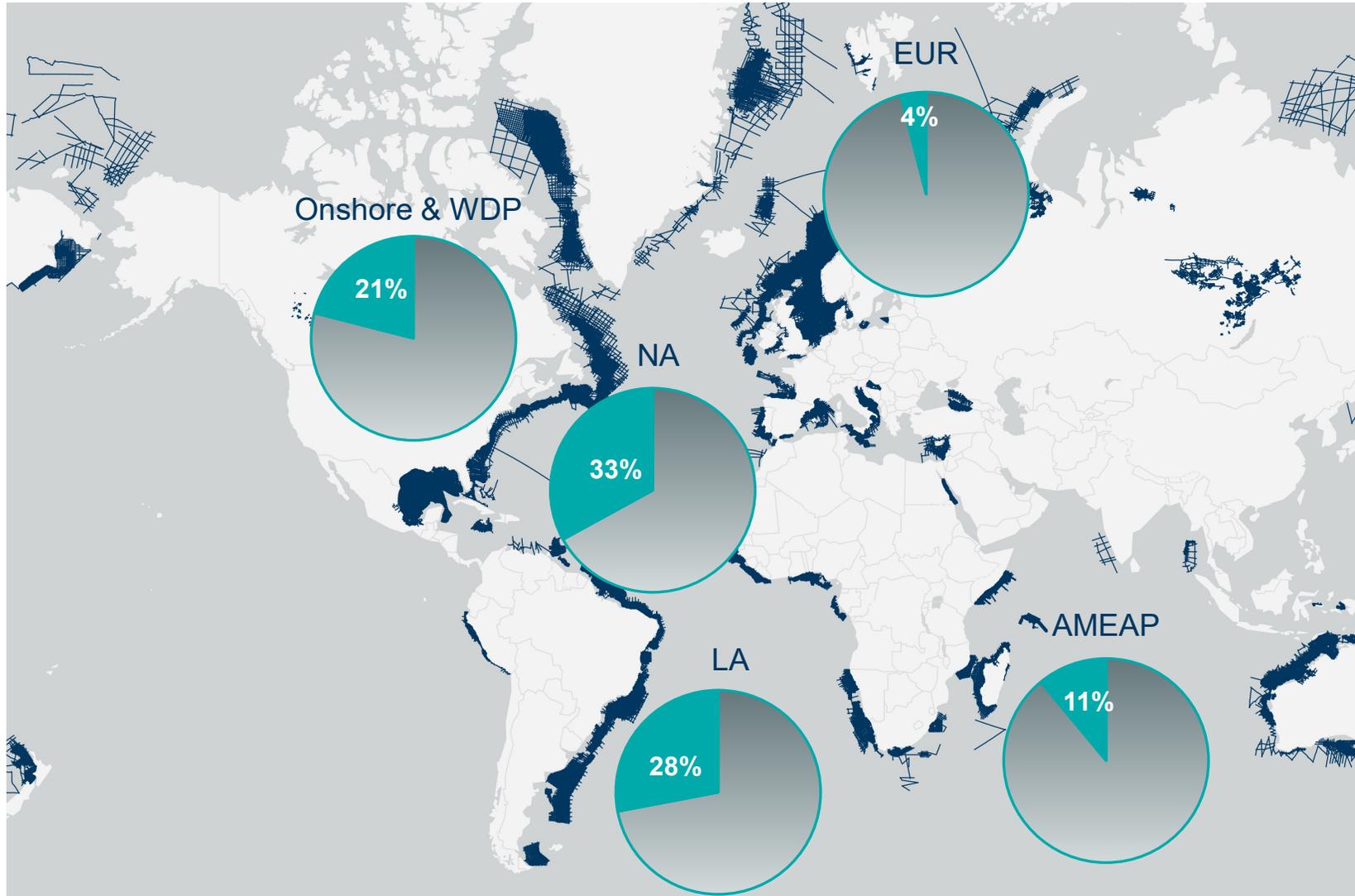
Available 3D capacity (market share)



- Number of available vessels reduced from 65 to 26 in less than 5 years
- Recent consolidation in vessel market
  - Leading player controlling almost 60% of supply
  - Five players controlling the remaining 42% of the market
  - Risk sharing continues to be available
- TGS entering into long-term agreement with PXGeo to secure capacity at competitive rates

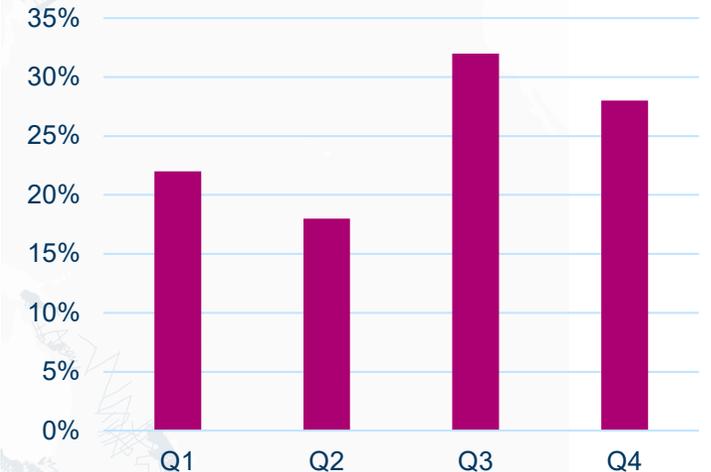
# 2021 Revised Operational Guidance

## Investment Distribution



- Investment plan for 2021 remain flexible and diversified
- Current backlog of USD 82 million in prefunding largely relate to the 2021 investment plan
- The current cash cost provides flexibility to increase activity as COVID restrictions are lifted, and still be below USD 25 million per quarter

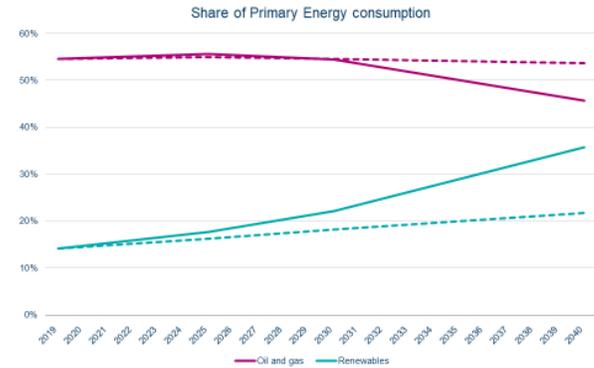
### Investments by quarter:



Esri, FAO, NOAA

# Long-term Energy Market Trends

## Oil and Gas to Remain Important in the Long-term



- Oil and gas to remain an important part of the energy mix in the foreseeable future

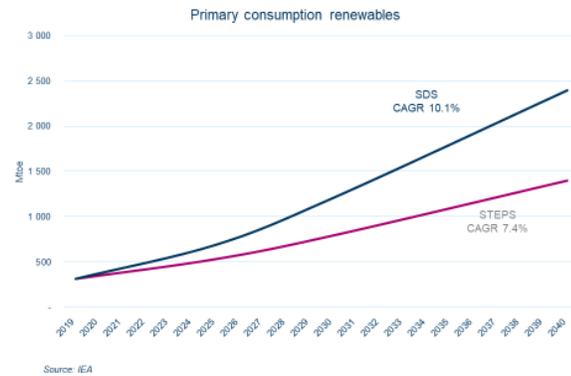
- Declining consumption of oil to be partly offset by relative stability of gas demand

- Strong replace

See the energy at TGS.com

- 15 -

## Strong Growth in Renewable Energy



- Strong growth in renewable energy needed to replace energy sources with higher GHG emissions

- Average annual investments in renewables must be 20 times higher in the coming 20-year period compared to the past 5-year period to meet the SDS scenario

See the energy at TGS.com

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## CCS Important Enabler for the Energy Transition



\*Projects of an advanced stage of planning for 2020-30

Source: IEA

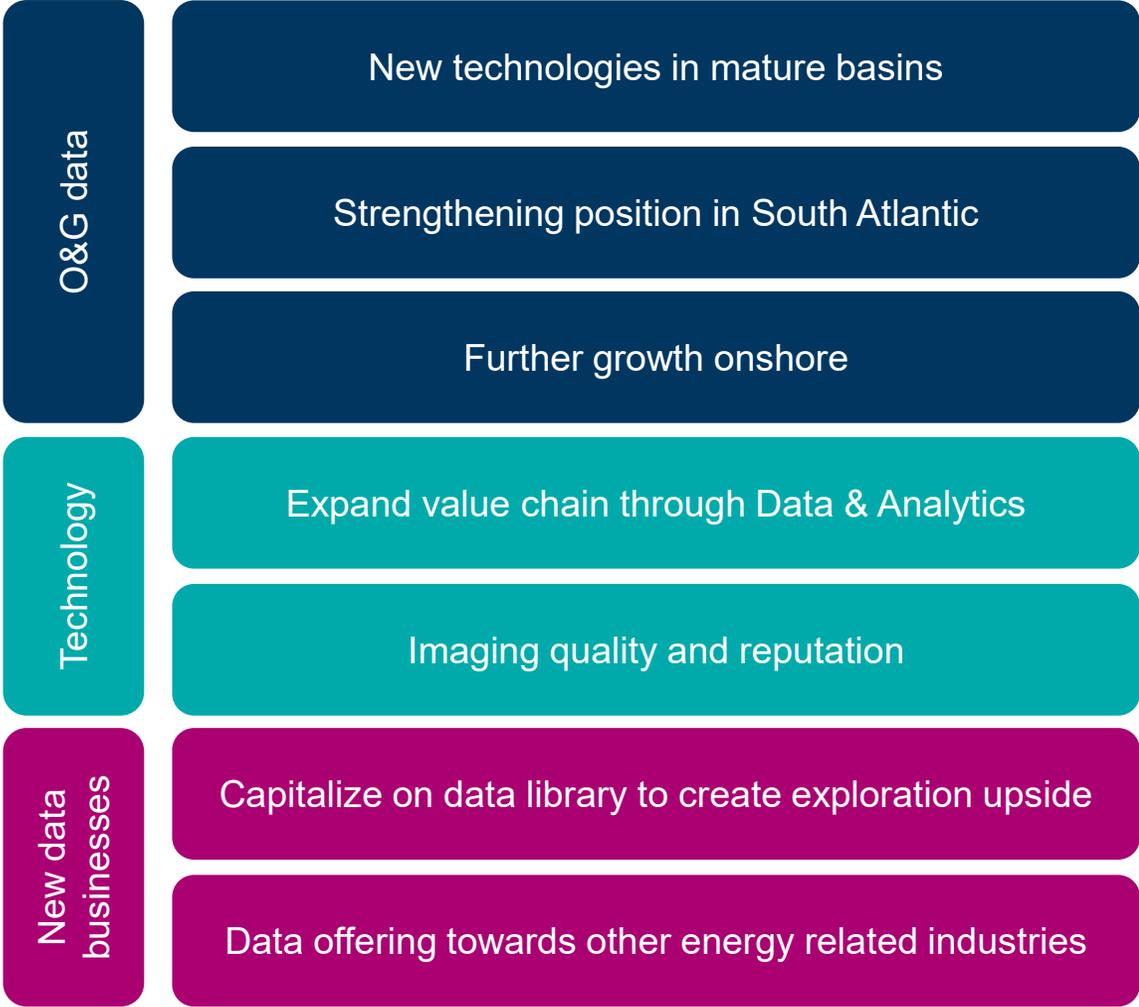
- Strong growth in Carbon Capture and Storage (CCS) is a pre-requisite for meeting the goals of the Paris Agreement

- Several projects in advanced planning stage – long pipeline of potential additional projects around the world

See the energy at TGS.com

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# Strategic Priorities

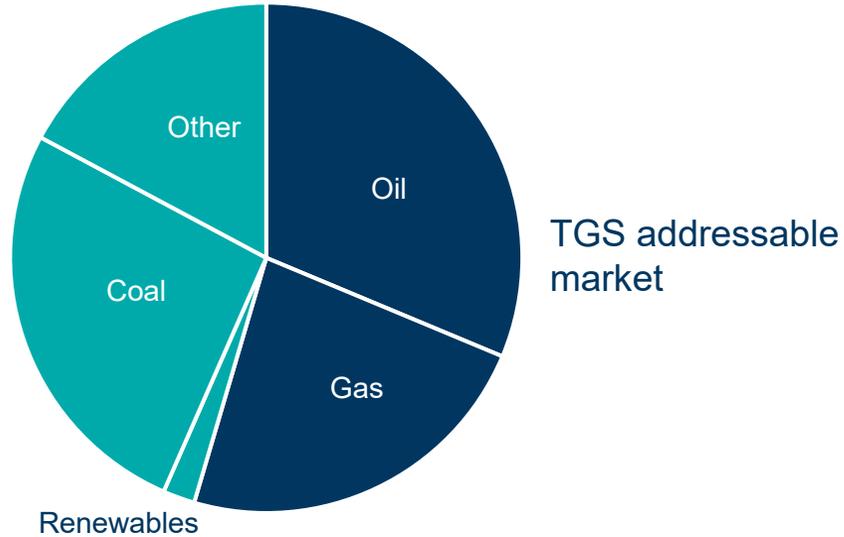


# Strategic update

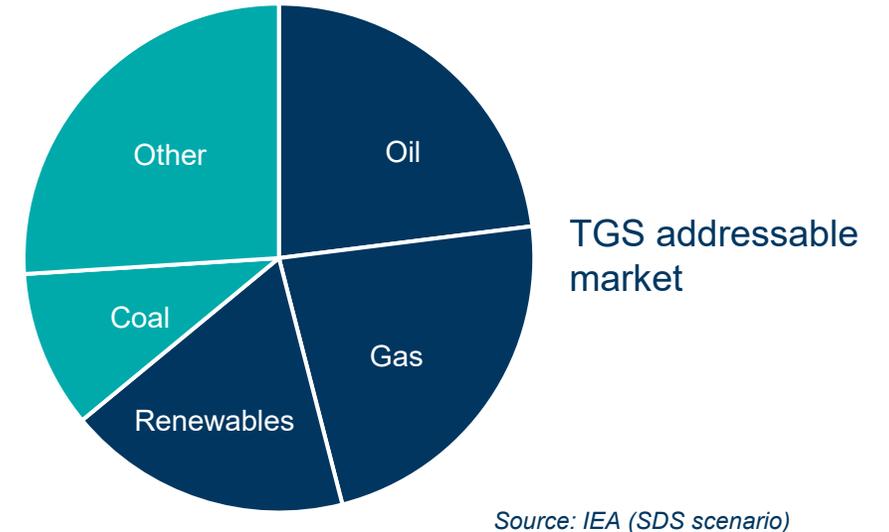


# Long-term Strategic Ambition Launched

2020 energy mix



2040 energy mix



## TGS today:

- World's leading subsurface data company
- Asset light and multi-client business model
- >95% of revenues from oil & gas
- Emissions (scope 1 & 2): 23.4 kilotons of CO<sub>2</sub>e
- New strategy launched February 2021



## TGS Long-term ambition

- World's leading energy data company
- Asset light and multi-client business model
- Revenues reflecting overall energy mix
- Carbon neutral
- High portion of recurring revenues

# Status New Energy Solutions



## Carbon Storage

- CCS Data Sale in Q1
- Funded CCS reprocessing
- Creating CO2 Storage Atlases
- Developing advanced DAS processing technology



## Geothermal

- Well data sale to Utilities company
- Enhancing temperature models
- Assessing wells for repurposing
- Sourcing data in emerging markets



## Deep Sea Minerals

- Developed a geophysical value chain for DSM exploration
- Demonstrated 3D seismic requirement
- Working with vendors to cover the complete value chain



## Wind

- 4C Offshore M&A
- Building wind resource assessment datasets ahead of rounds
- Exploring opportunities to add real measurement data



## Solar

- Reviewing M&A candidates
- Assessing partnerships with critical data access
- Specifying Ecosystem requirements

# Acquisition of 4C Offshore Ltd.

- TGS acquiring 4C Offshore Ltd.
- Fits perfectly with TGS' ambitions of becoming a leading data provider to the *New Energy* space
- 4C Offshore at a glance:
  - Based in Lowestoft, UK
  - Leading interactive market intelligence platform to the offshore wind and offshore grid sectors
    - Complete global database of offshore wind farms
    - Complete overview of projects, vendors, logistics, subsea cables etc.
  - Bespoke research and consultancy
  - Almost 80% of sales from subscriptions
  - Loyal and growing client base

## The 4C Offshore intelligence offering



Global Offshore  
Wind Farms



Offshore Wind  
Turbines



Subsea Cables



Offshore Wind  
Logistics



Construction &  
Heavy Maintenance



Mapping & GIS

Learn more about 4C Offshore:



[www.4c offshore.com](http://www.4c offshore.com)



[LinkedIn](#)



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# New Partnerships and Collaborations

- **CCS**

- **Horisont Energi MOU:** Aim to jointly research reservoir identification and monitoring solutions
- **E&P Supermajor:** Joint research of suitability of different data types for CCS monitoring
- **Canadian Discovery Ltd.:** Collaboration to develop a regional CO2 storage risk assessment Atlas in North America

- **Geothermal**

- **Eavor Technologies:** Providing input to ensure value creation for development of new geothermal data products and applications

- **Wind**

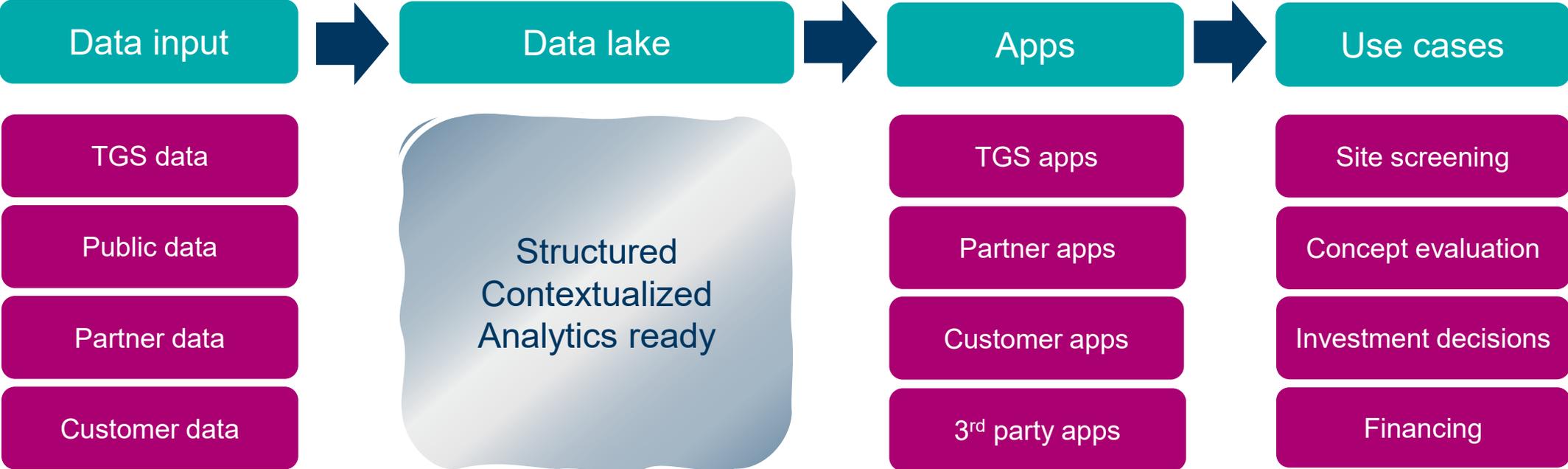
- **Renewable Energy company:** Reviewing data requirements for wind development

- **NES Ecosystem**

- **Cognizant:** providing renewable industry related expertise to develop the NES Ecosystem



# The NES Ecosystem – Our Delivery Platform



- Developing the Ecosystem with Cognizant, taking use cases as the starting point
- Aiming to provide Software as a Service solution of Use cases for all 5 segments

# Summary

- Q1 2021 net revenues of USD 74.8 million
- Free Cash flow of USD 83.9 million - strong return to shareholders
  - Quarterly dividend maintained at USD 0.14 per share
  - Bought back 160,000 shares under share buy-back program
- 2021 financial guidance updated
  - Multi-client investments of approximately USD 150-180 million
  - Continued sector outperformance on cash flow and ROACE
  - Industry-leading distribution to shareholders
- Delivering on diversification strategy
  - Acquisition of 4C provides exposure to wind energy data & insight
  - Strategic partnerships signed within other focus areas for NES



**Thank you**



# Appendix



# Income Statement

IFRS

(MUSD)		Q1 2021	Q1 2020	Change
<b>Net operating revenues</b>		<b>185.7</b>	<b>52.2</b>	<b>256%</b>
Cost of goods sold		1.3	2.3	-45%
Personnel cost		14.1	13.5	4%
Other operational costs		8.2	10.7	-23%
<b>EBITDA</b>	<b>87%</b>	<b>162.2</b>	<b>25.6</b>	<b>532%</b>
Amortization of multi-client library		89.1	80.8	10%
Depreciation		4.4	2.7	63%
<b>Operating result</b>	<b>37%</b>	<b>68.6</b>	<b>-57.9</b>	<b>n/a</b>
Financial income		0.0	0.1	-88%
Financial expenses		-0.9	-0.4	130%
Exchange gains/losses		-3.2	13.1	-124%
<b>Result before taxes</b>	<b>35%</b>	<b>64.5</b>	<b>-45.1</b>	<b>n/a</b>
Tax cost	34%	21.9	-14.8	n/a
<b>Net income</b>	<b>23%</b>	<b>42.6</b>	<b>-30.3</b>	<b>n/a</b>
EPS (USD)		0.36	-0.26	n/a
EPS fully diluted (USD)		0.36	-0.26	n/a

# Balance Sheet

IFRS

Balance sheet	Q1 2021	Q1 2020	Change
Goodwill	288.4	288.4	0%
Multi-client library	893.7	1,163.8	-23%
Deferred tax asset	76.3	21.7	251%
Other non-current assets	104.5	96.9	8%
<b>Total non-current assets</b>	<b>1,362.8</b>	<b>1,570.7</b>	<b>-13%</b>
Cash and cash equivalents	253.5	248.4	2%
Other current assets	262.3	378.9	-31%
<b>Total current assets</b>	<b>515.9</b>	<b>627.2</b>	<b>-18%</b>
<b>TOTAL ASSETS</b>	<b>1,878.7</b>	<b>2,198.0</b>	<b>-15%</b>
<b>Total equity</b>	<b>1,291.1</b>	<b>1,453.3</b>	<b>-11%</b>
Deferred taxes	33.7	4.0	743%
Non-current liabilities	42.2	31.3	35%
<b>Total non-current liabilities</b>	<b>75.8</b>	<b>35.3</b>	<b>115%</b>
Taxes payable, withheld payroll tax, social security	10.2	34.5	-70%
Other current liabilities	501.6	674.9	-26%
<b>Total current liabilities</b>	<b>511.7</b>	<b>709.4</b>	<b>-28%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,878.7</b>	<b>2,198.0</b>	<b>-15%</b>

# Reconciliation

IFRS

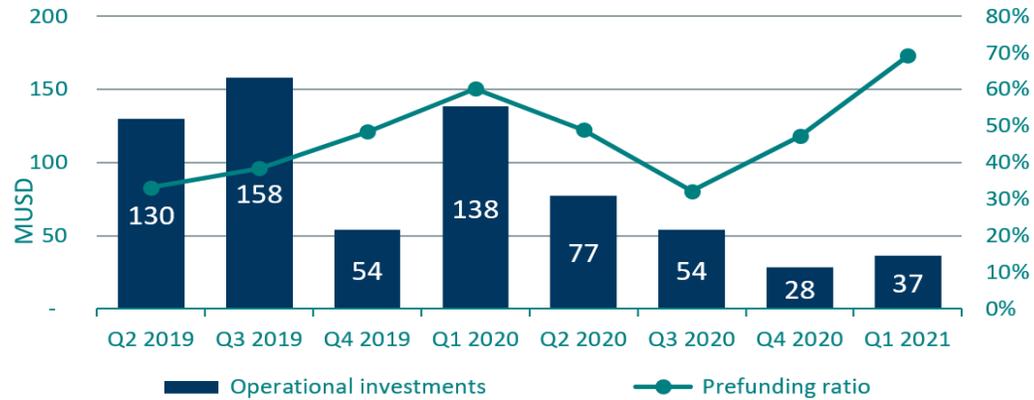
(All amounts in USD 1,000s)	Q1 2021	Performance obligations met	In progress projects	Q1 2021
	As reported			Segment
<b>Revenues</b>	<b>185,741</b>	<b>-156,949</b>	<b>46,045</b>	<b>74,836</b>
Amortization and impairment of multi-client library	89,122	-42,238	19,971	66,855
<b>Income before tax</b>	<b>64,512</b>	<b>-199,188</b>	<b>66,016</b>	<b>-24,125</b>
Taxes	21,943	-30,758	6,389	-2,426
<b>Net income</b>	<b>42,568</b>	<b>-229,946</b>	<b>72,405</b>	<b>-21,699</b>

(All amounts in USD 1,000s)	31-Mar-21	Adjustments	31-Mar-21
	As reported		Segment
Multi-client library	893,707	-300,144	593,564
Deferred tax asset	76,254	-24,051	52,202
<b>Total non-current assets</b>	<b>1,362,845</b>	<b>-324,195</b>	<b>1,038,650</b>
Accrued revenues	111,474	113,269	224,743
<b>Total current assets</b>	<b>515,858</b>	<b>113,269</b>	<b>629,128</b>
<b>Equity</b>	<b>1,291,143</b>	<b>62,763</b>	<b>1,353,906</b>
Deferred taxes	33,661	5,485	39,146
<b>Total non-current liabilities</b>	<b>75,813</b>	<b>5,485</b>	<b>81,298</b>
Accounts payable and debt to partners	93,188	54,346	147,534
Deferred revenues	363,886	-333,520	30,367
<b>Total current liabilities</b>	<b>511,747</b>	<b>-279,174</b>	<b>232,574</b>

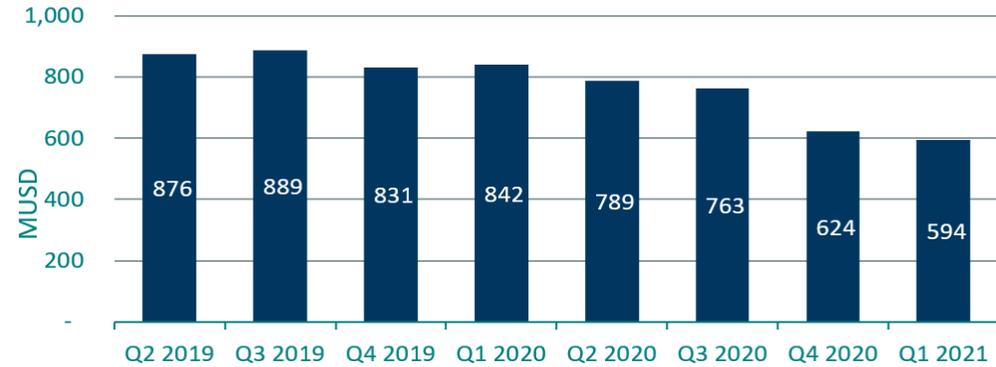
# Multi-Client Library

Segment reporting

Operational investments and prefunding ratio



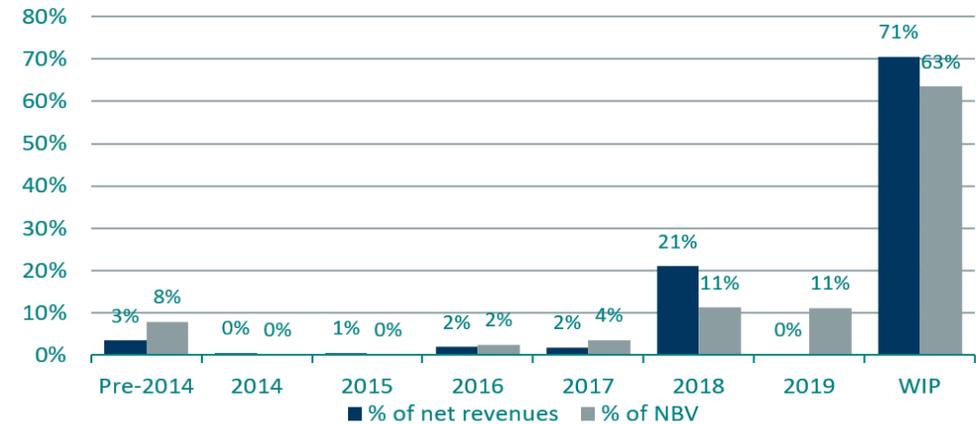
Net Book Value - Multi-Client Library



Investments and NBV by year of completion <sup>1)</sup> Q1 2021



Net Revenues and NBV by year of completion <sup>1)</sup> Q1 2021



1. Operational multi-client seismic investments