



# Q2 2020 Earnings Release



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Oslo, 23 July 2020

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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.

# Highlights



Q2 2020 revenues down 55% y/y – hit by COVID-19 crisis



Cash generating capabilities allows for dividend maintained at USD 0.125 per share



Further cost efficiency measures implemented



Challenging market conditions in the short-term



Long-term drivers intact – growth in exploration required to meet future oil and gas demand

# Further cost efficiency measures implemented

## Additional workforce reduction through right-sizing exercises

- Number of employees at year-end 2020 expected to be well below 500 compared to almost 700 at year-end 2019
- Reduction of management layers

## Salary reduction

- Salary reduction of 3% for all employees
- Additional temporary salary reduction of up to 20% for executive management

## Special project with aim of reducing vendor costs

- Going systematically through all vendor contracts with the aim of reducing scope and pricing

## Resulting in reduction of annual cash cost<sup>1</sup>

- Well on track to meet previously communicated cost targets

1. Defined as Personnel cost + Other operational costs

The background is a dark, abstract composition featuring a network of small, light-colored dots connected by thin lines, creating a web-like structure. Overlaid on this are several translucent, multi-colored geometric shapes, primarily in shades of blue, teal, and red, which appear to be floating or layered. The overall effect is a complex, digital, and futuristic aesthetic.

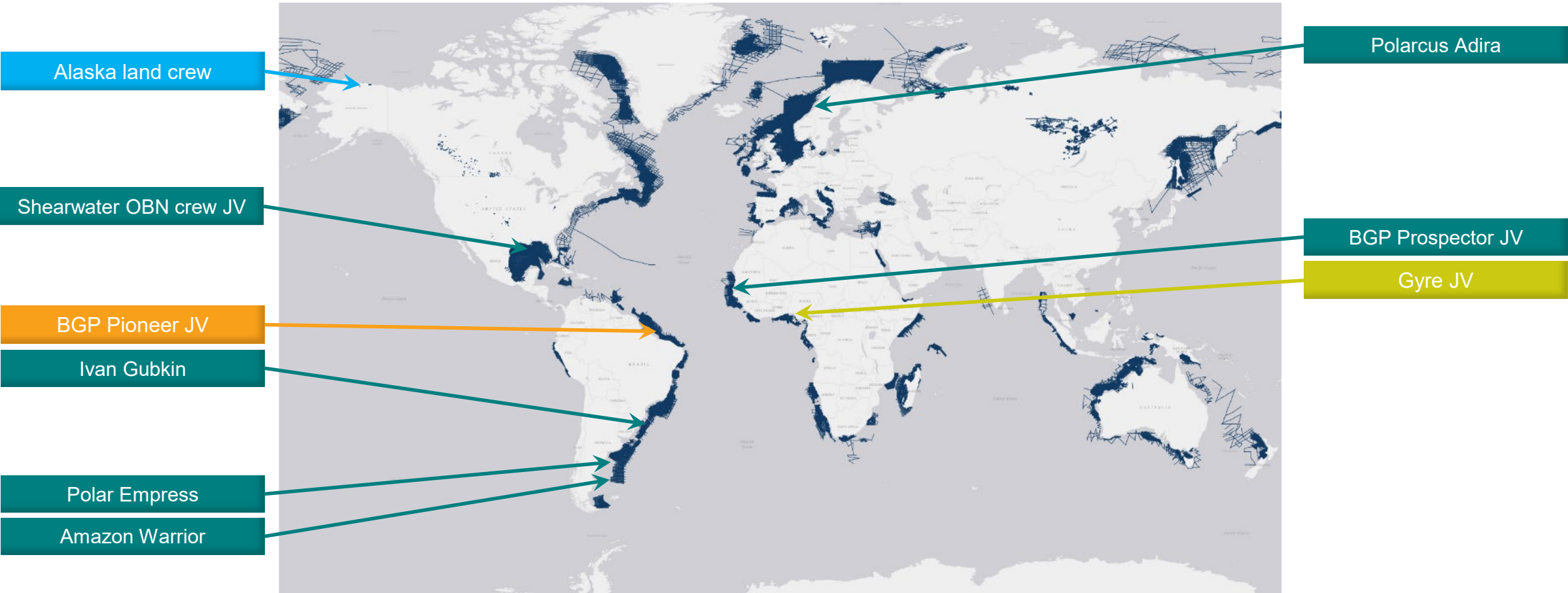
## **Operational highlights**



# Q2 2020 Operational highlights

## Western Hemisphere

## Eastern Hemisphere



3D operations

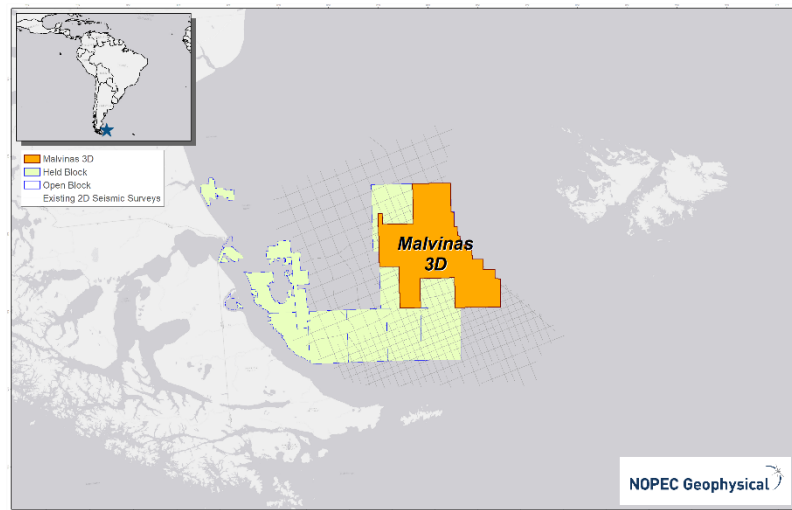
2D operations

Land operations

Seaseep operations

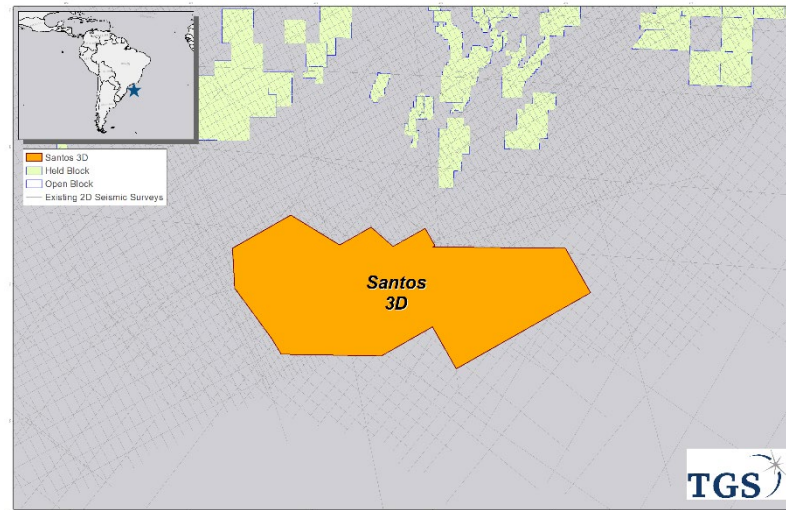
# Key projects in 2020

## Malvinas 3D - Argentina



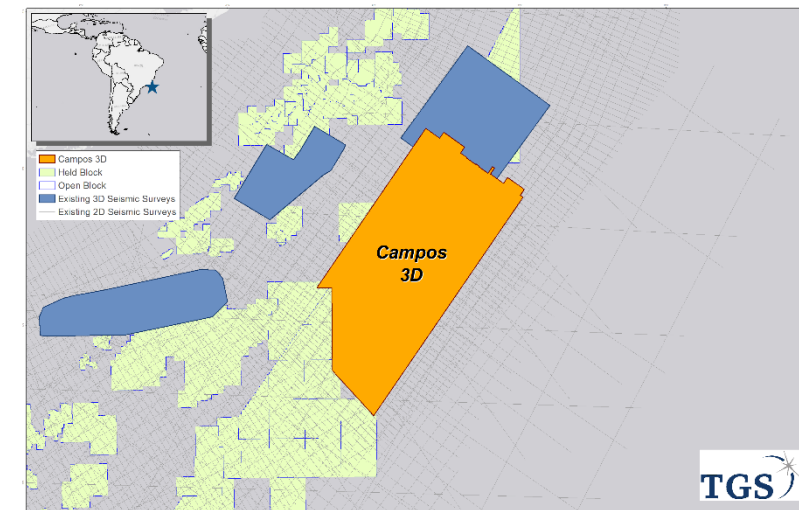
- Covering approximately 17,800 km<sup>2</sup> in the prospective Malvinas Basin, Argentina
- Highly pre-funded project mapping material prospects captured in the successful Offshore Round 1
- The Malvinas 3D survey, combined with well data, 2D seismic and interpretation products in the region, positions TGS as the leading player in the region with an unmatched data offering

## Santos 3D - Brazil



- Completed acquisition of 17,200 km<sup>2</sup> of 3D data in the Santos Basin, Brazil
- Survey designed to evaluate highly prospective Pre-Salt acreage in the largely under-explored outer areas of the basin.
- Acreage to be offered outside the current EEZ (exclusive economic zone) for Round 17, which is currently slated for H1 2021

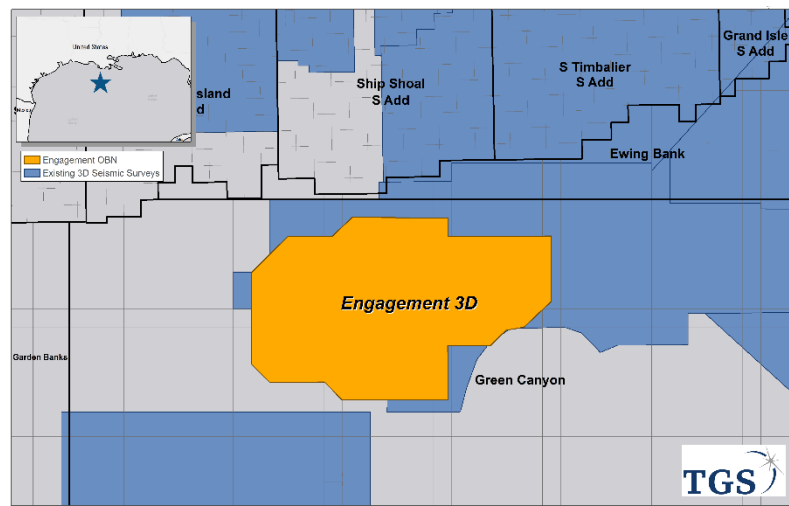
## Campos 3D - Brazil



- Completed acquisition of approximately 14,100 km<sup>2</sup> in the outer Campos Basin, Brazil
- The survey was designed to provide contiguous 3D coverage for evaluating acreage ahead of successful Round 16
- Continued benefits in connection with farm-in/farm-out processes and for providing larger regional understanding, particularly when combined with other datatypes offered by TGS

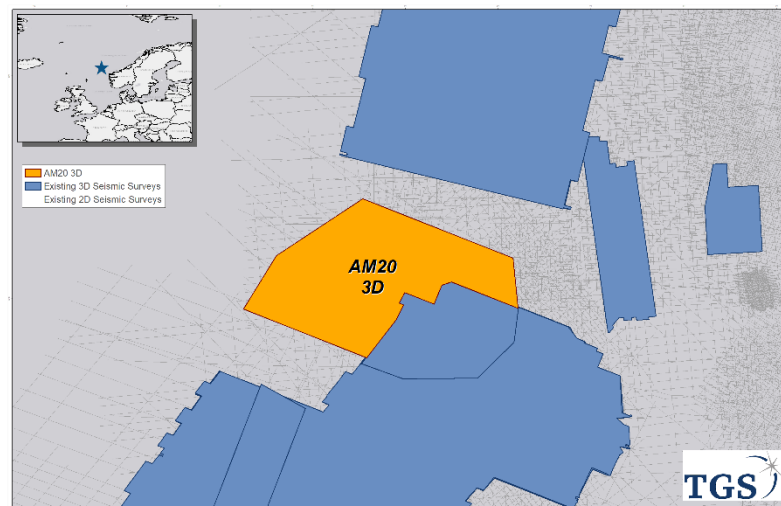
# Key projects in 2020

## Engagement OBN - US GoM



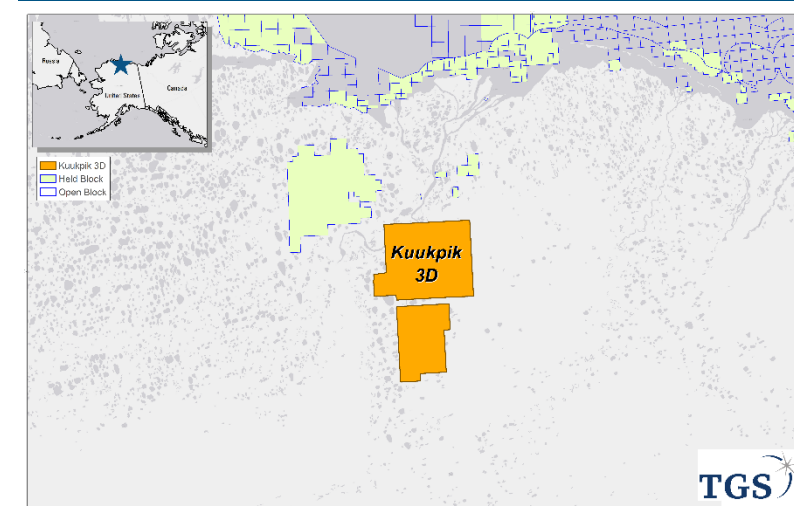
- Commenced acquisition of second sparse node project in U.S GOM in northern Green Canyon protraction area
- Combination of ultra-long offsets and full waveform inversion to deliver a significant imaging uplift in an area characterized by complex geology and multiple salt bodies
- Green Canyon continues to be a priority area for deep water and near-field exploration and development activities

## Atlantic Margin 20 3D - Norway



- Ongoing acquisition of 5,600 km<sup>2</sup> of high-resolution 3D data in the Atlantic Margin zone of the Norwegian Sea
- Extension of program acquired between 2017 and 2019
- Covers APA acreage as well as open acreage in prospective areas to the west

## Kuukpik 3D US Alaska

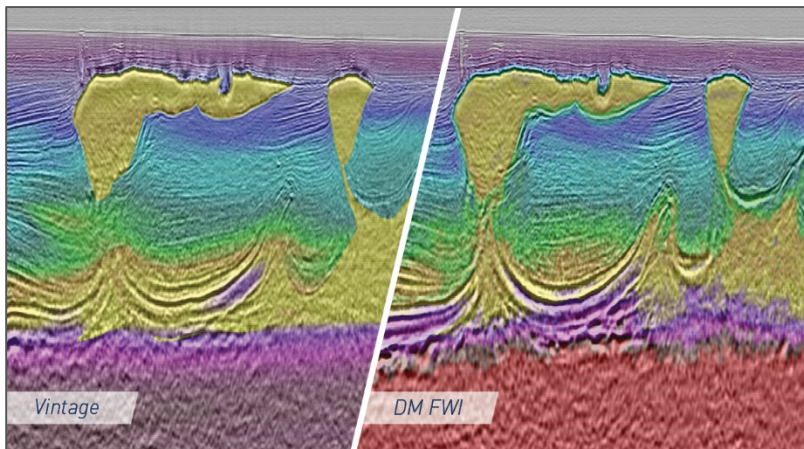


- Completed acquisition of 632 km<sup>2</sup> high resolution 3D multi-client project in the North Slope region of Alaska
- Fully prefunded project adds to TGS' 1,606 square kilometer library in historically productive region
- Combination of TGS' modern seismic and well data products are delivering valuable insights for E&P companies that are seeking to enhance recent discoveries and evaluate new reservoir targets



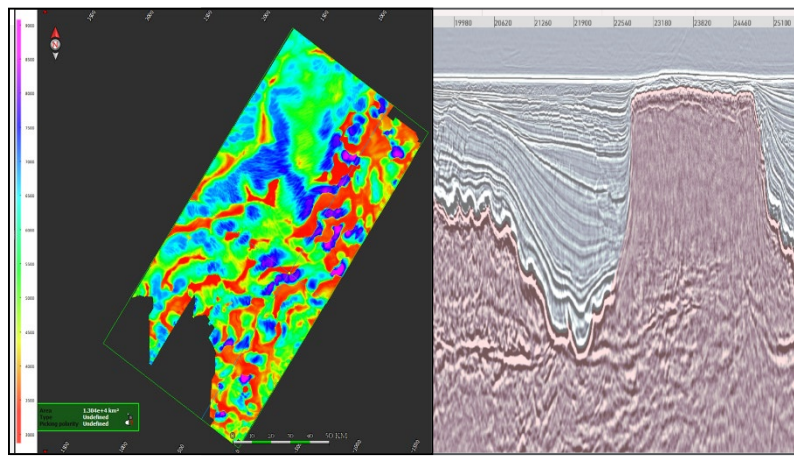
# Key R&D Achievements

## Dynamic Matching Fullwave Inversion



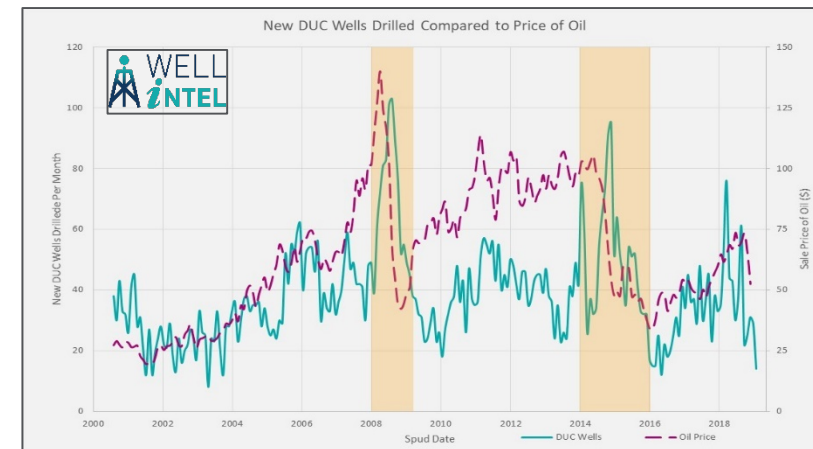
- Dynamic Matching Fullwave Inversion uses seismic reflection and refraction information to automatically update the velocity model
- Enabling high-quality images in geologically complicated areas
- Reduce imaging cycle time and interpretation ambiguity – leading to less risk

## SaltNet



- SaltNet is a software tool which allows interpreters to integrate machine learning to generate quality interpretations in a forward-thinking manner
- Cutting-edge tool and a step towards drastically reducing cycle time in seismic processing.

## Well Performance



- Well Intel is a unique collection of insights, forecasts and analysis derived from the industry's most extensive subsurface data library
- Find Well Intel series at <https://info.tgs.com/well-intel>

The background is a dark, abstract composition featuring a network of small, light-colored dots connected by thin lines, creating a web-like structure. Overlaid on this are several translucent, multi-colored geometric shapes, primarily triangles and polygons, in shades of blue, green, and red. These shapes are layered and semi-transparent, giving a sense of depth and complexity. The overall aesthetic is futuristic and digital.

# Financials

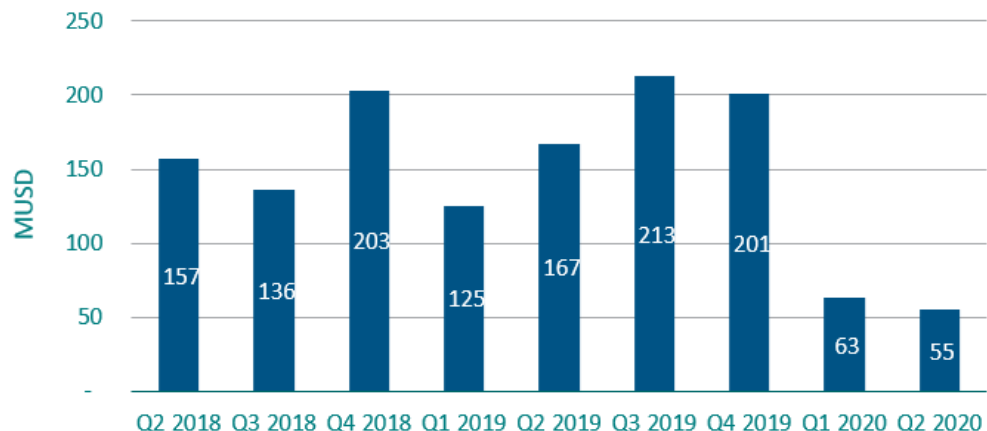
# IFRS 15

- 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*

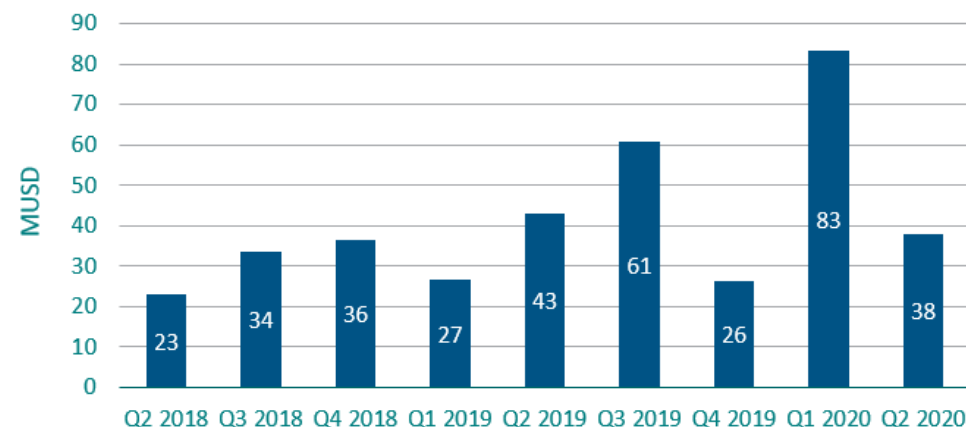
# Net Revenues

TGS/SPU Consolidated (Q1 2018 – Q4 2019)

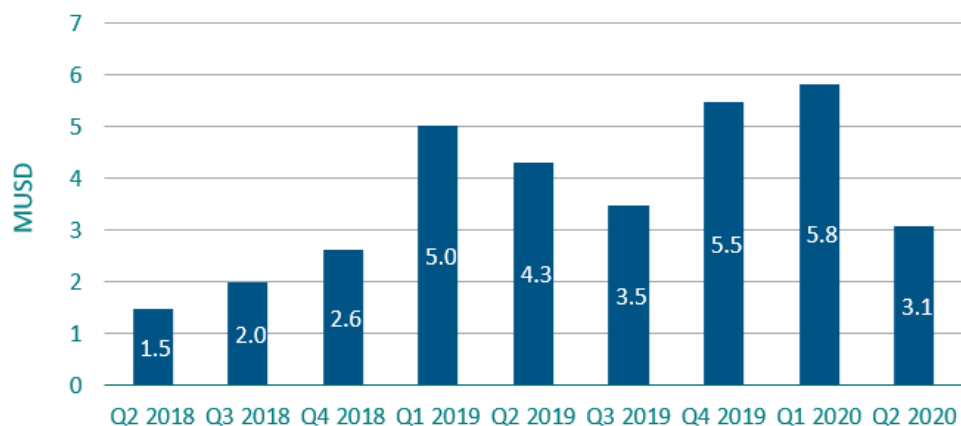
## Late sales



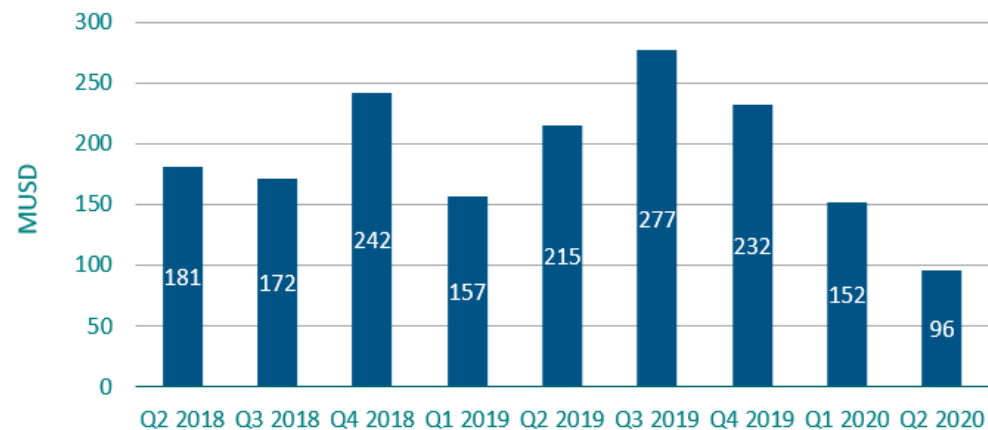
## Pre-funding revenues



## Proprietary revenues



## Total Revenues





# Q2 2020 Non-recurring Items

(all figures in USD 1000)	Q2 2020
Impairment of Library*	29,821
Amortization of MCS Library(*)	29,821
Severance Cost**	6,768
Salaries & social expenses	6,768
Office close out**	5,641
SPU Transaction cost	-
Expected Credit Loss***	1,570
Other Operational Cost	7,211
Impairment of leases**	4,355
Depreciation & Amortization	4,355
<b>Total Non-Recurring Items</b>	<b>48,155</b>

\* In relation to a selcted few projects in specific regions

\*\* In relation to closure of offices and resturcturing of organization

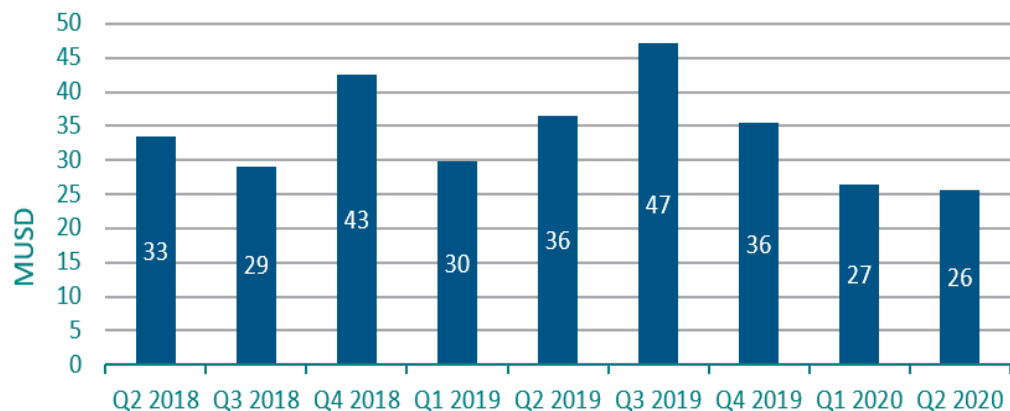
\*\*\* A provision in accordance to IFRS 9

- **Amortization/Impairment:** Completed a full review of the sales forecast considering COVID and oil demand outlook and recognized USD 29.8 million in impairment.
- **Salaries and Social Expense:** Recognizing USD 6.8 million in severance cost during Q2 based on restructuring and reduction in force
- **Other Operational Costs:** USD 7.2 million of Other Operational costs recognized based on onerous contracts related to offices closed/vacated and non-recurring items include USD 1.6 million in accrual for expected credit loss.
- **Depreciation/Impairment:** USD 4.4 million recognized related to offices closed/vacated as leases are recognized through depreciation.
- **Cash impact:** Severance cost, onerous contracts, and leases impaired, will be paid as they become due.

# Operating Expenses, EBIT, MC investments

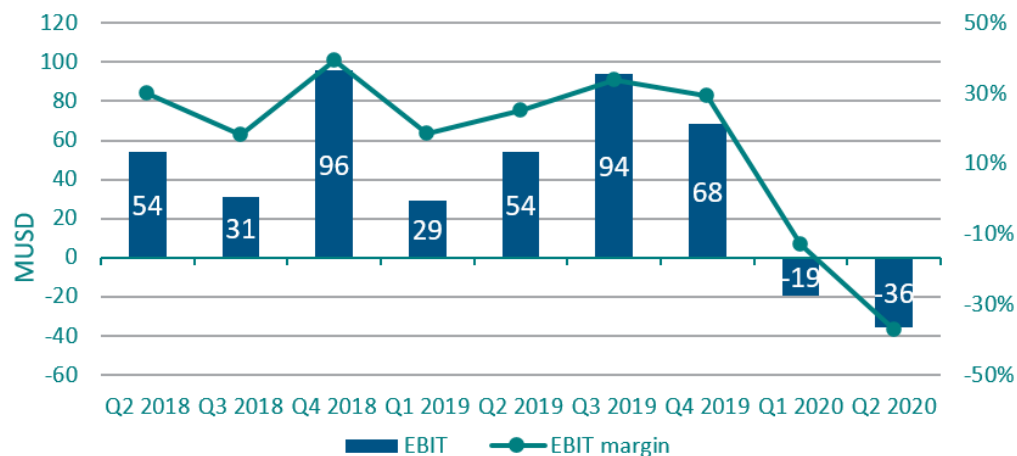
TGS/SPU Consolidated (Q1 2018 – Q4 2019)

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



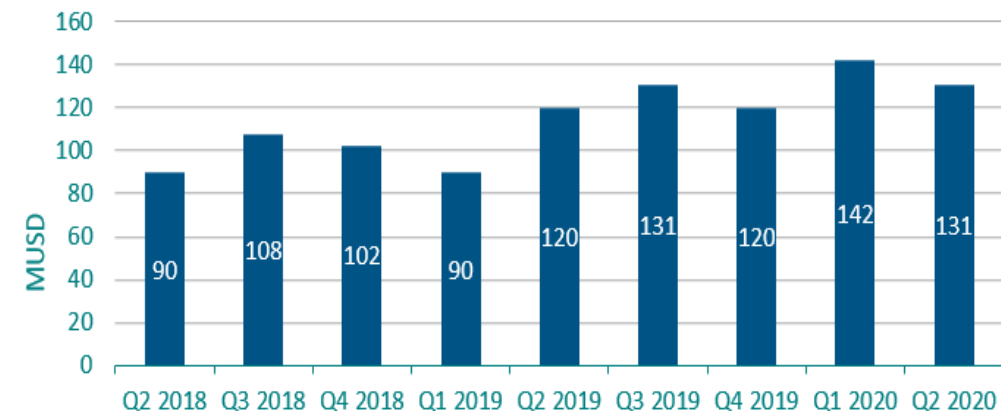
1. Personnel costs and other operating expenses excluding non-recurring items

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

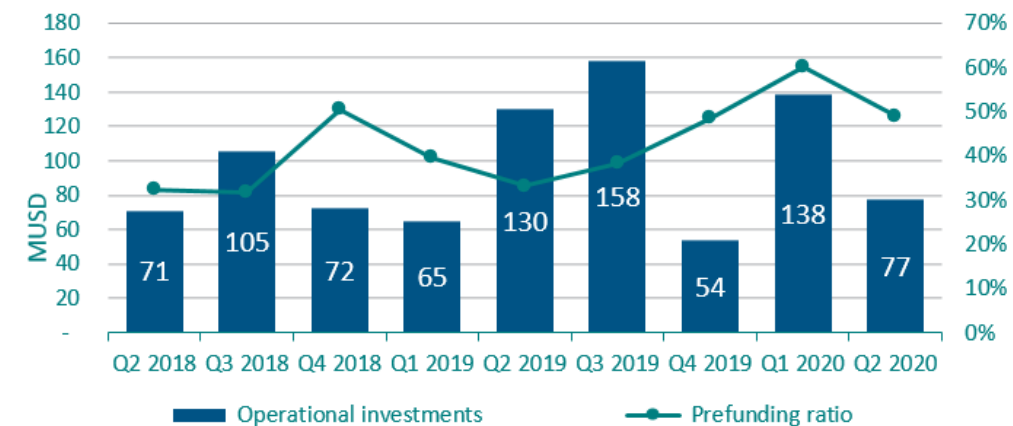


2. Earnings before interest and taxes excluding non-recurring items

## Amortization and Impairments - Multi-Client Library



## Operational investments and prefunding ratio



# Income Statement

Segment reporting – TGS/Spectrum consolidated (Q1 2018 – Q4 2019)

(MUSD)		Q2 2020	Q2 2019	Change
<b>Net operating revenues</b>		<b>95.8</b>	<b>214.7</b>	<b>-55%</b>
Cost of goods sold		1.1	-0.1	n/a
Personnel cost		20.3	21.4	-5%
Other operational costs		18.1	20.6	-12%
Cost of stock options		0.0	0.0	n/a
<b>EBITDA</b>	<b>59%</b>	<b>56.3</b>	<b>172.8</b>	<b>-67%</b>
Amortization of multi-client library		130.7	119.6	9%
Depreciation		9.1	5.2	77%
<b>Operating result</b>	<b>-87%</b>	<b>-83.6</b>	<b>48.0</b>	<b>-274%</b>
Financial income		0.5	1.6	-65%
Financial expenses		-0.9	-1.0	-4%
Exchange gains/losses		-6.6	-2.0	227%
<b>Result before taxes</b>	<b>-94%</b>	<b>-90.5</b>	<b>46.6</b>	<b>n/a</b>
Tax cost	19%	-16.9	20.4	n/a
<b>Net income</b>	<b>-77%</b>	<b>-73.6</b>	<b>26.2</b>	<b>n/a</b>
EPS (USD)		-0.63	0.22	
EPS fully diluted (USD)		-0.63	0.22	

# Balance Sheet

Segment reporting – TGS/Spectrum consolidated (Q1 2018 – Q4 2019)

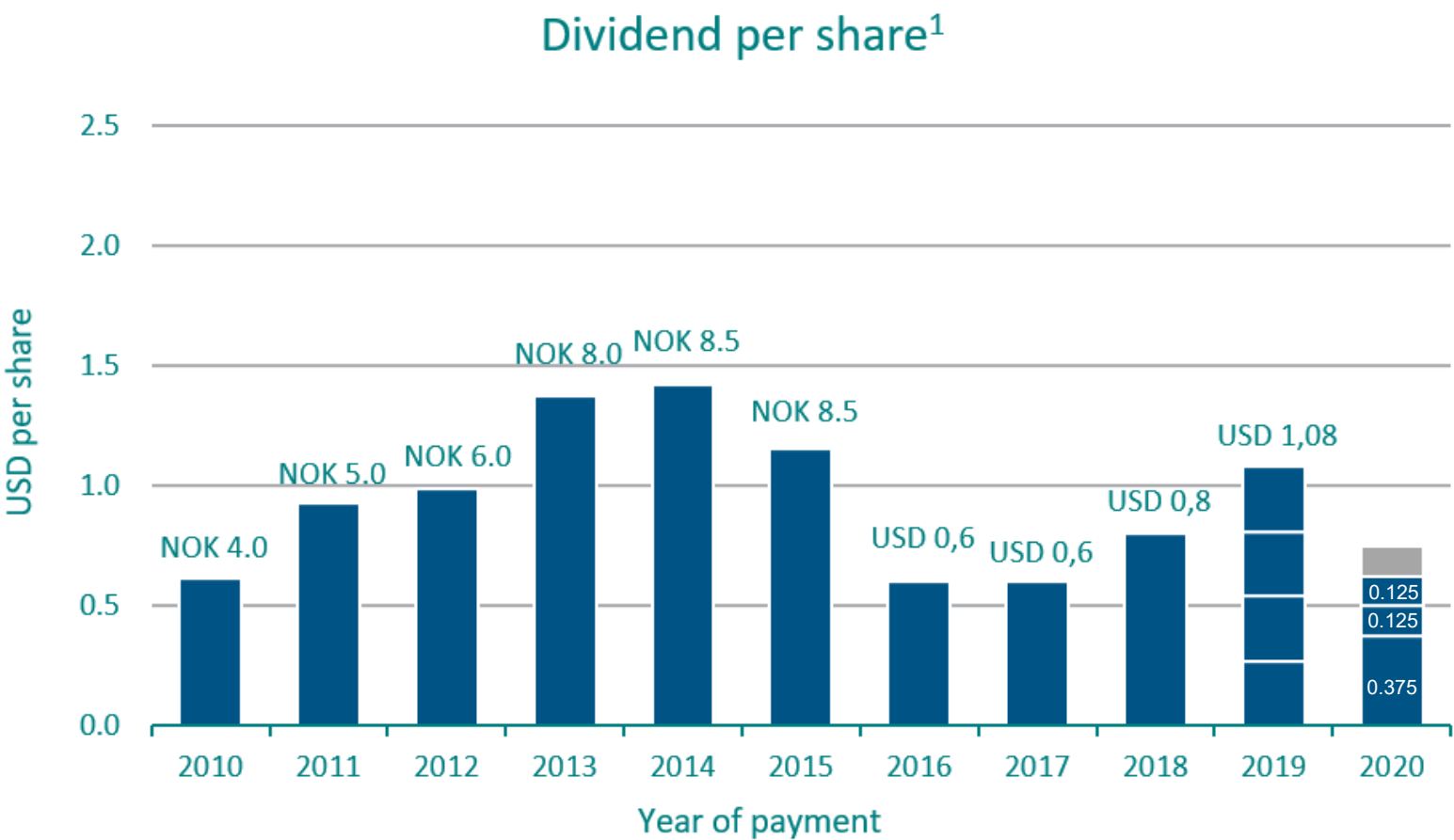
Balance sheet	Q2 2020	Q2 2019	Change
Goodwill	284.8	79.5	258%
Multi-client library	788.5	875.6	-10%
Deferred tax asset	22.9	11.1	106%
Other non-current assets	114.8	84.1	36%
<b>Total non-current assets</b>	<b>1,210.9</b>	<b>1,050.4</b>	<b>15%</b>
Cash and cash equivalents	198.5	376.5	-47%
Other current assets	507.6	443.4	14%
<b>Total current assets</b>	<b>706.0</b>	<b>819.9</b>	<b>-14%</b>
<b>TOTAL ASSETS</b>	<b>1,917.0</b>	<b>1,870.2</b>	<b>2%</b>
<b>Total equity</b>	<b>1,466.4</b>	<b>1,414.6</b>	<b>4%</b>
Deferred taxes	27.3	59.7	-54%
Non-current liabilities	53.3	43.0	24%
<b>Total non-current liabilities</b>	<b>80.6</b>	<b>102.7</b>	<b>-22%</b>
Taxes payable, withheld payroll tax, social security	27.1	20.4	33%
Other current liabilities	342.8	332.5	3%
<b>Total current liabilities</b>	<b>369.9</b>	<b>352.9</b>	<b>5%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,917.0</b>	<b>1,870.2</b>	<b>2%</b>



# Cash Flow Statement

(MUSD)	Q2 2020	Q2 2019	Change
Received payments	138.0	100.0	38%
Payments for operational expenses	-31.5	-32.0	-1%
Paid taxes	-8.4	-8.4	1%
<b>Net cash flow from operating activities</b>	<b>98.1</b>	<b>59.7</b>	<b>64%</b>
Investment in tangible fixed assets	-21.8	-4.7	363%
Investments in multi-client library	-108.1	-51.2	111%
Investments through mergers and acquisitions	0.0	0.0	n/a
Interest income	0.2	2.0	-91%
<b>Net Cash Flow from investing activities</b>	<b>-129.7</b>	<b>-53.9</b>	<b>141%</b>
Net change in loans	0.0	0.0	n/a
Interest expense	-0.6	-0.7	-8%
Payment of dividends	-16.1	-25.3	-36%
Purchase of own shares	0.0	-15.5	n/a
<b>Net cash flow from financing activities</b>	<b>-16.7</b>	<b>-41.5</b>	<b>-60%</b>
Net unrealized currency gains/(losses)	-1.6	0.0	n/a
<b>Net change in cash and cash equivalents</b>	<b>-49.9</b>	<b>-35.7</b>	<b>40%</b>

# Dividends



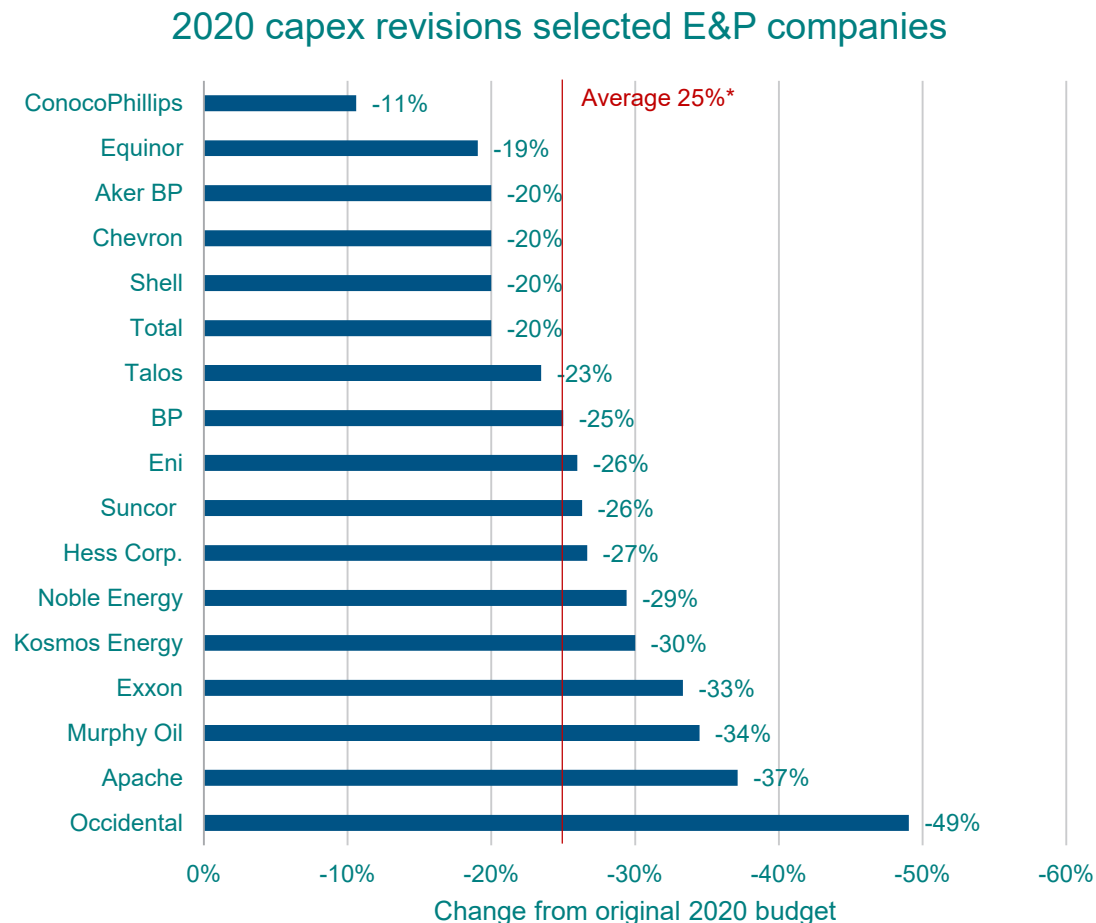
- The Board has resolved to maintain the dividend of USD 0.125 per share in Q3 2020
- Ex date 30 July 2020 – payment date 13 August 2020

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

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# Outlook

# Challenging market in the near-term



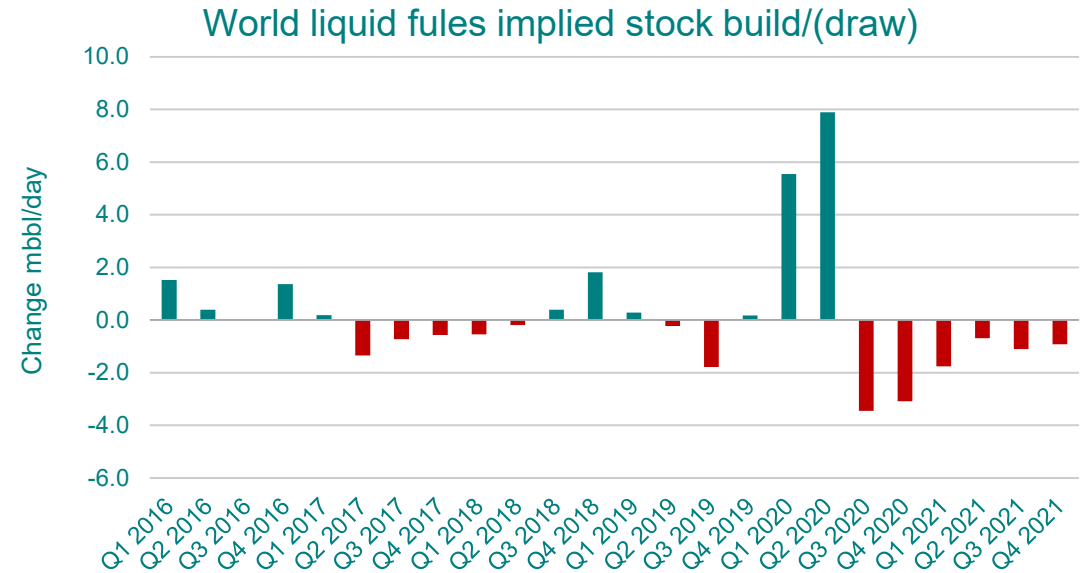
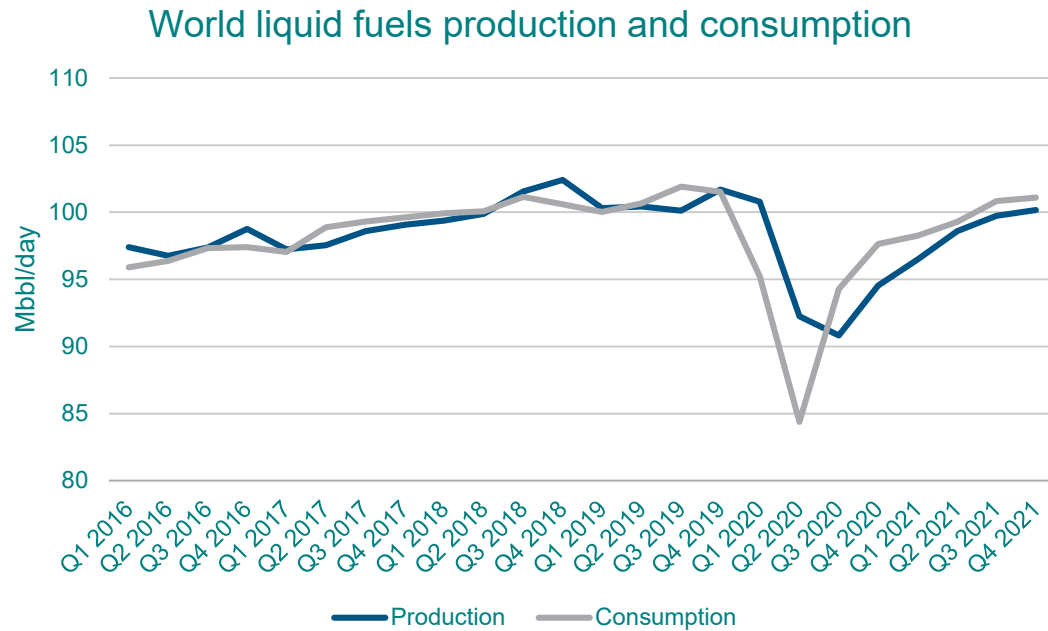
\* Based on public announcements from 60 E&P companies since 10 March 2020

Source: ABG

- COVID-19 and sharp oil price drop have led to deep cuts in 2020 E&P spending budgets
- On average E&P companies has revised their 2020 budgets down by 25%\* leading to a 26%\* reduction relative to 2019
- Discretionary (uncommitted) spending down significantly more than overall spending
- Most planned near-term seismic purchases put on hold



# A more balanced oil market going forward

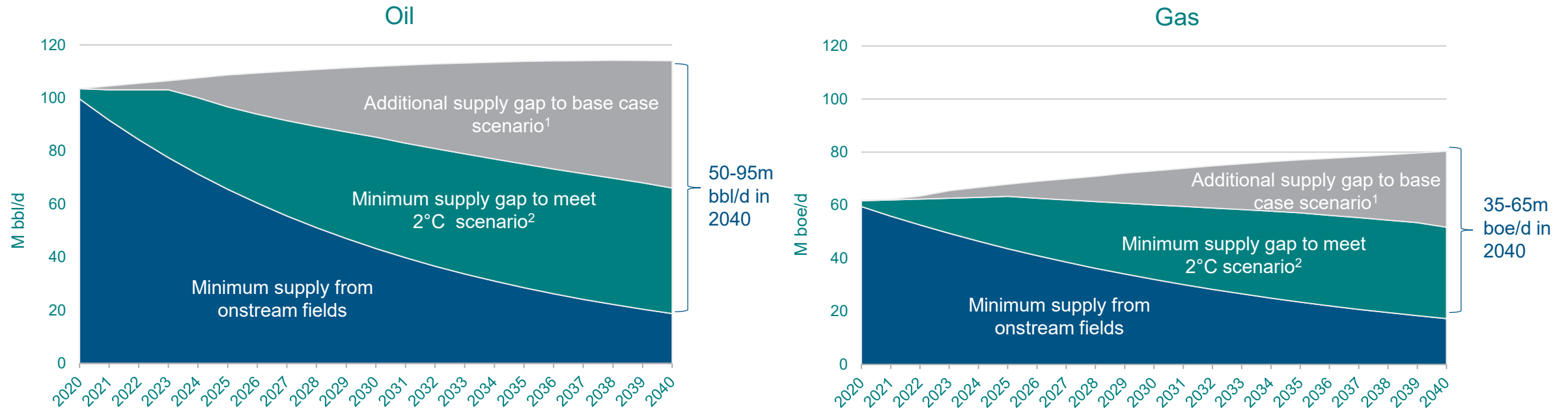


Source: EIA Short-Term Energy Outlook July 2020

- A growing number of countries are slowly getting back to normal following the lock-downs in the initial phase of the COVID-19 crisis
- Global oil demand has started to recover following the sharp drop seen in Q1 and Q2
- Global oil supply has been scaled down significantly and is expected to recover at a slower pace than demand resulting in a more balanced market going forward

# More oil and gas resources needed to meet future demand

## Global supply and demand scenarios to 2040

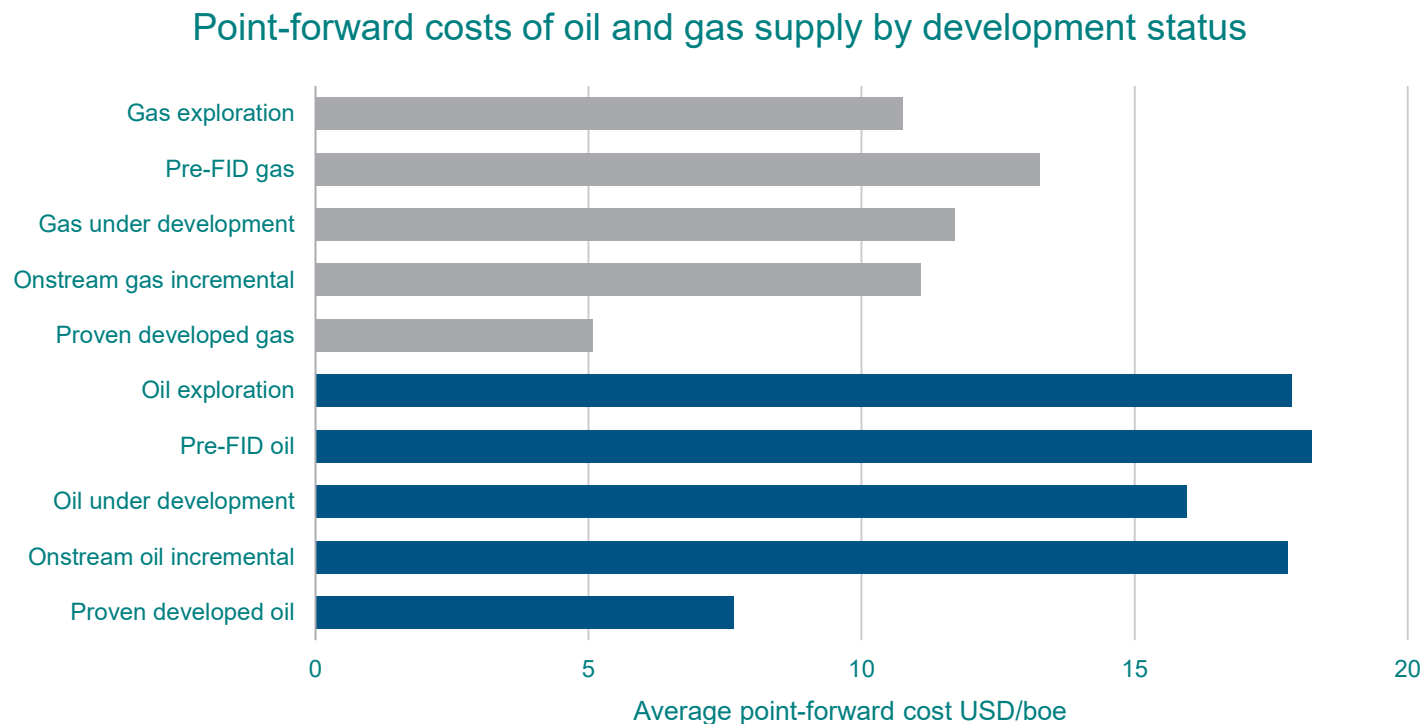


1. The energy transition outlook (ETO) represents WoodMac's base case view of the energy world, broadly consistent with a 3°C global warming view
2. The accelerated energy transition 2-degree scenario (AET-2) represents how the world can augment efforts towards deep decarbonization with a credible pathway to reach a 2°C global warming trajectory by 2050.

Source: Wood Macenzie

- Average decline rates developed supply at 8% p.a. for oil and 6% p.a. for gas
- Even when taking the most optimistic energy transition scenarios into account substantial amounts of new oil and gas production are required for meeting demand and compensating for decline

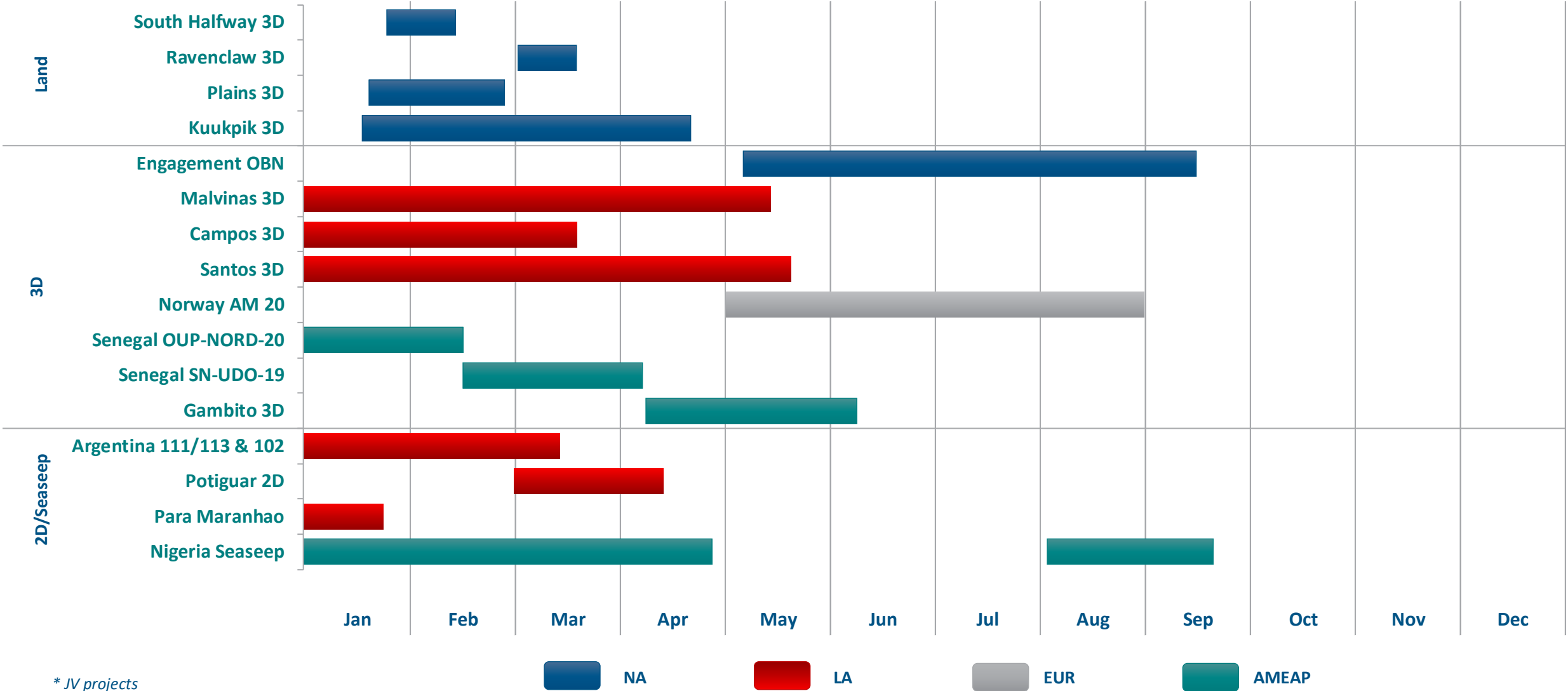
# Exploration to play an important role in closing the supply gap



Source: Wood Macenzie

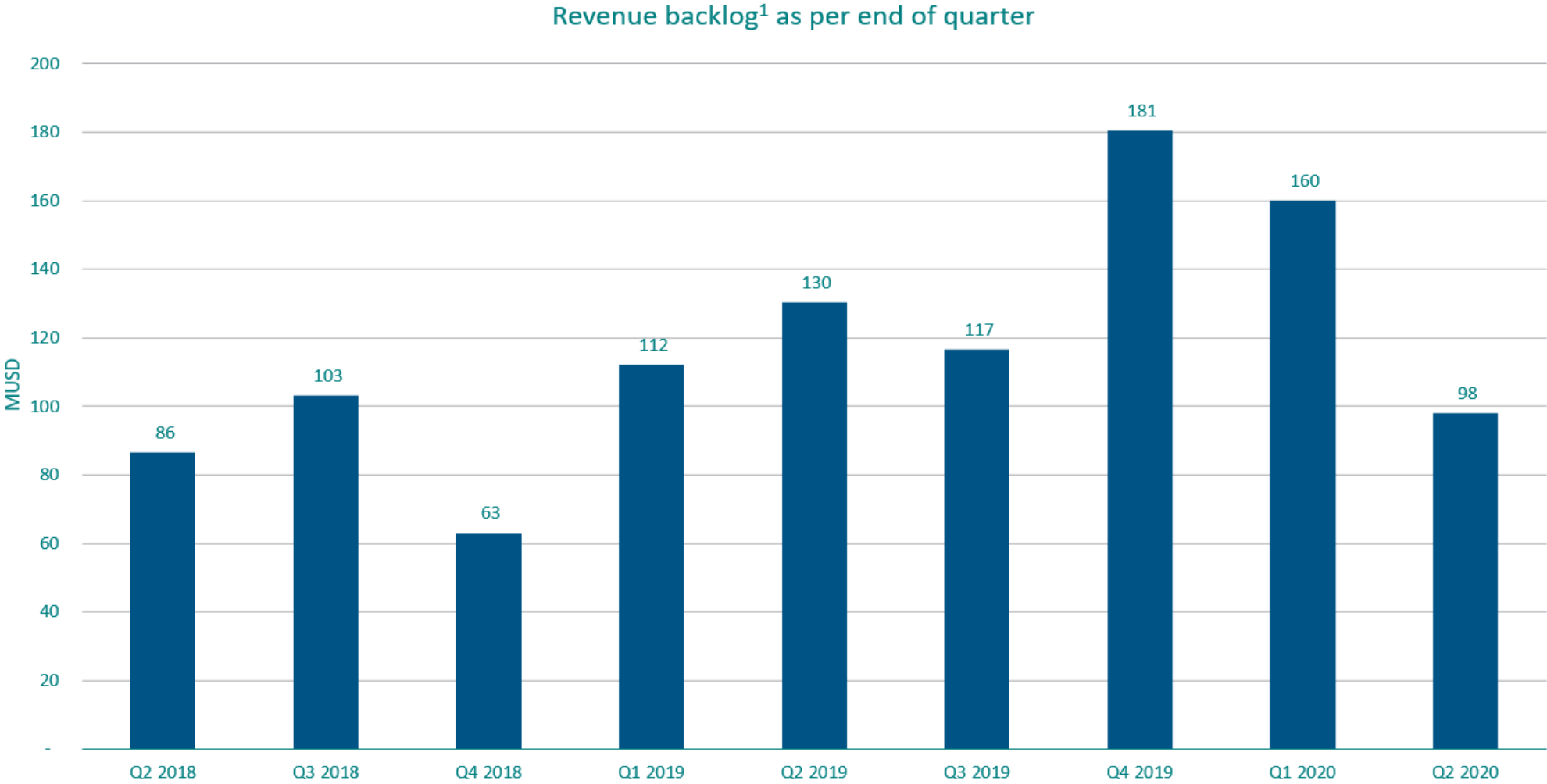
- Explorers, on average, tend to find better resources through exploration than the legacy assets that still await development
- I.e. exploration for new resources is a competitive alternative to developing already discovered resources

# 2020 Project schedule





# Backlog



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

# Summary



Q2 2020 revenues down 55% y/y – hit by COVID-19 crisis



Cash generating capabilities allows for dividend maintained at USD 0.125 per share



Further cost efficiency measures implemented



Challenging market conditions in the short-term



Long-term drivers intact – growth in exploration required to meet future oil and gas demand

The background is a dark, textured composition of overlapping translucent polygons in shades of blue, teal, and red. A network of small, light-colored dots is connected by thin lines, creating a web-like pattern across the entire image. The word "Appendix" is centered in a white, sans-serif font.

# Appendix

# Income Statement

IFRS

(MUSD)		Q2 2020	Q2 2019	Change
<b>Net operating revenues</b>		<b>66.2</b>	<b>104.8</b>	<b>-37%</b>
Cost of goods sold		1.1	-0.1	n/a
Personnel cost		20.3	17.2	18%
Other operational costs		18.1	9.2	96%
<b>EBITDA</b>	<b>40%</b>	<b>26.6</b>	<b>78.5</b>	<b>-66%</b>
Amortization of multi-client library		114.4	69.5	65%
Depreciation		9.1	4.3	113%
<b>Operating result</b>	<b>-147%</b>	<b>-96.9</b>	<b>4.7</b>	<b>-2182%</b>
Financial income		0.5	2.0	-73%
Financial expenses		-0.9	-0.7	45%
Exchange gains/losses		-6.6	-1.6	314%
<b>Result before taxes</b>	<b>-157%</b>	<b>-103.9</b>	<b>4.5</b>	<b>-2429%</b>
Tax cost	23%	-24.0	6.2	-487%
<b>Net income</b>	<b>-121%</b>	<b>-79.9</b>	<b>-1.7</b>	<b>4502%</b>
EPS (USD)		-0.68	-0.02	3932%
EPS fully diluted (USD)		-0.68	-0.02	3930%

# Balance Sheet

IFRS

Balance sheet	Q2 2020	Q2 2019	Change
Goodwill	284.8	67.9	319%
Multi-client library	1,126.7	859.1	31%
Deferred tax asset	67.8	0.5	13925%
Other non-current assets	114.8	64.0	79%
<b>Total non-current assets</b>	<b>1,594.1</b>	<b>991.5</b>	<b>61%</b>
Cash and cash equivalents	198.5	354.3	-44%
Other current assets	365.0	381.5	-4%
<b>Total current assets</b>	<b>563.4</b>	<b>735.8</b>	<b>-23%</b>
<b>TOTAL ASSETS</b>	<b>2,157.5</b>	<b>1,727.2</b>	<b>25%</b>
<b>Total equity</b>	<b>1,350.7</b>	<b>1,181.9</b>	<b>14%</b>
Deferred taxes	22.6	46.8	-52%
Non-current liabilities	53.3	23.8	124%
<b>Total non-current liabilities</b>	<b>75.8</b>	<b>70.6</b>	<b>7%</b>
Taxes payable, withheld payroll tax, social security	27.1	18.2	49%
Other current liabilities	703.8	456.4	54%
<b>Total current liabilities</b>	<b>730.9</b>	<b>474.7</b>	<b>54%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,157.5</b>	<b>1,727.2</b>	<b>25%</b>



# Reconciliation

## Segment Reporting/IFRS

### Impact on Income Statement

(All amounts in USD 1,000s)	Q2 2020 As reported	Adjustments	Q2 2020 Segment
<b>Net revenues</b>	<b>66 156</b>	<b>29 691</b>	<b>95 848</b>
Amortization and impairment of multi-client library	114 418	16 317	130 735
<b>Total operating expenses</b>	<b>163 098</b>	<b>16 317</b>	<b>179 415</b>
Taxes	-23 967	7 067	-16 901
<b>Net income</b>	<b>-79 933</b>	<b>6 308</b>	<b>-73 625</b>

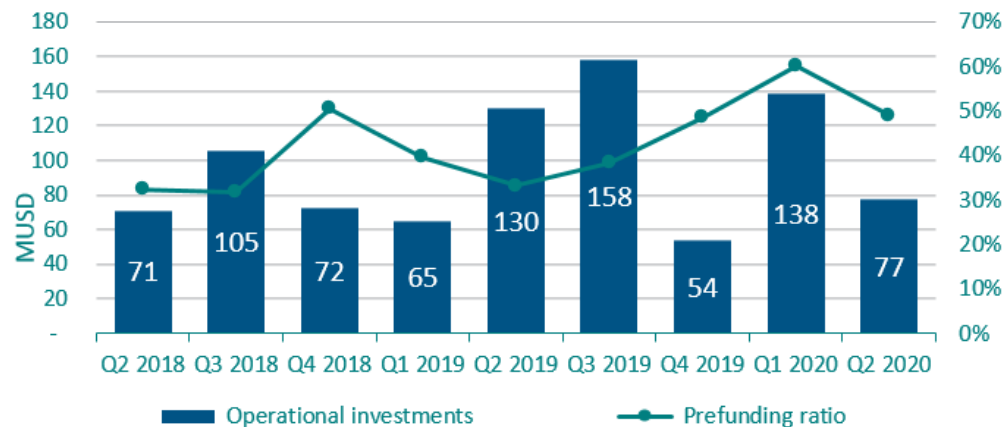
### Impact on Balance Sheet

(All amounts in USD 1,000s)	30-Jun-20 As reported	Adjustments	30-Jun-20 Segment
Multi-client library	1 126 750	-338 201	788 549
Deferred tax asset	67 788	-44 918	22 870
<b>Total non-current assets</b>	<b>1 594 052</b>	<b>-383 119</b>	<b>1 210 933</b>
Accrued revenues	111 750	129 387	241 138
<b>Total current assets</b>	<b>563 449</b>	<b>142 596</b>	<b>706 046</b>
<b>Equity</b>	<b>1 350 723</b>	<b>115 727</b>	<b>1 466 450</b>
Deferred taxes	22 566	4 757	27 323
<b>Total non-current liabilities</b>	<b>75 848</b>	<b>4 757</b>	<b>80 606</b>
Accounts payable and debt to partners	126 572	68 812	195 384
Other current liabilities	577 208	-429 819	147 389
<b>Total current liabilities</b>	<b>730 930</b>	<b>-361 007</b>	<b>369 923</b>

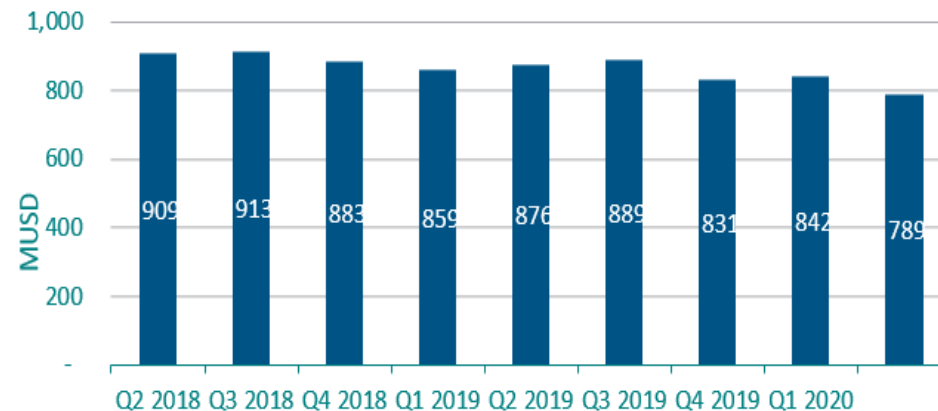
# Multi-Client Library

TGS/SPU Consolidated (Q1 2018 – Q4 2019)

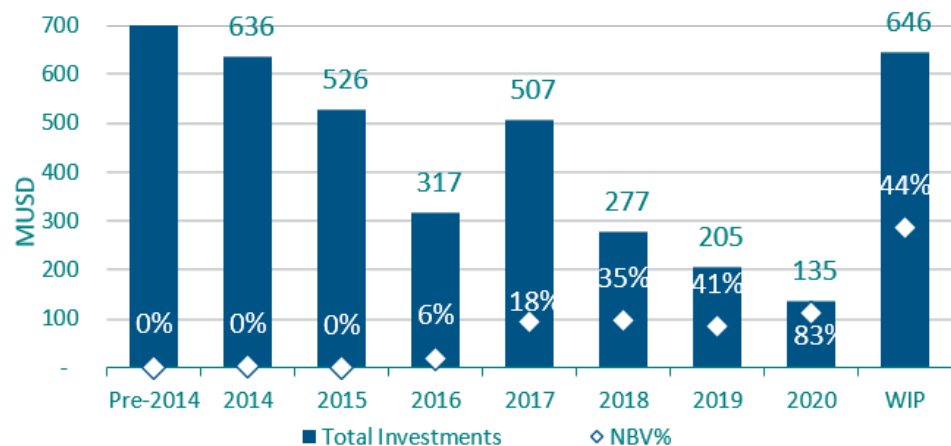
## Operational investments and prefunding ratio



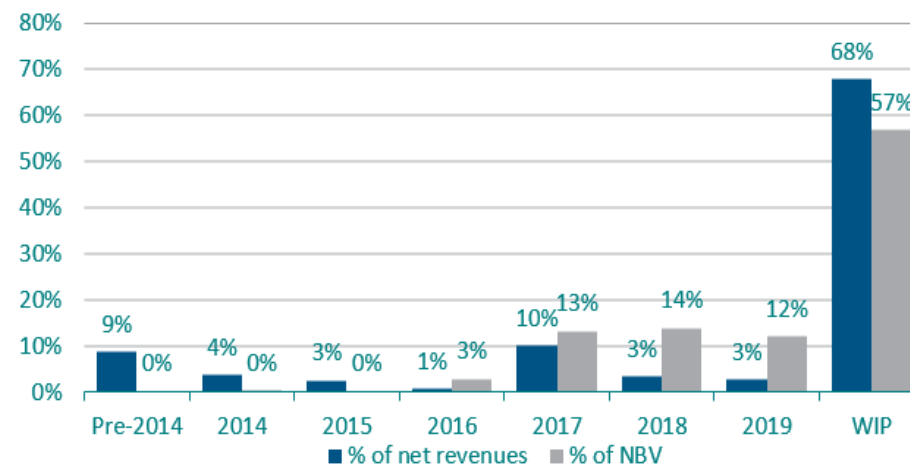
## Net Book Value - Multi-Client Library



## Investments and NBV by year of completion



## Net Revenues and NBV by year of completion



**Thank you**

