

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

PGS.OL - Q1 2022 PGS ASA Earnings Presentation

EVENT DATE/TIME: APRIL 28, 2022 / 7:00AM GMT

CORPORATE PARTICIPANTS

Bard Stenberg *PGS ASA - VP of IR & Corporate Communication*

Gottfred Langseth *PGS ASA - CFO & Executive VP*

Rune Olav Pedersen *PGS ASA - President & CEO*

PRESENTATION

Bard Stenberg - *PGS ASA - VP of IR & Corporate Communication*

Good morning, and welcome to this audiocast presenting PGS First Quarter 2022 Results. My name is Bard Stenberg, Vice President, Investor Relations and Corporate Communications in PGS. With us from management today are Rune Olav Pedersen, President and CEO; and Gottfred Langseth, CFO. Before we start, I would like to give some practical information. Participant on this audiocast can submit their questions via the audiocast platform.

I would also like to draw your attention to the cautionary statement showing on the screen and in today's presentation and the risk factors disclosed in our 2021 Annual Report and the Q1 2022 earnings release. The agenda for today is summarized on this slide. Rune Olav will start with Q1 takeaways, a financial summary and the order book. Then Gottfred will give you a review of Q1 financials and the refinancing status. Towards the end, Rune will give you an operational update, market comments and review of our 2022 guidance followed by the Q&A session.

So with that, I'll give the word to you, Rune Olav.

Rune Olav Pedersen - *PGS ASA - President & CEO*

Thank you, Bard, and Good morning, everyone. We have put behind ourselves a, what should I say, a quarter with mixed results. We experienced low activity during the winter season, which obviously negatively impacted the vessel utilization for PGS and the other players in the contract market. However, more positively, we have experienced a year-over-year increase in both contract revenues and MultiClient late sales revenues. And in particular, it is important to note that the contract revenues are significantly higher even with the low utilization versus a year ago.

And it is good to see pricing holding up through the winter even if utilization and activity were low. Further in the first quarter, we have progressed quite substantially in our development of the New Energy business unit, which I will come back to this. But we have been awarded 2 carbon capture and storage acquisition contracts. We have gained access to a market-leading P-cable, giving ultra-high density seismic. And we have agreed an LOI in detailed contract negotiations with a deepC Store to co-develop a carbon storage project offshore Australia, which is very exciting.

Finally, it is, of course, still the case that there is a risk that we may not be able to meet our maturities in September, and we are therefore working with our advisors to find the best possible solution to address our debt amortization challenge. And I am increasingly confident that we will find a workable solution for all our stakeholders to this problem. So to financial summary, I will be fairly brief and leave this to Gottfred, but I'll just point to the revenues and other income where you can see that the contract revenues are substantially higher in the first quarter versus the first quarter last year, and also that late sales are holding up quite strongly.

Now, we have a mixed quarter, as I said, behind us. Looking forward looks much stronger and better for us. We are seeing an encouraging market outlook, and there are several elements that leads into this optimism with respect to what is going to happen going forward. First of all, we have a supportive macro environment with very high oil and gas prices which we've had for some time. The news that has happened over the quarter, obviously Russia's invasion of the Ukraine, although tragic in every way, has led to a complete new view on energy security.

The focus on energy security in Europe has completely changed and is also impacting other places in the world. This again obviously leads to renewed investment pressure on energy companies to go out and find the necessary resources to make sure that the Western world can have enough energy in the years to come. We have been talking about this for some time and we believe this pressure would have come regardless. What has happened during the quarter will just increase that pressure. We are also seeing increased E&P activity.

There is a clear renewed interest from several large energy companies in frontier exploration datasets. We are receiving incoming calls from large clients requesting views of datasets which have not been viewed by anyone for several years. There is a significant shift here in the interest which we believe eventually will also play out in higher activity and more revenues to the seismic industry. Further, there is a significant number of corporate transactions in the E&P industry currently underway, I would say. We are counting at least 6.

This is from everything from global transactions to more regional large transaction to smaller transaction on particularly on the Norwegian governmental shelf, all of which will lead to more late sales for PGS and for the industry in this quarter and in the third quarter. Timing is a bit uncertainty with respect to these things. It depends on when they close and when you also finalize and negotiations, but that this could lead to or are likely to lead to revenues, which will be more than 20% of our annual late sales revenue. I would be disappointed if it did not in this quarter.

So, this is a significant -- forms a significant basis for our late sales outlook for the next quarters. Further, we're seeing contract to market improvement. As I will shortly show you all PGS vessels are now fully booked for the summer season. And we are now working on looking into the fourth quarter. And finally, backlog is increasing once again giving support to the outlook we are seeing. So in summary here, support the market outlook. We're seeing increased E&P activity, and we're also seeing it play out into our markets. Order book development, the order book at quarter end was \$315 million.

And as you can see, I mean, it's a downward trend, which is a bit different to what I've just said. And the reason for that is we have secured more than \$70 million of additional order book after quarter end. So if you add that, you would see that the order book is significantly up versus what we've seen over the last 2 quarters, which, as I said, is quite positive. This is both pre-funded MultiClient projects and contract projects that we have in our order book and that we have secured after quarter-end.

As I said, we are fully booked for the summer season, 17 vessel months booked for Q2. The one vessel month is the fact that the Vanguard is starting its North Sea campaign now, and therefore have been idle up in the first month. That's why it's not 18. And the one month on -- in Q3 is on one or 2 vessels towards the very end of the third quarter. We have 6 vessel months booked for the fourth quarter already at this stage. And as I said, focus now in PGS is booking up the fourth quarter with a decent contract and MultiClient programs and I can say that is progressing well.

So with that, I will give the word to Gottfred Langseth to go through our financials.

Gottfred Langseth - PGS ASA - CFO & Executive VP

Thank you. On the key financial numbers, I will not comment on many of these. We had revenues of \$136 million in the first quarter as preannounced, EBITDA of \$51.8 million. The revenue reduction compared to Q1 last year is driven by prefunding, which is reduced contract and late sales is up and the prefunding is lower in the quarter as there was a low volume of MultiClient projects that were finalized and delivered to clients in the quarter. This will be significantly higher when we get into Q2. Operational highlights, a strong -- contract first, strong development of contract revenues, \$61.5 million in Q1, which is 140% increase compared to Q1 last year. We used 71% of our active time for contract acquisition in the quarter.

If we move to MultiClient, total revenues of \$69.6 million. Most of that is late sales, \$55 million compared to \$49 million in Q1 last year. Prefunding was low in the first quarter, \$15 million. And as stated on the previous slide, we expect a significant increase in the volume of completed and delivered MultiClient projects when we deliver Q2. Vessel utilization, a challenging quarter activity and utilization-wise both for us and I would say the industry. And obviously we're not pleased with the 55% utilization or 55% active time, but we are pleased that we were generally able to maintain in a way the pricing level that we got to in the second half of last year.

All of our 6 active vessels are now booked from early second quarter, as Rune has explained, but we will not get to full utilization in the second quarter. We should get there or at least we're well-positioned to get there in the third quarter. But for the second quarter, we will have in a way the seasonal relocation steaming of vessels and some standby before commencing service on a couple of their vessels. If we move to costs, gross cash cost in the first quarter, \$107 million. We have increased our full year gross cash cost guidance to \$475 million approximately compared to earlier \$450 million.

The most important reason for that is higher fuel prices but we also see higher activity level and plan to operate both Sanco Swift and PGS Apollo as source vessels on projects in the second and third quarter. One more comment on fuel prices, obviously, higher now than what we saw at the start of the year, also higher volatility. And we've also seen over the last couple of months, for understandable reasons, a dislocation between the product pricing, i.e., the fuel that we use and the crude price, which isn't showing the same correlation as in a stable or a normal market.

So, fuel costs are, call it, even higher than the oil price increase. Important to be aware in that respect that in most, I will say almost all of our contracts or agreements for contract work and even some pre-funding arrangements there are fuel price adjustment clauses, so that our compensation is adjusted for deviations in market-driven changes of fuel costs. Sorry, that was a bit long. Balance sheet, we had cash and cash equivalents, \$163.9 million end of quarter. Net interest bearing debt including the capitalized lease liabilities of \$1.050 billion, which is a \$66 million reduction compared to one-year back.

Cash flow, a couple of comments here. Net cash flow from operating activities for the first quarter was on the low side. This is due to a couple of reasons. The first one is more reporting technical. There's a mix change with less MultiClient activity, more contract and as a result, we report more of the cost, cash costs as operating payments rather than being reported as investments in MultiClient, so that is a classification matter mostly. In addition, we had receivables which were due, you know, expected and forecasted to be received in the first quarter that we only received just after quarter end to the tune of approximately \$25 million.

Cash flow before financing activities in the quarter, \$23.7 million. Then moving to financing status, obviously, one of the important topics today. As earlier explained, it is a risk that we may not generate sufficient cash flow to make the second half of 2022 debt amortization payments while at the same time keeping an adequate and sufficient liquidity reserve. We are working with advisors to find the best possible solution to this. The improving business environment is clearly supportive in our work here. Our plan is to reach a solution by end of the second quarter, early third quarter for implementation and then obviously before the September amortization payment on the Term Loan B.

The work is progressing as planned and we are confident in achieving a solution. At this stage or as of now, we cannot give more information on or details on alternatives or status, apologies for that, but that is the nature of the process. That said, I have one more slide on financing status, which given the importance I wanted to repeat and to some extent expand on some of the facts relating to our financing starting first with the amortization and maturity profile, which is shown in the graph to the left with numbers for the 2 main facilities.

And in the near-term and for this fall, we have 2 significant amortization events or payments. We have the \$135 million amortization on the term loan in September and then we have \$28 million amortization on the export credit financing in December. In a way security wise, we -- substantially all of our assets and shares in material subsidiaries are pledged in favor of lenders. Financial covenants, we have 2 important ones.

We need to maintain a minimum liquidity of \$75 million and we need to comply with a leverage ratio, total net leverage ratio, which cannot be above the 3.25 to 1 through the end of this year and 2.75 to 1 thereafter. We are in compliance at the end Q1 and clearly expect to comply for the second quarter as well. Loan agreements are complex. Our agreements have significant restrictions on incurring additional debt and other restrictions in other areas, but there are also some exceptions and baskets. We can raise up to \$50 million of debt that will rank senior to the term loan B.

We are allowed to erase unsecured debt over -- inside the basket of \$30 million. And we can enter into lease agreement that would have qualified as operational leases prior to IFRS 16. And there are several other customary exceptions and baskets. It's necessary to say that all these exceptions are subject to procedure and other requirements that are set out in the agreement. And obviously, our ongoing work in this area has addressed all such opportunities in the loan agreements as they could play a part of the solution.

So, I will stop there. This was my last slide. I will give the word back to you, Rune Olav.

Rune Olav Pedersen - PGS ASA - President & CEO

Thank you, Gottfred. We will start with the fleet activity as we normally do. And I will start from the west. The Ramform Titan, currently in the Bahamas or may have started to steam to Canada already for a full season of work there. Further south, you see the Ramform Tethys now steaming to Brazil for a large 4D job, which will start as soon as she arrives in Brazil and keep her busy for the rest of the year. Ramform Atlas is steaming to

Norway where she will join the Ramform Hyperion in the UK and Ramform Vanguard in Norway for the 3 vessels will do a full season of 4D work of MultiClient work and of exploration contract work.

Ramform Sovereign currently in Malaysia, demobilizing for latest work, and she will go to short yard to stay in there --- thereon after on to the next job. Now, the bids and leads curve. You should be all familiar with this, but I repeat that the dark blue line is the dollar value of the active tenders we have in-house, while the light blue lines is -- the dark blue line, plus a risk weighted dollar value of all the leads that we have in-house at present. And there is a few things that is important to note with respect to these 2 curves. Firstly, they are sitting at fairly high levels and levels above or at par with pre-pandemic -- the situation pre-pandemic.

And you can also see that the leads are continuing upwards even if the tenders are going down. The tenders are going down because obviously we are winning work and then it moves out of the tender line into the backlog. And as I've said, we have won quite a bit of work lately while the leads keep on creeping up because we're filling up with new leads. And when you see a large deviation between leads and tenders, that gives normally an indication that several of these leads will play -- come into the tender line over the next months.

There is one cautionary statement or whatever with respect to the tender line which includes a large 4D survey in Brazil at only half value. And the reason for that is this is the survey where it was reported in the news that we have the best offer and this is a survey to start -- was intended to start in 2023 and go on for quite some time thereafter. The situation regarding that tender now is to us quite uncertain. Our tender, although the best offer, were quite significantly above Petrobras' budget and it is currently unclear whether this will go forward in its current process, whether it will be retendered, reduced or pulled altogether.

That is currently uncertain to us, and therefore we've taken a little bit of a cautionary position here. We do expect that we are seeing, it's not an expectation anymore, a material increase in 4D activity this year. And you will have seen our notification to the market yesterday I believe where we notified quite a few 4D surveys for the summer season in the North Sea. So leads curve also supporting the positive outlook we are currently seeing. On the supply side, it is still obviously at historical low levels, even if picking up a little bit into the summer season this year as we plan to operate 6 vessels and we plan to continue to operate those vessels throughout the year.

And we're also seeing our main competitor reactivating some vessels into the summer season in line with the increased demand we are seeing in the industry. As you will have seen from Gottfred's slides, we also in fact intend to operate 2 of our 3D vessels as source vessel in support of 2 of their projects -- activating quite a bit of the PGS fleet through the summer. Now, on New Energy; I touched upon this in -- when I -- in my introduction and I wanted to say a few words on how we are developing our New Energy business. And I must say I'm very satisfied with what we've been able to do so far. You have to remember that we established this business unit only a year ago, in April last year.

We have now large minority ownership in a company called Ocean Floor Geophysics, and we are expanding that relationship in the first quarter when we facilitated the purchase of another company, NCS SubSea, which held the market-leading P-cable technology and merged that into OFG, leading OFG in a position where it can offer ultra-high density seismic both by AUVs and P-Cable. And together with PGS, that expands our offering of seismics into the ultra-high density area. And why is that important? First of all, that is quite important for offshore wind projects, which require more ultra-high density seismic than what we can offer from our large vessels and also a more nimble operation.

Further, there are also CCS projects would require this kind of technology rather than the traditional technology. Not so many, I must say, but still and there are also oil and gas, some oil and gas projects that require this ultra-high density seismic to be able to do 4Ds. So this is expanding our, call it, technical capabilities in collaboration with OFG. So we're very excited by that. Also, as I said, we had entered into a Letter of Intent with deepC Store, which has developed a full commercial carbon capture and storage project offshore Australia, meaning they have agreement for offtake of CO2 both from Australia and from Japan.

They have a signed up transportation of CO2 agreements. They have signed up and have technology to insert CO2 into the subsurface and we will help them with the subsurface evaluations in this project. For our job, we will receive both shares and cash is the intention. We are now in the final stages of signing a full-fledged agreement and deepC Store has applied for a license to be able to insert CO2 into the offshore Australia. We're very excited also by that project. It's one of the few full-fledged carbon capture and storage projects in the world at present.

And as we have earlier communicated, we have an MoU with CGG to combine our MultiClient projects and technical capabilities in the CCS industry and we're currently working on the scale of that and what type of products we would like to offer to the industry. We did make several data sales in 2021 to carbon capture and storage players only and we expect to make more of those in 2022. But more importantly, we are upping our game when it comes to acquisition over carbon storage reservoirs. We have done several monitors and we currently have the imaging contract on Sleipner for CCS.

We have been awarded the by the operator, BP, the acquisition project over the Northern Endurance Reservoir in the UK part, UK Continental Shelf. And that project has already started with Ramform Hyperion, and we're about to start on the acquisition, which we were awarded by the operator, Equinor, over the Northern Lights Reservoir with Ramform Vanguard which is about to start. So we have a goal of developing the New Energy into a significant business unit for PGS longer term. And what does that mean in terms of dollars? Well, last year in '21, we had revenues mainly from the data sales in the area of \$5 million to \$10 million.

This year, we will have -- we expect to have revenues between 20 and \$30 million but we may also actually go beyond \$30 million because there is one other CCS job where we are in contention, which we may or may not win later in the year. So quite a rapid growth in this area and we see this growth going forward. And we're quite excited internally in PGS about what this could mean both for the seismic industry and for PGS as a company.

So on to guidance, the 2022 guidance. Group cash costs as already communicated approximately were \$475 million for 2022, MultiClient cash investment approximately \$125 million. We will use approximately 65% of our active 3D vessel time for contract work and CapEx guidance remains still at \$60 million for the year. So in summary, a mixed quarter we have behind us but with solid contract revenues and MultiClient late sales revenues even on very low activity in the industry during this -- the winter season we have behind us.

But we are quite encouraged with the outlook and as I've tried to explain during this presentation, it goes all the way from, obviously, the macro picture and all the way down to what we are seeing in our business, giving me comfort on an improving 2022 market for us and onwards. We are also, as I have just explained, progressing very well with the development of our PGS New Energy business area.

So with that, I will give the word back to you, Bard, for the Q&A session.

QUESTIONS AND ANSWERS

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Yes. Thank you, Rune Olav. We have some questions from the audience already. Two first ones are related to the new financing and Gottfred touched upon the responses in his part of the presentation, but for the sake of good order, I could just read the question and Gottfred you can respond. The first one is from a private investor. He wonders whether it's correct to understand that the lenders will consider the situation just towards the Q2 earnings release before it's decided on what kind of solution is preferred?

Gottfred Langseth - PGS ASA - CFO & Executive VP

If the question was on the -- in a way, wait the Q2 earnings release before they decide? That is not given in a way. As explained, we work on a timeline where we want to, in a way, establish the solution or agreements necessarily by end Q2, early Q3 so that we can get things in place before the amortization payment in September.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Next question. You have had your advisors in place for a few weeks now. Where do you think your likely solution will be in a debt rescheduling or a debt for equity swap?

Gottfred Langseth - PGS ASA - CFO & Executive VP

As said, unfortunately, as said during the presentation, in a way, as of today, we -- it is -- we cannot in a way explain or share what alternative solutions do -- we are working with or any details or any likelihoods relating to any of these. So bear with us. We will share information to the market when they're at the appropriate time when there is information to share.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Then we have the question from (inaudible). Your order book has fallen each quarter the last 4 quarters and is now about 25% lower than the same time one year ago. How does that indicate that the markets you operate in are improving?

Gottfred Langseth - PGS ASA - CFO & Executive VP

I think just one more technical part before you. You take the more market part. It's correct. So it's important to be aware that when the order book is now stated on the basis that we now disclose the numbers on an IFRS basis. And a part of the reduction is that in a way the IFRS order book includes the value of anyway the future revenues on MultiClient projects where we already have done parts of the production. So what has happened over the last 12 months is in a way that we have delivered more of those projects than we have produced. So that in a way, working in process in the pending revenues -- revenues pending delivery has gone down. And that is not market in a way -- market related. That has to do with the speed of processing and similar things. So Rune, with that.

Rune Olav Pedersen - PGS ASA - President & CEO

Yes. And so, there is a technical reason for it. And I think the more important part is that if you add the \$70 million we have won over the last less than a month, you will find that the order book is quite a bit up. And if you take into account the technical changes, you will find that it is quite significantly up and that's what's supporting the positive market outlook for us.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Next question comes from Jorgen Lande in Danske Bank. Related to your comment on late sales and potential for 20% increase to annual late sales this year. Just to be precise, is the estimate based on reported 2021 late sales?

Rune Olav Pedersen - PGS ASA - President & CEO

Well, first of all, I didn't indicate a 20% increase in late sales this year. What I indicated was that the M&A transactions that we are currently seeing should represent more than 20% of our annual late sales this year. That doesn't mean that you're going to add that on top of what we have already assumed. The 20% is a very, very approximate number and you can use the 2021 numbers if you want to. My comment was related to our internal forecast on late sales and what we see, but it will give you an indication of the order of magnitude of late sales that can be expected from these sales.

So it's not meant to give you an exact number, but is given -- meant to give you an order of magnitude number so that you understand how important all of these transactions may be. And there is large variability on negotiations, etcetera, in each and every one of them. But there is a significant potential there.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Then we have a couple of questions from John Olaisen in ABG. He starts off with the standard question, how much do you expect contract rates to improve in 2022?

Rune Olav Pedersen - PGS ASA - President & CEO

Yes, I'll give the standard answer, which is I can't comment on that. We expect contract rates to improve. That's clear. It goes to all the comments here. But I cannot in this kind of market, which is quite condensed with few players given the indication.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

And his next question relates to the question from Jorgen Lande. You mentioned that you expect transfer fees related to 6 announced E&P deals. I did not get what you said about the expected proceeds. You mentioned something like you expect the transfer fees to be 20% of something.

Rune Olav Pedersen - PGS ASA - President & CEO

Yes. As I said, it's in the order of magnitude of, let's say, if you take our expected MultiClient late sales for the year and 20% of that was kind of what I was indicating -- to give you an indication of where the order of magnitude of revenues that could come from these things. And I think it -- I will be disappointed if it's less than 20% of our estimated full year MultiClient late sales revenues.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

And we have a question from a private investor. Can you please give some color on what MultiClient vintages you are seeing increase inquiries on and what regions these relate to? And also has Total's discovery in Namibia changed interest for data in that region?

Rune Olav Pedersen - PGS ASA - President & CEO

Yes. I'll try to answer that. I don't think so much on vintages, but you touch on a very important part. Where we're seeing most of the interest for, call it, I would say exploration. datasets is along the Atlantic margin, meaning on along the West Africa coast and on the other side all the way from the Caribbean and all the way down is where we're seeing that interest. And it is, in my opinion, also related to the significant discoveries made by Shell and Total in Namibia.

So we are seeing increased interest for Namibia and for Angola, South Africa, that entire region following those discoveries, but also for the equivalent part on the other side of the Atlantic. And the reason for this obviously, geologically in the old days these were in the really, really old days, these continents work together. So you look for similarities on the other side when you find a large discovery on one side. So data in Brazil, Uruguay and Argentina would receive increased interest from these discoveries.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Next question comes from Mick Pickup in Barclays. Can I just confirm that there is a significant disconnect between the order book charge and vessel booking months because of last week's orders?

Rune Olav Pedersen - PGS ASA - President & CEO

Yes. That is correct. There is a significant discount there.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

And he also has a question. Can you give an idea of the order of magnitude of your Petrobras bid in the budget of the clients?

Gottfred Langseth - PGS ASA - CFO & Executive VP

Clearly higher.

Rune Olav Pedersen - PGS ASA - President & CEO

Clearly higher, 30%, 40% higher than their budget.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Next question comes from Baptiste Lebacqz in ODDO BHF. Is there a financial situation penalizing your bidding process? Is it seen as a risk from our clients?

Rune Olav Pedersen - PGS ASA - President & CEO

No. I don't think I've heard that one. So from time to time, there are clients who want to understand the situation but rather rarely and has never negatively impacted us.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Next question comes from Kim André Uggedal in SEB. How do you expect the working capital to develop for the next 2 quarters?

Gottfred Langseth - PGS ASA - CFO & Executive VP

This is a bit into the technical and in a way we will see a -- we expected generally our working -- our underlying working capital performance, we expect to be fairly stable from here. We take away the fact that we had some \$25 million that came in a bit too late for this quarter. So I, call it, our DSO performance and so we expect it to be similar for the, in a way, through the end of the year.

So it will vary then with our revenue level except to that when, in a way, revenues fluctuate, for example, increase for pre-funding revenues in the second quarter, that will not drive any working capital bill since our billing of those have been done throughout the projects. So this is a bit complicated to give a clear answer. We expect our performance adjusted for bit too high working capital at end Q1 to be as a proportion to our revenues stable.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Then we have a couple of questions from Christopher Mollerlokken in Sparebank 1 Markets. If transfer fees in 2020 could represent 20% of '22 late sales revenues, could you indicate what transfer fees represent the 2021 late sales?

Rune Olav Pedersen - PGS ASA - President & CEO

I would say no because I just don't know the answer. It was -- just to clarify, it was related to the actual transfers we are now seeing and not necessarily all transfers in.

Gottfred Langseth - PGS ASA - CFO & Executive VP

Primarily for Q2, Q3.

Rune Olav Pedersen - PGS ASA - President & CEO

Primarily for Q2, Q3, not all transfer fees in the year. We always have transfer fees. And the reason I mention it is that we are now seeing an increase and a normal amount of E&P activity in a short period of time that will lead to an, let's say, un-normal amount of transfer fees in those 2 quarters we expect. But I don't have an answer to your question. I'm sorry.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

The next question has been responded to already. I would argue, but for sake of good order, I could just read it out. You mentioned you experienced increased interest for frontier regions. Which countries would you highlight? Unless you have any additional comments, Rune, to give us.

Rune Olav Pedersen - PGS ASA - President & CEO

No. I think I would -- when it comes to frontier exploration, I would kind of repeat, the Atlantic margin, west part of Africa and the entire South America all the way from the Caribbean and downwards.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

And we have another question from John Olaisen, ABG. You write that you expect MultiClient late sales to increase in 2022 compared to 2021. Is that including transfer fees or will transfer fees come on top of this?

Rune Olav Pedersen - PGS ASA - President & CEO

It's obviously including transfer fees. It will increase. That is our expectation that we will higher late sales in '22 than in '21 and it includes transfer fees.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

And we have another question from Baptiste Lebacqz in ODDO BHF. Regarding your new business, can you say that it is accretive in terms of margins and reduce your exposure to the cyclical seismic industry?

Rune Olav Pedersen - PGS ASA - President & CEO

On the margins, it's similar to what we're seeing and for the activity in general, I mean, the way we treat it now is that it has to compete with other 4D activity. So there is no difference. I mean, overall, no difference in margin. Currently, it's not -- it's in a way the same market for us. Will it, over time, lead to less cyclicity? I believe so. I believe this is a growth market. I believe it will grow for 10, 20 years. And the world's need to store CO2 will not have the same cyclicity and not swing in the same cycles as the oil and gas business or I believe. So yes, I think it should reduce cyclicity.

Bard Stenberg - PGS ASA - VP of IR & Corporate Communication

Thank you, Rune Olav. That brings us to the end of the question lists. So unless there's any last minute questions from anybody that concludes our Q1 2022 presentation. So thank you all for participating and goodbye.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022, Refinitiv. All Rights Reserved.