TGS EARNINGS RELEASE

2nd QUARTER 2019 RESULTS

2nd QUARTER 2019 FINANCIAL HIGHLIGHTS

IFRS (all amounts in USD 1,000 unless specified otherwise)	**Q2 2019**	**Q2 2018**	**YTD 2019**	**YTD 2018**
Net operating revenues	**104,831**	**107,754**	**204,679**	**206,841**
Operating profit (EBIT)	**4,657**	**29,956**	**4,171**	**38,576**
- Operating profit margin	4%	28%	2%	19%
Net income	**-1,737**	**24,074**	**2,472**	**20,720**
EPS (fully diluted) (USD)	**-0.02**	**0.23**	**0.02**	**0.20**
Organic multi-client investments in new projects	87,494	55,515	124,300	86,248
Risk-sharing investments	6,000	3,718	7,039	7,204
Inorganic multi-client investments	0	0	0	0
Amortization of multi-client library	69,547	47,905	142,791	112,141
Multi-client library net book value	**859,069**	**859,895**	**859,069**	**859,895**
Free cash flow (after multi-client investments)	8,473	55,231	155,788	125,340
Cash balance	**354,259**	**337,514**	**354,259**	**337,514**
Return on average capital employed[1]	24%	13%	24%	13%

Segment reporting[2] (all amounts in USD 1,000 unless specified otherwise)	**Q2 2019**	**Q2 2018**	**YTD 2019**	**YTD 2018**
Net operating revenues	**166,354**	**157,842**	**276,220**	**292,601**
- Net pre-funding revenues	28,014	20,575	41,578	38,177
- Net late sales	134,038	135,786	225,311	250,651
- Net proprietary revenues	4,303	1,481	9,330	3,773
EBITDA	**140,010**	**130,164**	**227,912**	**240,945**
Operating profit	**42,869**	**54,212**	**59,722**	**79,114**
- Operating profit margin	26%	34%	22%	27%
Amortization of multi-client library	92,859	73,737	158,780	157,365
Multi-client library net book value	**698,672**	**735,839**	**698,672**	**735,839**
Pre-funding rate	32%	37%	33%	44%

- Strong sales momentum in Q2 2019 – Segment net revenues of USD 166 million, year on year growth of 5%
- Improving market conditions, but continued high volatility
- Spectrum acquisition on track for closing in mid-August
- Dividend of USD 0.27 per share to be paid in Q2 2019, up 35% compared to Q2 2018
- Initiation of USD 50 million share repurchase program

[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.

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.

Net operating revenues and operating profit

Net revenues amounted to USD 104.8 million in Q2 2019, a decrease of 2.7% from USD 107.8 million in Q2 2018. Revenues from projects completed during the quarter increased by USD 7.3 million compared to last year, while proprietary revenues grew USD 2.8 million. This was, however, largely offset by lower sales of vintage data.

Amortization of the multi-client library amounted to USD 69.5 million versus USD 47.9 million in Q2 2018.

Personnel cost totaled USD 17.1 million in Q2 2019, a decline of 6.6% compared to USD 18.4 million in Q2 2018 due to lower bonus costs. Other operating expenses amounted to USD 9.2 million, which is in line with Q2 2018. This includes USD 1.0 million of accruals of transaction costs related to the Spectrum transaction.

In Q2 2019 USD 3.3 million of lease expenses (previously included in other operating expenses) have been booked as depreciation and USD 0.4 million as lease interest as a result of IFRS 16 being implemented from 1 January 2019. Consequently, depreciation has increased to USD 4.3 million in Q2 2019 from USD 2.2 million in Q2 2018.

Operating profit amounted to USD 4.7 million (margin of 4%) in the quarter compared to USD 30.0 million (28%) in the same quarter of last year.

Financial items and profit before tax

Net financial items for Q2 2019 totaled USD -0.2 million compared to USD 1.7 million in Q2 2018. The decrease is mainly a result of a currency exchange losses.

Pre-tax profit was USD 4.5 million in Q2 2019 compared to USD 31.6 million in Q2 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 2018), TGS has assessed the normalized operating consolidated tax rate to be at approximately 22% for 2019. We shares in Q1.

The Norwegian taxes are settled in NOK on an annual basis, and the USD/NOK exchange variation will impact the quarterly calculations of taxes. Also, the exchange effects of translating intercompany balances into NOK are taxable in Norway. Accordingly, the tax expense is impacted by items which are not recognized in the consolidated income statement. The tax cost for Q2 2019 was USD 6.2 million (USD 7.5 million in Q2 2018), corresponding to a tax rate of 139%. The high tax rate is mainly due to a combination of currency effects between NOK and USD and a low pre-tax profit, as well as a USD 1.3 million write-down of deferred tax assets in Mexico.

Net income amounted to USD -1.7 million in Q2 2019, compared to USD 24.1 million in Q2 2018. This corresponds to a fully diluted EPS of USD –0.02 versus USD 0.23 in Q2 2018.

Balance sheet

The Company continues to have a solid balance sheet with a cash position of USD 354.3 million as of 30 June 2019, an increase of USD 16.7 million from the USD 337.5 million of cash balance at the same point in 2018. Net interest-bearing debt was unchanged at USD 2.5 million, meaning that the net cash was USD 351.8 million (USD 335.0 million).

The net book value of the multi-client library was USD 859.1 million as of 30 June 2019 compared to USD 859.9 million as of 30 June 2018. The book value reflects a continued high amortization rate, combined with investments in new projects being done at substantially lower unit cost than the average of the surveys completed historically.

Total equity as of 30 June 2019 was USD 1,181.9 million, 68.4% of total assets. On 30 June 2018 total equity amounted to USD 1,131.6 million (74% of total assets). No new shares were issued in Q2 2019. As of 30 June 2019, TGS held 694,730 treasury shares.

Cash flow

Net cash flow from operations for the quarter, after taxes and before investments, totaled USD 59.7 million compared to USD 127.8 million in Q2 2018. Free cash flow (cash flow from operations after investments in the multi-client library) amounted to USD 8.5 million versus USD 55.2 million in Q2 2018, while the net cash flow was negative by USD 35.7 million (positive USD 36.4 million in Q2 2018).

FINANCIALS – SEGMENT REPORTING

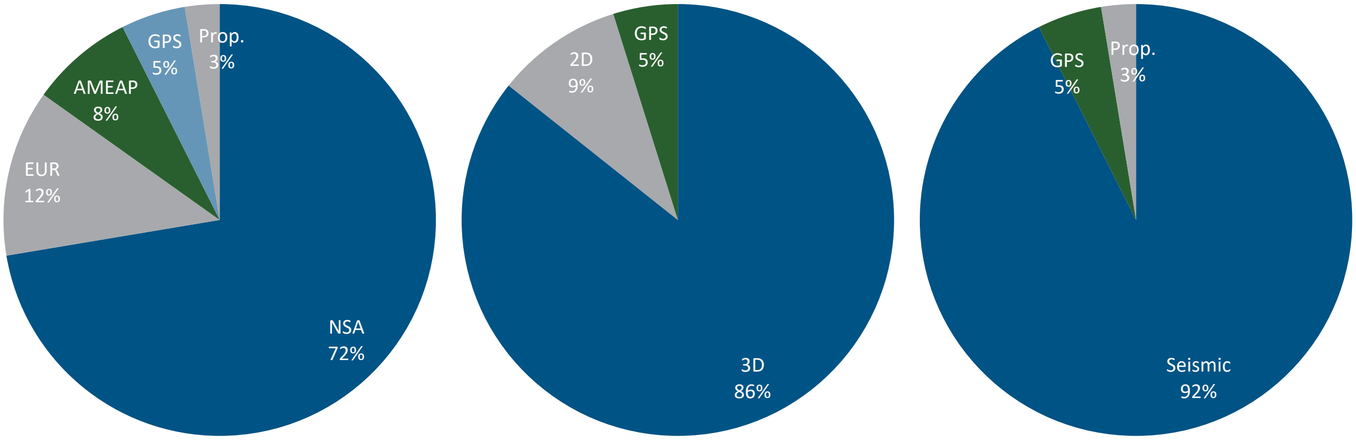
For internal reporting purposes TGS is using segment reporting with net revenues for projects in progress recognized based on Percentage of Completion (POC), as opposed to the IFRS accounts, where revenues are not recognized until the relevant project is completed. It is the Board’s opinion that the 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 Q2 2019 amounted to USD 166.4 million, an increase of 5% from the USD 157.8 million recognized in Q2 2018. Net pre-funding revenues totaled USD 28.0 million in the quarter (USD 20.6 million in Q2 2018) funding 32% (37%) of the USD 87.5 million (USD 55.5 million) of organic investments in the multi-client library (excluding risk-share investments).

Net late sales for the quarter amounted to USD 134.0 million, a decrease of 1.3% compared to the USD 135.8 million booked in Q2 2018. Proprietary contract revenues increased by 191% to USD 4.3 million from USD 1.5 million in Q2 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 140.0 million in Q2 2019 compared to USD 130.2 million in Q2 2018, an increase of 8%.

Amortization of the multi-client library amounted to USD 92.9 million in Q2 2019, up from USD 73.7 million in Q2 2018. The increase is mainly due to higher sales amortization resulting from increased sales of projects in progress.

Operating profit in Q2 2019 amounted to USD 42.9 million (margin of 26%), down from USD 54.2 million Q2 (margin of 34%) last year.

Multi-client library

Organic multi-client investments amounted to USD 87.5 million in Q2 2019, 58% higher than the USD 55.5 million invested in the same quarter last year. In addition, investments contingent on sales (risk share investments) amounted to USD 6.0 million versus USD 3.7 million in Q2 2018.

This resulted in a net book value of the multi-client library of USD 698.7 million as of 30 June 2019 compared to USD 735.8 million at 30 June 2018. The decline reflects a continued high amortization rate, combined with low unit cost of new investments compared to historical averages.

Backlog

TGS' backlog amounted to USD 130 million at the end of Q2 2019, compared to USD 63 million at the end of Q4 2018 and 86 million at the end of Q2 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.

As from 2016, TGS has paid quarterly dividends in accordance with the resolution made by the Annual General Meeting. The aim will be to keep a stable quarterly dividend in US dollars through the year, but the actual level paid will be subject to continuous evaluation of the underlying development of the company and the market.

The Board of Directors has resolved to pay a dividend of USD 0.27 per share in Q3 2019. The dividend will be paid in the form of NOK 2.34 per share on 15 August 2019. The share will trade ex-dividend on 1 August 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.

In Q2 2019, 600,000 shares were repurchased at an average price of NOK 228.65 per share, corresponding to a total cash spending of USD 15.8 million.

OTHER MATTERS

On 2 May 2019 TGS announced that it has agreed on the principle terms of the acquisition of Spectrum ASA ("Spectrum"), enhancing the position as a leading multi-client seismic company globally. The transaction is conducted as a statutory merger pursuant to Norwegian corporate law and it was approved by the EGMs of both companies on 21 June 2019. Moreover, all reviews by the relevant competition authorities have been completed and the transaction is on track for closing in mid-August.

The acquisition will be 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 19 (ex-date on 1 August 2019).

The transaction will enhance 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 world-wide. 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.

OPERATIONAL HIGHLIGHTS

TGS had six 3D seismic vessels (four operated under joint venture agreements), one 2D vessel and two multibeam / coring vessels in operation in Q2 2019. In addition, TGS had one OBN crew operating in the Gulf of Mexico during the quarter, and TGS started the second season of the OBN campaign in the North Sea.

In Q2, TGS continued its SeaSeep project in the MSGBC Basin in West 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 late 2020.

Acquisition of the Jaan 3D survey in the southern portion of the MSGBC Basin continued in Q2. The project consists of 11,135 km² of new acquisition complemented by reprocessing and full pre-stack merging of existing multi-client 3D and is being undertaken by TGS as operator and majority investor together with PGS and GeoPartners. Final data is expected to be available in Q2 2020.

In Q2, TGS continued the collaboration with WesternGeco on the reprocessing of 3,600 km² of 3D seismic data in the Red Sea. The majority of the volume covers open blocks in the 2019 Red Sea License Round. Final data will be available from August 2019, before the end of the License Round on 15th September.

In Latin America, activities re-commenced for the Brazil Southern Basins SeaSeep project in Q2. The project covers more than 210,000 km^2 in the Campos and Santos basins of Brazil. Final product deliverables are expected to be available in Q4 2019. In the prospective southern Santos Basin, TGS, in collaboration with Spectrum, continued to acquire the 15,000 km^2 Santos 3D program. Final data is expected to be available in 2020. Acquisition of TGS' multi-client 3D seismic survey in the Campos Basin also continued in Q2. Final deliverables for the project, which will cover 11,200 km^2, are expected to be available in 2020, with fast track data available in Summer 2019 ahead of the planned license round.

Offshore East Canada, TGS, in a JV with PGS, commenced acquisition of the approximate 5,000 km^2 Jeanne d'Arc 3D multi-client project in Newfoundland. TGS, in a JV with PGS, also commenced acquisition of the approximate 5,000 km^2 North Tablelands 3D survey. Acquisition is expected to be completed in Q3 2019 with final data available in Q2 2020. In addition, TGS, in a JV with PGS, commenced acquisition of approximate 12,500 km Southeast Grand Banks 2019 2D survey. Acquisition for all surveys are expected to be completed in Q3 2019 with final data available for both surveys in Q2 2020.

In the U.S. Gulf of Mexico, TGS, in collaboration with WesternGeco, commenced acquisition of the 2,758 km^2 Amendment Phase 1 multi-client ocean-bottom node 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. Acquisition is expected to be completed in Q3 2019 with final data available in Q2 2020.

In the North Sea, TGS, in JV with AGS, recommenced acquisition of the Utisra OBN survey. The 2019 portion of the survey will be approximately 800 km^2, and acquisition will be completed in early Q4. At the end of Q2, TGS also mobilized for the approximately 7,000 km^2 Atlantic Margin survey which will be completed in late Q3.

In Q2, TGS announced the release of its new well log prediction tool – Analytics Ready LAS (ARLAS). ARLAS log prediction algorithms, part of TGS' AI initiatives, will calculate missing log curves and fill in gaps to give customers complete coverage from top to bottom, standardized, and ready for optimal analytic results. Complete coverage of all 300,000+ wells in the Permian basin is now available as well as 170,000+ wells in the Anadarko basin. ARLAS will be available to all US onshore areas by the end of 2019. There has been positive industry acceptance as several clients have already started using ARLAS.

TGS also announced that it has developed a breakthrough machine learning algorithm for Salt Model Building, called SaltNet. As a result of a recent TGS Kaggle Salt Challenge and internal development, the application of SaltNet will significantly reduce the imaging cycle time for complex salt basins. TGS also launched a D&A solution platform called TGS.AI. This platform allows clients to explore TGS' new D&A products, learn new applications and in the future will empower clients to build their own custom solutions.

The Geologic Products and Services Division (GPS) continued to add to its inventory of multi-client products in the quarter. The well data library grew with the addition of approximately 4,300 new digital well logs, 4,100 new enhanced digital well logs and 56,000 new Validated Well Headers.

OUTLOOK

As E&P companies' cash flow has improved substantially, 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 maintain a cautious approach to spending and 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. 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. In sum, 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, TGS has added substantial amounts of data to its multi-client library at an attractive unit cost through both organic and inorganic investments during the downturn. This, in combination with an efficient cost base, strong balance sheet and flexible business model, should put us in a unique position to benefit from improving market conditions in the future.

Financial guidance for 2019 (excluding Spectrum) is reiterated as follows:

- Growth in multi-client investments of approximately 20%
- Pre-funding of new multi-client investments expected to be 40-45%
- Amortization to be at approximately same level as 2018

Asker, 24 July 2019

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 Sanness Director	Vicki Messer Director
Tor Magne Lønnum 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

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	2019 Q2 Unaudited	2018 Q2 Unaudited	2019 YTD Unaudited	2018 YTD Unaudited
Net revenues	4	**104,831**	**107,754**	**204,679**	**206,841**
Cost of goods sold - proprietary and other		-71	96	1,041	218
Amortization and impairment of multi-client library	5	69,547	47,905	142,791	112,141
Personnel costs		17,177	18,397	32,325	33,903
Other operating expenses		9,238	9,186	14,942	17,537
Depreciation, amortization and impairment		4,283	2,214	9,409	4,466
Total operating expenses		**100,174**	**77,798**	**200,508**	**168,265**
Operating profit	4	**4,657**	**29,956**	**4,171**	**38,576**
Financial income and expenses					
Financial income		2,039	1,475	8,502	2,058
Financial expenses		-652	-364	-1,262	-371
Net exchange gains/(losses)		-1,583	539	-1,421	-246
Net financial items		**-196**	**1,651**	**5,819**	**1,441**
Profit before taxes		**4,461**	**31,606**	**9,989**	**40,017**
Taxes		6,198	7,532	7,518	19,297
Net income		**-1,737**	**24,074**	**2,472**	**20,720**
EPS USD		**-0.02**	**0.24**	**0.02**	**0.20**
EPS USD, fully diluted		**-0.02**	**0.23**	**0.02**	**0.20**
Other comprehensive income:					
Exchange differences on translation of foreign operations		6,520	104	5,100	114
Other comprehensive income/(loss) for the period, net of tax		6,520	104	5,100	114
Total comprehensive income for the period		**4,783**	**24,178**	7,572	20,834

INTERIM CONSOLIDATED BALANCE SHEET

(All amounts in USD 1,000s)	Note	2019 30-Jun Unaudited	2018 30-Jun Unaudited	2018 31-Dec Audited
Goodwill		67,925	67,925	67,925
Multi-client library	5	859,069	859,895	870,495
Other intangible non-current assets		8,687	8,673	8,366
Deferred tax asset		483	2,225	884
Buildings		2,887	4,417	3,518
Machinery and equipment		22,295	14,429	19,308
Right of use asset		29,267	0	0
Other non-current assets		852	240	180
Total non-current assets		**991,465**	**957,803**	**970,676**
Accounts receivable		142,603	109,955	215,046
Accrued revenues		176,558	94,193	133,810
Other receivables		62,351	38,378	31,353
Cash and cash equivalents		354,259	337,514	273,527
Total current assets		**735,772**	**580,039**	**653,736**
TOTAL ASSETS		**1,727,237**	**1,537,842**	**1,624,412**
Share capital		3,669	3,665	3,668
Other equity		1,178,272	1,127,958	1,248,031
Total equity	3	**1,181,941**	**1,131,623**	**1,251,699**
Long-term debt		2,500	2,500	2,500
Other non-current liabilities		1,780	2,390	2,514
Lease liability		19,523	0	0
Deferred taxes		46,809	4,703	29,261
Total non-current liabilities		**70,612**	**9,592**	**34,275**
Accounts payable and debt to partners		32,968	45,238	39,922
Taxes payable, withheld payroll tax, social security		18,249	42,182	27,062
Other current liabilities		423,468	309,206	271,454
Total current liabilities		**474,684**	**396,626**	**338,437**
TOTAL EQUITY AND LIABILITIES		**1,727,237**	**1,537,842**	**1,624,412**

TGS Energy starts with us.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s)	Note	2019 Q2 Unaudited	2018 Q2 Unaudited	2019 YTD Unaudited	2018 YTD Audited
Received payments from customers		100,008	163,389	351,556	301,575
Payments for salaries, pensions, social security tax		-12,743	-13,799	-35,390	-35,039
Payments of other operational costs		-19,224	-15,661	-35,404	-29,655
Paid taxes		-8,388	-6,140	-12,517	-6,387
Net cash flow from operating activities [1]		**59,653**	**127,789**	**268,245**	**230,493**
Investments in tangible and intangible assets		-4,707	-1,029	-11,570	-3,764
Investments in multi-client library		-51,180	-72,558	-112,457	-105,153
Investments through mergers and acquisitions		0	0	0	0
Interest received		1,991	1,194	4,634	1,809
Net cash flow from investing activities		**-53,896**	**-72,393**	**-119,393**	**-107,108**
Interest paid		-652	-274	-1,262	-319
Dividend payments	3	-25,280	-21,991	-52,731	-40,443
Purchase of own shares	3	-15,797	0	-15,797	0
Proceeds from share issuances	3	250	3,249	250	4,974
Net cash flow from financing activites		**-41,479**	**-19,016**	**-69,540**	**-35,788**
Net change in cash and cash equivalents		**-35,722**	**36,380**	**79,312**	**87,597**
Cash and cash equivalents at the beginning of period		389,961	301,699	273,527	249,917
Net unrealized currency gains/(losses)		19	156	1,419	0
Cash and cash equivalents at the end of period		**354,258**	**338,233**	**354,258**	**337,514**
1) Reconciliation					
Profit before taxes		4,461	39,981	9,989	47,846
Depreciation/amortization/impairment		73,830	55,529	152,201	130,200
Disposals at cost price		13	0	4,666	0
Changes in accounts receivables and accrued revenues		-123,150	8,569	29,695	28,592
Unrealized currency gains/(losses)		6,458	-53	3,660	-52
Changes in other receivables		1,020	-300	1,889	-1,226
Changes in other balance sheet items		105,409	30,203	78,661	31,520
Paid taxes		-8,387	-6,140	-12,516	-6,387
Net cash flow from operating activities		**59,653**	**127,789**	**268,245**	**230,493**

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 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 Dec 2018	**3,672**	**-4**	**67,355**	**45,248**	**-22,473**	**1,157,914**	**1,251,699**
Adjustments [1)]	-	-	-	-	-	-10,152	-10,152
Opening balance 1 Jan 2019	**3,672**	**-4**	**67,355**	**45,248**	**-22,473**	**1,147,762**	**1,241,547**
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 exercise of stock options	-	-	-		-	-	**-**
Distribution of treasury shares	-	250	-	-	-	-	**250**
Purchase of own shares	-	-17	-	-		-15,797	**-15,814**
Deferred tax asset stock options	-	-	-	-	-	-	**-**
Cost of equity-settled incentive plans	-	-	-	-	-	3,759	**3,759**
Dividends	-	-	-	-	-	-55,372	**-55,372**
Closing balance as of 30 Jun 2019	**3,672**	**229**	**67,355**	**45,248**	**-17,373**	**1,082,824**	**1,181,941**

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.

For the six months ended June 30, 2018

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Closing balance as of 31 Dec 2017	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,115,531**	**1,200,102**
Adjustments IFRS 15						-54,895	-54,895
Opening balance 1 Jan 2018	**3,663**	**-6**	**62,771**	**39,722**	**-21,574**	**1,060,637**	**1,145,207**
Net income	-	-	-	-	-	20,299	**20,299**
Other comprehensive income	-	-	-		-52	-	**-52**
Total comprehensive income	-	-	-	-	**-52**	**20,299**	**20,247**
Paid-in-equity exercise of stock options	6		4,584		-		**4,591**
Distribution of treasury shares	-	-	-		-	377	**377**
Deferred tax asset stock options	-	-	-		-	-17	**-17**
Cost of equity-settled incentive plans	-	-	-	2,126	-	-	**2,126**
Dividends	-	-	-	-	-	-40,909	**-40,909**
Closing balance per 30 Jun 2018	**3,666**	**-6**	**64,479**	**41,039**	**-21,626**	**1,115,531**	**1,131,623**

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
30 June 2019	**102,647,790**

Treasury shares	Number of shares
1 January 2019	**104,630**
Net change in period	590,100
30 June 2019	**694,730**

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 will be paid to the shareholders on 15 August 2019.

Largest Shareholders as of 28 June 2019	Country	Account type	No. of shares (1,000)	Share
1. Folketrygdfondet	NORWAY		10,212	10.0%
2. The Bank of Newy York Mellon SA/NV	BELGIUM	NOM	8,678	8.5%
3. State Street Bank and Trust Comp	USA	NOM	5,034	4.9%
4. RBC Investor Service Trust	UK	NOM	3,393	3.3%
5. Verdipapirfondet DNB Norge (IV)	NORWAY		3,044	3.0%
6. State Street Bank and Trust Comp	USA	NOM	2,943	2.9%
7. State Street Bank and Trust Comp	USA	NOM	2,595	2.5%
8. The Northern Trust Comp, London Br	UK	NOM	2,332	2.3%
9. Pareto Aksje Norge Verdipapirfond	NORWAY		2,020	2.0%
10. JP Morgan Chase Bank NA London	UK	NOM	1,651	1.6%
10 largest			**41,903**	**41.1%**
Total Shares Outstanding *			**101,953**	**100.0%**

* Total shares outstanding are net of shares held in treasury per 28 June 2019

Average number of shares outstanding for Current Quarter *	
Average number of shares outstanding during the quarter	102,473,619
Average number of shares fully diluted during the quarter	103,273,399

* Shares outstanding net of shares held in treasury per 31 December 2018 (104,630 TGS shares), composed of average outstanding TGS shares during the quarter

Share price information	
Share price 28 June 2019 (NOK)	239.20
USD/NOK exchange rate end of period	8.52
Market capitalization 28 June 2019 (NOK million)	24,553

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
Q2 2019							
Net external revenues	119,975	20,786	12,865	12,728	166,354	-61,523	104,831
Operating profit	45,154	9,991	6,740	-19,017	42,869	-38,212	4,657
Q2 2018							
Net external revenues	108,071	30,688	8,690	10,394	157,842	-50,088	107,754
Operating profit	55,467	16,936	2,606	-20,797	54,212	-24,256	29,956
YTD 2019							
Net external revenues	183,989	44,851	20,697	26,681	276,220	-71,540	204,679
Operating profit	63,866	19,774	8,275	-32,193	59,722	-55,551	4,171
YTD 2018							
Net external revenues	166,063	76,953	19,733	29,852	292,601	-85,760	206,841
Operating profit	68,951	40,103	-1,029	-28,910	79,114	-40,537	38,578

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 2019 As reported	Adjustments	Q2 2019 Segment
Net revenues	**104,831**	**61,523**	**166,354**
Amortization and impairment of multi-client library	69,547	-23,312	92,859
Total operating expenses	**100,174**	**-23,312**	**123,486**
Taxes	6,198	9,479	15,677
Net income	**-1,737**	**28,732**	**26,996**

(All amounts in USD 1,000s)	YTD 2019 As reported	Adjustments	YTD 2019 Segment
Net revenues	**204,679**	**71,541**	**276,220**
Amortization and impairment of multi-client library	142,791	-15,989	158,780
Total operating expenses	**200,508**	**-15,989**	**216,497**
Taxes	7,518	13,294	20,812
Net income	**2,472**	**42,257**	**44,729**

Impact on Balance Sheet

(All amounts in USD 1,000s)	30-Jun-19 As reported	Adjustments	30-Jun-19 Segment
Multi-client library	859,069	-160,397	698,672
Deferred tax asset	483	-435	48
Total non-current assets	**991,465**	**-160,776**	**830,689**
Equity	**1,181,941**	**55,955**	**1,237,895**
Deferred taxes	46,809	11,261	58,070
Total non-current liabilities	**70,612**	**11,261**	**81,874**
Accounts payable and debt to partners	32,968	70,302	103,270
Taxes payable, withheld payroll tax, social security	18,249	-	18,249
Other current liabilities	423,468	-298,294	125,174
Total current liabilities	**474,684**	**-227,992**	**246,693**

Note 5 Multi-client library

(Numbers in USD millions)	Segment Q2 2019	IFRS Q2 2019	Segment Q2 2018	IFRS Q2 2018	Segment 2019	IFRS YTD 2019	Segment YTD 2018	IFRS YTD 2018
Opening net book value	**698.1**	**835.1**	**749.7**	**847.9**	**726.1**	**870.5**	**799.0**	**799.0**
Adjustment opening balance	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	78.9
Non-operational investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Operational investments	93.5	93.5	59.9	59.9	131.3	131.3	94.2	94.2
Amortization and impairment	-92.9	-69.5	-73.7	-47.9	-158.7	-142.8	-157.4	-112.2
Closing net book value	**698.7**	**859.1**	**735.8**	**859.9**	**698.7**	**859.1**	**735.8**	**859.9**
Net MC revenues	162.1	104.8	156.4	107.8	276.2	204.7	288.8	206.8
Change in MC revenue	6%	-3%	48%	n/a	4%	-1%	52%	n/a
Change in MC investment	56%	56%	-3%	-2%	44%	44%	-28%	-28%
Amort. in % of net MC revs.	57%	66%	47%	44%	57%	70%	54%	56%
Change in net book value	0%	3%	-2%	1%	-4%	-1%	8%	6%
Contract Revenues	4.3	4.3	1.5	1.5	9.3	9.3	3.8	3.8

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. A final ruling has not yet been issued by the ATO, and TGS remains of the opinion the factual differences between the operations of TGS and the specific fact pattern in the draft ruling may result in a different technical position. Therefore, it is not probable that there will be an outflow of resources embodying economic benefits necessary to settle an obligation, and no provisions have been made.

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

TGS' financial information is prepared in accordance with IFRS. In addition, TGS provides alternative performance measures to enhance the understanding of TGS' performance. The alternative performance measures presented by TGS may be determined or calculated differently by other companies.

EBIT (Operating Profit)

Earnings before interest and tax is an important measure for TGS as it provides an indication of the profitability of the operating activities.

The EBIT margin presented is defined as EBIT (Operating Profit) divided by net revenues.

Prefunding percentage

The prefunding percentage is calculated by dividing the multi-client prefunding revenues by the operational investments in the multi-client library, excluding investments related to projects where payments to the vendors are contingent on sales (risk-sharing investments). The prefunding percentage is considered as an important measure as it indicates how the Company's financial risk is reduced on multi-client investments.

EBITDA

EBITDA means Earnings before interest, taxes, amortization, depreciation and impairments. TGS uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past. Also, the measure is useful when comparing the Company's performance to other companies.

(All amounts in USD 1,000s)	Q2 2019 Segment	Q2 2019 IFRS	Q2 2018 Segment	Q2 2018 IFRS
Net income	23,181	-1,737	46,276	24,074
Taxes	19,492	6,198	9,586	7,660
Net financial items	196	196	-1,650	-1,778
Depreciation, amortization and impairment	92,859	4,283	73,737	2,214
Amortization and impairment of multi-client library	4,283	69,547	2,214	47,905
EBITDA	**140,010**	**78,487**	**130,164**	**80,076**

(All amounts in USD 1,000s)	6M 2019 Segment	6M 2019 IFRS	6M 2018 Segment	6M 2018 IFRS
Net income	40,914	2,472	59,457	20,773
Taxes	24,627	7,518	21,098	19,297
Net financial items	-5,819	-5,819	-1,440	-1,493
Depreciation, amortization and impairment	9,409	9,409	4,466	4,466
Amortization and impairment of multi-client library	158,780	142,791	157,365	112,141
EBITDA	**227,912**	**156,371**	**240,945**	**155,185**

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)	Year ended 30-Jun-19 Segment	Year ended 30-Jun-19 IFRS	Year ended 30-Jun-18 Segment	Year ended 30-Jun-18 IFRS
Equity	1,237,802	1,181,941	1,225,662	1,132,050
Interest bearing debt	2,500	2,500	2,500	2,500
Cash	354,259	354,259	337,514	337,514
Net interest bearing debt	-351,759	-351,759	-335,014	-335,014
Capital employed	**886,043**	**830,181**	**890,648**	**797,037**
Average capital employed	888,345	813,609	907,386	860,580
Operating profit	152,555	195,618	156,532	115,995
ROACE	**17.2%**	**24.0%**	**17.3%**	**13.5%**

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 2019	Q2 2018	6M 2019	6M 2018
Cash flow from operational activities	59,653	127,789	268,245	230,493
Investments in multi-client library	-51,180	-73,280	-112,457	-105,153
Free cash flow (after MC investments)	**8,473**	**54,509**	**155,788**	**125,340**

Backlog

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