



EARNINGS RELEASE
1st QUARTER 2022 RESULT

1st QUARTER 2022 FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000 unless specified otherwise)	Q1 2022	Q1 2021 ¹
Operating revenues	132,176	142,388
- Early sales	57,677	116,522
- Late sales	70,455	21,870
- Proprietary sales	4,044	3,997
EBITDA	101,019	118,809
Operating profit (EBIT)	33,543	25,016
Operating profit margin	25%	18%
Net income	20,930	13,029
EPS (fully diluted) (USD)	0.18	0.11
Organic multi-client investments in new projects	44,927	38,566
Straight-line Amortization of multi-client library	36,356	45,350
Accelerated Amortization of multi-client library	25,861	44,006
Multi-client library net book value	687,578	914,755
Free cash flow (after organic MC investments)	31,415	86,485
Cash balance	215,485	253,531
Return on average capital employed ²	-7%	-11%
PoC Revenues	114,367	74,836
Contract backlog	293,323	468,204
Contract inflow	91,120	67,677

- Strong late sales of USD 70.5 million in Q1 2022 compared to USD 21.9 million in Q1 2021.
- Total revenues of USD 132.2 million down compared to USD 142.4 million in Q1 2021 due to lower point-in-time recognition of early sales
- Improved profitability - Operating profit of USD 33.5 million versus USD 25.0 million in Q1 2021, EPS of USD 0.18 versus USD 0.11 in Q1 2021.
- Robust balance sheet – net cash of USD 215.5 million on 31 March 2022 (USD 253.5 million on 31 March 2021).
- Continued positive development in contract inflow – USD 91.1 million in Q1 2022 compared to USD 67.7 million in Q1 2021

"We are very pleased about our performance in Q1 2022, where we continued to see improvement in the market conditions and customers starting to become more interested in frontier areas. I'm particularly pleased with the strong late sales performance, with more than 200% growth from Q1 2021. With USD 215 million of net cash, a large and diversified energy data library, and a solid digital foundation, TGS is well positioned to benefit from the increased activity level, both in the oil and gas area and in other energy segments. Lastly, I'm pleased about the continued progress shown in the ESG area, as confirmed recently by the inclusion of TGS in the OBX ESG index."

Kristian Johansen, CEO of TGS.

Operating revenues and operating profit

Revenues amounted to USD 132.2 million in Q1 2022, a decrease of 7% from USD 142.4 million in Q1 2021. Late sales amounted to USD 70.5 million in Q1 2022 versus USD 21.9 million in Q1 2021, an increase of USD 48.6 million. Early sales decreased to USD 57.7 million in Q1 2022 from USD 116.5 million in Q1 2021, as fewer projects were completed and delivered to customers during the quarter.

Amortization and impairments of the multi-client library amounted to USD 62.2 million in Q1 2022 versus USD 89.4 million in Q1 2021. Of this, straight-line amortization was USD 36.4 million and accelerated amortization was USD 25.9 million. In Q1 2021, straight-line amortization was USD 45.4 million, while accelerated amortization was USD 44.0 million.

Personnel costs were USD 17.5 million compared to USD 14.1 million in Q1 2021. The difference is attributable to increased results-based bonus accruals. Other operating expenses amounted to USD 12.4 million compared to USD 8.2 million in Q1 2021. The increase is primarily related to non-recurring items, such as the write down of withholding tax credits.

Operating profit amounted to USD 33.5 million in Q1 2022 compared to profit of USD 25.0 million in the same quarter of last year.

Financial items and profit before tax

Net financial items for Q1 2022 totaled USD -5.2 million compared to USD -2.2 million in Q1 2021. This includes a provision of USD 2.9 million related to reimbursable costs from a vendor.

Profit before tax was USD 28.3 million in Q1 2022 compared to profit of USD 22.8 million in Q1 2021.

Tax and net income

TGS reports tax charges in accordance with the Accounting Standard IAS 12. Taxes are computed based on the USD value of the appropriate tax provisions according to local tax regulations. The tax charges are influenced not only by local profits, but also by fluctuations in exchange rates between the respective local currencies and USD. This computation makes it difficult to predict tax charges on a quarterly or annual basis.

TGS' corporate income tax rate is a weighted average rate primarily based on the tax rates of Norway (22%), Brazil (34%) and the US (21%).

The tax expense for Q1 2022 was USD 7.4 million (USD 9.8 million in Q1 2021), corresponding to a tax rate of 26% (43% in Q1 2021).

Net income amounted to USD 20.9 million in Q1 2022, compared to USD 13.0 million in Q1 2021. This corresponds to a fully diluted EPS of USD 0.18 versus USD 0.11 in Q1 2021.

Balance sheet

As of 31 March 2022, TGS had a cash balance of USD 215.5 million, an increase of USD 0.2 million from 31 December 2021 (USD 215.3 million).

The net book value of the multi-client library was USD 687.6 million as of 31 March 2022, compared to USD 704.9 million as of 31 December 2021. The decline reflects that straight-line amortization and accelerated amortization booked during the quarter were higher than the investments.

Organic multi-client investments amounted to USD 44.9 million in Q1 2022, 16% higher than the USD 38.6 million invested in Q1 2021.

Total equity as of 31 March 2022 was USD 1,117.6 million, corresponding to 69% of total assets. On 31 December 2021, total equity amounted to USD 1,115.3 million (68% of total assets).

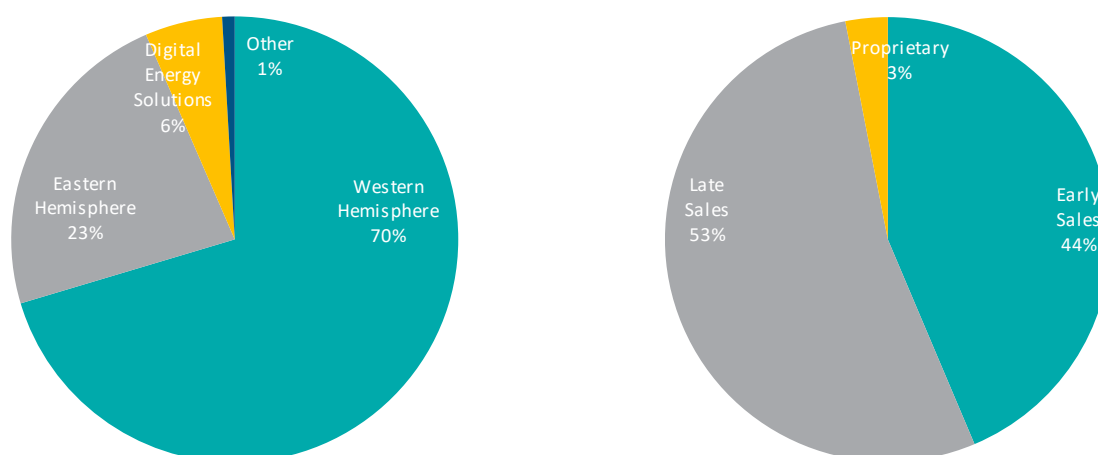
¹⁾ Q1 2021 figures have been restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

²⁾ 12 months trailing.

Cash flow

Free cash flow (cash flow from operations after organic investments in the multi-client library) was USD 31.4 million for Q1 2022 compared to USD 86.5 million in Q1 2021. Net cash flow from operations for the quarter totaled USD 95.9 million, compared to USD 111.5 million in Q1 2021. Net increase in cash for Q1 2022 was USD 3.2 million (increase of USD 61.0 million in Q1 2021). Cash outflows related to organic investments in the multi-client library were USD 64.5 million, compared to USD 25.1 million in Q1 2021.

Revenue Distribution



Source: TGS

Dividend and Share Buybacks

It is the ambition of TGS to pay a cash dividend that is in line with its long-term underlying cash flow. When deciding the dividend amount, the TGS Board of Directors will consider expected cash flow, investment plans, financing requirements and a level of financial flexibility that is appropriate for the TGS business model. In addition to paying a cash dividend, TGS may also buy back own shares as part of its plan to distribute capital to shareholders.

Since 2016, TGS has paid quarterly dividends in accordance with the resolution made by the annual general meeting. The aim will be to keep a stable quarterly dividend through the year, though the actual level paid will be subject to continuous evaluation of the underlying development of TGS and the market.

The Board of Directors has resolved to maintain the dividend at USD 0.14 per share in Q2 2022. The dividend will be paid in the form of NOK 1.36 per share on 2 June 2022. The share will trade ex-dividend on 19 May 2022. In Q1 2022, TGS paid a cash dividend of USD 0.14 per share (NOK 1.24 per share).

The Annual General Meeting on 11 May 2022 renewed the Board of Directors' authorizations to repurchase shares and distribute quarterly dividends on the basis of the 2021 financial statements. The authorizations are valid until the Group's Annual General Meeting in 2023, but no later than 30 June 2023. Any repurchased shares will be held in treasury and, subject to approval by a general meeting, thereafter be canceled. Repurchased shares may also be used, inter alia, to satisfy obligations under incentive programs and/or in connection with small acquisitions. It is expected that shares will

primarily be repurchased in the open market on the Oslo Stock Exchange. The share repurchases will be conducted based on the authorization to acquire treasury shares granted at the annual general meeting.

In February 2021, the Board of Directors authorized a share repurchase program of up to USD 20 million. The share repurchase program remained in place until the date of the 2022 annual general meeting (11 May 2022).

In Q1 2022, TGS acquired 218,592 own shares for a total amount of USD 2.7 million under this program. As of 31 March 2022, the total purchase value of shares bought back under the share repurchase program was USD 18.4 million.

OPERATIONAL REVIEW

As expected, contract inflow declined compared to the USD 162.8 million in Q4 2021. With total contract inflow of USD 91.1 million in Q1 2022 (USD 67.7 million in Q1 2021), the contract backlog stood at USD 293.3 million at the end of the quarter (USD 468.2 million at the end of Q1 2021).

Organic multi-client investments amounted to USD 44.9 million in Q1 2022. The largest project in terms of investments in the quarter was the Red Sea 3D project in Egypt, conducted in a joint venture with Schlumberger. The data acquisition activities for the first phase of the project continued throughout the quarter. As announced on 6 April 2022, the project has been extended with a second phase and data acquisition is now expected to be completed during the summer. Final data for the first phase is expected to be delivered in Q4 2022, while the second phase is expected to be completed in mid-2023.

The Sarawak 3D project in Malaysia, conducted in a JV with PGS and Schlumberger, also contributed substantially to investment during the quarter. The data acquisition phase of the project is expected to be completed in Q2 2022, with final data being available towards the end of the year.

The consortium consisting of TGS, CGG and BGP continued to acquire data for the Suriname 3D survey throughout the quarter. The acquisition phase of the project will be completed in Q3 2022, with final data deliveries expected to take place in 2023.

Apart from the three mentioned projects, investments included projects in the processing phase and well data products. The largest project in processing was the Malvinas 3D in Argentina, which is scheduled to be completed around mid-year 2022.

The New Energy Solutions business unit successfully gained its first subscribers to its Carbon AXIOM platform. This solution is explicitly designed as a screening tool for new carbon capture and storage projects in the Southern USA. Further geographical areas of interest will be added as a next phase of development.

In addition, the Wind AXIOM application is in the final stage of deployment and will be commercialized in the coming months. This solution will offer interactive feasibility analysis by aggregating many critical data categories for offshore wind in one place and subsequently enabling comprehensive benchmarking of current and future lease rounds.

OUTLOOK

Following a sharp cut in oil companies' exploration budgets during the initial phase of the COVID pandemic, we are now seeing clear signs of improving conditions in the market for exploration for oil and gas. TGS experienced significant growth in order inflow towards the end of 2021, and so far in 2022, late sales of completed multi-client data increased substantially compared to the same period last year. The improved market conditions are driven by several factors, some of them partly interlinked:

- Higher energy prices
- A longer period of low investments by oil companies

- Renewed focus on energy security benefitting all energy sectors
- Recent large discoveries of oil and gas in frontier areas
- Strong cash flow and reduced financial leverage among oil companies

With the world's largest library of multi-client exploration data and a strong balance sheet, TGS remains well positioned to benefit from improvements in market conditions, and the outlook for continued year-over-year growth in late sales has strengthened lately.

The execution of the New Energy Solutions (NES) strategy is progressing as planned. Several products have been successfully launched lately, including the Wind Axiom and the Carbon Axiom, that pair resource assessments with vital market intelligence information. Furthermore, 4C Offshore, acquired by TGS in May 2021, is continuing to perform above expectations, with sustained strong sales growth.

Financial guidance for 2022 is reiterated as follows:

- Multi-client investments of approximately USD 200 million, with customers' pre-commitments at a higher level than in 2021
- Continued outperformance on cash flow and ROACE
- Industry-leading distribution to shareholders

Oslo, 11 May 2022

The Board of Directors of TGS ASA

ABOUT TGS

TGS provides scientific data and intelligence to companies active in the energy sector. In addition to a global, extensive and diverse energy data library, TGS offers specialized services such as advanced processing and analytics alongside cloud-based data applications and solutions.

TGS ASA is listed on the Oslo Stock Exchange (OSLO:TGS).

TGS sponsored American Depositary Shares trade on the U.S. over-the-counter market under the symbol "TGSGY".

Website: www.tgs.com

CONTACT FOR ADDITIONAL INFORMATION

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All statements in this earnings release other than statements of historical facts 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Q1 2022	Q1 2021 Restated ¹
(All amounts in USD 1,000s unless noted otherwise)			
Revenue	4	132,176	142,388
Cost of goods sold - proprietary and other		1,232	1,294
Straight-line amortization of the multi-client library	4,5	36,356	45,350
Accelerated amortization/impairment of the multi-client library	4,5,6	25,861	44,006
Personnel costs		17,546	14,051
Other operating expenses	4	12,378	8,234
Depreciation, amortization and impairment		5,259	4,438
Total operating expenses		98,634	117,373
Operating profit/(loss)	4	33,543	25,016
Financial income		1,499	13
Financial expenses		-3,695	-940
Net exchange gains/(losses)		-3,052	-1,299
Net financial items		-5,248	-2,226
Profit/(loss) before taxes		28,294	22,790
Taxes		7,364	9,761
Net Income		20,930	13,029
Earnings per share (USD)		0.18	0.11
Earnings per share, diluted (USD)		0.18	0.11
Other comprehensive income:			
Exchange differences on translation of foreign operations		-93	-
Total comprehensive income for the period		20,838	13,029

¹) Q1 2021 figures are restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

CONDENSED CONSOLIDATED FINANCIAL POSITION

	Note	31-Mar-22	31-Mar-21 Restated ¹	31-Dec-21
(All amounts in USD 1,000s unless noted otherwise)				
Goodwill	6	303,964	288,377	303,964
Intangible assets: Multi-client library	5.6	687,578	914,755	704,868
Other intangible assets		27,077	17,615	25,477
Deferred tax assets		89,298	76,254	95,888
Buildings, machinery and equipment		17,849	24,912	19,519
Right-of-use-asset	6	33,477	44,557	35,770
Sub-lease asset		1,107	1,708	1,258
Other non-current assets		9,262	15,716	7,791
Total non-current assets		1,169,611	1,383,893	1,194,533
Accounts receivable	6	102,269	48,675	113,513
Accrued revenues		49,606	111,474	32,551
Other receivables		74,729	88,328	73,901
Cash and cash equivalents		215,485	253,531	215,329
Total current assets		442,088	502,007	435,294
Total assets		1,611,699	1,885,900	1,629,827
Share capital		4,086	4,082	4,086
Other equity		1,113,484	1,260,339	1,111,242
Total equity		1,117,570	1,264,421	1,115,328
Other non-current liabilities		2,686	781	2,706
Lease liability		28,626	41,372	33,022
Deferred tax liability		32,058	33,661	32,059
Total non-current liabilities		63,370	75,813	67,787
Accounts payable and debt to partners		50,160	44,683	71,669
Taxes payable, withheld payroll tax, Social Security and VAT		80,555	36,040	77,941
Lease liability		11,927	13,917	10,782
Deferred revenue		234,649	363,886	238,169
Other current liabilities		53,469	87,140	48,151
Total current liabilities		430,759	545,666	446,712
Total liabilities		494,129	621,479	514,499
Total equity and liabilities		1,611,699	1,885,900	1,629,827

¹) 31 March 2021 and 31 December 2021 balances are restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ending March 31, 2022

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Total Equity
Opening balance 1 January 2021	4,086	-38	416,878	45,248	-22,233	671,387	1,115,328
Net income	-	-	-	-	-	20,930	20,930
Translation Effect	-	-	-	-	-93	-	-93
Total comprehensive income	-	-	-	-	-93	20,930	20,838
Purchase of own shares	-	-6	-	-	-	-2,662	-2,669
Cost of equity-settled long term incentive plans	-	-	-	-	-	328	328
Dividends	-	-	-	-	-	-16,255	-16,255
Closing balance as of 31 March 2022	4,086	-44	416,878	45,248	-22,326	673,728	1,117,570

For the three months ending March 31, 2021

(All amounts in USD 1,000s)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings ¹	Total Equity
Opening balance 1 January 2021	4,082	-2	416,878	45,248	-22,233	824,683	1,268,657
Net income	-	-	-	-	-	13,029	13,029
Total comprehensive income	-	-	-	-	-	13,029	13,029
Purchase of own shares	-	-5	-	-	-	-2,697	-2,702
Cost of equity-settled long term incentive plans	-	-	-	-	-	1,846	1,846
Dividends	-	-	-	-	-	-16,411	-16,411
Closing balance as of 31 March 2021	4,082	-6	416,878	45,248	-22,233	820,450	1,264,421

¹⁾ The opening balance 1 January 2021 and net income for Q1 2021 have been restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Q1 2022	Q1 2021
(All amounts in USD 1,000s unless noted otherwise)			Restated ¹
Cash flow from operating activities:			
Profit before taxes		28,294	22,790
Depreciation/amortization/impairment		67,626	93,794
Changes in accounts receivables and accrued revenues		-8,711	117,335
Changes in other receivables		5,492	-584
Changes in other balance sheet items		5,624	-117,469
Paid taxes		-2,459	-4,328
Net cash flow from operating activities		95,866	111,538
Cash flow from investing activities:			
Investments in tangible and intangible assets		-5,361	-372
Investments in multi-client library		-64,451	-25,053
Interest received		124	13
Net cash flow from investing activities		-69,688	-25,412
Cash flow from financing activities:			
Net change in short term loans		-	-2,500
Interest paid		-795	-925
Dividend payments	3	-16,255	-16,411
Repayment of lease liabilities		-3251	-2,595
Purchase of own shares	3	-2,669	-2,702
Net cash flow from financing activities		-22,970	-25,133
Net change in cash and cash equivalents		3,208	60,993
Cash and cash equivalents at the beginning of period		215,329	195,716
Net unrealized currency gains/(losses)		-3,052	-3,178
Cash and cash equivalents at the end of period		215,485	253,531

¹) Q1 2021 figures are restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

TGS ASA is a public limited company listed on the Oslo Stock Exchange. The address of its registered office is Askekroken 11, 0277 Oslo, Norway. References to TGS or the Group include TGS ASA and its subsidiaries, unless the context requires otherwise.

Note 2 Basis for Preparation

The condensed consolidated financial statements of TGS have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The 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 2021, which is available at www.tgs.com.

The condensed consolidated cash flow statement of operational cash flow was previously presented both as direct and indirect method. As of Q1 2022, the cash flow statement is compiled using only the indirect method.

The same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the annual financial statements for 2021.

In this condensed consolidated financial statement, Q1 2021 figures have been restated. The changes are included in Note 28 in TGS' Annual Report for 2021, which is available at www.tgs.com. The restatements that affected Q1 2021 are visible in note 9 in this condensed consolidated financial statement.

Note 3 Share Capital and Equity

Ordinary shares	Number of shares
1 January 2022	117,441,118
Net change in period	-
31 March 2022	117,441,118

Treasury shares	Number of shares
1 January 2022	1,334,261
Net change in period	218,592
31 March 2022	1,552,853

In Q1 2021, the Board resolved to launch a USD 20 million share buyback program expiring at the 2022 Annual General Meeting. The program was based on the authorization by the 2020 Annual General Meeting, which was renewed by the 2021 Annual General Meeting on 11 May 2021. As of 31 March 2022, the total purchase price of shares bought back is USD 18.4 million.

The net change in treasury shares during Q1 2022 comprises the repurchase of 218,592 own shares.

The Annual General Meeting on 11 May 2022 renewed the Board of Directors' authorizations to repurchase shares and distribute quarterly dividends on the basis of the 2021 financial statements. The authorizations are valid until Annual General Meeting in 2023, but no later than 30 June 2023.

The Board of Directors has resolved to maintain the dividend at USD 0.14 per share in Q2 2022. The dividend will be paid in the form of NOK 1.36 per share on 2 June 2022. The share will trade ex-dividend on 19 May 2022.

In Q1 2022, TGS paid a cash dividend of USD 0.14 per share (NOK 1.24 per share).

Largest Shareholders as of 31 March 2022	Country	Account type	No. of shares	Share
1. The Northern Trust Comp.	United Kingdom	Nominee	10,814,740	9.2 %
2. Folketrygdfondet	Sweden		9,566,486	8.1 %
3. The Bank of New York Mellon	Belgium	Nominee	8,507,076	7.2 %
4. State Street Bank and Trust Comp.	United States	Nominee	4,864,029	4.1 %
5. Brown Brothers Harriman (Lux.) SCA	Luxembourg	Nominee	3,642,918	3.1 %
6. Pareto Aksje Norge Verdipapirfond	Norway		2,549,345	2.2 %
7. Clearstream Banking S.A.	Luxembourg	Nominee	2,412,890	2.1 %
8. RBC Investor Services Trust	Ireland	Nominee	2,316,802	2.0 %
9. JPMorgan Chase Bank	United Kingdom	Nominee	2,169,977	1.8 %
10. BNP Paribas Securities Services	France	Nominee	1,722,052	1.5 %
10 largest			48,566,315	41%
Total Shares Outstanding *			115,888,265	100%

Average number of shares outstanding for current quarter *

Average number of shares outstanding during the quarter	116,041,392
Average number of shares fully diluted during the quarter	117,098,556

*Shares outstanding net of treasury shares per 31 March 2022 (1,552,853 TGS shares), composed of average outstanding TGS shares during the quarter.

Share price information

Share price 31 March 2022 (NOK)	131.60
USD/NOK exchange rate end of period	8.75
Market capitalization 31 March 2022 (NOK million)	15,455

Note 4 Segment Information

TGS has previously prepared its internal management reporting based on the principles applied prior to the implementation of IFRS 15, Revenue from Customer Contracts. This method recognized Early sales revenue on a percentage of completion basis, and related amortization of multi-client library based upon the ratio of aggregated capitalized survey costs to forecasted sales. From January 1, 2022, the Group has modified its internal practices, and now applies IFRS 15 as the measurement basis for its monthly management reporting.

TGS reports monthly management information to the executive management based on defined operating business units. Where appropriate, these operating business units are aggregated into reportable segments that form the basis of the monthly management reporting. In 2022, management reassessed its reportable segments and now reports four overall business units: Western Hemisphere (WH), Eastern Hemisphere (EH), Digital Energy Solutions (DES) and Other Business Units. WH consist of North America, Latin America and Land. In EH, TGS groups Europe, Africa & Middle East, Asia Pacific and Interpretative Products. DES consists of three parts: Well Data Products (WDP), New Energy Solutions (NES) and Data Analytics (D&A). The segments which are aggregated and form "Other Business Units" include Imaging, Global Services and G&A. The Group does not allocate all cost items to its reportable business units during the year. Unallocated cost items are reported as G&A. There are no intersegment revenues between the reportable operating segments.

(All amounts in USD 1,000s)	Western Hemisphere	Eastern Hemisphere	Digital Energy Solutions	Other business units	Total
Q1 2022					
Operating revenues	93,008	30,578	7,394	1,195	132,176
Straight-line amortization	-21,963	-10,316	-4,077	-	-36,356
Accelerated amortization	-21,304	-4,557	-	-	-25,861
Other operating cost	-5,761	-2,717	-5,401	-22,538	-36,416
Operating profit	43,980	12,988	-2,084	-21,342	33,543
Q1 2021¹					
Operating revenues	100,361	35,701	5,201	1,125	142,388
Straight-line amortization	-28,967	-11,770	-4,613	-	-45,350
Accelerated amortization	-43,958	-48	-	-	-44,006
Other operating cost	-2,240	-2,822	-5,421	-17,534	-28,017
Operating profit	25,196	21,060	-4,833	-16,409	25,016

Note 5 Multi-client library

(Numbers in USD millions)	Q1 2022	Q1 2021 ¹
Opening balance net book value¹	704.9	965.6
Operational investments	44.9	38.6
Amortization and impairment	-62.2	-89.4
Closing net book value	687.6	914.8
Net MC revenues	128.1	138.4
Change in MC revenue	-7%	199%
Change in Operational MC investment	16%	-75%
Amort. in % of net MC revs.	49%	65%
Change in net book value	-25%	-22%

Note 6 Evaluation of estimates and assumptions

Multi-client library and goodwill

TGS reviews the carrying value of its multi-client libraries and goodwill when there are events and changes in circumstances that indicate that the carrying value of these assets may not be recoverable. Even though there remains an uncertainty concerning the current market situation, TGS has not identified any new impairment triggers warranting an updated impairment test following the detailed process performed in Q4 2021; refer to note 9 to the condensed consolidated financial statements included in the 2021 Annual Report for further details regarding testing performed and principles applied. Goodwill is tested annually for impairment, as per IAS 36.

Key inputs and assumptions in the impairment model have been revisited as part of the process of evaluating whether any impairment triggers have been identified.

The underlying estimates that form the basis for the sales forecast depend on a number of variables, such as the number of oil and gas exploration and production (E&P) companies operating in the area with potential interest in the data, overall E&P spending, expectations regarding hydrocarbons in the

¹⁾ Q1 2021 figures are restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

area, oil price, whether licenses will be awarded in the future, expected farm-ins to licenses, relinquishments, etc. The above-mentioned variables are subject to underlying uncertainties.

Management has evaluated the carrying amount of the net assets of the Group in respect of the market capitalization, changes in interest rates and assumptions applied in the WACC, as well as the developments and expected developments in the Brent Oil Price. The developments through Q1 2022 did not reveal any new factors considered to trigger an impairment analysis. Following internal reporting from TGS business units, evidence available does not indicate that the economic performance of multi-client libraries or the related sales forecasts are worse, or significantly changed, from the assumptions utilized in the impairment tests during the preceding quarter.

Note 7 Related parties

No material transactions with related parties took place during the quarter.

Note 8 Contingent liabilities

Tax exposure

TGS operates in a range of tax jurisdictions with complex considerations and legislation concerning both indirect and direct taxation, including Brazil and Argentina. Thus, uncertainties exist related to reported tax liabilities and exposures. Recognized taxes (both direct and indirect) are based on all known and available information and represents our best estimate as of the date of reporting.

The jurisdictions in which TGS operates are also subject to changing tax regulations which may impact assessments, for instance concerning the recoverability of credits. Furthermore, tax authorities may challenge the calculation of both taxes and credits from prior periods. Such processes and proceedings may result in changes to previously reported and calculated tax positions, which in turn may lead to TGS having to recognize operating or financial expenses in the period of change.

Note 9 Restatements

In this condensed consolidated financial statement, Q1 2021 figures have been restated. The changes are included in Note 28 in TGS' Annual Report for 2021, which is available at www.tgs.com. The restatements that affected Q1 2021 are visible in the table below.

(All amounts in USD 1,000s)	Q1 2021		Q1 2021	
	Before restatements	Restatements	After restatements	
Revenue	185,741	-43,352	142,388	
Straight-line amortization of the multi-client library	45,116	234	45,350	
Financial expenses	-925	-15	-940	
Net exchange gains/(losses)	-3,178	1,879	-1,299	
Taxes	21,943	-12,182	9,761	
Net Income	42,568	-29,539	13,029	
EPS USD	0.36	-0.25	0.11	
EPS USD, fully diluted	0.36	-0.25	0.11	

(All amounts in USD 1,000s)	31-Mar-21		31-Mar-21	
	Before restatements	Restatements	After restatements	
Intangible assets: Multi-client library	893,707	21,048	914,755	
Total non-current assets	1,362,845	21,048	1,383,893	
Other receivables	102,179	-13,851	88,328	
Total current assets	515,858	-13,851	502,007	
Other equity	824,949	-26,722	798,226	
Equity	1,291,143	-26,722	1,264,421	
Accounts payable and debt to partners	93,188	-48,505	44,683	
Taxes payable, withheld payroll tax, social security and VAT	10,175	25,865	36,040	
Other current liabilities	30,580	56,560	87,140	
Total current liabilities	511,747	33,919	545,666	

DEFINITIONS – ALTERNATIVE PERFORMANCE MEASURES

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

Early Sales

Early sales are defined as multi-client revenues committed prior to completion and delivery of a survey. Revenue is recognized at the point in time when the licenses are transferred to the customers, which would typically be upon completion of processing of the surveys and granting of access to the finished surveys or delivery of the finished data, independent of services delivered to clients during the project phase.

Late Sales

Late sales are defined as multi-client revenues from sales of completed data. Revenue is recognized at a point in time, generally upon delivery of the final processed data to the customers.

Proprietary Sales

Proprietary sales are defined as revenues related to services that TGS performs on behalf of customers. Revenues are recognized over time, normally on a percentage of completion basis.

Percentage-of-completion (PoC) Revenues

PoC Revenues are measured by applying the percentage-of-completion method to Early sales, added to Late sales and Proprietary sales. This is based on the principles applied prior to the implementation of IFRS 15, Revenue from Customer Contracts, on 1 January 2018.

(All amounts in USD 1,000s)	Western Hemisphere	Eastern Hemisphere	Digital Energy Solutions	Other Business Units	Total
Q1 2022					
Operating revenues	93,008	30,578	7,394	1,195	132,176
PoC Revenue Early Sales	15,221	18,623	6,024	-	39,867
Performance obligations met during the quarter	-47,433	-4,220	-6,024	-	-57,677
PoC Revenue	60,796	44,981	7,394	1,195	114,367
Q1 2021¹					
Operating revenues	100,361	35,701	5,201	1,125	142,388
PoC Revenue Early Sales	40,084	3,312	4,817	757	48,970
Performance obligations met during the quarter	-80,917	-30,788	-4,817	-	-116,522
PoC Revenue	59,528	8,226	5,201	1,882	74,836

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 revenues.

EBITDA

EBITDA means earnings before interest, taxes, depreciation, and amortization. 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 Group's performance to other companies.

¹⁾ Q1 2021 figures have been restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.

(All amounts in USD 1,000s)	Q1 2022	Q1 2021 ¹
Net income	20,930	13,029
Taxes	7,364	9,761
Net financial items	5,248	2,226
Depreciation, amortization and impairment	5,259	4,438
Amortization and impairment of multi-client library	62,217	89,356
EBITDA	101,019	118,809

Straight-line Amortization

Straight-line amortization is defined as amortization of the value of completed data on a straight-line basis over the remaining useful life.

Accelerated Amortization

Following the adoption of the straight-line amortization policy for completed surveys, recognition of accelerated amortization of a library may be necessary in the event that sales on a survey are realized disproportionately sooner within that survey's useful life.

Return on average capital employed

Return on average capital employed (ROACE) shows the profitability compared to the capital that is employed by TGS, and it is calculated as operating profit divided by the average of the opening and closing capital employed for a period of time.

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

(All amounts in USD 1,000s)	31-Mar-22	3/31/2021 ¹
Equity	1,117,570	1,264,421
Cash	215,485	253,531
Net interest bearing debt	-215,485	-253,531
Capital employed	902,086	1,010,890
 Average capital employed	 956,488	 1,109,171
Operating profit (12 months trailing)	-63,805	-122,901
ROACE	-7%	-11%

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 Group is able to generate after investing the cash required to maintain or expand the multi-client library.

(All amounts in USD 1,000s)	Q1 2022	Q1 2021
Cash flow from operational activities	95,866	111,538
Organic investments in multi-client library	-64,451	-25,053
Free cash flow (after organic MC investments)	31,415	86,485

Contract Inflow

Contract inflow is defined as the aggregate value of new customer contracts entered into in a given period.

Contract Backlog

Contract backlog is defined as the aggregate unrecognized value of all customer contracts as of a given date.

¹⁾ Q1 2021 figures have been restated. Refer to note 2 and note 9 of the condensed consolidated financial statements for more details.