



EARNINGS RELEASE
3rd QUARTER 2023 RESULT

3rd QUARTER 2023 FINANCIAL HIGHLIGHTS

(All amounts in USD 1,000s unless noted otherwise)

POC financials ¹	Q3 2023	Q3 2022	YTD 2023	YTD 2022
POC revenues	292,523	118,573	762,499	368,478
- Early sales	88,105	38,526	251,661	105,299
- Late sales	71,881	64,544	179,919	237,524
- Proprietary sales	132,537	15,503	330,919	25,655
POC EBITDA	169,630	80,272	420,722	266,186
POC Operating profit (EBIT)	67,938	-6,527	132,418	54,576
- Operating margin	23%	-6%	17%	15%
Organic multi-client investments	113,147	79,430	331,813	167,745
Inorganic multi-client investments	-	16,146	-	16,146
Straight-line amortization of multi-client library	41,449	39,028	120,634	114,820
POC accelerated amortization of multi-client library	34,642	32,914	102,774	70,228
Impairment of the multi-client library	4,664	8,786	6,250	10,193
Free cash flow	44,800	6,203	116,206	87,897
IFRS financials				
Operating revenues	225,447	135,344	604,930	497,620
Amortization and impairment of multi-client library	55,461	89,829	162,168	312,851
Operating profit (EBIT)	26,157	1,144	42,337	66,110
Net Income	16,781	-1,738	30,714	44,611
EPS (fully diluted) (USD)	0.13	-0.02	0.24	0.38
Return on average capital employed ²	10%	-4%		

- Positive momentum in POC revenues driven by strong growth in both multi-client sales and Acquisition contract revenues
- Solid contract inflow of USD 355 million during Q3 2023 – total backlog of USD 475 million (POC)
- Favorable margin development driven by good operational performance in Acquisition, realization of cost synergies and strong cost discipline
- Strong free cash flow of USD 45 million further enhances balance sheet and supports a quarterly dividend of USD 0.14 per share
- 2023 multi-client investment guidance increased to approximately USD 400 million with a minimum early sales rate of 75%
- Announcement of acquisition of PGS with a subsequent private placement to strengthen the balance sheet of the new combined company

“We are pleased to present a Q3 2023 report that is strong on all parameters. POC revenues are up 34% y/y (pro-forma), driven by robust performance in all business areas. Moreover, excellent operating performance and tight cost control leads to a healthy operating margin of 23%. Finally, cash flow was solid during the quarter with a free cash flow of USD 45 million, further enhancing the balance sheet ahead of the announced acquisition of PGS. With leading exposure across the energy data value chain, TGS is well positioned to continue benefitting from the expected market growth going forward.”

Kristian Johansen, CEO of TGS.

1) POC (Percentage-of-Completion) Financials are based on revenues measured by applying the percentage-of-completion method to Early sales and accelerated amortization. Please refer to APM section for more details.

2) 12 months trailing.

FINANCIAL REVIEW - IFRS

Revenues amounted to USD 225.4 million in Q3 2023, an increase of 67% from USD 135.3 million in Q3 2022. Late sales amounted to USD 71.9 million in Q3 2023 versus USD 64.5 million in Q3 2022. Early sales decreased to USD 21.0 million in Q3 2023 from USD 55.3 million in Q3 2022 as a result of fewer multi-client projects being completed in Q3 2023. Proprietary revenues increased from USD 15.5 million in Q3 2022 to USD 132.5 million in Q3 2023, primarily due to OBN data acquisition contracts undertaken by the Acquisition Business Unit, which was formed through the acquisition of Magseis Fairfield ASA ("Magseis") in Q4 2022. The Acquisition Business Unit contributed USD 125.7 million to total revenues after eliminating USD 0.7 million of revenues related to work conducted on behalf of TGS.

Amortization and impairments of the multi-client library amounted to USD 55.5 million in Q3 2023 versus USD 89.8 million in Q3 2022. Of this, straight-line amortization was USD 41.4 million (USD 39.0 million in Q3 2022), accelerated amortization was USD 9.3 million (USD 42.0 million in Q3 2022), and impairment was USD 4.7 million (USD 8.8 million in Q3 2022).

Personnel costs were USD 34.4 million compared to USD 17.9 million in Q3 2022. The increase is primarily a result of the acquisition of a majority interest in Magseis in Q4 of 2022 and hiring of certain personnel in connection with the acquisition of the multi-client library and other assets of ION Geophysical in Q3 2022. Other operating expenses amounted to USD 17.0 million compared to USD 12.7 million in Q3 2022. Cost of goods sold were USD 71.5 million in Q3 2023 compared to USD 7.7 million in Q3 2022. The increase is mainly caused by the acquisition of Magseis in Q4 2022.

Operating profit amounted to USD 26.2 million in Q3 2023 compared to an operating profit of USD 1.1 million in the same quarter of last year.

Revenue Distribution



Source: TGS

CASH FLOW

Free cash flow was USD 44.8 million for Q3 2023 compared to USD 6.2 million in Q3 2022. Net cash flow from operations for the quarter totaled USD 202.5 million, compared to USD 41.4 million in Q3 2022. Net increase in cash for Q3 2023 was USD 55.9 million (decrease of USD 59.4 million in Q3 2022). Cash outflows related to organic investments in the multi-client library were USD 146.7 million, compared to USD 30.9 million in Q3 2022. Financing activities during the quarter, includes paid in equity related to the private placement announced 18 September 2023 and down payment of the revolving credit facility.

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. 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 Q4 2023. The dividend will be paid in the form of NOK 1.56 per share on 16 November 2023. The shares will trade ex-dividend on 2 November 2023. In Q3 2023, TGS paid a cash dividend of USD 0.14 per share (NOK 1.41 per share).

OPERATIONAL REVIEW

Contract inflow was USD 355 million in Q3 2023 compared to USD 360 million (pro-forma including Magseis) in Q3 2022. The contract backlog increased to USD 475 million (USD 752 million under IFRS) at the end of the quarter from USD 417 million (USD 624 million under IFRS) at the end of Q2 2023. The contract backlog at the end of Q3 2022 was USD 398 million (USD 506 million under IFRS) (pro-forma including Magseis).

Contract inflow for multi-client was strong in Q3 2023 at USD 178 million, meaning that the multi-client backlog increased to USD 239 million (USD 516 million under IFRS) at the end of the quarter from USD 180 million (USD 440 million under IFRS) at the end of Q2 2023.

Q3 2023 was another active quarter with respect to the acquisition of new multi-client data. Organic multi-client investments amounted to USD 113 million in the quarter compared to USD 79 million in the same quarter of 2022. The largest multi-client projects ongoing in Q3 2023 were the Sleipner OBN survey in Norway, Engagement Ph 4 OBN in U.S. Gulf of Mexico, Awele 3D in Nigeria and Santos Sul 3D in Brazil.

TGS performed services for several OBN data acquisition projects during Q3 2023. The two ZXPLR crews were active in Guyana and the U.S. Gulf of Mexico during the quarter. The Z700 crew continued its work in the North Sea throughout Q3, while the MASS crew commenced a new contract in U.S. after completing a project in Norway.

The Digital Energy Solutions business continued to show progress. Recent highlights include:

- 4C Offshore continues to perform well, with 51% year-over-year growth in order inflow for its offshore wind market intelligence portal and cable consultancy services in Q3 2023.
- New offering of derivative standardized well data from ~300 wells in Trinidad and Tobago onshore and offshore basins made available through TGS's cloud-based R360 platform.
- Launch of TGS Data Verse, a new cloud-based data management tool that is designed to transform the way companies manage energy data.
- Expansion of the Carbon AXIOM platform, an advanced CCS site screening and storage assessment tool, by additional 62 million acres across the southern United States.
- Launch of the Prediktor PowerView™, an enterprise asset management solution for utility-size solar plants and portfolios, in the U.S. market

OUTLOOK

Global energy demand is likely to continue to grow in the foreseeable future. Adoption of alternative energy sources is not happening rapidly enough to meet the more ambitious energy transition scenarios, resulting in oil and gas likely to continue making up above 50% of global primary energy supply over the coming decades. Combining the steep depletion rate of currently producing oil and gas fields, with the fact that a substantial share of

undeveloped proven reserves is disadvantaged by high costs, wide environmental footprints and/or high political and regulatory risk, there is a need to continue exploring for oil and gas resources, both in mature and emerging basins over the next decades.

In the short-term, the outlook for oil and gas exploration is supported by high oil and gas prices, which improves project economics and bolsters E&P companies' cash flows. So far in 2023, the increased exploration activity has helped TGS grow pro-forma POC revenues by 27% YTD. With its large and diversified energy data offering, TGS is well positioned to continue benefitting from the favorable developments in the market for oil and gas exploration.

TGS' Digital Energy Solutions is providing data and insights to the energy industry through innovative products, digital platforms, and software solutions. With an increasing number of countries and regions releasing acreage for renewable energy production in combination with financial incentive packages, demand for TGS' product offering for screening, decision support and asset management is set to continue to grow, both in the short and long-term.

As a result of the increasing demand for seismic data and other energy data types, TGS will increase multi-client investments in 2023 beyond previous expectations. As such, the financial guidance for 2023 is updated as follows:

- Multi-client investments of approximately USD 400 million (previously more than USD 350 million)
- POC Early sales of minimum 75% of multi-client investments (previously minimum 70%)
- Industry-leading return on capital

Oslo, 25 October 2023

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 "TGSFY".

Website: www.tgs.com

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 volatile market conditions, investment opportunities in new and existing markets, demand for licensing of data within the energy industry, operational challenges, and reliance on a cyclical industry and principal customers. 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.

CONTACT FOR ADDITIONAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts in USD 1,000s unless noted otherwise)	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Revenue	4	225,447	135,344	604,930	497,620
Cost of goods sold - proprietary and other		71,540	7,723	192,805	10,470
Straight-line amortization of the multi-client library	5	41,449	39,028	120,634	114,820
Accelerated amortization of the multi-client library	5,6	9,348	42,015	35,284	187,837
Impairment of the multi-client library	5,6	4,664	8,786	6,250	10,193
Personnel costs		34,376	17,854	99,450	56,464
Other operating expenses		16,976	12,725	49,522	35,357
Depreciation, amortization and impairment		20,938	6,070	58,646	16,368
Total operating expenses	4	199,290	134,200	562,592	431,510
Operating profit/(loss)	4	26,157	1,144	42,337	66,110
Financial income		1,567	682	5,101	1,760
Financial expenses		-2,020	-811	-11,890	-5,299
Net exchange gains/(losses)		1,018	-3,332	296	-3,089
Gains/(losses) from joint ventures		1,797	-	465	-
Net financial items		2,362	-3,461	-6,028	-6,628
Profit/(loss) before taxes		28,519	-2,317	36,309	59,482
Taxes		11,738	-579	5,596	14,870
Net Income		16,781	-1,738	30,714	44,611
Earnings per share (USD)		0.13	-0.02	0.25	0.38
Earnings per share, diluted (USD)		0.13	-0.02	0.24	0.38
Other comprehensive income:					
Exchange differences on translation of foreign operations		-557	-21	-643	-366
Total comprehensive income for the period		16,224	-1,759	30,070	44,245
Total comprehensive attributable to TGS shareholders		16,224	-1,759	30,070	44,245

CONDENSED CONSOLIDATED FINANCIAL POSITION

(All amounts in USD 1,000s unless noted otherwise)	Note	30-Sep-23	30-Sep-22	31-Dec-22
Goodwill	6	384,649	315,433	384,649
Intangible assets: Multi-client library	5,6	744,991	575,899	575,337
Other intangible assets		71,107	35,514	65,805
Deferred tax assets		90,086	76,882	82,196
Buildings, machinery and equipment		138,095	23,086	145,098
Right-of-use-asset		54,738	28,690	59,619
Sub-lease asset		335	785	672
Other non-current assets		17,314	9,349	11,711
Total non-current assets		1,501,315	1,065,638	1,325,087
Accounts receivable		169,921	105,865	142,781
Accrued revenues		86,531	65,384	97,538
Inventory		9,547	-	6,575
Other current assets		96,573	40,413	78,463
Cash and cash equivalents		200,247	192,291	188,452
Total current assets		562,819	403,953	513,810
Total assets		2,064,134	1,469,591	1,838,897
Share capital		4,406	4,055	4,259
Other equity		1,297,416	1,101,475	1,235,504
Total equity		1,301,822	1,105,531	1,239,763
Long-term interest bearing debt	8	-	-	-
Other non-current liabilities		44,717	2,192	42,408
Lease liability		30,939	24,128	28,609
Deferred tax liability		21,701	21,404	23,130
Total non-current liabilities		97,789	47,724	94,148
Short term interest bearing debt	8	-	-	44,748
Accounts payable and debt to partners		161,963	64,735	72,862
Taxes payable, withheld payroll tax, social security and VAT		71,959	41,535	77,223
Lease liability		30,510	11,495	38,350
Deferred revenue		279,582	114,483	126,462
Other current liabilities		120,508	84,089	145,341
Total current liabilities		664,522	316,337	504,986
Total liabilities		762,311	364,061	599,134
Total equity and liabilities		2,064,134	1,469,591	1,838,897

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ending September 30, 2023

(All amounts in USD 1,000s unless noted otherwise)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Non-controlling interest	Total Equity
Opening balance 1 January 2023	4,259	-18	537,583	45,248	-22,539	671,373	3,856	1,239,763
Net income	-	-	-	-	-	30,714	-	30,714
Translation effect	-	-	-	-	-643	-	-	-643
Total Comprehensive income	-	-	-	-	-643	30,714	-	30,070
Distribution of treasury shares	-	1	-	-	-	857	-	858
Cancellation of treasury shares held	-	-	-	-	-	-	-	-
Capital increase	145	-	86,471	-	-	-	-	86,616
Acquisition of Magseis Fairfield ASA	-	-	-	-	-	-2,031	-3,389	-5,419
Cost of equity-settled long term incentives	2	-	-	-	-	2,407	-	2,410
Dividends	-	-	-	-	-	-52,476	-	-52,476
Closing balance as of 30 September 2023	4,406	-16	624,054	45,248	-23,182	650,845	468	1,301,822

For the nine months ending September 30, 2022

(All amounts in USD 1,000s unless noted otherwise)	Share Capital	Treasury Shares	Share Premium	Other Paid-In Capital	Currency Translation Reserve	Retained Earnings	Non-controlling interest	Total Equity
Opening balance 1 January 2022	4,086	-38	416,878	45,248	-22,233	671,387	-	1,115,328
Net income	-	-	-	-	-	44,611	-	44,611
Translation Effect	-	-	-	-	-366	-	-	-366
Total Comprehensive income	-	-	-	-	-366	44,611	-	44,246
Purchase of own shares	-	-13	-	-	-	-7,001	-	-7,015
Distribution of treasury shares	-	0	-	-	-	149	-	150
Cancellation of treasury shares held	-33	33	-	-	-	-	-	-
Cost of equity-settled long term incentives	3	-	-	-	-	1,529	-	1,532
Dividends	-	-	-	-	-	-48,710	-	-48,710
Closing balance as of 30 September 2022	4,055	-18	416,878	45,248	-22,599	661,965	-	1,105,531

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

(All amounts in USD 1,000s unless noted otherwise)	Note	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Cash flow from operating activities:					
Profit before taxes		28,519	-2,317	36,309	59,482
Depreciation / amortization / impairment		76,398	95,899	220,815	329,219
Changes in accounts receivable and accrued revenues		-9,865	19,106	-16,133	-18,964
Changes in other receivables		-7,151	104	-15,338	37,060
Changes in balance sheet items		122,680	-66,335	234,445	-169,888
Paid taxes		-8,072	-5,041	-22,972	-12,991
Net cash flow from operating activities		202,509	41,416	437,126	223,918
Cash flow from investing activities:					
Investments in tangible and intangible assets		-12,284	-4,990	-37,069	-14,752
Investments in multi-client library		-146,697	-30,906	-288,324	-123,029
Investments through mergers and acquisitions		-	-41,149	-	-41,149
Interest received		1,272	683	4,473	1,760
Net cash flow from investing activities		-157,709	-76,362	-320,920	-177,170
Cash flow from financing activities:					
Net change in interest bearing debt		-45,000	-	-44,748	-
Interest paid		-1,574	-811	-5,428	-2,399
Dividend payments	3	-17,430	-16,038	-52,476	-48,710
Repayment of lease activities		-11,522	-3,103	-33,645	-8,894
Acquisition of shares		-	-	-54,385	-
Paid in equity		86,616	-	86,616	-
Purchase of own shares	3	-	-4,496	-	-7,015
Net cash flow from financing activities		11,090	-24,448	-104,066	-67,018
Net change in cash and cash equivalents		55,890	-59,394	12,140	-20,270
Cash and cash equivalents at the beginning of period		143,920	254,697	188,452	215,329
Net unrealized currency gains / (losses)		433	-3,012	-347	-2,768
Cash and cash equivalents at the end of period		200,247	192,291	200,247	192,291

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 2022, which is available at www.tgs.com.

The same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the annual financial statements for 2022.

Note 3 Share Capital and Equity

Ordinary shares	Number of shares
1 January 2023	124,927,439
Net change in period	6,353,019
30 September 2023	131,280,458

Treasury shares	Number of shares
1 January 2023	458,515
Net change in period	-39,885
30 September 2023	418,630

The Annual General Meeting on 10 May 2023 renewed the Board of Directors' authorizations to repurchase shares and distribute quarterly dividends on the basis of the 2022 financial statements. The authorizations are valid until Annual General Meeting in 2024, but no later than 30 June 2024.

Net change in the period mainly relates to the announcement of the successfully private placement on 18 September 2023, where it was resolved to issue and allocate 6.25 million new shares at a subscription price of NOK 152.5 per share. The Company intends to use the net proceeds generated from the issuance of the New Shares to strengthen the Company's equity capital and for general corporate purposes, including in view of the announced combination with PGS ASA.

The Board of Directors has resolved to maintain the dividend at USD 0.14 per share in Q4 2023. The dividend will be paid in the form of NOK 1.56 per share on 16 November 2023. The share will trade ex-dividend on 2 November 2023.

In Q3 2023, TGS paid a cash dividend of USD 0.14 per share (NOK 1.41 per share).

Largest Shareholders as of 30 September 2023	Country	Account type	No. of shares	Share
1. FOLKETRYGDFONDET	Norway	Ordinary	14,490,501	11.0 %
2. PARETO AKSJE NORGE VERDIPAPIRFOND	Norway	Ordinary	4,804,495	3.7 %
3. JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee	3,707,799	2.8 %
4. The Bank of New York Mellon	United States	Nominee	3,557,483	2.7 %
5. State Street Bank and Trust Comp	United States	Nominee	3,316,350	2.5 %
6. The Northern Trust Comp, London Br	United Kingdom	Nominee	3,078,438	2.3 %
7. JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee	2,479,331	1.9 %
8. State Street Bank and Trust Comp	United States	Nominee	2,364,311	1.8 %
9. AAT INVEST AS	Norway	Ordinary	2,100,000	1.6 %
10. The Bank of New York Mellon SA/NV	Belgium	Nominee	2,089,069	1.6 %
10 largest			41,987,777	32%
Total Shares Outstanding *			130,861,828	100%

Average number of shares outstanding for current quarter *

Average number of shares outstanding during the quarter	125,285,265
Average number of shares fully diluted during the quarter	126,261,726

*Shares outstanding net of treasury shares per 30 September 2023 (418 630 TGS shares), composed of average outstanding TGS shares during the quarter.

Share price information

Share price 30 September 2023 (NOK)	146.60
Market capitalization 30 September 2023 (NOK million)	19,246

Note 4 Segment Information

TGS previously prepared its internal management reporting based on the principles applied prior to the implementation of IFRS 15, Revenue from Customer Contracts. This prior 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 1 January 2022, the Group changed the method for reporting revenues 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 2023, management reassessed its reportable segments and reports now six overall business units: Western Hemisphere (WH), Eastern Hemisphere (EH), Digital Energy Solutions (DES), Acquisition (ACQ), Imaging and G&A. WH consist of North America, Latin America and Land. In EH, TGS groups Europe, Africa & Middle East, Asia Pacific and Interpretative Products. The business in EH and WH is multi-client related. DES consists of three parts: Well Data Products (WDP), New Energy Solutions (NES) and Data Analytics (D&A). Unallocated cost is reported as G&A. The Group does not allocate all cost items to its reportable business units during the year.

(All amounts in USD 1,000s)	Western Hemisphere	Eastern Hemisphere	Acquisition	Digital Energy Solutions	Imaging	G&A	Elimination	Total
Q3 2023								
Operating revenues	57,131	27,500	126,419	15,257	11,200	-33	-12,027	225,447
Straight-line amortization	-24,592	-12,971	0	-3,886	0	0	0	-41,449
Accelerated amortization / impairment	-5,749	-7,969	0	-293	0	0	0	-14,012
Cost of goods sold - proprietary and other	-238	-545	-70,498	-172	-20	-71	4	-71,540
Other operating cost	-4,036	-2,266	-30,170	-11,612	-12,537	-22,402	10,734	-72,289
Operating profit	22,515	3,750	25,751	-706	-1,357	-22,506	-1,289	26,157
Q3 2022								
Operating revenues	69,768	53,165	847	10,592	10,127	3	-9,157	135,344
Straight-line amortization	-25,125	-9,958	0	-3,945	0	0	0	-39,028
Accelerated amortization / impairment	-41,203	-9,598	0	0	0	0	0	-50,800
Cost of goods sold - proprietary and other	-23	-7,470	-170	-59	0	-1	0	-7,723
Other operating cost	-1,729	-1,639	-1,902	-10,495	-15,326	-13,714	8,156	-36,649
Operating profit	1,688	24,500	-1,225	-3,907	-5,199	-13,711	-1,002	1,144

Note 5 Multi-client library

(All amounts in USD millions)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Opening balance net book value	687.3	570.1	575.3	704.9
Inorganic multi-client investments	0.0	16.1	0.0	16.1
Organic multi-client investments	113.1	79.4	331.8	167.7
Amortization and impairment	-55.5	-89.8	-162.2	-312.9
Closing net book value	745.0	575.9	745.0	575.9
Net MC revenues	92.9	119.8	274.0	472.0
Amort. in % of net MC revs.	60%	75%	59%	66%

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. TGS has not identified any new impairment triggers warranting an updated impairment test following the detailed process performed in Q4 2022; refer to note 10 to the condensed consolidated financial statements included in the 2022 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 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 Q3 2023 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. Notwithstanding the above, the company has charged impairments of USD 4.7 million, mainly due to a decrease of sales forecasts in certain areas.

Note 7 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. 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 Q3 2023 was USD 11.7 million (USD -0.6 million in Q2 2022), corresponding to a tax rate of 41.2% (25.0% in Q3 2022).

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 8 Interest Bearing Liabilities

In February 2021, TGS entered into an amended and restated revolving credit facility ("RCF"), amending and restating the original RCF dated 26 October 2018 (2018 RCF). The RCF provided for borrowings of up to 100 million (on a revolving basis) with an interest rate of LIBOR +2.5% per interest period as determined by TGS and as per the defined terms of the RCF. During the first quarter 2023, TGS utilized the RCF to repay the outstanding amount under the Magseis revolving credit facility that was in place at the time of the acquisition by TGS in Q4 2022.

On 9 February 2023, TGS entered into an amended and restated RCF (the 2023 RCF), amending and restating the 2018 RCF (as amended in February 2021). The new RCF provides for borrowings, on a revolving basis, of up to USD 125 million with an interest rate of SOFR +3.0% per annum. The 2023 RCF provides for an accordion feature to allow for an increase in borrowing capacity of an additional USD 25 million.

In September 2023 TGS paid down the outstanding amount of the credit facility and as of 30 September the amount drawn on the bank facility is 0.

Financial covenants bank facility (RCF)

The conditions below are only tested if Liquidity (as defined in the RCF) on the relevant testing date is below USD 100 million:

- Equity Ratio > 50 percent
- Leverage Ratio: Net interest-bearing debt/EBITDA for relevant period must be at or below 1.00
- Liquidity: The Liquidity of the group at all times must be at least USD 75 million
- Operational Capex: EBITDA minus Operational Capex must be above zero

TGS is in compliance with all financial covenants as of 30 September 2023.

Note 9 Business combinations & significant transactions

On 18 September 2023, TGS announced that it has agreed to the principal terms of the acquisition of PGS ASA by TGS to create a strong full-service energy data company. On 25 October 2023, TGS and PGS executed the merger documentation, including a merger agreement. The transaction is subject to approval by the extraordinary general meeting by each party, as well as other customary closing conditions. Closing is expected during the first half of 2024. The transaction is expected to be completed as a statutory merger pursuant to Norwegian corporate law, with merger consideration to PGS shareholders in the form of 0.06829 ordinary shares of TGS for each PGS share on addition to compensation for dividends paid by TGS.

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 Early Sales Revenues

POC Revenues are measured by applying the percentage-of-completion method to Early sales, added to Late sales and Proprietary sales. POC Early Sales Revenue are measured by applying the percentage-of-completion method to Early sales only. 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)	Total
Q3 2023	
Operating revenues	225,447
PoC Revenue Early Sales	88,105
Performance obligations met during the quarter	-21,029
Internal revenue elimination	0
PoC Revenue	292,523
Q3 2022	
Operating revenues	135,344
PoC Revenue Early Sales	38,526
Performance obligations met during the quarter	-55,297
Internal revenue elimination	0
PoC Revenue	118,573

POC Early Sales Rate (%)

POC Early sales rate (%) means POC Early Sales Revenue as a percentage of organic multi-client investments in new projects, an important measure for TGS as it provides indication of the prefunding levels for projects in progress.

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.

(All amounts in USD 1,000s)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Net income	16,781	-1,738	30,714	44,611
Taxes	11,738	-579	5,596	14,870
Net financial items	-2,362	3,461	6,028	6,628
Depreciation, amortization and impairment	20,938	6,070	58,646	16,368
Amortization and impairment of multi-client library	55,461	89,829	162,168	312,851
EBITDA	102,555	97,043	263,152	395,328

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.

POC Accelerated Amortization

Accelerated amortization of multi-client library is calculated on percentage of completion basis.

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 (12 months trailing) 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-Sep-23	30-Sep-22
Equity	1,301,822	1,105,531
Interest bearing debt	0	0
Cash	200,247	192,291
Net interest bearing debt	-200,247	-192,291
Capital employed	1,101,575	913,239
Average capital employed	1,054,597	920,048
Operating profit (12 months trailing)	106,963	-34,679
ROACE	10%	-4%

Free cash flow

Free cash flow when calculated by TGS is Cash flow from operational activities minus cash from investing activities excluding impact from investing activities related to Mergers and Acquisitions.

(All amounts in USD 1,000s)	Q3 2023	Q3 2022	YTD 2023	YTD 2022
Net cash flow from operating activities	202,509	41,416	437,126	223,918
Net cash flow from investing activities	-157,709	-76,362	-320,920	-177,170
Excluding Investments through mergers and acquisitions	0	41,149	0	41,149
Free cash flow	44,800	6,203	116,206	87,897

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.