



## Q3 2021 Financial Results

**Kristian Johansen**

CEO

28 October 2021

**Sven Børre Larsen**

CFO

# 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.

# Highlights

- Q3 2021 net revenues of USD 61 million (segment)
  - Late sales USD 33 million
  - Pre-funding USD 22 million
- Strong financial position – net cash of USD 198 million
  - Quarterly dividend of USD 0.14 per share (USD 16 million)
  - Buy-backs of USD 7 million
- Continued challenging market conditions
  - But some early signs of improvement
- Progressing well on New Energy Solutions strategy
- Launching Versal – a unified seismic data ecosystem
  - In JV with CGG and PGS

# TGS Investment Case



## Dividend

- Dividend yield of 5.7% (6.9% incl. buy-backs)<sup>1</sup>
- >10 years track record
- Strong Balance sheet allows consistency



## Business model

- Cash outflow easily adjusted to market
- FCF of USD 135m last 12 months<sup>2</sup>
- Countercyclical qualities



## Energy data

- Leading data company for O&G
- Transitioning to other energy data types
- Capitalizing on existing data, SW and platform



## ESG

- Ranked 1 on ESG risk in Energy Services industry by Sustainalytics
- Lowest scope 1 & 2 emission in peer group
- Goal of becoming carbon neutral within 2030<sup>4</sup>



## Recovery

- Exploration at record low levels - not sustainable
- MC model provides best value proposition
- Well positioned when market turns

1. Quarterly dividends of USD 0.14 per share, share price of NOK 81.56, NOK/USD exchange rate 8.33. Buy-backs at the same rate as past three quarters (average of USD 4.2m per qtr)

2. Free Cash Flow (FCF) defined as cash flow from operations minus multi-client investments

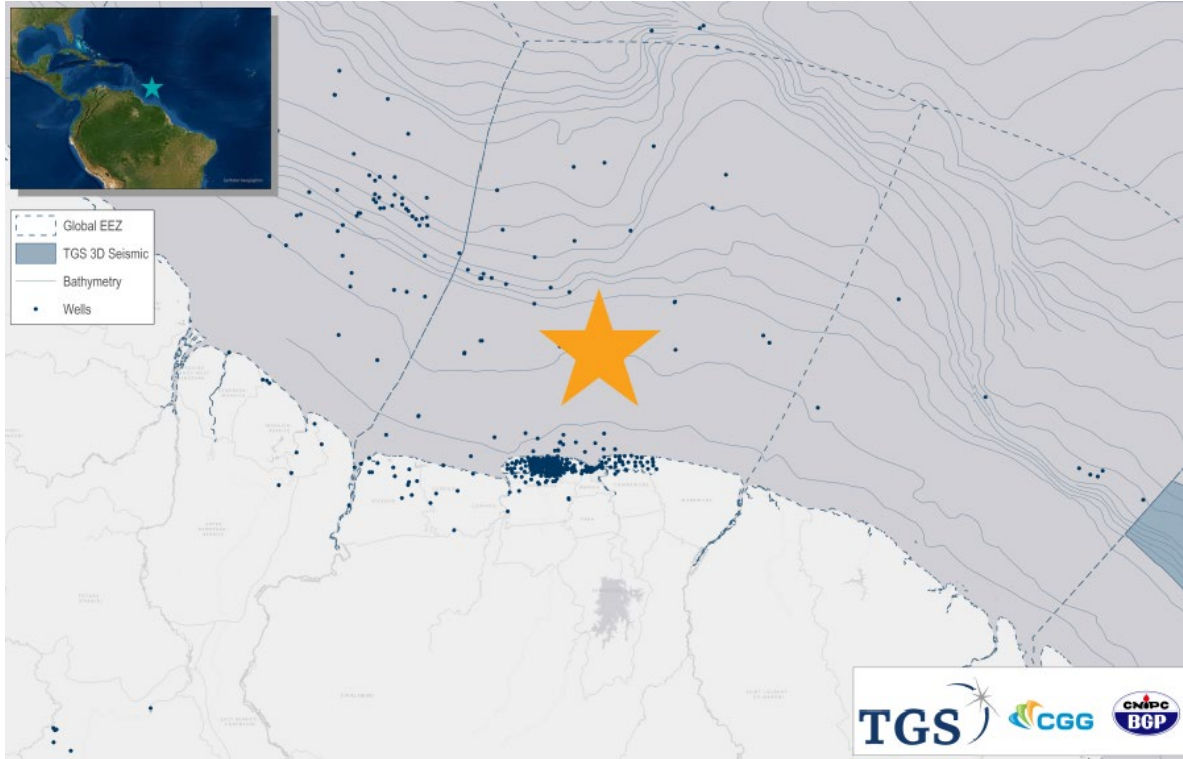
3. Sustainalytics 2021 ESG Risk Ranking. TGS ranking no. 1 of 110 companies in Energy Services industry

4. Scope 1 and 2 emissions

# Operational Highlights

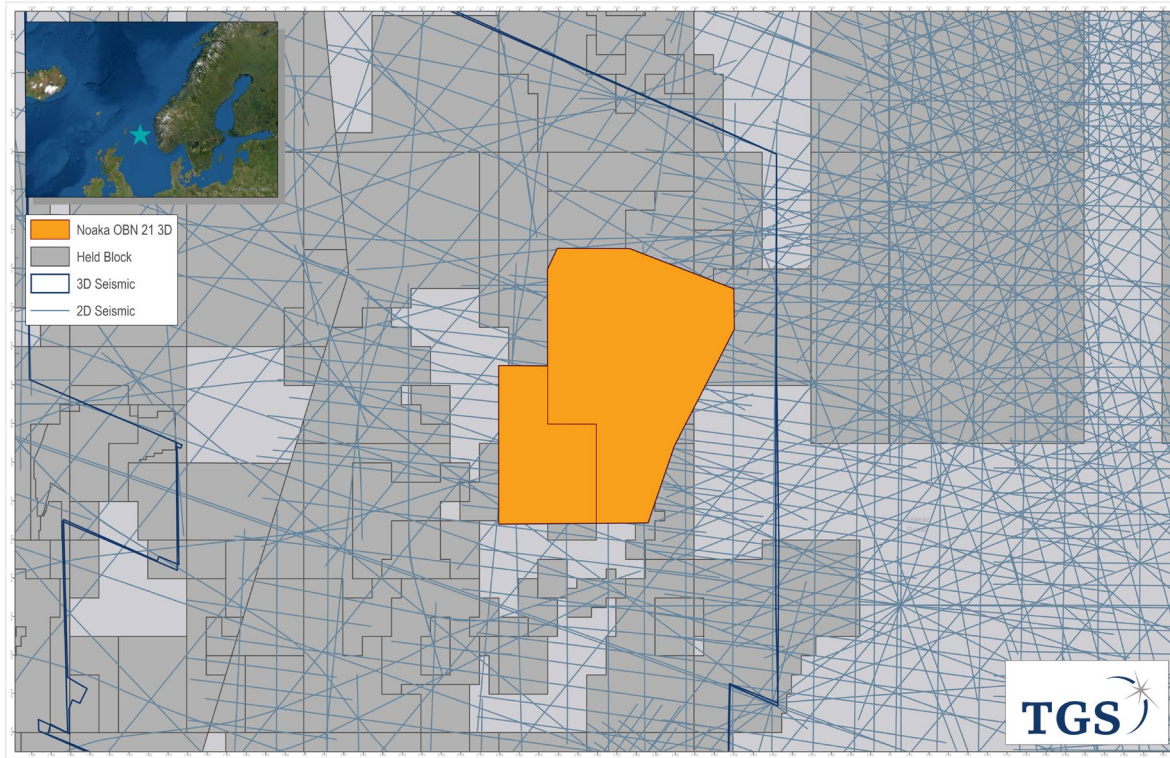
The background is a solid teal color. On the right side, there is a decorative pattern of overlapping hexagons, creating a honeycomb-like effect. The hexagons are slightly darker than the background, giving a 3D or layered appearance.

# Investment Activity – Latin America



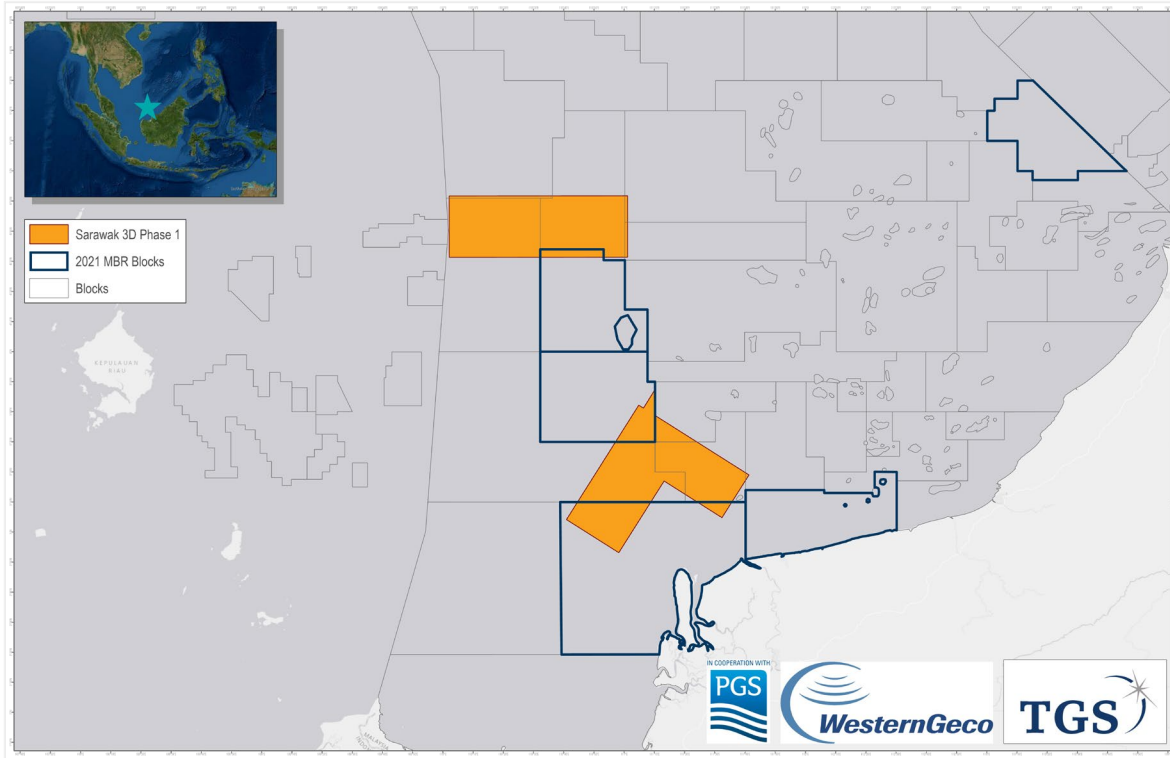
- Agreement with Staatsolie, in a consortium with CGG and BPG
- Consortium able to acquire, promote and license new multi-client 3D programs and legacy data reprocessing offshore Suriname
- Suriname's offshore acreage includes 3 blocks recently awarded and current open acreage offered in the 2023 bid round
- New 3D seismic acquisition begins in Q4 2021
- Data available in H1 2022

# Investment Activity – Europe



- The NOAKA OBN is part of TGS' strategy to provide next generation seismic data in ILX area of the NCS
- First season of NOAKA OBN completed in October 2021
  - TGS successfully acquired approximately 300 sq km or 2/3 of the full program
- Data is in processing and will be delivered in October 2022
- TGS is committed to complete the acquisition over the remaining area in 2022 – fully funded

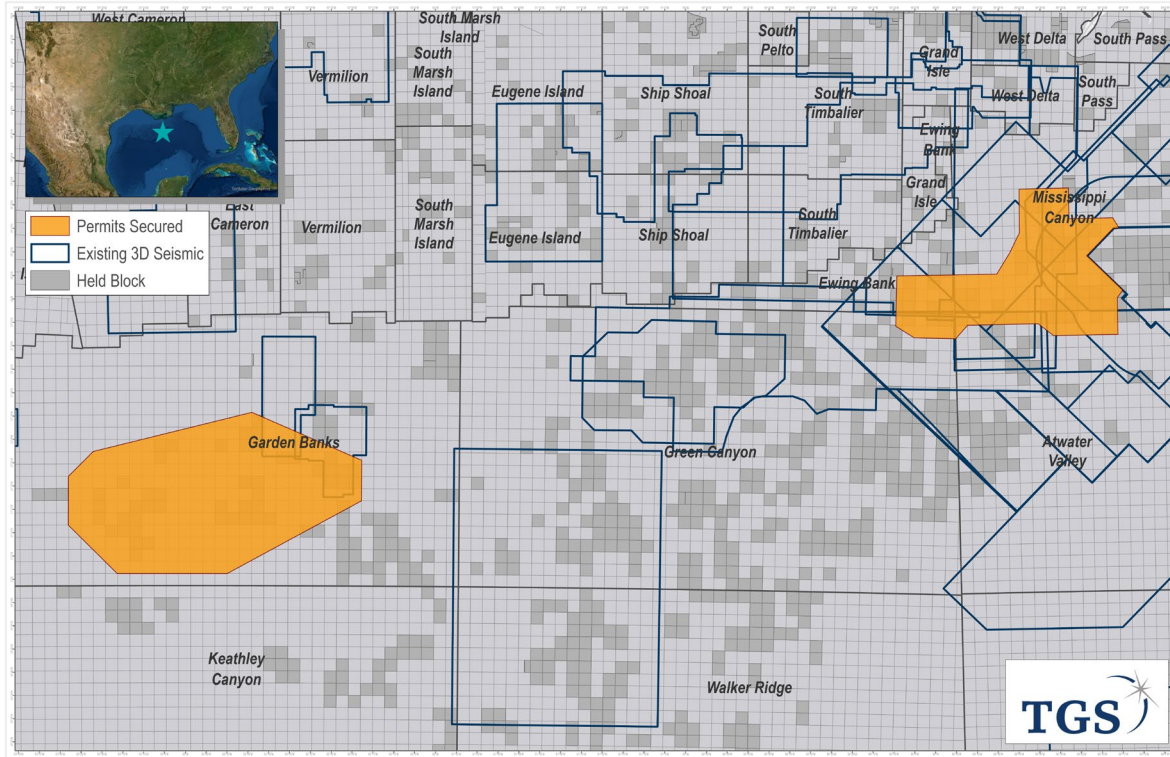
# Investment activity – Asia Pacific



- Sarawak Phase 1 3D commenced late October 2021 and will cover an area of up to 8,609 sq km
- First phase of a multi-year contract awarded by Petronas MPM in 2020 to the consortium of TGS, Schlumberger and PGS
- Phase 1 acquisition expected to complete in Q1 2022 with final data available in Q4 2022
- Survey includes acreage in Malaysia 2021 Bid Round



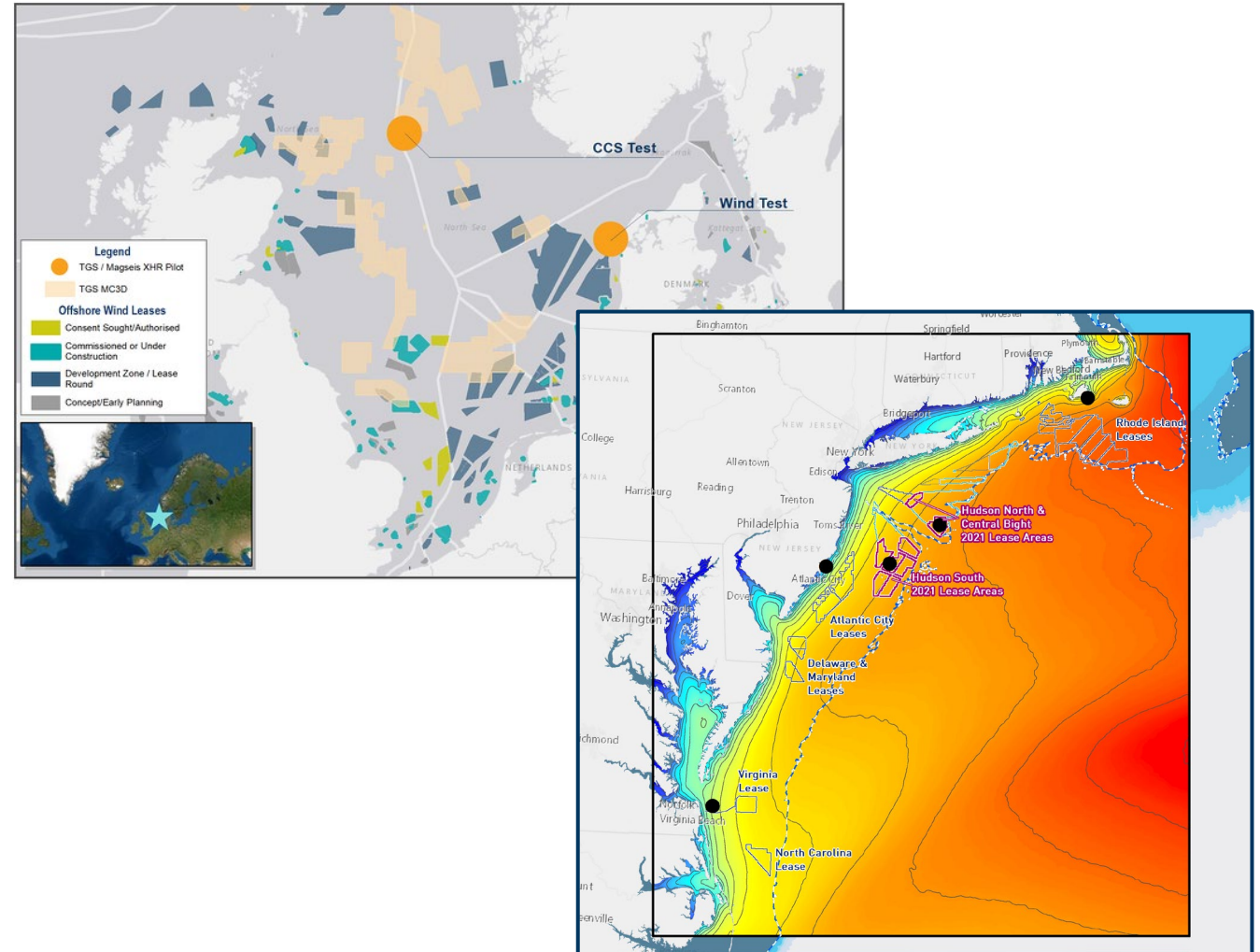
# Improving Outlook in Gulf of Mexico



- Low break-even cost and low GHG emissions from production position GoM well in competition with other basins
- Most IOCs have GoM on the strategic priority list
  - NOCs entering the basin
  - Small independents preparing
- License rounds to be re-started
  - Scheduled for Q4 2021 and H1 2022
- New OBN projects in advanced planning phase
  - Permits secured

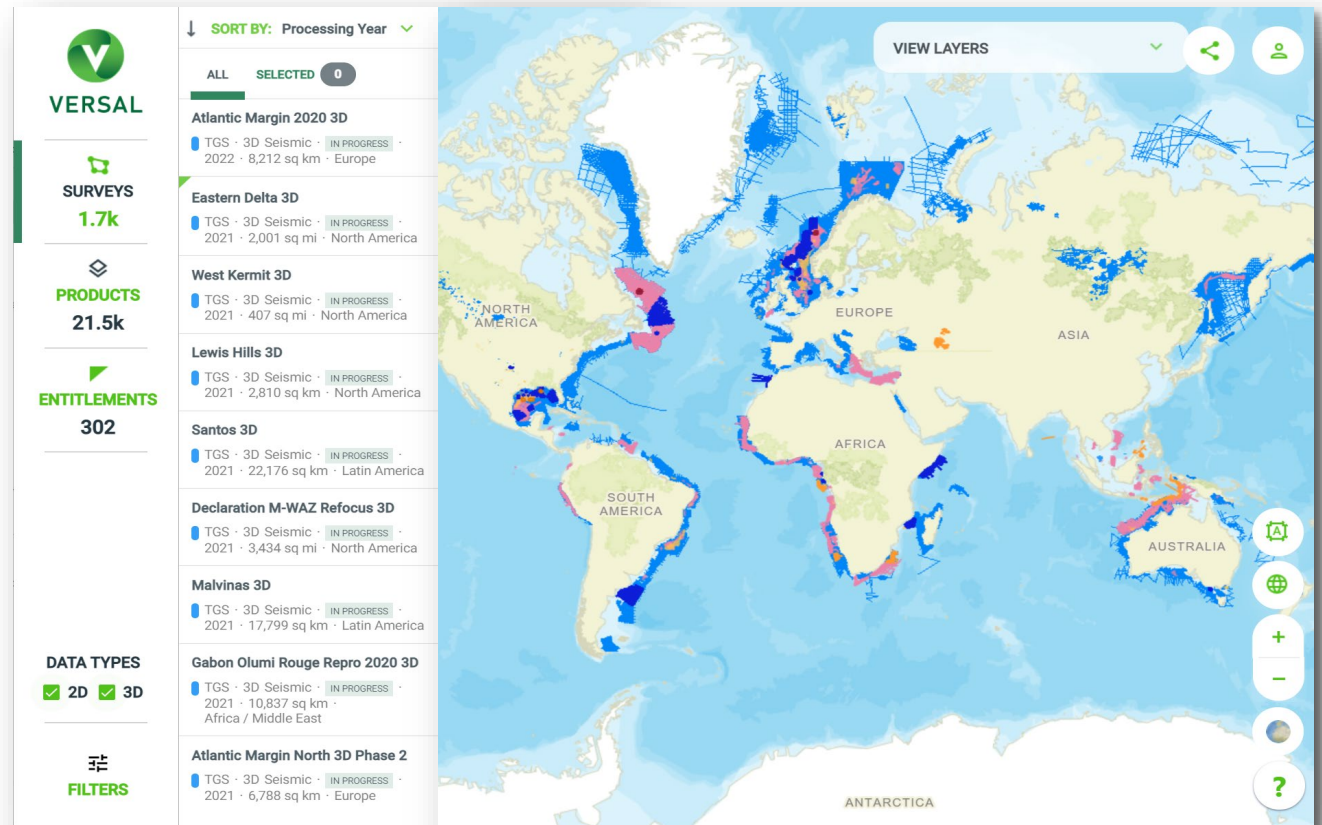
# Progressing on New Energy Solutions Strategy

- MagSeis XHR Seismic test – subsurface imaging for wind + CCS
- Wind Modeling Data
- CCS Atlas development
- 4C Offshore developing well – 44% growth in order inflow YTD
- Further M&A opportunities being evaluated
- Expected pro-forma revenues of approximately USD 10 million in 2021



# Introducing Versal: A Unified Seismic Data Ecosystem

- A landmark collaboration between TGS, CGG and PGS providing access to over 70% of the seismic multi-client market
- Versal connects multiple multi-client libraries for a unified data experience
- Versal allows customers to access their data, entitlements and identify new opportunities in a secure, cloud-based common ecosystem
- Visit [www.versalearth.com](http://www.versalearth.com) for more info



# TGS' Industry-Leading ESG Performance

NEW

**Sustainalytics  
ESG Risk Rating**  
#1 in our industry,  
and subindustry  
Strong ESG risk  
management

#1

*\*As of September 2021*

**State Street  
Global Advisors**  
Rated as a "Leader"  
in the top 10% of our  
industry

Top  
10%

*\*As of August 2021*

**The Governance  
Group**  
Among Top 15  
companies on Oslo  
Stock Exchange

A

*\*As of September 2021*

**MSCI  
ESG Rating**  
Above industry  
average in each  
ESG category

A

*\*As of September 2021*



*Since 2016, TGS has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, environment, and anti-corruption*

In support of

**WOMEN'S  
EMPOWERMENT  
PRINCIPLES**

Established by UN Women and the  
UN Global Compact Office



Supporters of



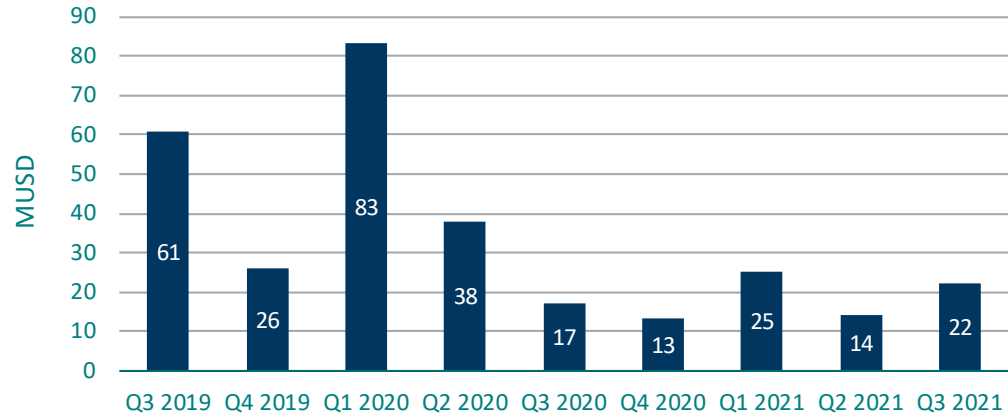
# Financials



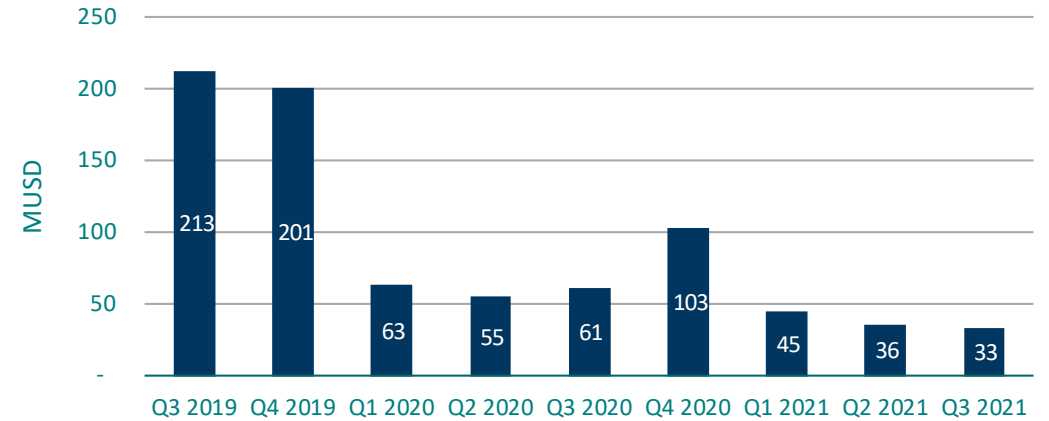
# Net Revenues

Segment reporting

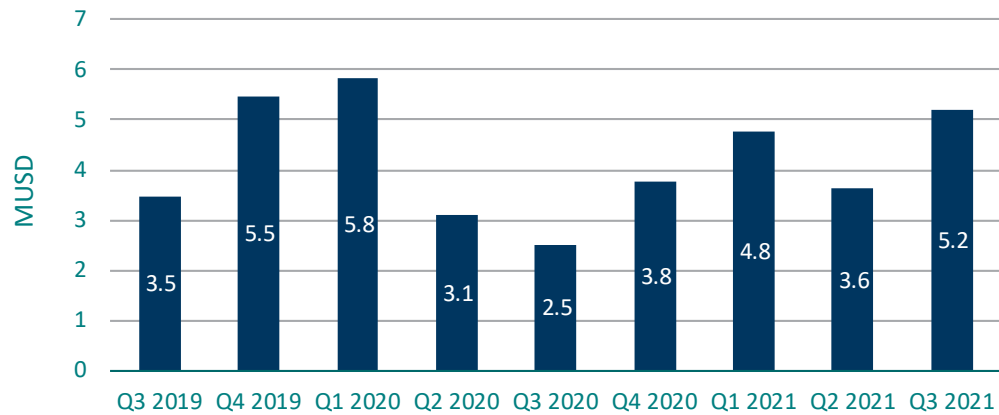
## Pre-funding revenues



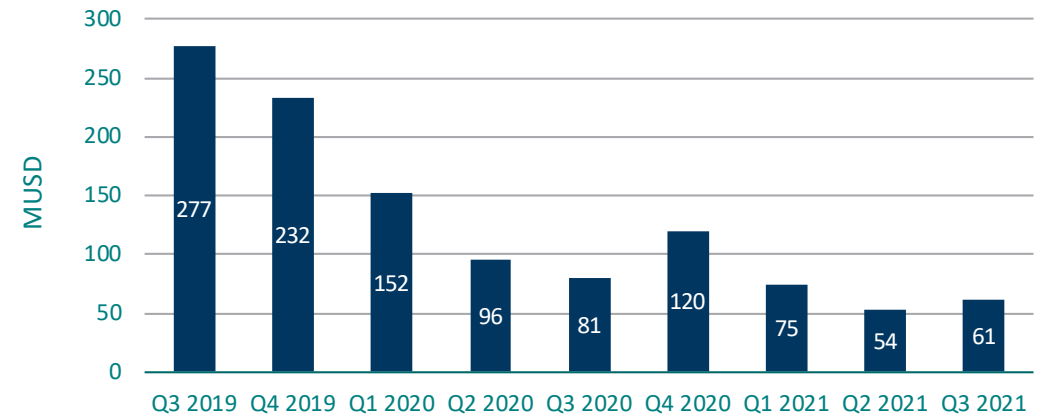
## Late sales



## Proprietary revenues



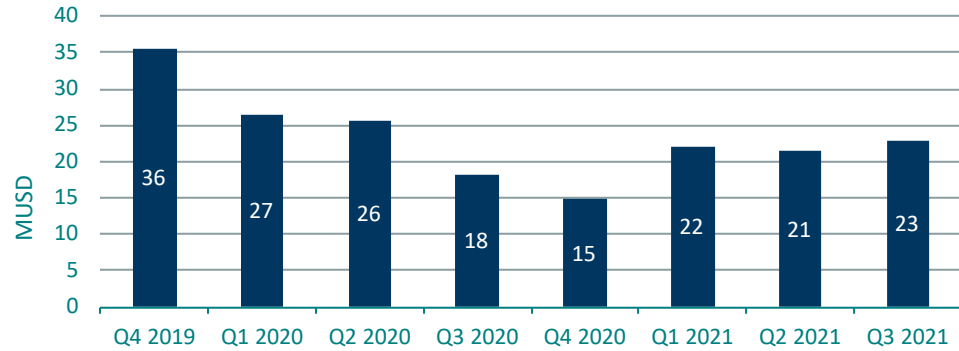
## Total Revenues



# Operating Expenses, EBIT, MC Investments

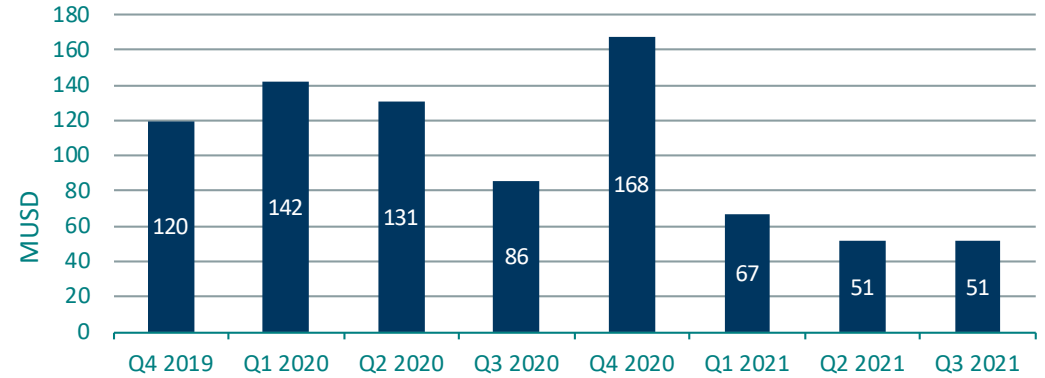
Segment reporting

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

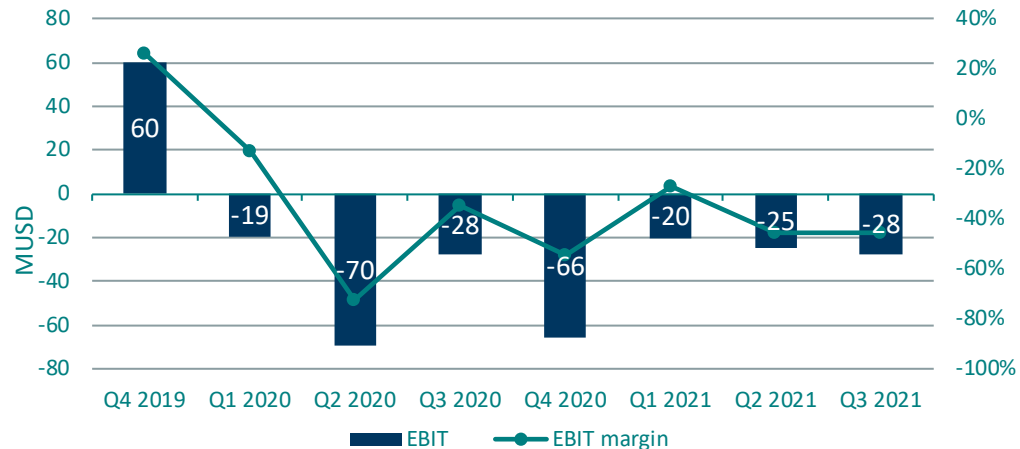


1. Personnel costs and other operating expenses excluding reported non-recurring items

## Amortization and Impairments - Multi-Client Library

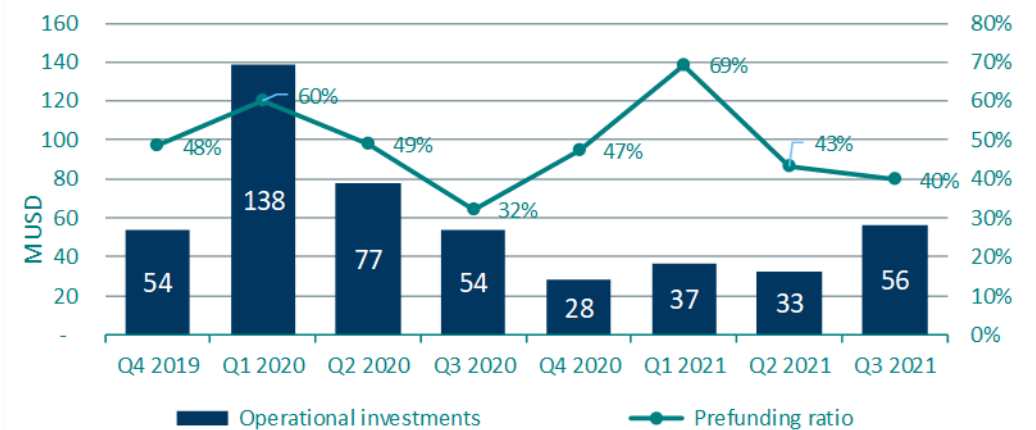


## Earnings Before Interest & Taxes<sup>2)</sup>



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

## Operational investments and prefunding ratio



# Income Statement

Segment reporting

| (MUSD)                               |             | Q3 2021      | Q3 2020      | Change      |
|--------------------------------------|-------------|--------------|--------------|-------------|
| <b>Net operating revenues</b>        |             | 60.9         | 80.6         | -24%        |
| Cost of goods sold                   |             | 0.8          | 1.1          | -25%        |
| Personnel cost                       |             | 14.8         | 12.2         | 21%         |
| Other operational costs              |             | 16.8         | 5.1          | 232%        |
| <b>EBITDA</b>                        | <b>47%</b>  | <b>28.5</b>  | <b>62.1</b>  | <b>-54%</b> |
| Amortization of multi-client library |             | 51.5         | 86.1         | -40%        |
| Depreciation                         |             | 4.7          | 4.1          | 15%         |
| <b>Operating result</b>              | <b>-46%</b> | <b>-27.7</b> | <b>-28.0</b> | <b>-1%</b>  |
| Financial income                     |             | 0.6          | -0.2         | n/a         |
| Financial expenses                   |             | -0.3         | -1.0         | -71%        |
| Exchange gains/losses                |             | -1.3         | -1.3         | -3%         |
| <b>Result before taxes</b>           | <b>-47%</b> | <b>-28.7</b> | <b>-30.5</b> | <b>-6%</b>  |
| Tax cost                             | 10%         | -2.8         | -5.6         | -49%        |
| <b>Net income</b>                    | <b>-42%</b> | <b>-25.8</b> | <b>-25.0</b> | <b>3%</b>   |
| EPS (USD)                            |             | -0.19        | -0.19        |             |
| EPS fully diluted (USD)              |             | -0.19        | -0.19        |             |



# Balance Sheet

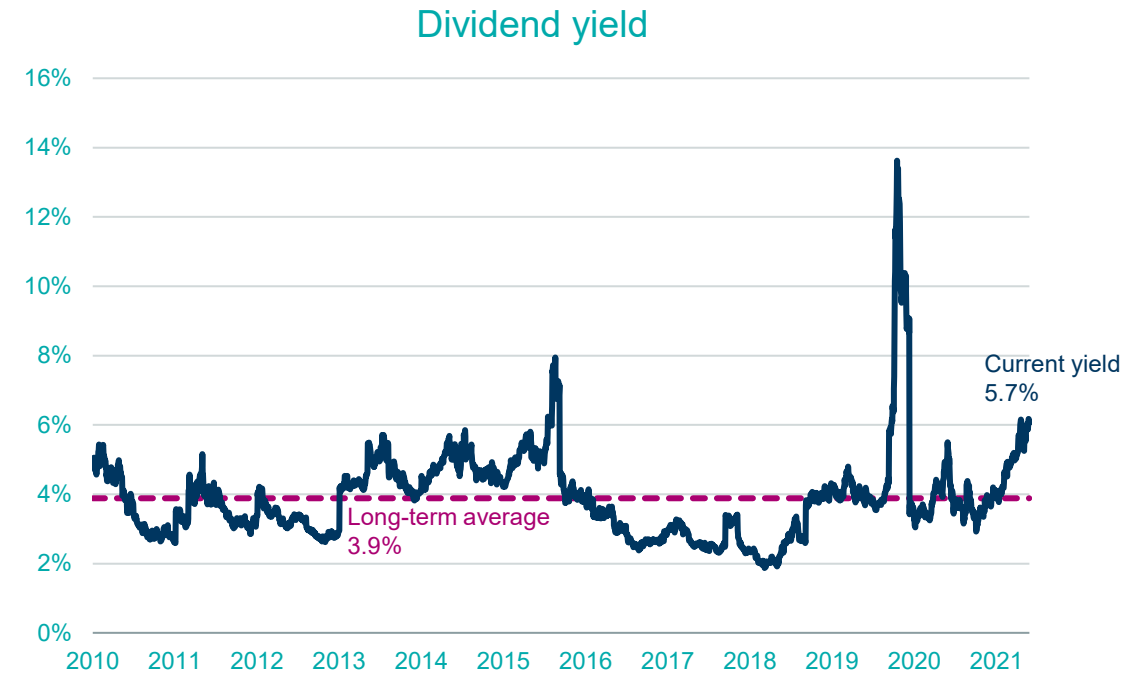
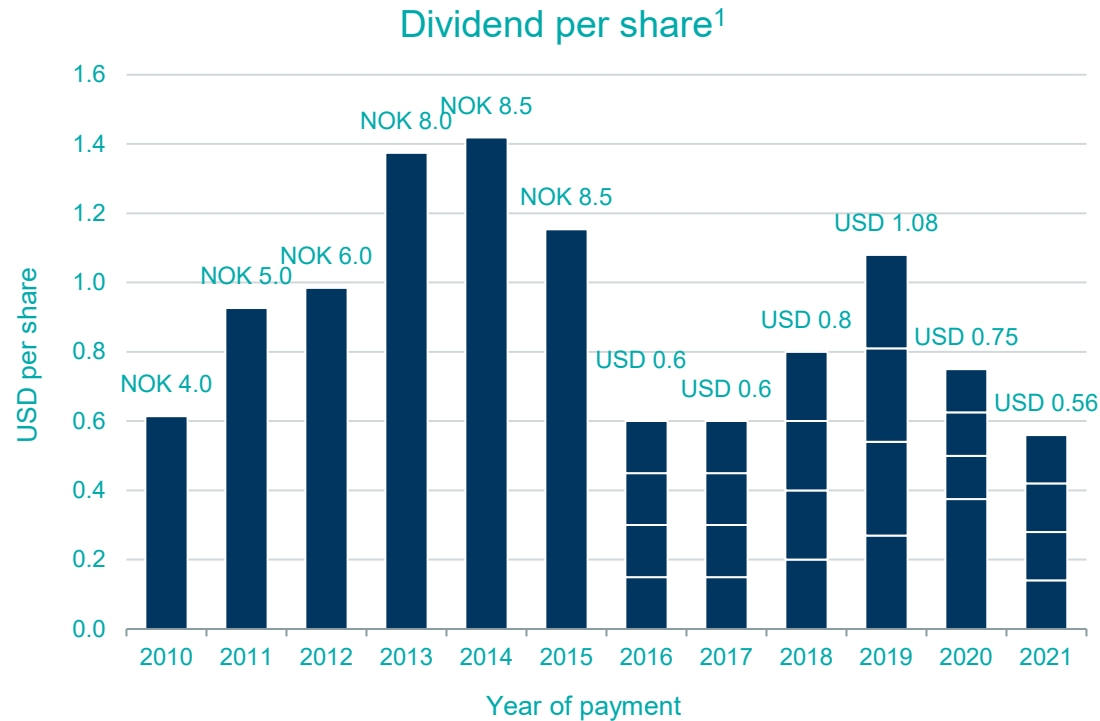
Segment reporting

| Balance sheet  | Q3 2021        | Q3 2020        | Change      |
|--|----------------|----------------|-------------|
| Goodwill   | 304.0          | 288.4          | 5%          |
| Multi-client library                                 | 584.5          | 763.2          | -23%        |
| Deferred tax asset                                   | 57.8           | 44.9           | 29%         |
| Other non-current assets                             | 102.5          | 108.9          | -6%         |
| <b>Total non-current assets</b>                      | <b>1,048.7</b> | <b>1,205.4</b> | <b>-13%</b> |
| Cash and cash equivalents                            | 198.1          | 179.8          | 10%         |
| Other current assets                                 | 328.6          | 451.9          | -27%        |
| <b>Total current assets</b>                          | <b>526.7</b>   | <b>631.7</b>   | <b>-17%</b> |
| <b>TOTAL ASSETS</b>                                  | <b>1,575.4</b> | <b>1,837.1</b> | <b>-14%</b> |
| <b>Total equity</b>                                  | <b>1,267.4</b> | <b>1,435.6</b> | <b>-12%</b> |
| Deferred taxes                                       | 38.4           | 30.5           | 26%         |
| Non-current liabilities                              | 39.7           | 50.9           | -22%        |
| <b>Total non-current liabilities</b>                 | <b>78.1</b>    | <b>81.4</b>    | <b>-4%</b>  |
| Taxes payable, withheld payroll tax, social security | 30.8           | 22.9           | 35%         |
| Other current liabilities                            | 199.1          | 297.2          | -33%        |
| <b>Total current liabilities</b>                     | <b>230.0</b>   | <b>320.1</b>   | <b>-28%</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>1,575.4</b> | <b>1,837.1</b> | <b>-14%</b> |

# Cash Flow Statement

| (MUSD)  | Q3 2021      | Q3 2020      | Change      |
|---|--------------|--------------|-------------|
| Received payments from customers                      | 77.6         | 109.4        | -29%        |
| Payments for salaries, pensions, social security tax  | -11.9        | -16.3        | -27%        |
| Payments of other operational costs                   | -12.2        | -18.7        | -35%        |
| Paid taxes  | -5.1         | -12.5        | -59%        |
| <b>Net cash flow from operating activities</b>        | <b>48.3</b>  | <b>62.0</b>  | <b>-22%</b> |
| Investments in tangible and intangible assets         | -8.2         | -4.1         | 101%        |
| Investments in multi-client library                   | -42.7        | -57.5        | -26%        |
| Investments through mergers and acquisitions          | 1.1          | 0.0          | 0%          |
| Interest received                                     | 0.1          | 0.1          | -7%         |
| <b>Net cash flow from investing activities</b>        | <b>-49.7</b> | <b>-61.5</b> | <b>-19%</b> |
| Interest paid   | 0.2          | -1.0         | -123%       |
| Dividend payments                                     | -16.4        | -16.2        | 1%          |
| Repayment of interest bearing debt                    | 0.0          | 0.0          | 0%          |
| Purchase of own shares                                | -6.6         | 0.0          | 0%          |
| <b>Net cash flow from financing activities</b>        | <b>-22.7</b> | <b>-17.2</b> | <b>32%</b>  |
| <b>Net change in cash and cash equivalents</b>        | <b>-24.0</b> | <b>-16.7</b> | <b>44%</b>  |
| Cash and cash equivalents at the beginning of period  | 223.4        | 198.5        | 13%         |
| Net unrealized currency gains/(losses)                | -1.3         | -2.0         | -37%        |
| <b>Cash and cash equivalents at the end of period</b> | <b>198.1</b> | <b>179.8</b> | <b>10%</b>  |

# Dividends and Share Buybacks



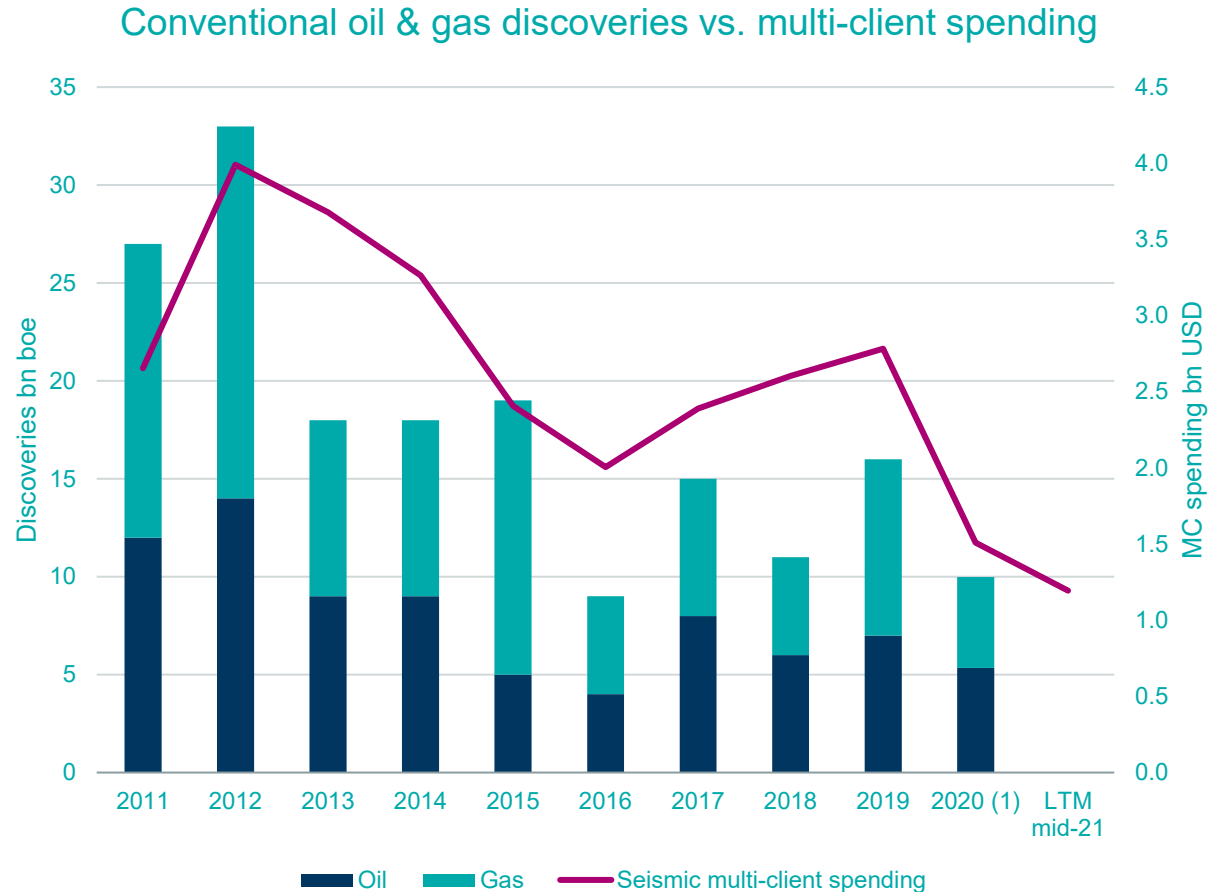
- The Board has resolved to maintain the dividend to USD 0.14 per share for Q3 2021
  - Ex date 4 November 2021 – payment date 18 November 2021
- In addition, the Company has repurchased 603,420 shares for USD 6.6 million under the authorization of a USD 20 million share buyback program started in Q1 2020. In total USD 12.5 million is spent on repurchasing shares under this program.
- TGS has paid out more than USD 1.1 bn of dividends since 2010

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



# Current Exploration Activity Level Not Sustainable



1. 2020 discoveries based on TGS estimates. 2011-19 as reported by IEA

Source: IEA, TGS

- Current exploration activity level delivering <20% reserve replacement ratio
- Pricing for exploration related services (incl. seismic) at unsustainably low prices
- Substantial amounts of proven resources will never be developed due to high cost, high risk or high GHG emissions in production

# Value Proposition of Exploration Approaching All-Time-High

## Early signs of improvement

Oil price vs exploration costs<sup>1</sup>



1. Exploration costs indexed – 90% drilling rig rates / 10% seismic vessel cost

Source: ABGSC, EIA, TGS

- E&P spending yet to recover from pandemic related cuts conducted in 2020
- Value proposition of exploration at attractive levels
  - High oil price
  - Low cost of exploration related services
- Continued challenging market conditions in the near-term, but signs of through being reached
  - High oil price – strong oil company cash flow
  - Declining share of legacy commitments in E&P spending going forward – more room for discretionary spending
  - Licensing round activity recovering
  - Pipeline of potential new projects improving
  - Historical low supply of new multi-client data due to low investments

# Improving License Round Activity

## North America

### **US GOM:**

- Lease Sale 257 – 17 Nov 21 (close)
- Lease Sale 258 – H1 2022 (close)

### **Canada:**

- Labrador Call for Bids – Dec 21 (close)
- Flemish Pass/Grand Banks/Jeanne d'Arc - Q4 2022 (close)

## Latin America

### **Brazil:**

- 2<sup>nd</sup> Transfer of Rights – 17 Dec 21 (close)
- Round 18 – H2 2022 (close)
- Pre-Salt Round 7 – H2 2022 (close)
- Permanent Offer 3 – H1 2022 (open)

### **Suriname:**

- Shallow Water Central/East – 2023 (close)

### **Argentina:**

- Offshore Round 2 – H2 2022 (close)

### **Trinidad:**

- Deep Water Competitive Bid Round – Q4 21 (close)
- Onshore Competitive Bid Round – Q4 21 (close)

## Europe

### **Norway:**

- 2021 APA round – Q1 2022 (awards)
- 2022 APA round – Q2 2022 (open)

## Africa

### **Angola:**

- 2021 round – closed
- 2023 round – 8 blocks
- 2025 round – 10 blocks

### **Gabon:**

- Open Door

### **Gambia:**

- Block A1 Round – Nov 2021 (open)

### **Liberia:**

- Open Door

### **Senegal:**

- Open Door

### **Somalia:**

- 1<sup>st</sup> round – Oct 2021 (close)

## Asia-Pacific

### **Australia:**

- 2020 Acreage Release – Q4 21 /Q1 2022 (awards)
- 2021 Acreage Release – 3 Mar 2022 (close)
- 2021 CCS Acreage nominations – Oct 2021 (close)

### **India**

- Bid Round VI – Oct 2021 (close)
- Bid Round VII – Expressions of Interest ongoing

### **Indonesia:**

- 2020/21 round – H1 2022 (awards)

### **Malaysia:**

- 2021 round – H1 2022 (awards)

### **Timor-Leste:**

- 2<sup>nd</sup> round – Mar 2022 (close)

*Overview is showing scheduled rounds only and is not exhaustive. Several countries, particularly in Africa and Latin America, are planning rounds over the next couple of years*

# Summary

- Q3 2021 net revenues of USD 61 million (segment)
  - Late sales USD 33 million
  - Pre-funding USD 22 million
- Strong financial position – net cash of USD 198 million
  - Quarterly dividend of USD 0.14 per share (USD 16 million)
  - Buy-backs of USD 7 million
- Continued challenging market conditions
  - But some early signs of improvement
- Progressing well on New Energy Solutions strategy
- Launching Versal – a unified seismic data ecosystem
  - In JV with CGG and PGS



# Appendix



# Segment and IFRS reporting

- 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 continues 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*

# Income Statement

IFRS

| (MUSD)                               |            | Q3 2021      | Q3 2020      | Change      |
|--------------------------------------|------------|--------------|--------------|-------------|
| <b>Net operating revenues</b>        |            | <b>199.8</b> | <b>58.2</b>  | <b>243%</b> |
| Cost of goods sold                   |            | 0.8          | 1.0          | -17%        |
| Personnel cost                       |            | 14.8         | 12.2         | 21%         |
| Other operational costs              |            | 16.8         | 5.1          | 232%        |
| <b>EBITDA</b>                        | <b>84%</b> | <b>167.3</b> | <b>39.9</b>  | <b>319%</b> |
| Amortization of multi-client library |            | 127.0        | 125.5        | 1%          |
| Depreciation                         |            | 4.7          | 4.1          | 15%         |
| <b>Operating result</b>              | <b>18%</b> | <b>35.6</b>  | <b>-89.7</b> | <b>n/a</b>  |
| Financial income                     |            | 0.1          | 0.1          | 11%         |
| Financial expenses                   |            | 0.2          | -1.3         | n/a         |
| Exchange gains/losses                |            | -1.3         | -1.3         | -3%         |
| <b>Result before taxes</b>           | <b>17%</b> | <b>34.6</b>  | <b>-92.2</b> | <b>n/a</b>  |
| Tax cost                             | 0.4        | 15.5         | -21.9        | n/a         |
| <b>Net income</b>                    | <b>10%</b> | <b>19.1</b>  | <b>-70.3</b> | <b>n/a</b>  |
| EPS (USD)                            |            | 0.16         | -0.60        | n/a         |
| EPS fully diluted (USD)              |            | 0.16         | -0.59        | n/a         |

# Balance Sheet

IFRS

| Balance sheet  | Q3 2021        | Q3 2020        | Change      |
|--|----------------|----------------|-------------|
| Goodwill   | 304.0          | 288.4          | 5%          |
| Multi-client library                                 | 800.5          | 1,062.0        | -25%        |
| Deferred tax asset                                   | 90.9           | 106.3          | -15%        |
| Other non-current assets                             | 102.5          | 108.9          | -6%         |
| <b>Total non-current assets</b>                      | <b>1,297.8</b> | <b>1,565.6</b> | <b>-17%</b> |
| Cash and cash equivalents                            | 198.1          | 179.8          | 10%         |
| Other current assets                                 | 267.9          | 346.0          | -23%        |
| <b>Total current assets</b>                          | <b>466.0</b>   | <b>525.8</b>   | <b>-11%</b> |
| <b>TOTAL ASSETS</b>                                  | <b>1,763.8</b> | <b>2,091.3</b> | <b>-16%</b> |
| <b>Total equity</b>                                  | <b>1,256.4</b> | <b>1,274.5</b> | <b>-1%</b>  |
| Deferred taxes                                       | 63.1           | 25.9           | 144%        |
| Non-current liabilities                              | 39.7           | 50.9           | -22%        |
| <b>Total non-current liabilities</b>                 | <b>102.8</b>   | <b>76.8</b>    | <b>34%</b>  |
| Taxes payable, withheld payroll tax, social security | 30.8           | 22.9           | 35%         |
| Other current liabilities                            | 373.8          | 717.2          | -48%        |
| <b>Total current liabilities</b>                     | <b>404.6</b>   | <b>740.0</b>   | <b>-45%</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                  | <b>1,763.8</b> | <b>2,091.3</b> | <b>-16%</b> |

# Reconciliation Between Segment and IFRS

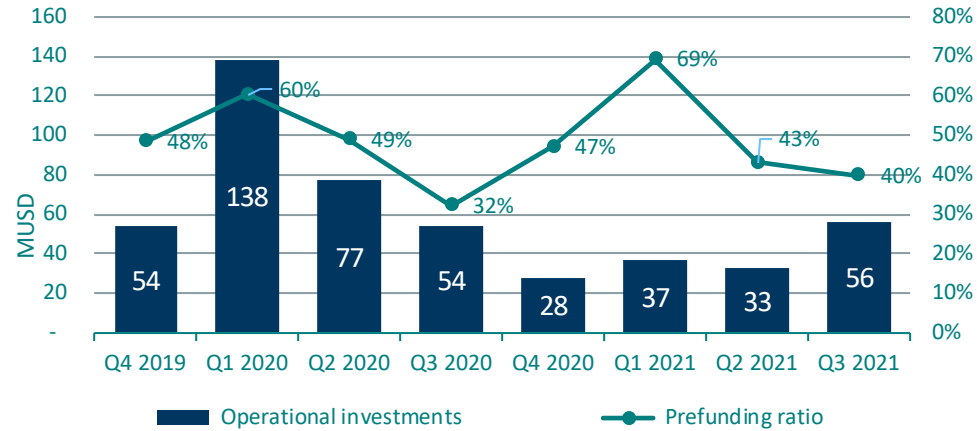
| (All amounts in USD 1,000s)        | Q3 2021<br>IFRS | Performance<br>obligations met in | In progress<br>projects | Q3 2021<br>Segment |
|------------------------------------|-----------------|-----------------------------------|-------------------------|--------------------|
| <b>Revenues</b>                    | <b>199,778</b>  | -163,304                          | 24,463                  | <b>60,937</b>      |
| Amortization and impairment of MCL | 127,032         | -86,984                           | 11,442                  | 51,490             |
| <b>Income before tax</b>           | <b>34,617</b>   | -250,288                          | 35,905                  | <b>-28,683</b>     |
| Taxes                              | 15,490          | -14,904                           | -3,424                  | -2,838             |
| <b>Net income</b>                  | <b>-11,969</b>  | -265,192                          | 32,481                  | <b>-25,845</b>     |

| (All amounts in USD 1,000s)          | Q3 2021<br>IFRS  | Adjustments     | Q3 2021<br>Segment |
|--------------------------------------|------------------|-----------------|--------------------|
| Multi-client library                 | 800,535          | -216,070        | 584,465            |
| Deferred tax asset                   | 90,863           | -33,029         | 57,834             |
| <b>Total non-current assets</b>      | <b>1,297,838</b> | <b>-249,099</b> | <b>1,048,739</b>   |
| Accrued revenues                     | 59,723           | 60,732          | 120,455            |
| <b>Total current assets</b>          | <b>465,975</b>   | <b>60,732</b>   | <b>526,707</b>     |
| <b>Equity</b>                        | <b>1,256,443</b> | <b>10,914</b>   | <b>1,267,357</b>   |
| Deferred taxes                       | 63,081           | -24,672         | 38,409             |
| <b>Total non-current liabilities</b> | <b>102,772</b>   | <b>-64,363</b>  | <b>38,409</b>      |
| Accounts payable and debt to partner | 138,163          | 2,821           | 140,983            |
| Deferred revenues                    | 205,684          | -177,430        | 28,253             |
| <b>Total current liabilities</b>     | <b>404,599</b>   | <b>-174,610</b> | <b>229,989</b>     |

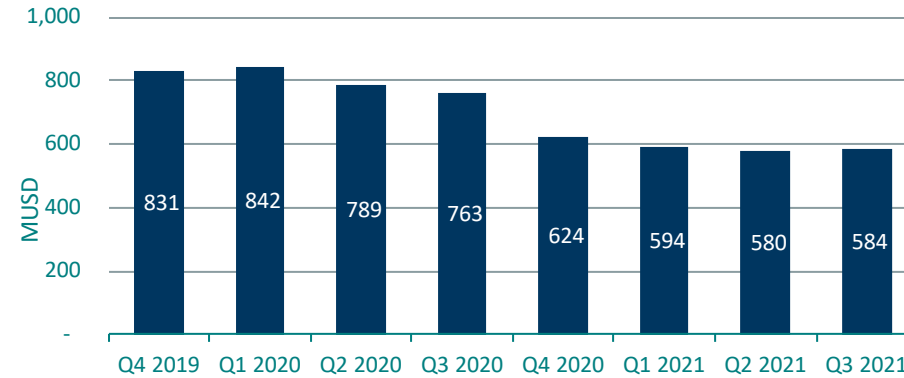
# Multi-Client Library

Segment reporting

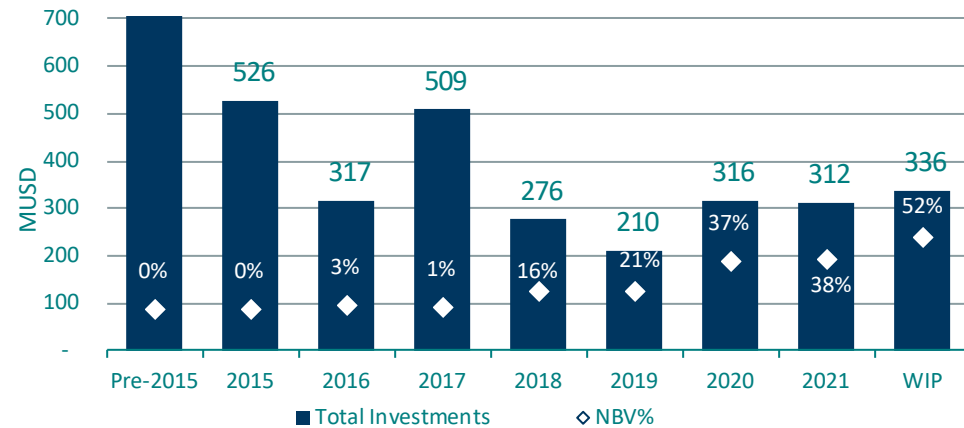
## Operational investments and prefunding ratio



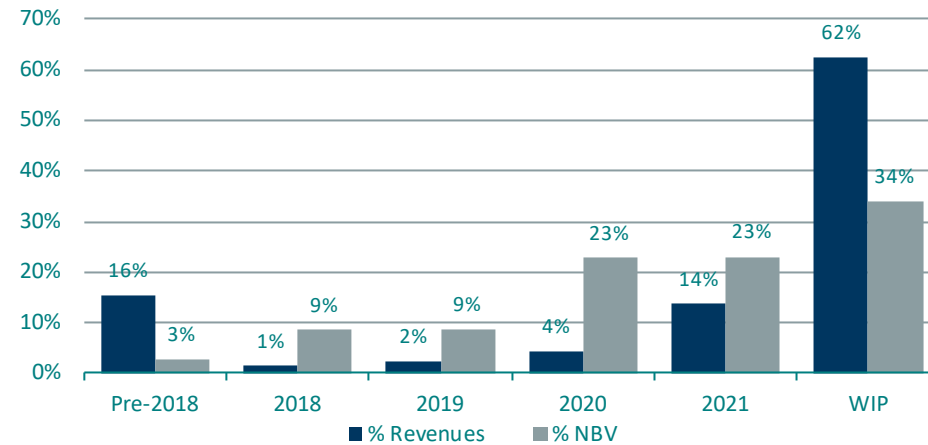
## Net Book Value - Multi-Client Library



## Investments and NBV by year of completion <sup>1)</sup> Q3 2021



## Net Revenues and NBV by year of completion <sup>1)</sup> Q3 2021



1. Operational multi-client seismic investments