TGS EARNINGS RELEASE
2nd QUARTER RESULTS

2nd QUARTER AND YTD 2016 FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)	Q2 2016	Q2 2015	YTD 2016	YTD 2015
Net operating revenues	**114,360**	**139,554**	**178,110**	**311,144**
- Net prefunding revenues	26,396	52,728	48,971	146,369
- Net late sales revenues	84,489	81,634	122,240	153,345
- Net proprietary revenues	3,475	5,192	6,899	11,430
EBIT	**21,632**	**35,733**	**301**	**73,101**
- EBIT margin	19 %	26 %	0 %	23 %
Pre-tax profit	**21,362**	**37,447**	**1,042**	**73,465**
Net income	**16,805**	**24,464**	**(3,391)**	**53,130**
EPS (fully diluted)	**0.17**	**0.24**	**(0.03)**	**0.52**
Operational investments in new projects	**62,497**	**116,497**	**115,272**	**279,019**
- Pre-funding % on operational investments	42 %	45 %	42 %	52 %
Amortization (1)	(69,207)	(73,704)	(130,964)	(178,215)
MC library ending net book value	**823,219**	**918,936**	**823,219**	**918,936**
Return on average capital employed (2)	-9 %	18 %	-9 %	18 %
Equity ratio	85 %	83 %	85 %	83 %
Cash flow from operations	9,488	85,979	154,263	346,364
Free cash flow (after MC investments)	(34,531)	(75,691)	28,544	34,084
Cash balance	**162,087**	**175,890**	**162,087**	**175,890**

1) The 2016 amortization reflects the new amortization policy for seismic surveys effective from 1 January 2016
2) Trailing 12 months

- Improved performance in Q2 2016 compared to preceding quarters as oil companies willingness to invest in seismic data has improved slightly
- Although some improvement has been experienced since late 2015 and early 2016 the challenging market conditions expected to continue near term, with high volatility between quarters and across regions
- Quarterly dividend maintained at USD 0.15 per share
- New 7,150 km^2 full-azimuth survey in in Gulf of Mexico in partnership Schlumberger
- Updated financial guidance for 2016:
  - New operational multi-client investments of approximately USD 230 million
  - Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
  - Multi-client investments are expected to be prefunded 40% to 45%

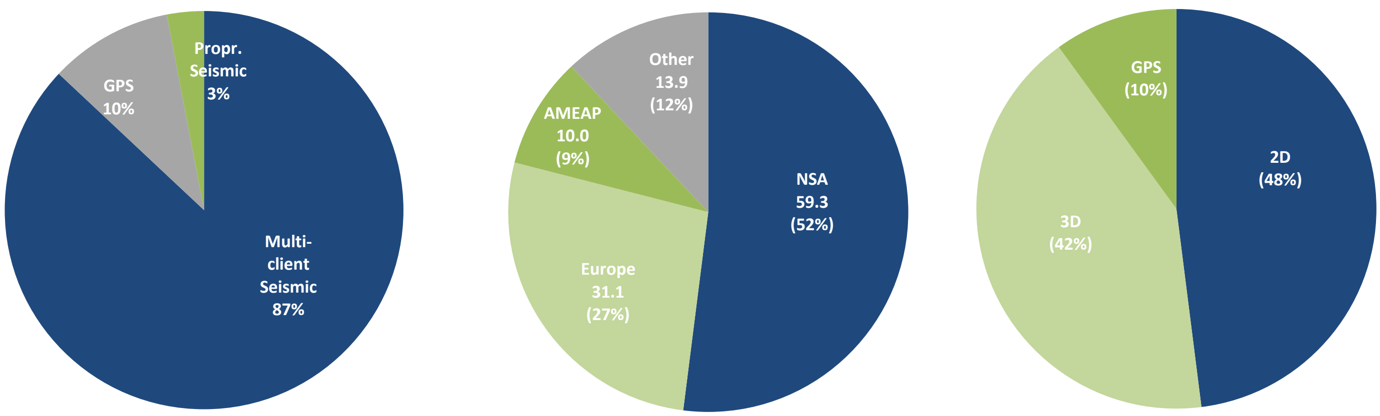
REVENUE BREAKDOWN

Net late sales for the quarter amounted to USD 84.5 million compared to USD 81.6 million in Q2 2015. Net pre-funding revenues in the quarter totaled USD 26.4 million, a decrease of 50% from Q2 2015. The pre-funding revenues recognized in the second quarter funded 42% of the operational investments of USD 62.5 million in the multi-client library.

Proprietary contract revenues during the quarter totaled USD 3.5 million compared to USD 5.2 million in Q2 2015.

In Q2 2016, 17% of net multi-client seismic revenues came from fully amortized projects.

Revenue distribution



Source: TGS

OPERATIONAL COSTS

As from 1 January 2016, the amortization method for seismic multi-client libraries has changed. After a project is completed, TGS applies a straight-line amortization over a remaining useful life. For most offshore projects, the useful life after completion is considered to be four years, while a seven-year amortization period is applied for most onshore projects. The straight-line amortization is distributed evenly through the financial year independently of sales during the quarter. During the work in progress phase, amortization continues to be based on total estimated cost versus forecasted total revenues of the project.

The amortization of the multi-client library for Q2 2016 amounted to USD 69.2 million, (USD 73.7 million in Q2 2015).

Cost of goods sold (COGS) were USD 0.8 million for the quarter, up from USD 0.1 million in Q2 2015. Personnel costs in the quarter were USD 10.8 million compared to USD 17.2 million in Q2 2015. The decrease is due to the 2015 reductions of the global workforce, as well as lower costs related to employee incentive schemes. Including restructuring costs of USD 1.4 million related to the close-down of the Perth processing center, other operating expenses were USD 8.5 million compared to USD 8.8 million in Q2 2015.

EBITDA AND EBIT

Reported EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the quarter ended 30 June 2016 was USD 93.8 million, which corresponds to 82% of net revenues, down 17% from USD 112.6 million in Q2 2015. Operating profit (EBIT) for the quarter amounted to USD 21.6 million, which is down from USD 35.7 million in Q2 2015.

FINANCIAL ITEMS

The Company recorded a net currency exchange loss of USD 0.3 million in Q2 2016, which is mainly due to net losses related to translating local currency bank accounts into USD. TGS holds NOK bank accounts primarily to pay taxes and dividends in NOK.

TAX

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 from local profits, but also from fluctuations in exchange rates between the 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.

Management assesses that the normalized operating consolidated tax rate is approximately 28%. The tax rate reported for the quarter is at 21% compared to 35% last year. The low tax rate is mainly due to currency effects. 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.

NET INCOME AND EARNINGS PER SHARE (EPS)

Net income for Q2 2016 was USD 16.8 million (15% of net revenues), down from USD 24.5 million in Q2 2015. Quarterly earnings per share (EPS) were USD 0.17 fully diluted (USD 0.17 undiluted), which is down from USD 0.24 fully diluted (USD 0.24 undiluted) in Q2 2015.

BALANCE SHEET AND CASH FLOW

The net book value of the multi-client library was USD 823.2 million at 30 June 2016 compared to USD 918.9 million at 30 June 2016. Operational multi-client investments amounted to USD 62.5 million in Q2 2016 (USD 116.5 million in Q2 2015), while amortization was USD 69.2 million (USD 73.7 million) (see note 5).

The net cash flow from operations for the quarter, after taxes and before investments, totaled USD 9.5 million compared to USD 86.0 million in Q2 2015. As of 30 June 2016, the Company’s total cash holdings amounted to USD 162.1 million compared to USD 162.7 million at 31 December 2015.

Total equity per 30 June 2016 was USD 1,166.9 million, representing 85% of total assets. During the quarter, the Company transferred 120,200 treasury shares to cover the exercise of options by key employees and distributed 9,900 treasury shares to Board members. As of 30 June 2016, TGS held 533,500 treasury shares.

BACKLOG

TGS' backlog amounted to USD 103.0 million at the end of Q2 2016, a decrease of 57% from Q2 2015 and 18% lower than last quarter. The decrease is mainly due to high production on the regional 2D seismic survey in the Gulf of Mexico.

DIVIDEND

It is the ambition of TGS to pay a cash dividend that is in line with its long-term underlying cash flow. When deciding the dividend amount, the TGS Board of Directors will consider expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model.

As from 2016, TGS has started paying 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 0.15 per share to be paid in Q3 2016. The dividend will be paid in the form of NOK 1.26 per share on 25 August 2016. The share will trade ex-dividend on 11 August 2016.

OPERATIONAL HIGHLIGHTS

Vessels operating for TGS during all or parts of Q2 2016 included five 2D vessels, two multibeam vessels and a core sampling vessel. Two 2D vessels were operating under a joint venture agreement and TGS mobilized one P-Cable vessel for a proprietary survey at the end of Q2 2016.

During Q2 2016 TGS continued acquisition of Gigante 2D, a 186,000 km regional 2D seismic survey in the vast offshore sector of Mexico. The survey covers the proposed license rounds in the Perdido, Campeche and Mexican Ridges regions, and line ties will be made in to the US Gulf of Mexico regional grids previously acquired by TGS. Operational performance during the quarter was very good with more than 160,000 km of 2D data now acquired and almost 150,000 km of fast-track data already delivered to clients.

In conjunction with the Gigante 2D seismic survey, TGS is acquiring the Gigante multibeam, coring and geochemical survey over an area of approximately 600,000 km^2. TGS increased the multibeam fleet to two vessels during the quarter with coring operations continuing on a third vessel. By the end of Q2 2016 TGS had acquired more than 50% of the data with the remainder of the project expected to complete in Q4 2016. Interpretation of data will integrate with the 2D seismic survey and enhance the value proposition to clients.

In late May 2016 TGS commenced its sixth consecutive season acquiring data offshore Eastern Canada in partnership with PGS. The partners expect to acquire approximately 36,000 km of 2D seismic in Newfoundland and Labrador this year which will provide valuable data for the scheduled licensing rounds. A 2,000 km^2 multi-client 3D survey will also be acquired during Q3 2016.

TGS returned to Australia at the end of Q2 2016 with commencement of the Northwest Shelf Renaissance 2D seismic survey. This long offset, broadband 2D seismic survey of approximately 8,000 km will tie recent and deep wells with TGS's existing 3D coverage in the Exmouth Plateau, Carnarvon Basin and will traverse acreage proposed for the 2016 Australian licensing round.

Building on TGS' experience with multi-client P-Cable acquisition in the Barents Sea, TGS commenced acquisition of a proprietary P-Cable survey in this same region. Acquisition is expected to take approximately two months and will complete during Q3 2016.

The Geologic Products and Services Division continued to add to its inventory of multi-client products in the quarter. The well data library grew with the addition of 31,500 new digital well logs, 2,000 new enhanced digital well logs and over 138,000 new Validated

Well Headers. The division also announced the launch of R360, a modern eCommerce tool to enable simpler integration of geologic data with customer systems. R360 allows clients to perform data reconnaissance, identification and selection through a map-based interface with purchase and data delivery online. GPS also had ongoing multi-client interpretive projects geared towards supplying customers with information on stratigraphy, structure and basin maturity in Norway, the UK, Mexico, Canada, the US, and Madagascar.

OUTLOOK

The oil price has remained at a low level for an extended period of time, leading to reductions in oil companies' exploration and production (E&P) spending. Based on public communication from a number of the largest oil companies, TGS expects a decline of 20-30% in E&P spending in 2016, in addition to a similar percentage reduction experienced in 2015.

While seeing some signs of improvement in oil companies' willingness to invest in seismic data during the 2nd quarter of 2016, the market is expected to remain challenging in the near term. Investment in seismic data is largely a type of discretionary spending that oil companies can quickly turn on and off depending on prevailing strategies and market conditions. Furthermore, oil companies are likely to prioritize their seismic spend in areas with more favorable economics and payback times as well as areas where they have current work programs and license obligations. Consequently, a high variability of seismic spending between quarters and across regions is expected to continue going forward.

Despite the near term uncertainty TGS remains optimistic on the longer term future. The asset light and flexible business model means that the company is well placed to safeguard cash flow and maintain a strong balance sheet during the downturn, enabling it to further enhance its leading position in the seismic market. Firstly, not owning seismic vessels and equipment means that the company can take advantage of lower contract day rates when acquiring new surveys. Secondly, a disciplined investment approach, strictly adhering to the pre-defined investment criteria typically leads to reduction of multi-client cash investments during long-lasting market downturns, despite selective counter-cyclical projects being initiated. Finally, strong cost discipline and efficiency efforts have led to around 30% reduction in underlying operating expenses.

Following the unprecedented reduction in exploration activity in the past couple of years it is likely that oil companies will return to exploration spending in the longer term as the demand-supply balance continues to tighten. With its asset-light business model and strong balance sheet TGS should be uniquely placed to benefit from any such development.

As a result of the strong financial position TGS is able to take on selected high-quality counter-cyclical multi-client investments despite the challenging market conditions. TGS and Schlumberger today announce commencement of the Dual Coil Shooting* multivessel full-azimuth acquisition Revolution XII and XIII surveys in the U.S. Gulf of Mexico. The surveys will cover approximately 7,150 km2 (306 blocks) in the Green Canyon, Atwater Valley and Ewing Bank protraction areas of the Central Gulf of Mexico.

The Revolution XIl and XIII surveys will be acquired using the Schlumberger WesternGeco Q-Marine*point-receiver marine seismic system combined with the proprietary multivessel, Dual Coil Shooting acquisition technique, which will provide broadband, long-offset, full-azimuth data. This combination of leading-edge technology and technique will improve illumination and imaging of the sub-salt and other complex geologic features in this highly active region. Acquisition is expected to complete in late Q1 2017 with final processed data available in early 2018. (*Mark of Schlumberger)

The financial guidance for 2016 is updated as follows:

- New operational multi-client investments of approximately USD 230 million
- Additional multi-client investments expected from sales of existing surveys with risk sharing arrangements
- Multi-client investments are expected to be prefunded 40% to 45%

Asker, 3 August 2016

The Board of Directors of TGS-NOPEC Geophysical Company ASA

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".
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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.

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Interim Consolidated Statement of Comprehensive Income

(All amounts in USD 1,000s unless noted otherwise)	Note	2016 Q2 Unaudited	2015 Q2 Unaudited	2016 YTD Unaudited	2015 YTD Unaudited
Net revenues	4	**114,360**	**139,554**	**178,110**	**311,144**
Operating expenses					
Cost of goods sold - proprietary and other		829	54	844	567
Amortization and impairment of multi-client library	2,5	69,207	73,704	130,964	178,215
Personnel costs		10,814	17,177	24,055	33,711
Cost of stock options		344	873	392	1,422
Other operating expenses		8,545	8,794	15,590	17,383
Depreciation, amortization and impairment		2,989	3,219	5,964	6,746
Total operating expenses		**92,728**	**103,821**	**177,809**	**238,043**
Operating profit	4	**21,632**	**35,733**	**301**	**73,101**
Financial income and expenses					
Financial income		371	2,183	675	4,564
Financial expenses		-317	-10	-1,220	-43
Other financial items		-324	-460	1,287	-4,157
Net financial items		**-270**	**1,714**	**741**	**364**
Profit before taxes		**21,362**	**37,447**	**1,042**	**73,465**
Taxes		4,557	12,983	4,433	20,335
Net income		**16,805**	**24,464**	**-3,391**	**53,130**
EPS USD		**0.17**	**0.24**	**-0.03**	**0.52**
EPS USD, fully diluted		**0.17**	**0.24**	**-0.03**	**0.52**
Other comprehensive income:					
Exchange differences on translation of foreign operations		78	-326	318	-520
Other comprehensive income for the period, net of tax		78	-326	318	-520
Total comprehensive income for the period		16,883	24,139	-3,073	52,610

Interim Consolidated Balance Sheet

(All amounts in USD 1,000s)	Note	2016 30-Jun Unaudited	2015 30-Jun Unaudited	2015 31-Dec Audited
ASSETS				
Non-current assets				
Goodwill		67,934	67,361	67,647
Multi-client library	2,5	823,219	918,936	838,916
Other intangible non-current assets		9,524	9,046	9,260
Deferred tax asset		14,196	5,636	12,941
Buildings		7,630	9,126	8,427
Machinery and equipment		18,707	27,012	21,756
Other non-current assets		16,346	25,324	25,102
Total non-current assets		**957,555**	**1,062,442**	**984,049**
Current assets				
Accounts receivable		98,916	128,567	135,384
Accrued revenues		124,819	128,283	142,263
Other receivables		31,436	51,264	30,818
Cash and cash equivalents		162,087	175,890	162,733
Total current assets		**417,259**	**484,005**	**471,198**
TOTAL ASSETS		**1,374,814**	**1,546,446**	**1,455,247**
EQUITY AND LIABILITIES				
Equity				
Share capital		3,638	3,625	3,632
Other equity		1,163,253	1,273,549	1,194,455
Total equity	3	**1,166,891**	**1,277,174**	**1,198,088**
Non-current liabilities				
Other non-current liabilities		4,395	3,529	6,182
Deferred tax		32,943	31,282	32,797
Total non-current liabilities		**37,338**	**34,812**	**38,979**
Current liabilities				
Accounts payable and debt to partners		78,949	90,342	97,798
Taxes payable, withheld payroll tax, social security		1,651	48,085	2,767
Other current liabilities		89,985	96,034	117,615
Total current liabilities		**170,584**	**234,461**	**218,180**
TOTAL EQUITY AND LIABILITIES		**1,374,814**	**1,546,446**	**1,455,247**

Interim Consolidated Statement of Cash flow

(All amounts in USD 1,000s)	Note	2016 Q2 Unaudited	2015 Q2 Unaudited	2016 YTD Unaudited	2015 YTD Unaudited
Cash flow from operating activities:					
Received payments from customers		28,489	140,818	203,300	477,842
Payments for salaries, pensions, social security tax		-10,393	-17,599	-26,760	-39,725
Payments of other operational costs		-8,608	-7,783	-19,245	-16,886
Paid taxes		-	-29,457	-3,032	-74,867
Net cash flow from operating activities [1]		**9,488**	**85,979**	**154,263**	**346,364**
Cash flow from investing activities:					
Investments in tangible and intangible assets		-1,171	-2,737	-4,034	-5,186
Investments in multi-client library		-44,019	-161,670	-125,719	-312,280
Payments made to acquire debt instruments		-	-	-	-5,000
Interest received		298	1,689	569	3,661
Net cash flow from investing activities		**-44,892**	**-162,718**	**-129,184**	**-318,805**
Cash flow from financing activites:					
Interest paid		-317	-3	-325	-21
Dividend payments		-13,582	-98,699	-28,969	-98,699
Purchase of treasury shares		-	-	-	-4,844
Proceeds from share issuances	3	1,665	31	1,798	1,589
Net cash flow from financing activites		**-12,234**	**-98,671**	**-27,496**	**-101,975**
Net change in cash and cash equivalents		**-47,638**	**-175,410**	**-2,417**	**-74,416**
Cash and cash equivalents at the beginning of period		209,580	351,768	162,733	256,416
Net unrealized currency gains/(losses)		146	-466	1,772	-6,109
Cash and cash equivalents at the end of period		**162,087**	**175,890**	**162,087**	**175,890**
1) Reconciliation					
Profit before taxes		21,362	37,447	1,042	73,465
Depreciation/amortization/impairment		72,197	76,923	136,929	184,960
Changes in accounts receivables and accrued revenues		-70,461	5,131	53,911	220,450
Unrealized currency gain/(loss)		-68	166	-1,454	5,589
Changes in other receivables		-735	3,432	10,694	17,920
Changes in other balance sheet items		-12,807	-7,663	-43,827	-81,153
Paid taxes		-	-29,457	-3,032	-74,867
Net cash flow from operating activities		**9,488**	**85,979**	**154,263**	**346,364**

Interim Consolidated Statement of Changes in Equity

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2016	**3,657**	**-26**	**58,107**	**34,728**	**-22,047**	**1,123,670**	**1,198,088**
Net income	-	-	-	-	-	-3,391	**-3,391**
Other comprehensive income	-	-	-	-	318	-	**318**
Total comprehensive income	**-**	**-**	**-**	**-**	**318**	**-3,391**	**-3,073**
Paid-in-equity through exercise of stock options	-	5	-	-	-	1,793	**1,798**
Distribution of treasury shares	-	0.4	-	-	-	156	**156**
Cost of stock options	-	-	-	382	-	-	**382**
Dividends	-	-	-	-	-	-30,460	**-30,460**
Closing balance per 30 June 2016	**3,657**	**-21**	**58,107**	**35,110**	**-21,729**	**1,091,768**	**1,166,891**

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2015	**3,702**	**-76**	**58,107**	**32,915**	**-21,123**	**1,265,675**	**1,339,201**
Net income	-	-	-	-	-	53,130	**53,130**
Other comprehensive income	-	-	-	-	-520	-	**-520**
Total comprehensive income	**-**	**-**	**-**	**-**	**-520**	**53,130**	**52,610**
Paid-in-equity through exercise of stock options	-	-	-	-	-	-	**-**
Purchase of treasury shares	-	-6	-	-	-	-4,839	**-4,844**
Distribution of treasury shares	-	5	-	-	-	2,008	**2,013**
Cancellation of treasury shares held	-45	45	-	-	-	-	**-**
Cost of stock options	-	-	-	1,422	-	-	**1,422**
Dividends	-	-	-	-	-	-113,254	**-113,254**
Deferred tax asset related to stock options	-	-	-	-	-	27	**27**
Closing balance per 30 June 2015	**3,657**	**-32**	**58,107**	**34,337**	**-21,643**	**1,202,746**	**1,277,174**

Largest Shareholders per 29 July 2016

				Shares	%
1	THE BANK OF NEW YORK MELLON SA/NV	BELGIUM	NOM	7,650,000	7.5%
2	FOLKETRYGDFONDET	NORWAY		6,974,412	6.9%
3	THE BANK OF NEW YORK MELLON	U.S.A.	NOM	5,002,350	4.9%
4	DEUTSCHE BANK AG	GREAT BRITAIN	NOM	4,890,094	4.8%
5	THE NORTHERN TRUST CO.	GREAT BRITAIN	NOM	4,085,510	4.0%
6	STATE STREET BANK & TRUST CO.	U.S.A.	NOM	3,012,229	3.0%
7	STATE STREET BANK AND TRUST CO.	U.S.A.	NOM	2,912,296	2.9%
8	STATE STREET BANK & TRUST COMPANY	U.S.A.	NOM	2,869,637	2.8%
9	RBC INVESTOR SERVICES TRUST	GREAT BRITAIN	NOM	2,773,894	2.7%
10	CLEARSTREAM BANKING S.A.	LUXEMBOURG	NOM	2,550,846	2.5%
10 Largest				**42,721,268**	**42%**
Total Shares Outstanding *				**101,602,490**	**100%**

* Total shares outstanding are net of shares held in treasury per 29 July 2016

Average number of shares outstanding for Current Quarter *

Average number of shares outstanding during the quarter	101,551,908
Average number of shares fully diluted during the quarter	101,772,688

* Shares outstanding net of shares held in treasury per 30 June 2016 (533,500 TGS shares), composed of average outstanding TGS shares during the full quarter

Share price information

Share price 30 June 2016 (NOK)	136.20
USD/NOK exchange rate end of period	8.38
Market capitalization 30 June 2016 (NOK million)	13,911

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 2015 which is available on www.tgs.com.

As from 1 January 2016, the following amendments to the accounting standards have become effective:

- ***IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets***
  The amendments to these standards clarifiy that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

  TGS has implemented the following changes to amortization of the multi-client library from 1 January 2016:
  - During the work in progress (WIP) phase, amortization will continue to be based on total cost versus forecasted total revenues of the project.
  - After a project is completed, a straight-line amortization is applied. The straight-line amortization will be assigned over a remaining useful life, which for most marine projects is expected to be 4 years. For onshore projects, the remaining useful life after completion of a project is considered to be 7 years for most projects.

    The straight-line amortization will be distributed evenly through the financial year independently of sales during the quarters.

  The amendments have prospective effects, and the comparative financial figures have not been changed.

Except for the amendments described above, the same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements for 2015. None of the other new accounting standards or amendments that came into effect from 1 January 2015 has a significant impact on the presentation of the financial statements during the first half of 2016.

Note 3 Share capital and equity

Ordinary shares	Number of shares
1 January 2016	**102,135,990**
30 June 2016	**102,135,990**

Treasury shares	Number of shares
1 January 2016	**673,600**
18 February 2016, treasury shares transferred to cover exercise of stock options	(10,000)
6 May 2016, treasury shares transferred to cover exercise of stock options	(120,200)
11 May 2016, treasury shares distributed to Board members	(9,900)
30 June 2016	**533,500**

The Annual General Meeting held 10 May 2016 renewed the Board of Directors' authorization to distribute quarterly dividends on the basis of the 2015 financial statements. The authorization shall be valid until the Company's Annual General Meeting in 2017, but no later than 30 June 2017.

Subject to the renewal of the authorization, the Board of Directors did on 21 April 2016 resolve to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.23) to the shareholders. The dividends were paid on 1 June 2016.

Following the authorization from the Annual General Meeting on 10 May 2016, the Board of Directors has on 3 August 2016 resolved to pay a quarterly dividend of the NOK equivalent of USD 0.15 per share (NOK 1.26) which will be paid to the shareholders in August 2016.

Note 4 Segment information

2016 Q2	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	59,302	31,095	10,020	13,944	**114,360**
Operating profit	16,380	15,355	505	-10,609	**21,632**

2016 YTD	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	95,330	42,443	13,051	27,285	**178,110**
Operating profit	19,732	9,843	-6,920	-22,354	**301**

2015 Q2	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	71,178	26,778	22,047	19,551	**139,554**
Operating profit	33,713	17,021	-4,399	-10,603	**35,733**

2015 YTD	North & South America	Europe & Russia	Africa, Middle East & Asia/Pacific	Other segments/ Corporate costs	Consolidated
Net external revenues	128,240	45,845	94,942	42,116	**311,144**
Operating profit	58,327	30,292	2,595	-18,114	**73,101**

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".

Note 5 Multi-client library

Numbers in USD millions	Q2 2016	Q2 2015	YTD 2016	YTD 2015	2015	2014	2013
Beginning net book value	829.9	876.1	838.9	818.1	818.1	758.1	651.2
Non-operational investments	-	-	-	-	26.4	-	-
Operational investments	62.5	116.5	115.3	279.0	501.7	462.3	438.9
Amortization and impairment	(69.2)	(73.7)	(131.0)	(178.2)	(507.3)	(396.7)	(329.8)
Exchange Rate Adjustment	-	-	-	-	-	(5.6)	(2.1)
Ending net book value	823.2	918.9	823.2	918.9	838.9	818.1	758.1

Numbers in USD millions	Q2 2016	Q2 2015	YTD 2016	YTD 2015	2015	2014	2013
Net MC revenues	110.9	134.4	171.2	299.7	590.6	877.7	824.1
Change in MC revenue	-17%	-32%	-43%	-27%	-33%	7%	-9%
Change in MC investment	-46%	2%	-59%	15%	13%	5%	-17%
Amort. in % of net MC revs.	62%	55%	76%	59%	86%	45%	40%
Change in net book value	-1%	5%	-2%	12%	3%	8%	16%

Note 6 Related parties

On 6 May 2016, certain members of the executive management exercised 28,400 options and sold the same number of shares. No other material transactions with related parties took place during the second quarter of 2016.

Note 7 Økokrim investigation

Note 21 to the 2015 Annual Report described the Økokrim investigation that was initiated in 2014. In connection with the transactions with Skeie Energy AS (later known as E&P Holdings AS) (Skeie), TGS has received notice of potential claims of joint responsibility from Skeie and two affiliated parties, all of which are predicated on whether the parties making the claims are ultimately held responsible and suffer damages that can be attributed to TGS.

Since the charges were presented, Økokrim has conducted an investigation of the matter. The company has cooperated fully in the matter.

In May 2016, TGS received a notice of a claim for compensation from the Norwegian Government of up to NOK 326 million for the Government's alleged tax losses arising from tax benefits received by Skeie under the Petroleum Tax Act in connection with a sale of seismic data in 2009 from TGS to Skeie Energy. The Government alleges that TGS has aided and abetted Skeie in attaining undue tax advantages. The Tax Authorities have previously reported the same matter to Økokrim, and as described above, the Økokrim case is still under investigation.

In the same notification, the Government also requested an extension of the statute of limitations for three years.

At this stage of the investigation, it is impracticable to render an outcome, however TGS believes the charges against it by Økokrim and the related possible claims of liability from other parties are not supported by evidence and is proactively and vigorously developing its defense against the charges and possible claims, and no provisions have been made.

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

The European Securities and Markets Authority (ESMA) has published guidelines on Alternative Performance Measures which came into force on 3 July 2016.

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. 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	**2016 Q2**	**2015 Q2**	**2016 YTD**	**2015 YTD**
Net income	16,805	24,464	(3,391)	53,130
Taxes	4,557	12,983	4,433	20,335
Net financial items	270	(1,714)	(741)	(364)
Depreciation, amortization and impairment	2,989	3,219	5,964	6,746
Amortization and impairment of multi-client library	69,207	73,704	130,964	178,215
EBITDA	**93,828**	**112,656**	**137,229**	**258,062**

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 EBIT divided by the average of the opening and closing capital employed for a period of time.

Capital employed is calculated as equity plus net interest bearing debt. Net interest bearing debt is defined as interest bearing debt minus cash and cash equivalents. TGS uses the ROACE measure as it provides useful information about the performance under evaluation.

All amounts in USD 1,000s	**30 June 2016**	**30 June 2015**
Equity	1,166,891	1,277,174
Interest bearing debt	-	-
Cash	162,087	175,890
Net interest bearing debt	(162,087)	(175,890)
Capital employed	**1,004,804**	**1,101,284**

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	**2016 Q2**	**2015 Q2**	**2016 YTD**	**2015 YTD**
Cash flow from operational activities	9,488	85,979	154,263	346,364
Investments in multi-client library	(44,019)	(161,670)	(125,719)	(312,280)
Free cash flow (after MC investments)	**(34,531)**	**(75,691)**	**28,544**	**34,084**

Backlog

Backlog is defined as the total value of future revenue from signed customer contracts.

Responsibility Statement

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2016 has been prepared in accordance with IAS 34 – Interim Financial Reporting as adopted by EU, and additional requirements found in the Norwegian Securities Trading Act, and gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result for the period. We also confirm to the best of our knowledge that the financial review includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements, any major related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the financial year.

Asker, 3 August 2016

Hank Hamilton (Board Chairman)	Mark Leonard	Elisabeth Harstad	Tor Magne Lønnum
Vicki Messer	Elisabeth Grieg	Wenche Agerup	Torstein Sanness
Kristian Johansen (CEO)			