

## Stock Exchange Announcement: Spectrum to be acquired by TGS in an all share transaction

Oslo, 2 May 2019

Spectrum ASA ("SPU" or the "Company", OSE: SPU) hereby announces an agreement to principle terms with TGS-NOPEC Geophysical Company ASA ("TGS" or the "Company", OSE: TGS) of an acquisition of Spectrum by TGS, creating a leading provider of 2D and 3D seismic data.

The transaction is expected to be completed as a statutory merger pursuant to Norwegian corporate law between TGS and Spectrum, with merger consideration to Spectrum shareholders in the form of 0.28x ordinary shares of TGS for each Spectrum share (the "Exchange Ratio"), in addition to a cash consideration of USD 0.27 multiplied by the Exchange Ratio subject to the transaction closing after the ex-date for the TGS dividend payable in Q3 2019 (expected to be early August 2019). The Exchange Ratio and the cash consideration imply a transaction share price of Spectrum of NOK 61.9 per share (based on closing of the TGS share on 2 May 2019), corresponding to a market capitalization of NOK 3,671 million (USD 422 million) on a fully diluted basis. The transaction is supported by the board of directors of each of the companies, as well as Spectrum shareholders representing more than 34% who have given their support to the transaction and agreed to undertake to vote their shares in favour thereof. Definitive merger documents are expected to be entered into during May, with closing of the transaction expected during the third quarter of 2019 following shareholder approvals in EGM and regulatory clearance.

The transaction will create 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 accelerating TGS' data analytics strategy

In addition to providing a platform for further profitable growth, the combination will benefit from significant cost synergies with a preliminary estimate of approximately USD 20 million annually.

"Over the past years, Spectrum has been through a growth phase with particular focus on establishing profitable positions in non-mature exploration basins, especially along the Atlantic margin. TGS' interest in Spectrum is a manifestation of the solid position built by the Spectrum organization over a long time. Being ready for the next phase of the strategic growth plan, TGS is an excellent match, with its asset-light multi-client strategy and strong balance sheet. Altor Fund IV are proud to be part of creating a leading multi-client company, with a strong presence in all the major basins and superior cash generation capabilities", stated Pål Stampe, Chairman of the board of Spectrum and partner at Altor Equity Partners, the investment advisor to Altor Fund IV."

"The strategic combination of TGS and Spectrum will form a stronger and better company with a world class data library, people and opportunities. We look forward to joining forces with TGS. There are strong strategic benefits from combining the companies, and we believe we can enhance our growth as part of a larger combined company," stated Rune Eng, President & Chief Executive Officer of Spectrum.

"Spectrum has successfully built a strong position in key offshore basins, particularly in the South Atlantic. The transaction thus fits well with one of TGS's key strategic goals of growing exposure to this region. Moreover, Spectrum's library, and in particular the vast 2D coverage, further adds to TGS's strategy within data analytics, where access to large amounts of data is a key success factor. TGS remains committed to maintain the existing dividend policy and emphasizes that the strong cash position, the combination of two free cash flow positive entities, and significant cost synergies, will enable continued industry leading shareholder returns", stated Kristian Johansen, Chief Executive Officer of TGS.

### **Support from board of directors, management and Spectrum shareholders**

The transaction is supported by the board of directors of Spectrum, who has unanimously concluded that the transaction both from a financial and industrial perspective represents an attractive alternative for all its stakeholders. In addition, Spectrum shareholders representing more than 34% have given their support to the transaction, on certain conditions, and

undertaken to vote their shares in favor thereof. These shareholders include management of Spectrum, funds managed by Altor Fund IV and Gross Management AS (investment company of Spectrum director Glen Ole Rødland. Altor Fund IV (via Pål Stampe as Chairman of the Board and Maria Tallaksen as Board member) and Gross Management AS (Glen Ole Rødland as Board member) are represented on the Board of Directors of Spectrum. The above support and undertakings remain subject to consummation of definitive merger documentation.

**Key terms of the transaction:**

Based on a TGS share price as of close 2 May 2019 of NOK 218.8, the exchange ratio plus the cash consideration implies a fully diluted equity value of Spectrum of NOK 3,671 million, corresponding to a price per share of NOK 61.9. This represents a premium, including the cash consideration, of 10.2% to Spectrum based on closing price on 2 May 2019 and a premium of 32.8% and 17.5% to Spectrum based on 6 month and 12 month VWAP as of 2 May 2019, respectively.

The shareholders of Spectrum will (on a fully diluted basis) receive:

1. 0.28 shares of TGS per one (1) share in Spectrum, corresponding to 7 TGS shares per 25 Spectrum shares, meaning that the shareholders of Spectrum upon completion of the transaction will receive a total of 16.6 million shares in TGS, representing 13.9% of all issued shares in TGS immediately following completion of the transaction. Fractional consideration shares will be settled in cash.
2. An additional cash consideration to Spectrum shareholders of the NOK equivalent of USD 0.27 multiplied with the Exchange Ratio, if the Transaction is consummated after the ex-date for the TGS quarterly dividend payment in Q3 2019 (expected to be early August 2019).

Further details regarding the valuations and the exchange ratio will be included in the merger plan which is expected to be published during May 2019. The transaction remains subject to such merger plan and other definitive documentation being finalised and executed, as well as other customary closing conditions such as relevant regulatory approvals and consents, expiry of the statutory waiting periods, no material adverse change occurring and approval by extraordinary general meetings in TGS and Spectrum with at least two-thirds majority of the votes cast and of the share capital represented. Closing of the transaction would occur as soon as

possible thereafter following necessary regulatory approvals and statutory waiting periods.

The completion of the transaction and the issuance of the consideration shares are expected to take place in the third quarter of 2019, subject to the conditions being fulfilled.

Reciprocal confirmatory due diligence has been completed by both TGS and Spectrum and completion of the transaction is not subject to any further due diligence review.

Further information regarding the transaction will be provided in a conference call at 14:00 (CEST) on Friday 3 May and in relation to Q1 2019 reporting, which will be held on 10 May 2019.

Clarksons Platou Securities acts as financial advisor and Wiersholm acts as legal advisor to Spectrum. Carnegie acts as financial advisor and Schjødt acts as legal advisor to TGS.

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**About Spectrum:**

Spectrum provides innovative Multi-Client seismic surveys and high- quality seismic imaging services to the global oil and gas industry from offices in the Norway, UK, USA, Brazil, Egypt, Australia, Indonesia and Singapore. Spectrum designs, acquires and processes seismic data to deliver high quality solutions through its dedicated and experienced workforce. Spectrum holds the world's largest library of Multi-Client 2D marine seismic data and a significant amount of 3D seismic. The company's strategy focuses on both the major, established hydrocarbon-producing regions of the world as well as key frontier areas identified by our experienced team of geoscientists. The Spectrum library of Multi-Client data contains projects from many of the foremost oil producing regions of the world. These include new acquisition, reprocessing and interpretation reports.

For more information visit Spectrum online at [www.spectrumgeo.com](http://www.spectrumgeo.com)

**About TGS:**

TGS-NOPEC Geophysical Company (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.

For more information visit TGS online at [www.tgs.com](http://www.tgs.com)