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# EDITED TRANSCRIPT

PGS.OL - Q4 2022 PGS ASA Earnings Call and Capital Markets Day

EVENT DATE/TIME: JANUARY 26, 2023 / 8:00AM GMT

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## PRESENTATION

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

Good morning, and welcome to our Capital Markets Day and Q4 2022 presentation. My name is Bard Stenberg, Vice President of Investor Relations and Corporate Communications in PGS. We arranged this event together with Finance Norway, and we have 2 moderators with us. That's John Olaisen from ABG Sundal Collier and Christopher Mollerlokken from SpareBank 1 Markets. They will lead us through the 2 Q&A sessions.

The agenda for the day is Rune Olav, will start with a review of the seismic market outlook and PGS strategy. Then Gottfred Langseth will do the Q4 2022 results and Capital Markets Day financials. Then we'll have a Q&A, follow-up by a break. And after the break, the EVPs will present their business areas. We also have 1 Q&A at the end, and we plan to have a lunch after the presentations and the Q&As are done. The lunch will be served downstairs in the social area.

Before we start, I would like to give some practical information. As we don't have any planned fire drills, please evacuate if the alarm is sounded. I would also like to draw your attention to the cautionary statement showing on the screen and also the risk factors disclosed in the Q4 earnings release and our 2021 annual report. And also as this event is webcasted live, I kindly ask the audience in Oslo to use the microphone provided when asking questions.

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

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

Thank you, Bard, and welcome, everyone, and good morning. This morning, I will try to touch upon some of the 2022 highlights. Before moving to our market view, we will look at energy demand, seismic supply and demand and see how they interlink before moving into how we, in PGS, have positioned us in this market environment and our strategy. Lastly, I will come with our 2023 guidance before we sum up.

So 2022 highlights. 2022 became a year of recovery for the seismic industry and for PGS. There is significant improvements from '21 into '22. And there are significant improvements from the first half of '22 into the second half of 2022. So both of these things play in when you look back at 2022. We saw significant contract price increase and margin expansion. The prices were up more than 35% versus 2021. Not all of that is margin, obviously, but a large part of it is.

We are now operating and we're operating in the latter part of last year with positive EBIT margins in the contract business. And as many years before, we had a large portion of our contract business allocated to 4D acquisition, and we see that trend going on -- continuing. We have logged

the strongest order book since Q4 -- Q3 2014. And this is apples-to-apples, it's produced order book. So we've not had a stronger order book than what we had year-end this year, for many, many, many years. Most of our vessel capacity is actually booked for Q1 through Q3, and we see high ongoing bidding activity.

During the year, we also took the market-leading position in carbon storage geoservices. We completed 4 carbon storage acquisition programs of the 5 [1] in the world. We generated more than or slightly more than \$30 million of revenue in our new energy business, most of it, if not all, from the Carbon Storage market. And as most of you know that follow us, we have now recently announced that we are entering the offshore wind market.

Last year also gave us the second highest MultiClient late sales on record for PGS. We -- that came from increased exploration interest versus 2020, 2021 into '22, but also from significant transfer fees. And we improved our financial positions dramatically through the year. That was done by generating approximately \$210 million of cash flow before financing activities in 2022. And also with support from our shareholders of approximately \$250 million of new equity. We are now well positioned to refinance our debt, which falls due next year.

And we saw strong progress on digital transformation in 2022. We moved 80% of all our imaging capacity from on-prem computers and on to the Cloud. And that is an enormous technical challenge because there is a completely different architecture and you need new algorithms to be able to operate in the cloud environment versus on-prem. This -- we are now running it with much more flexibility of scaling up and down and at lower cost. And we saw the start of new digital solutions in the MultiClient space and also continue to improve our operational efficiency through digital solutions. So 2022 actually had quite a few highlights.

The year of improvement is obviously also shown in some of these key financial metrics. Produced revenues increased 39% from 2021 to 2022. Cash flow before financing activities improved 35%. The order book is up 74% from year-end last year to year-end this year, and net interest-bearing debt is down 34%. All very key parameters for PGS.

Now if we move to the market. 2 words in the beginning on what we see going forward in terms of demand for our services. And what we are showing here is the fossil fuel demand from IEA's STEPS scenario. And for those of you who are not familiar with the STEPS scenario, that is the stated policy scenario. So this is the scenario where IEA have taken all the policies adopted by governments around the world and also included policies that they expect to be adopted and then projected it forward.

So what it shows -- there are 2 main messages from this slide. The first main message is that you will see that oil and gas demand stays very high through 2050. In fact, demand of oil and gas is higher in 2050 than what it is today, under this scenario. That will require significant investments in new supply, investments in existing fields and significant exploration to meet a demand like this. There is no doubt about that.

The second important message is that fossil fuels will move from being 80% of the total energy mix to 60% of the total energy mix in 2050. Meaning the renewables primarily will have an enormous growth in the period, even in the STEPS scenario. That also provides business opportunities that we want to take part of.

Now if we zoom in a little bit and look a little bit closer in time, into the next year, next years and also closer to seismic. We get to this page. And what this says is the 2 panels. For now, I just want you to ignore the yellow line, I will get back to that. The 2 panels are taken from Barclays E&P spending survey published late December last year, and the top panel shows E&P spending growth. And the bottom panel shows offshore spending growth. And what you will see here is that E&P spending is increasing, was increasing from '21 to '22 and Barclays expected to increase into '23, '24 and '25, what we see here. That is supported by most other analysts that also look at these things. The numbers may be different, but the picture is the same. And they predict offshore spending growth as much as 24% into 2023.

So why is this relevant to seismic? It's fairly obvious, obviously, as we hear part of this. But the yellow line shows seismic spending or revenues. This is the revenues of PGS, TGS, Spectrum, Polarcus, Shearwater and CGG. Everyone, we could kind of gather revenues from in the same period, and you can see how well it correlates with E&P spending. We expect that correlation to continue, and we expect increased spending on seismic going into 2023 from 2022. We also expect it to continue into '24 and '25.

Now what we have learned over the last years is that we can talk about demand. We can show long-term demand, and it shows that we need more investments. But if our clients are not making significant cash flows after dividend, they're not going to spend. That is not a problem these days. Our clients, the energy companies generate record cash flows. The breakeven level is around \$50 million for -- we have a large raft of companies, Equinor, BP, Total, Repsol, Chevron, Exxon, Equinor, ConocoPhillips (inaudible) Sparebank 1 Markets, And it's above [\$50]. Current oil price, obviously, is much higher than that, and it paves the way for the increased spending.

We are sometimes also asked what if pricing goes from [\$80 to \$90]? Is that going to increase spending a lot on seismic in 2023? Or if it drops from [\$85 to \$75 or to \$70]? Is that going to have an effect? The answer is marginally, if anything at all. It doesn't really matter whether the oil price is [\$80, \$90, \$100 or \$70]. The point is they follow their plans. And as long as there is plenty of cash flow, they will follow it the plans, whether the oil price moves up and down within the current year. So we don't get nervous until it approaches the \$50 level or maybe below [\$60], if people believe it is going to stay there, then there might be revisions and effect on us. Right now, we have a very supportive price level on both oil and gas.

So what is our clients telling us? Does that support the macro picture we are seeing? The expectations we are seeing? And the answer is yes. Here, we have just gathered some of the comments we received from some of our larger clients towards the end of last year. And I won't read them all. But again, client one, continued high activity level, will reactivate real exploration with a global remit scanning for opportunities. This is a little bit of a trend. We are now seeing the major oil companies of the world moving into real exploration. We are not afraid of frontier exploration, 1 of -- head of one of the super majors told me the other day. This is a shift, which will impact seismic.

Client 3 here. The exploration budget will be kept high over the next year, and we see increased activity level in 2023. So what we're hearing from our clients supports what we're seeing in the macro picture and even when we get closer to E&P spending, we expect increased spending going into 2023 on seismic. So that's the demand side.

So what about the supply side? What kind of supply are this demand meeting? Well, it's meeting the lowest supply in modern history and the most consolidated supply in modern history. In 2013, we operated worldwide, the seismic industry, 60 3D vessels. In '22, approximately 15 vessels. This is a little bit of a floating number. Shearwater takes vessels in and out and we do the same, but approximately [15 vessels]. It could be [16 vessels, 17 vessels], doesn't really matter. It is historically low. And basically, we are 2 players, Shearwater and PGS that controls the world market of 3D seismic vessels.

We currently operate 6 3D vessels, as you know. We will add Ramform Victory to the fleet in Q2 this year for a large 4D job for Petrobras in Brazil, which will go throughout the year and into next year. Whether we keep Ramform Victory in the market thereafter depends on the demand at that stage. So the story about supply and demand for seismic is not about getting back to 2013. If we, for example, assume that demand goes back to 2019 levels within the next 2, 3 years, that will mean significantly more activity for the seismic industry and tightening market and higher pricing. It will take us a few years to get back to '19 level on the supply side, which obviously is supportive for us because in 2019, we operated 25 3D vessels, so quite a bit more than what we operate today.

So the market trends we see are we see a strengthening contract market, both on the exploration side, and on the 4D side. We see increased exploration activity, which drives both new MultiClient surveys and more contract surveys. We see a recovering MultiClient acquisition market. A year ago, we reported that it was difficult to get prefunding from new surveys, and it resulted in historically low investments for the seismic industry in 2022. That has completely turned around. We now see a fairly high demand for new MultiClient surveys. And as we will get back to and as you will see, we will guide on very high prefunding levels for 2023 on the higher activity level. And we have improving visibility, as I told you, the order book is the highest since Q3 2014.

So how have we positioned the company, PGS for this? As you know, we are a fully integrated service provider. That means that we operate both vessels. We have a MultiClient library, MultiClient business, imaging business, R&D business. And we use that to grow our business in new energy, and we use it to attract the contract market, the MultiClient market, imaging market. So we will see increasing revenues into 2023 because of the increase in seismic spending. We have improved our financial position, and we are ready to refinance in 2023. And as I said, we have accelerated our digital transformation, and we will continue to do so to explore new models, see whether we can get more value out of our MultiClient library.

So this is, in short, the PGS strategy. The financial strategy remains. We will focus on cash flow before growth, but we will also grow New Energy market, in particular. We will focus on return on capital employed, and we will establish a sustainable capital structure. We are very close to doing that. And we believe that today's debt level is acceptable for a company like PGS, but we will continue to repay debt over the next years from cash flow.

The business strategy, as I said, we will leverage the integration across the PGS value chain, as you will hear my colleagues speak about later. We will aim to be the leading provider of high-resolution seismic for near-field exploration production, 4D and CCS based on our streamer platform. We will develop new energy into a significant business unit. We will increase the speed and penetration of digitalization. We will continue to focus very strongly on reducing operating costs and increasing efficiency. And we will reduce our environmental footprint and set a path for net-zero in 2050. This is, in short, the PGS strategy, and you will hear more about most of these elements later today.

So a few more words on what we mean by being an integrated seismic company. As I said, we are the only company who has vessels with streamers to attract the contract market. And in combination with that, we have a large MultiClient business with a large MultiClient library. And we have a strong imaging business, which fuels both the MultiClient business by processing, imaging, the MultiClient library and service the external market.

And finally, we have an R&D department that continues to provide new solutions for the fleet, new solutions for imaging. All of this together is what we call being an integrated seismic company. That gives us several advantages. First of all, MultiClient and Contract acquisition market is overlapping. This is a sliding scale. It's not 2 different markets. In the middle, we are almost the only 1 operating. We don't care if you call it a MultiClient or a Contract as long as the project makes financial sense to PGS. So we can do a contract job, but let's say, we do all the permitting because we already have a MultiClient permitting country, and therefore, we are the only contractor available to do a job quickly or we could do a MultiClient job under the same MultiClient, but we give special rights to the prefunder. Obviously, the prefunding that needs to be higher. I'm just kind of play around with the models like that. And we do that quite a bit, and you'll hear more about that.

We're also an attractive joint venture partner because we have a serious MultiClient business and we are a very good acquisition company. And therefore, you see us do joint ventures with other MultiClient companies. And it helps us optimize utilization of our fleet because on the MultiClient side, we have some more flexibility on what to do when and therefore, we can stack our fleet change somewhat better. This also helps us grow New Energy because our strategy is to grow New Energy based on what we're good at already. We want to expand our offering based on the competencies already in PGS. That is our strategy into new energy, which you will hear more about from [Bard] and we try to get the most out of our data library and here also digital solutions are quite relevant.

Now 2022 was a year of recovery, and you've seen a strong improvement from 2021. That would not have been the case had we not had a high-performing organization. And PGS has a high-performing organization. This is an organization that we, over the last year, has put through at least 2 very large scale downs. We have reorganized, restructured the organization, and we've centralized it to save cost and to prepare for an upturn. We are in a cyclical business. We know that. So we knew the upturn would come, and it is now here.

So now we will take the most out of this organization. That means that we will increase it slightly. And as you said, we -- as you can see here, we increased it by 3%, for the first time in many, many years in '22. And we will incrementally increase our organization through 2023, both to strengthen our New Energy business, our digital initiatives and obviously our core business. But the cost increase or the increase in manpower will be much less than the revenue increase. And that is what we have designed this organization for. This organization, with a little bit of an addition is ready to take on more activity and generate much more revenues. So I'm looking forward to see how much we can get out of our highly competent organization in the years to come.

We have, as other companies in the world set us ESG targets. And let's be clear. In PGS, we believe that we contribute in 3 ways to the world, 3 very important ways: one, to support the Energy business, providing enough energy for this world. That means supporting energy companies finding more oil and gas because we are going to need more oil and gas. We're proud of that position. Secondly, there is an energy transition going on, and we need to contribute to that energy transition. We believe that with our competencies we will be instrumental in carbon storage to make that successful for the world. We will do our bit on offshore wind. And hopefully, if Marine Minerals becomes important, we will help there as well because you need seismic for all of these things.

So we see business opportunities in the energy transition, and we welcome it. Finally, we need to do our part, and that's what this slide is all about. We have set a target of net zero in 2050. We will reduce our absolute emissions from our marine operations by 75% by 2050, and it should be 100% clean from our offices. And we think we know how to get there. It will require some new technology, but it's not that difficult to foresee it as Rob will come back to in his presentation.

So 2023 guidance. Group cash cost moves up to approximately \$550 million on the back of more activity. MultiClient cash investments increased to approximately \$160 million. We will use approximately 60% of our 3D capacity in the contract market and 40% in the MultiClient market. So an increase of the share for MultiClient. And we will spend approximately \$100 million of CapEx, which includes approximately 1 new streamer set or approximately \$50 million of streamer CapEx in that number. We're starting to renew our streamer fleet, our fleet of streamers.

So in summary, seismic market improved in 2022. We expect continued improvement into 2023. We have a healthy order book with good visibility. We're progressing well with our New Energy business development. We're increasingly leveraging the integrated approach, and we have significantly reduced our net debt, and we are well positioned to refinance in 2023.

So with that, I give the word to Gottfred to take us through Q4 and preliminary full year 2022 presentation.

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Thank you, Rune. Sound is all right, I hope. I will -- Good morning. I will cover mainly going through the Q4 numbers. And then some selected financial areas and obviously, I think, in that the financial position and the refinancing. So before that -- I start with that, I will spend a minute maybe on this slide. We are making some changes to our reporting. We are reintroducing a percentage of completion based APMs, alternative performance measures. And we do that to better capture the value creation relating to MultiClient, new investments, new programs and MultiClient prefunding.

So we are using these measures for our internal performance management and decision-making, and it will in our financial reports be reported as our segment reporting numbers. And the most important ones are listed there, produced revenues, produced EBITDA and prefunding as a percentage of MultiClient cash investments or short prefunding level, all based on percentage of completion, of course. And just to be on the safe side. This only relates to MultiClient prefunding. There's no difference between these defined terms and IFRS on any other revenue lines, not contract, not late sales or imaging.

Lastly, order book, as reported now, will be only the future production relating to our order book. As opposed to IFRS where due to the later revenue recognition, it included also some production that was already performed. Okay. This key numbers slide on revenues and EBITDA that compares the produced numbers and IFRS side-by-side, produced to the left, IFRS to the right. And as I mentioned, the differences in a way on -- in the revenue boxes here on the prefunding, which is showed -- shown with gray. I hope I can't see whether the color is actually coming through on the screen, not if that's all right or shaded. And you'll see from the IFRS numbers that the revenue from prefunding is quite lumpy. And almost this, in a way, is -- what is it, disguises the trend. So for trend, we look at the produced revenues where there is a strong improvement during and throughout 2022, fairly evident from the revenue and EBITDA illustration, and that reflects a positive development for all our product services lines and revenue lines, contract, late sales and pre-funding, and imaging as well.

Fourth quarter was our third consecutive quarter with a strong EBIT number. We had \$46 million in Q4. Cash flow. The cash flow generation is progressing. But as usual, the fourth quarter is impacted by a working capital build. Fourth quarter is -- this is obviously the revenue level driven, but fourth quarter is in addition, a bit special since there's a lot of relocation of our fleet in the first part of the quarter, so that also the vessel production, vessel revenues are back-end loaded. And that's the reason that in a way, we often get that larger degree of Q4 revenues being sort of collected in Q1 rather than in quarter. We expect, therefore, a working capital release, obviously, in the first quarter now in 2023.

Then to the order book, we had \$416 million, and that now only relates to future revenue from future production. That's a significant step-up from Q3, as you will see from the illustration and a 74% increase for the whole year. And as Rune already has said, is the highest level we've been at since the third quarter of 2014. The order book, as we reported on a consistent basis with what we reported last quarter, which including the deferred revenues relating to past production was \$517 million and as illustrated here. So that would be the number to compare to what we quoted in the

Q3 report, but we will which that is strongly up as well. We will discontinue reporting this number. It's obviously possible to find it in our financial reports, but we will not focus on it.

Okay. Order book increase obviously builds into a strong booking position. So we've sold 17 vessel months for this Q1. 16 vessel months for Q2, and this is out of 18 vessel months available. And we have sold 12 vessel months for Q3. Q2 onwards, we will operate Ramform Victory. So then we will have, if I'm not wrong, 21 vessel months available for these quarters. But as I said, 12 as booked vessel as of today. This is a slide with lots of numbers and will be short of the comments. So on our segment reporting, the produced revenues, which are shown at the top here, are up 44% in fourth quarter compared to fourth quarter '21, and revenues for the full year up 39%. That is a tremendously significant growth.

Correspondingly for EBITDA, produced EBITDA increased 51% in the fourth quarter and 40% for the full year. When it comes to the -- as reported IFRS numbers, they are, in a way, pretty close to the segment or the produced numbers for 2022. But in 2021, we had large volumes of data delivered on our MultiClient projects and delivered relatively speaking, high reported high IFRS or as reported numbers. So therefore, the growth in the numbers is less, but that is due to the starting point.

We have a strong EBIT improvement regardless of which angle you look at the numbers. And that is due to a significant improvement of the contract margin, significant increase of MultiClient late sales and lower MultiClient amortization. Just checking, we should be good on time here. Looking into Q4, specifically on revenues. We had contract revenues of \$111 million in the quarter. So that compares quite well to previous quarter, as you would see from the graph, 84% of our active vessel time was used for contracts, so more than we've used in most of the earlier quarters, and we are seeing improved pricing and improved -- recovering EBIT margin for contract services.

For MultiClient, total revenues of produced revenues of \$134.6 million strong late sales, \$92 million in the quarter. We also had relatively speaking, strong late prefunding sales in the quarter, but that ends up as prefunding revenues, \$43 million for the quarter. And on \$25 million of MultiClient investments, that is 170% prefunding rate. So from our perspective, whether a sale is a late sale and ends up in the blue or it is a late prefunding sale ends up in the darker blue, doesn't really matter. But in a way, they had impacted our numbers this quarter where there was some portion that came into the prefunding bucket.

Utilization of vessels, 75% active time. We had quite a lot of steaming in the quarter as we had a relocation of, I would say, most vessels early quarter before starting the winter season. We expect the active vessel time to increase in the first quarter, but in first quarter, as well, we will have some standby in the transition from winter to summer season. Cash cost, slightly down sequentially to \$131 million, and that is due to less production of the vessels. On the vessels, less production time and now a slightly lower fuel price. So primary drivers. We had both Sanco Swift and PGS Apollo operated -- operating for the full quarter. So in addition to the 6 3D vessels in operations, these vessels operated as 2D and source vessels, respectively. So we ended for the full year at \$488 million gross cash costs, so that's a bit below our guidance for the year of \$500 million.

On balance sheet, I will be quite quick here. Unrestricted cash and cash equivalents, unrestricted, \$364 million at the end of the year. Our net interest-bearing debt of \$616 million, that's a reduction of \$319.7 million. On the cash flow, Q4 is impacted by revenue related working capital build. I tried to explain it earlier. I'm not sure I would do better trying to explain it. Again, and we actually revert to it, but this is purely revenue driven. You will see zero out over time, obviously, we are hopeful and expect our revenues to grow, and that will from -- in some of the quarters cost working capital build.

We had net proceeds from the equity raise of \$144.7 million. I just wanted to comment on that for the reason that Norwegian krona weakened a little bit between the placement date and the date of receipt that impacts this number, but we -- it was hedged. The gain of selling gain is in our financial items as foreign currency gain. That was the Q4 numbers, at least what I intended to cover and then we go to the other topics and maybe most importantly, the next 2 or 3 slides. So we have a strong improvement of our financial position in 2022. We have increasing cash flow, driven by recovering contract margins and increasing MultiClient sales. It will -- some delay between making the sales and realizing the cash flow typically in our business a couple of months. So that has an impact, and we already touched upon the working capital. Still, we had a cash flow before financing activities of \$209.5 million, say, \$210 million in 2022. And that is up from around \$155 million in 2021. So it's clearly moving in the right direction.

And the bars in the upper left graph here is our net interest-bearing debt. That is down from -- it was \$936 million a year back, and now it's \$616 million. This is quite close to our targeted level that we'll be talking about for at least 4, maybe more years and we want our net debt not to exceed \$500 million to \$600 million. We're not saying we want it to be inside \$500 million to \$600 million, but not to exceed that level approximately, and we're getting or touching the top end of that interval, but that's not saying that we would change our priority in the medium term of reducing debt.

At the bottom or the lower left graph here just shows the sharp reduction of leverage ratio we've had during the year, obviously driven by less debt and improving results. [strategic] to achieve a reduced ratio. And we have substantial headroom to the covenants in our loan agreement. Then it may be overdoing it, but here, we break down the 2022 cash flow. And we've introduced a subtotal in almost in the middle dark blue arrows, which is called cash flow before working capital change and financing.

And the purpose of this is we focus quite a lot on in a way. How -- what do we day by day, month by month, quarter by quarter, what does our business generate? And then obviously, there will be a fluctuation in whether things are collected fast or slow. So that is quite important for us, the cash flow generation. And that is the way we look at it, it is our \$817 million of produced revenues last year. We deduct our gross cash cost of \$488 million. We deduct our CapEx of \$48 million, and we deduct our tax payments, and there are some other pluses and minuses. So makes it be it add up to \$15.9 million last year. That is, in a way, what we have produced of cash flow in the quarter. And then -- and that is \$264.9 million.

And then in the real cash flow statement in a way, the working capital change will be make this number better or worse in the realized cash flow. In the fourth quarter, \$55 million of working capital increase leads us to a cash flow before financing activities in the cash flow statement. And the same as I showed on the previous slide of \$209.5 million. So that is the real cash flow before financing activities. And then we have to pay our interest. So unfortunately, as much as \$96.9 million for the year, including the lease interest imputed, and we get to a net cash flow, which is the net-net before debt repayment and changes in equity of \$112.6 million.

So last thing I want to say about -- this is and it is back to working capital in a way, the \$55 million working capital increase is revenue driven. This is a year we're looking at Q4 2022 revenues was \$76 million higher than Q4 '21. And in a way, Q4 '21 revenues built into '22 cash flow, whereas the Q4 '22 revenues more important for '23 cash flow. So in light of the revenue increase between the quarters is as you would expect or may be better again. I may have to speed up a little bit.

Then moving to refinancing status. We have a runway to Q1 -- to end Q1 2024. We have a liquidity reserve and a cash flow generation to manage our 2023 debt amortization. Upper graph here, seeks to illustrate that. It shows our amortization profile and the gray bar is our unrestricted cash. We plan to refinance the term loan B in the first half of the year if debt markets are adequate. And that -- this may happen soon or it can take a little bit longer. But we are prepared to do it sooner. A transaction is likely to be if we did it early in the year, and it is a bit important. \$650 million to \$700 million total, including our new revolving credit facility, so not a new market loan of that size, but some of the market loan and the revolving facility approximately this size.

And we have tried to illustrate it at the bottom, something wrong with the colors here, but it's probably possible to see anyway. So -- and this is not rocket science. In a way, the shows sources and uses. We will -- when we refinance, we will have to repay the term loan and the related super senior, that's \$788 million. We also have generally revert to that. We'll have to make a liquidity sweep payment in Q1 to the ECF financing, \$83 million. And then we want to maintain with a good liquidity reserve after refinancing and here approximately \$150 million. That is what we had to solve for in the refinancing. And then to the right resources, what we already have. We have our unrestricted cash flow of \$364 million and then with the refinancing amount that I pointed to \$650 million to \$700 million is what balances this equation. I mean if you do it very mechanical, you see that it is closer to \$650 million than \$700 million.

Lastly, on this graph, we put in an illustration on the top and saying something is these numbers are 31st December. And we will generate cash flow in Q1. We've just illustrated that, that can impact the timing of any financing can impact in a way, how these sources and uses ultimately look. But don't meter the small box at the top there. The purpose is not to show you the number, just to remind you that this also plays into obviously, the thinking. We are well progressed with preparations. We should be able -- we'll be able to execute on short notice if the market is where we need it to be, and we are well positioned to refinance now during first half of 2023. So that is the main message. And then I included on this slide fairly technical comments on the amortization and the liquidity sweep. Those are not interested. Spare over with me for 30 seconds, 40 seconds,



but not everyone gets this right. What I can say. And therefore, on the '23 debt amortization, the total amortization of our debt for '23 is \$367 million. It's for the term loan, \$9 million per quarter and \$200 million in September. For the ECF, it is \$130 million spread across the quarters. That is the total.

Then we have a liquidity sweep. And up to now, that has been for amounts over \$200 million relating to anything that has been deferred when we did debt rescheduling 2 years back. So there will be a liquidity sweep now at the end based on Q4 balance sheet, that liquidity sweep will be \$83 million, and that will be paid to the ECF financing now early February, actually. And that is everything that happens our liquidity sweep. Now, since we're done with the old debt rescheduling them, there will be going forward, liquidity sweep above \$175 million, and that will go to the TLB, but it will always be applied against the nearest amortization. So you start to gobble up to \$9 million per quarter, and then we'll start eating into the \$200 million, if we get past Q1. So none of this will change the fact that we will amortize \$367 million next year is just timing. Apologies for that.

Cash costs for next year, \$488 million 2022, \$550 million for next year. The 3 primary drivers are shown here, more capacity in operational victory most important there, higher fleet utilization in general as compared especially to weak utilization in Q1 and into Q2 for 2022. And we put in what we expect to see of price increases effect of salary adjustments for the year. Cost is very important for us. And -- but I will leave it there as Rune has already pointed to this. Full year CapEx for this year '22 was \$48 million, well above where we guided. We started to build new streamers with some quantity in 2022, but we will do more in 2023. So for '23, we'll build approximately a streamer set vessel -- full streamer set worth of streamers. And that will increase, obviously, our streamer investments for the year to approximately \$50 million for 2023.

We also have our yard schedule to follow and a bit of work with Ramform Victory to [Claus] and otherwise upgrade a little bit. So in total, we expect \$100 million of CapEx for 2023. On MultiClient, we target a prefunding level of 80% to 120% of our cash investments. We have a pretty consistent track record of being in the upper part or above that range. For '22, we had \$106 million of investment and 123% prefunding. Prefunding will be strong in 2023 as well. We expect our plan to invest approximately \$160 million and expect to be on prefunding around the top end of the target interval. Yes. Then finally, at the summary. So our market is improving for all our product lines. We have a strong order book growth, obviously, very helpful for our visibility and operating our business effectively. Cash flow generation shows a strong improvement. We have reduced our net interest-bearing debt substantially in 2022. And we are well positioned to refinance now in 2023, and we are prepared to do it as soon as we find the right market and timing.

I will stop there. I believe Q&A is next. Hope I didn't run over on the time. How do we do this Bard or Bjorn?

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## QUESTIONS AND ANSWERS

**Bjørn Korsveien** - PGS ASA - VP of Finance & Group Treasurer

Yes. We're going to open up for questions. We have about 20 minutes. So we actually are ahead of plan. That's good from your side, PGS. While you prepare, we have a couple of questions from us. So maybe first, you're giving some guidance for the year. But of course, the 2 key uncertain -- biggest uncertainties are MultiClient late sales and contract revenues. And I realize it's difficult to give guidance on that, but (technical difficulty)

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

We will buy some very large transactions and there was obviously also a more of an organic growth in those numbers, but the very high numbers were, to a large extent, impacted by transfer fees, basically large transfers in the industry that results in a transfer fees. It is difficult to predict whether we will get to the same level next -- or this year as last year. We do expect that are, let's call it, organic late sales will grow year-over-year. That is typically what we see when the market is growing, there is more interest. And the stuff we invested in, in '18 and '19, which didn't sell great in 2020, 2021, we expect to sell from also this year. But where it ends up in the end is difficult to say. We expect, as I said, kind of underlying growth, but then you're going to have to adjust for the large transfer fees, and we'll see. That's the best thing I can say, I think.

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**John A. Schj. Olaisen** - *ABG Sundal Collier Holding ASA - Co-Head of Global Research*

We give some indication of that in total for the year?

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

Not really. But we always include an estimate of transfer fees. It always happens. There's transfers in the North Sea, in the U.K. and other places of the world, so we kind of collect what should we -- we could indicate between \$25 million and \$50 million in any given year over this part of the business model. Last year, it was significantly higher than the top level.

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**John A. Schj. Olaisen** - *ABG Sundal Collier Holding ASA - Co-Head of Global Research*

And then on contract revenues, is it possible to elaborate a little bit about the potential for growth for contracts?

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

Yes.

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**John A. Schj. Olaisen** - *ABG Sundal Collier Holding ASA - Co-Head of Global Research*

You have 1 more vessel, you have more available vessels. You probably see increased utilization, I would assume. And how about day rates and the total EBITDA growth from the Contract business.

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

Yes. We will see, as you say, we expect at least to see increased utilization. We see that clearly in the first half. First quarter last year was very poor in terms of Contract revenues utilization. We had, what, half of our fleet operating, something like that. That's obviously not the case this year. We also going into the year with much higher rate levels, both on margin on absolute rate levels in 2023. And we expect margins to continue to increase through the year. But I don't think we can expect same amount of jump as we've seen in Contract revenues from '22 to -- sorry, from '21 to '22 into '23, but we do expect it to continue to strengthen through the year.

So yes, and we have another vessel. So there are at least 3 impacts here, which should improve the contract revenues.

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

If there are any questions from the audience, feel free to raise your hand unless I will just continue what John was referring to. On the backlog you have, which is at a multiyear high, could you indicate what the contract revenues in -- on average are versus 2022?

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

Fred, do you want to comment?

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Do you ask about the Contract prices or revenue per day versus 2022? I think we disclosed already what -- how much is Contract but versus MultiClient. No, I don't think we can say more than what Rune said. In a way, we have seen a strong increase of day rates or pricing during 2022, 35% up. Then we say now that we expect higher prices for the next -- for 2023. And we also say that the order book has higher prices, but I don't want to quantify how much higher .

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

There is also, of course, we contributed that there is important to remember that the increase of 35%, for example, from '21 to ['22], isn't all margin. When we operate in some areas, the prices on the same margin are much higher because the costs are higher. And if we operate in other areas, on the same margins, call it, day rate will be lower, but the margin the same. So the mix also plays into the picture. So it is important to remember that the way we run our business is obviously on the margin base, not on a top line contract. So we take the costs into account, obviously. That's why we say we expect the margins to continue to increase, but probably not as much as last year.

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

You had a strong year in MultiClient last year. Me and John, we only see the dollar numbers, but could you share your thoughts on is this mainly volume? Or did you also improve the prices on MultiClient seismic last year?

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

It's a difficult question. It comes to prefunding. It's also difficult. I mean, you can look at the prefunding rate, obviously because that impacts -- that takes care of the cost, clearly. So it obviously improves on the prefunding when we report what was 123% rate and we expect similar levels this year. When it comes to late sales, it is...

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Can I drop in? I'd say that it is -- it tends to correlate in a way the demand is higher. You have a better bargaining position you get in a way. This is negotiations for every set. It's not -- this is our price base and they order of the web. So better market, more interesting data, our bargaining negotiating position is better, and we end up with making both more sales and on average, getting a better price for the data and the opposite when you struggle in getting [Tilston], and it's the opposite dynamics, I would suggest.

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

Maybe we could go over to the refinancing in the first half. You said that you plan to do it where the market is where you'd like it to be. Maybe you could elaborate a little bit on 2 key factors. What kind of interest rates would you accept? And also, what kind of length for the debt maturity are you planning for?

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Yes. If I said if the market is where as we like it to be, then that wasn't fully right or I meant something else at least when the market is at a place where we think we can do a refinancing transaction and get the best terms available. The market for the next half year and the year -- we'll not get to a level where we in PGS like it to be. That's not the state of the debt markets, but we need to do a -- able to refinance that at market terms in a period where the market is open. And I put our best foot forward, and that is what we mean by the market being open or adequate -- adequately good.

We -- I don't want to quote anything on interest rates, duration enormous to seek 5-year new money, whether it is 5 years or 4.5 years, that doesn't matter much. But if I were to better we have a new 5-year loan to refinance the existing term loan.

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

And the current debt financing limits the possibility to pay out dividend, do you think a refinance debt will also have limitations on dividend payments?

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Yes, it will, but there will be baskets for everything. So the -- in a way, this is part of our preparations considering which baskets do we need? And what's the cost and marketing consequence of having in a way asking for too much flexibility that is the trade-off. That is the work that we're doing now to figure out how we can best do it.

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

But currently, it's not -- basically not possible to bid our dividend. Will you -- do you think you will be able to be in a dividend position if your cash flow is strong enough? Or will you have -- will the new debt allow you to pay dividend if the cash flow is strong enough?

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

I'm tempted to say, yes, but it's yes with a bit of complication. Yes, there will be baskets for paying dividend. So it will allow paying dividends. When we get to a position where we want to pay significant dividends, which I hope happens soon. We are likely to also refinance it again at the same time. In a way, this is not the best market we're looking at today, and we will early whatever date a year or 2 from now is sitting with a much stronger balance sheet, x amount of cash to distribute as dividend.

We -- I would at least envisage we will sit down and say, okay, we did the refinancing in 2023. We have further strengthened our balance sheet. We'll do it again. relatively low cost, lower our interest rate. So I think your question is a little bit academic, but the short version is say, yes.

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

But I guess, to comment a little bit, as you will understand from this is we aim to continue to repay debt. That will if things go the way we believe it will, it will strengthen the company financially. It will increase our credit ratings and therefore, lower our cost of debt. So flexibility in the new instrument is quite important. And it plays to your dividend question in a way, not to tie yourself to the mast for 5 years to put it away, is quite important.

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

That's a related question from the web from Mr. [Inge Rosta]. Will the refinancing include more equity issue or not?

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**Gottfred Langseth** - PGS ASA - CFO & Executive VP

No, that is not the plan.

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

No, no. We're not planning for that at all.

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

We've got a couple of more questions from the web. Yes. I'll just ask the ones you haven't already answered. So regarding the recent windfarm contract, will this work be carried out by Sanco Swift?

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

Yes.

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

Do you think that the MultiClient model of your peers have reached their end game?

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

No. I'll let them comment on that. But we believe in our model, but that doesn't mean that everyone else is out of business, do it in that way.

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

And then we have a question here from -- on the costs. You're adding 1 vessel this year. But the cash cost guidance does not increase so much with regards to 2022. Can you please give us a bit more explanation on the mechanics?

**Gottfred Langseth** - PGS ASA - CFO & Executive VP

No, it is -- in a way, yes, we're adding a vessel basis only half a year. So I'm not sure I understand it. But any way -- if you think that a full year cash cost for a 3D vessel with everything is \$50 million there. I have just taken a number out of there, it is \$12.5 million or \$25 million for half the year. So that is -- it doesn't increase by a full year operation of another vessel.

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

I mean, let me also kind of comment what we have been very focused on in PGS over many, many years now is the lower, call it, the overall cost of the company per 3D vessel. And that will continue as we grow. And that was what I tried to talk a little bit about on the organization is yes, obviously, we're bringing a vessel. It will increase fuel and crew and all of that, but it will not proportionally increase the rest of the cost in PGS. And therefore, we expect that our cost per 3D vessel will continue to lower because of all of -- you won't see the same growth in the overhead as we grow our business.

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

And just to add, it's fair to assume, right, that the fuel cost per day this year will probably be lower than last year per vessel, given where oil prices versus where it was last year.

**Gottfred Langseth** - PGS ASA - CFO & Executive VP

Yes. If you look at it today, the average price for fuel consumed by our fleet in '23, we expect it to be lower than '22. It's not that large, large impact anyway. It may fluctuate, but prices have come down quite a bit from the peak levels, but then they started quite low in '22.

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

On the refinancing, have you set up a limit on the interest rate that you could stop the process and delayed?

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

Yes. Well, you could say yes. We have -- we're not going to tell you what it is. As we would be telling the market that our opponents as well. So I don't think we'll give that up.

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

Question from the web here. Have you considered taking Valiant out of stacking?

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

Not right now, no.

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

Could you please elaborate on your capital allocation strategy in the event late sales and/or contract disappoint in 2023? There is some more here. Will you ask shareholders to fund MultiClient? Or will you cut MultiClient activity? What is the pecking order?

**Gottfred Langseth** - PGS ASA - CFO & Executive VP

I know if I start it's a little bit in a way -- we -- the way we plan with respect to new MultiClient services so that if we reduce our MultiClient investments by \$60 million, we will improve our cash flow by \$60 million. We do projects that, on average, pays their CapEx. So they have to qualify for getting prioritized in our capacity allocation decisions by in a way, funding the investment and delivering an all-in business case including the late sales that compete with alternative doing contract work. That is my best stab at it.

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

It's always difficult to comment on, let's say, alternative scenarios. But obviously, if revenues for some reason were to disappoint, we will sit down and take a look at our cost as we have done over the last 5 years and see where we can reduce our cost without -- without, at the same time, reducing our revenues.

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

And final question from the web, and I'll just give a brief background. So you have 6 vessels in operation now. It will add a seventh in Brazil. And then the question is, with this windfarm contract on Sanco Swift, will that mean that you're increasing to 8 vessels?

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

Well, it depends on how you count in a way. But it will be Sanco Swift doing the windfarm job. And as I -- yes, we have success in operation now, but we also have Apollo operating as a source vessel, which is obviously a full-fledged 3D vessel. If you equip our -- and we have Sanco Swift already operating as a 2D vessel, meaning with 1 streamer and cycle which will move from that 2D operations and operate the wind job.

So we like to communicate the number of, call it, 3D vessels we offer to the market, but it is a good observation. We do operate more vessels for other purposes, and these are some of them full-fledged 3D vessels or could be.

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

Question from the ones here. Yes.

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**Unidentified Analyst**

Other question pertaining to the rate development. You have said that you increased rates to 35% last year, which is a nice number, but they have to be a bit provocative and say it's nothing impressive compared to, for instance, the rig companies, offshore rigs, less consolidated industry, increasing much more. So I'm a bit surprised you now saying that in this year, you see a rate increase but not perhaps the same magnitude. You're coming from a very low level, your virtual duopoly. So could you elaborate on why you have some muted ambitions to be a bit provocative again on the rate picture?

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

Well, I can just say, there's nothing wrong with the ambitions. We obviously have the ambition to raise the rates as much as we possibly can. That's clear. I guess it's -- there is a bit of conservatism in this. We need to kind of see it see play through in the market, the macro picture, what we're hearing all supports an increasing market, which could lead to a price increase as high or higher, that's clear.

At the same time, we have a large backlog, which we also are going to get into, which is at a higher level, but it's not another 40% on top of that. So it's just -- I don't know, what can I say? I'm trying to read the tea leaves here a little bit and the market will decide where we end up. But it is -- I just think maybe this is the tendency we have, that this will continue to kind of grow more gradually. I didn't expect the '22 rates to be 35% higher than '21 at this time last year either. So this will be -- play out by the market, and we obviously follow it quite closely.

And as you say, there is a -- we have 1 main competitor, and we consider every bid in light of backlog activity level where the vessels are, where the competitors have vessels these things. So I'm not going to rule it out, but there is what I say, there is a prediction that it will increase, but maybe not as much as this year.

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

And with that, we'll pause for a 15-minute break, and we'll be back here at half past 10.

(Break)

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

Welcome back from the break. We will now go into the business areas. So Nathan Oliver will present Sales & Services, Berit Osnes will present New Energy, and Rob will present Operations.

So with that, I give the word to you, Nathan.

**Nathan Oliver** - *PGS ASA - EVP of Sales & Services*

Thank you very much, Bard. I assume everybody can hear me okay. I'm seeing a few nods. So good morning, everybody.

In this section of our Capital Markets Day, I will talk to the PGS Sales & Services unit, which includes the contract acquisition, multi-client and imaging business segments. Following this, I will hand over to my colleague, Berit, who will give you an exciting update on our new energy business.

In my presentation today, I'm going to talk about global E&P activity drivers and give you a little bit of a whirlwind tour of what these look like and the return of exploration that they're driving. I'll talk about the growth of the infrastructure-led exploration segment and the emergence of what we call the integrated business. I'll talk to our 2022 multi-client business performance. And finally, I'm going to touch on 2 digitalization initiatives, one in the multi-client space and one in the imaging business, that really demonstrate the value creation that we can leverage from the cloud.

And for those of you wondering what the fantastic image on the left-hand side of the screen is here, I am running a little competition. So at the end of my presentation, if anybody knows what this is, there will be a price.

So global E&P activity drivers. Well, the global pandemic led to a near-term focus on existing assets and a real diminished appetite for frontier exploration as we called it back then. However, the geopolitical conflict and high and volatile oil and gas prices have seen a shift in the energy politics, from the short-term focus on the environment and energy transition to a greater and sharper focus on affordability and security of supply.

The official view is that global explorers are taking a measured view and holding budgets and activity steady, whilst focusing on improving their overall efficiency in light of the current commodity prices. However, there's substantial evidence that more is happening in the exploration space that originally meets the glance.

Sensing a rekindling of enthusiasm to explore, governments are taking notice and are increasingly providing access or availability of acreage for access hoping to entice new inbound investments. And the traditional method for this, of course, is licensing rounds.

As you'll see on the map here, the callout boxes really show those licensing rounds associated with our own multi-client footprint, and in smaller front, the other licensing rounds that presently are anticipated to take place during the course of 2023.

However, there are increasingly other conduits to acreage access, including shorter time frame mini-licensing rounds, as we've seen ongoing in Nigeria at present; acreage promotions directly by governments that we see in Ghana and Cote d'Ivoire; permanent offerings, as Brazil has moved to now; and open door rounds that we've seen in Uruguay, just to cite a few examples.

Now that's not to say that traditional licensing rounds are dead. They do still exist. I mean we've seen that here with APA in Norway, of course, the 33rd round licensing in the U.K., Egypt licensing round, MBR 2023 in Malaysia, and of course, the U.S. GoM, with Lease Sales 259 and 261, that will take place during the course of the year.

I would say that added to this, we're also seeing carbon storage bid rounds, which I've noted on the map here, taking place. And in the U.K., the 2022 carbon storage licensing round attracted a total of 26 bids. These awards are due in early 2023. While in Norway, acreage in the Norwegian North Sea is available for bidding, and the deadline is February of this year. So licensing rounds and acreage access, be that for hydrocarbon or now CCS, can be seen to act as major triggers for seismic demand.

One of the other major activity drivers influencing demand is drilling. And as offshore picks up momentum in 2023, this will be an extremely active year. So I refer to high-impact wells. And just to provide some definition there, what I'm referring to are frontier new field wildcats or play opening wells.



I think it's worth taking a look back on 2022's activity when it comes to high-impact wells and global resource add. So there are 100 -- total of 178 conventional discoveries made globally, equating to just under 19 billion barrels of oil equivalent recoverable.

Now of that, 65% of those barrels came from high-impact wells, and that was just 17 high-impact wells. And a total of all 77% -- or a total of 77% of all discovered resources came from the deepwater. So we get some sense of the enormous value creation that organic exploration can drive, specifically in the deepwater environment.

So if we look forward to 2023, what can we expect by way of high-impact wells? And these I've marked around the world here. And I'll just pick on a few too -- as part of my world tour.

So in North America, our activity is forecast to rebound following what was really a rather quiet 2022. Starting in Canada, we had the Ephesus new field wildcat in the Orphan Basin offshore. While there are a number of campaigns planned in the U.S. Gulf of Mexico, plus further drilling commitment wells offshore Mexico, with [Yatil, Itskarli, and Yokol] .

South America is clearly, once again, going to be a key region for high-impact exploration, nowhere more so than the Suriname-Guyana basin, where drilling will continue at pace with the AMETEK way and walker probes.

While in Brazil, the Morpho well, in the equatorial margins, will be very, very keenly watched given how long it's taken to procure the necessary environmental permitting to start this work.

Further south, Argentina will see its first ever deepwater well drilled in 2023 also, the Aldrich well. So quite a lot of activity that we're seeing in the southern part of America.

In Europe, drilling activity is expected to fall slightly year-on-year. However, the Eastern Mediterranean have seen a recent uptick in high-impact exploration drilling and success associated with that, with the Chronos, Zeus and Nogus discoveries recently announced. An activity will continue in 2023, with an estimated 5 new wells to be drilled, including the Qana prospect in Lebanon.

Africa will be an area of strong focus with wells expected in the emerging Orange Basin. Now many of you will have already heard or seen of the Yonker well that's currently in the progress of drilling to deeper depth in Shell's acreage. So that's going to be another exciting well to watch as they enter the deeper zone.

But there are also frontier tests in Morocco, Gabon and Mozambique as well. And not to be left to one site in Asia Pacific, we're going to see deepwater wells in Sabah in Malaysia, Lalang and Pikaka. And also, we're going to see activity on the Northwest Shelf of Australia, with a honeybadger and beehive probes as well. So quite a vibrant picture when it comes to high-impact wells and drilling activity as we move into 2023.

So I mentioned earlier that there's more happening in the exploration space than meets the eye at first glance. I think it's true to say that the word "frontier" has been somewhat renamed to emerging basins. And it's interesting to take a step back and look at where emerging basin acreage has been acquired in the last 12 months by the major IOCs and NOCs.

And for clarity here, when I talk about emerging basins, I'm excluding the sort of the traditional hydrocarbon basins, such as the U.S. Gulf of Mexico and the North Sea, for example. So I've marked on this map those areas of license awards in the last 12 months. In the light green color, I think you can hopefully see.

So in Canada, Brazil, outside of the core basins, and Uruguay alone, there's a total of 90,000 square kilometers of emerging basin acreage has been added to exploration portfolios. And if we hop across to the other side of the margin, and we look at Egypt and Greece in the Mediterranean, Angola, Namibia and Mozambique in Africa, that's added a further 110,000 approximately square kilometers of emerging basin acquisition. As I said, all predominantly picked up by IOCs and NOVs -- IOCs and -- NOCs I should say.

Now I need to apply a cautionary notice here for those of you that are following the demand quite closely. This does not mean that there's going to be 200,000 square kilometers of new seismic that's going to be acquired next year, but I'll come back to that because there is a volume of work program commitment associated with this new acreage.

However, as I've said, this will drive new demand, though not necessarily to the same extent of the 200,000 square kilometers. And that demand is also going to be seen and evidenced by activity -- an increase in activity in the multi-client environment as well. And you can see that with our own firm multi-client programs that I've marked on this map.

So in Brazil, in the southern part of the Santos Basin, looking at potential analogs across the margin to Namibia. In Sarawak and Sabah in Malaysia, following the recent Malaysia bid rounds there. And the Norwegian sea program that we have in Europe that we will conduct this year.

Now these are what I've marked as the firm programs. And I can assure you there's quite a few more that are conceptually in the planning and development phase, but I don't really want to give the game away completely and show all of those to you just yet.

So I sort of come back to the acreage add that we've seen from the IOCs and the NOCs. And I think to me, the message is that you really need to watch what they do and not necessarily listen to what they say because there's 2 different things going on here.

So if I skip forward and we look at the demand forecast for 2023, I've already talked about the 200,000 square kilometers, and I've applied the cautionary notice here. But I mean just to put that into context, we are talking about a volume of emerging basin acreage that is approximately the equivalent of the totality of seismic that we acquired as an industry in 2022, just to give you some sense of scale.

And remembering that not all of this new acreage is going to come with work program commitment, we do nevertheless forecast demand to grow by as much as 40% year-on-year, albeit from a low base in 2022, I hasten to add. I would say that note on the demand forecast on the top here, we're talking in terms of square kilometers.

Now this growth is very broad-based, but much underpinned by the returning appetite for exploration following the recent accumulation of acreage. We see this translated to both the contract and the multiclient segments, with the increase in new programs, as I've already referred to our own programs that we will conduct in 2023.

The overall contract multiclient ratio year-on-year is anticipated to be relatively stable across the industry. And here, we're talking about mid-40% to mid-50% contract in multiclient, respectively, in square kilometer terms.

You'll see I've also forecast, in the yellow line, the active vessel years to meet the demand that we see in 2023. That forecast includes steaming and yard, but it does not include stack or idle time. And you'll note that this sums to approximately 15 vessels, which is the size of the present active fleet. Now I say approximately, as stacking is quite dynamic as we've heard earlier. So what we see is a market that is very balanced here.

So the demand growth, given the present supply, supports the opportunity for further margin expansion and, of course, increased utilization.

Now I will touch on 4D. You've heard me talk in previous Capital Markets Days about the premium 4D segment. And I'll be honest and say that the growth levels that we saw in 2022 did not meet the original expectation when we were tracking bids and leads from late 2021 and into early 2022, and as you can see from the graph on the bottom left.

And while we did see a modest increase year-on-year from '22 -- '21 into 2022, a considerable number of programs that were forecast to take place were deferred, and they were deferred for a number of reasons, be that field operations, additional appraisal well drilling and in the same case of some of these, just simply the inability to secure permits. This happened in Nigeria, Malaysia and Australia, to name just about a few examples. Now these programs have not disappeared, but they have been pushed out in time. So at some stage, in the not-so-distant future, they will reappear back into the opportunity basket for 4D.

Having talked in detail about the 4D segment previously, I think it's worth looking at the industry activity mix in greater granularity as there are 2 other segments outside of 4D and exploration that have developed in recent time.

The first of these is infrastructure-led exploration. Now there was much commentary during the pandemic about the industry gravitating towards near-field exploration for optimum exploitation of existing infrastructure, and this segment has no doubt grown significantly, certainly in the more mature hydrocarbon basins.

Here, similar to 4D, the value of multi-sensor technology comes to the 4 again. For the purposes of this analysis, I've actually included those multi-client programs where the objective is ILX, our own Norwegian C GeoStreamer X program being one such example, where we will shoot a second phase this year over an existing underlying data set that we have. And with that, produce a higher resolution dual azimuth GeoStreamer X image for search -- or into search for subtle hydrocarbon traps.

The other segment that I'd like to draw your attention to is what we call the integrated segment. Now this collected programs typically don't go to market. They're uniquely created by optimally leveraging our full suite of capabilities, and this is both technology, service and commercial models that we can deploy. And this has led to recent multiple projects in time with -- in Egypt, Canada, Namibia, Cote d'Ivoire and even Papua New Guinea over the last few years. This is an important segment and is extremely unique to the way in which we can combine the building blocks of our services and technology.

So what is the customer base and customer landscape? Despite the consolidation that the industry has been undergoing, surprisingly, this is not really reflected too much in the absolute number of contract customers that we've seen over the period, which you'll see remains quite stable.

The IOCs and NOCs, they form the bedrock of our activity as they always have done. The IOC is historically cycling between seismic years and drilling years. But we're also starting to see the NOCs flexing their muscles outside of their domestic markets, which, in their own right, are quite substantial in volume and value terms themselves. And it's good to see the independents having altogether disappeared.

Despite appearing to be an endangered species during the pandemic, we can see that they still are there and they're still active. What's more, we also see the potential for the customer base growing, with the appearance of specialist CCUS companies that we're now starting to interact with.

So what are we seeing in the contract market? Well, this is a familiar chart to many of you, dollars down the left-hand side, time along the bottom, and then we've got the active bids that are in-house and the bids and the leads that we see through our business development activities.

So this shows that directionally demand continues to trend upwards. There has been a recent drop observed, and that's really represented by the awarded work that we had at year-end. And also what I call the post-holiday season sort of Q1 quiet period.

And I think historically, you can see this in printed over time, if you go back and look at Q1 in previous years. But the order book has increased by close to 75% year-on-year. We have improved utilization and efficiency. And with that, a significant improvement with pricing and the rates that you've seen quoted previously, 35% higher than the 2021 average as the market went into recovery.

As I've said before, contract pricing is expected to continue to trend upwards in '23, helped by industry discipline, given the consolidated field that we operate in, the demand growth, as I pointed to, which will lead to improvements in further utilization.

Now I'm going to switch gears here a little bit and talk about our multi-client library diversity. So here, we see the revenue that each of the major geo market units recorded during the -- over the quarters for the last few years from a historical perspective per region.

And I think what this speaks to is the value of having a global portfolio. Europe is clearly the stable foundation that we have here. And the other regions vary with their contributions quite significantly from quarter-to-quarter, historically related somewhat to the investment history of prior years and itself related to the key trigger events such as licensing rounds, which we've seen as a driver to investment activity in multiclient.

You'll see in Q4, we had a pretty solid contribution from across the globe, from library sales on our investments that go back years in time, library sales for more recent investments and even prefunding from the programs that we acquired during the course of the 2022 period of time.

So from the historical profiles, now to the details for 2022. So let's continue with the regional distribution, which you'll see on the right. I mentioned previously, it's reflective of recent investment history. The Africa Mediterranean and Asia region have grown, and together with North America have reduced the dominance of Europe year-on-year.

I think what I'd say about South Africa's diminutive contribution in 2022 is that it's reflective of our own recent muted investment history. And this has really been due to the reduced level of activity that we saw during the pandemic. The switch from hardwired bid rounds to a permanent offer round and some uncertain drilling results, which has really led to a little bit of a pause.

However, we do anticipate this is going to change, and I've talked previously about a new large and well-funded multi-client program that we will be shooting in an emerging basin in Brazil imminently. So we anticipate that when I come to speak next year, we're going to start to see that growing revenue segment for South America improving.

Looking to the left, there's a stable group of companies who do the heavy lifting. And by heavy lifting, I'm referring to the companies in the dark blue color here, which you can see contributed to close to 2/3 of our revenues.

Now these are fairly evenly distributed, which means we're not reliant upon one particular company for -- to deliver all of our business in the multi-client segment. I think all in all, I'd say that there is a solid customer base here and a good mix between small, medium and large clients that we deal with.

Finally, some performance numbers. I think the graphs will be familiar to many of you. The upper part shows that our revenues for 2022 were 35% of our peer group, while our cash investment share was only 19% for the period, a pretty healthy ratio. The prefunding level in 2022 was at the top end of our guiding, just over 120%, which is excellent and follows the trend of strong prefunding that we've had over the cycle. I think to me, this speaks to the quality of the portfolio of projects that we develop and the investment discipline that we apply.

Lease sales ended the year at 327 million, the second best on record, as you've heard already. And yes, there were M&A-driven change of control transfer fees as they were for everyone. But these are a forecast component of the multi-client business model and not just a pleasant surprise every year.

Overall return on investment has increased in the recent period. But again, I have to be honest here and say that this is contributed to by the reduced investment that we've had in '20 and -- '21 and '22. However, as you'll have seen from the group of firm programs that we have, for 2023 alone, our investment level will increase, which somewhat mirrors, obviously, the growing appetite of our customers to explore again.

Now I'd like to talk to our cloud-based multi-client business models. The way in which our customers access and consume data is changing, and it was clear some years back that the best way to support this evolution was through the strategic focus to liberate our seismic data.

The vast majority of that strategic initiative concluded in 2022, and our investment is already utilized by industry trailblazers that are ready to run with the innovative and creative solutions that we've developed.

I think PGS' competitive advantage lies in our ability to effortlessly serve multi-client data to our customers, where and when they want it and exactly how they want it, which gives them the opportunity to unlock real efficiencies in their enterprise workflows. We call this MultiClient on demand.

In addition, we continue to bolster our capabilities of cloud-based access platforms, such as our own client portal and Versal, that also help teams across the industry spend more time focusing upon using the data that they have. The desire for on-demand access will only accelerate in the future, and PGS is uniquely positioned to meet industry needs, thereby creating significant value for our customers.

And finally, our imaging journey to the cloud. Well, this started back in 2019, in partnership with Google. And you will have heard me talk previously about digitalization enablers as I call them, stating that one of our key projects was the transition to high-performance computing in the cloud.

Now the change in business landscape forced us to accelerate our ambitions and raise the target somewhat. Also encouraged by our CEO, stated on numerous occasions, that we would never buy another computer. But here we are, turnaround and productivity increases as a result of the scalability of the Google Cloud platform can now be realized. And in August this year, we operated the world's seventh largest supercomputer and actually the world's largest cloud-based supercomputer.

It's also resulted in reduced CapEx and compute and reduced CapEx investment in compute, while at the same time, giving us accessibility to the latest technologies and infrastructure for artificial intelligence and machine learning applications in the seismic space. There are many further gains to be made in this area. So I think this is really a case of hold on and see how far we can go.

In summary, the recent return to emerging basin exploration has helped drive positive momentum in the offshore E&P segment. This has been seen with strong utilization and pricing improvements in the contract segment itself, with bookings up significantly year-on-year and pricing expected to continue to rise into 2023.

PGS continues to be uniquely positioned as the only fully integrated player with market-leading acquisition, imaging and digitalization technology, which we believe provides us with significant competitive advantage.

And with that, I will hand over to Berit.

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**Berit Osnes** - PGS ASA - EVP of New Energy

Thank you. Good morning, everyone. So Nathan has, of course, now just given us a very good overview of the rising activity levels in the hydrocarbon markets, which is incredibly important to deliver affordable energy to the world.

But there is no hiding from the fact that we, and that is the big collective, we, have to transition to low-carbon solutions. And in PGS, we recognized this, and we intend to do our bit to aid that transition. And we are a good group of people who are really passionate about this.

But of course, PGS is not a charity, and it's not a government office, so we have to make money to do this. Without profits, no possibility to act. So does it make sense from a business perspective to have this strategic goal? I absolutely think it does. We aim to be and we have been profitable from day 1 in our new energy efforts. We are well placed in the sense that PGS' core products and competencies are highly relevant also in the new energy markets, which I hope to show you throughout this presentation.

The 2 most important markets, as Rune has already alluded to, for PGS New Energy, our offshore carbon storage and offshore wind site characterization. Towards the end, I will also touch a little bit on Marine Minerals that may represent the future value.

So I won't spend time explaining the value of CCS for reaching our climate goals, I will just point to the fact that all pathways to Net Zero, they do include this as an essential tool.

Now carbon storage is simply not possible without proper understanding of geology, and the way to map geology is seismic data. There is probably no shortage of rock volumes to store the required amounts of CO<sub>2</sub> in the world, but there are actually very few locations that are described to the level of detail that is necessary for those locations to be approved as storage sites. So the industry is simply not moving fast enough. Well, we have the data and the knowledge to help.

Offshore wind, on the other hand, is moving at a really impressive pace. The annual growth rates are quite impressive, and our European home market is leading the way. We have watched this growth with interest over some time and decided to have a go at it. And I will explain how because wind and seismic is a slightly different combination to seismic and hydrocarbons.

But I'll start with carbon storage. This slide covers a lot of points, and I'll try to walk you through it and hopefully make some sense of it. The map shows that there is a good match between our data library in blue. And here, actually, the colors work, that was good. The awarded CCS licenses in orange and blocks on offer in yellow. And keep in mind that areas that don't sit in our library also represent business opportunities for us in the form of new acquisition.

We break the CCS cycle down to 4 phases. We have seen that clients tend to use publicly available information and the very early screening phase. But as they start to compete over the best sites, they are likely to want better data, and we have developed commercial models like data subscription for that particular use.

Screening will deliver many opportunities. And to pick the right ones, you will have to do more detailed mapping. This is the identification phase, and there is where our library really becomes valuable. For us, it represents revenues in form of data licensing, but it also represents funding opportunities for us to reprocess our library and keep it up to date.

This identify phase ends with the license application and hopefully, an award. And now the project moves into a rigorous site characterization phase, which certainly requires high-quality seismic data. And this is a case for us, again, for reprocessing or new acquisition.

If studies are positive, then the project will move into development phase and a new baseline for future 4D monitoring is likely to be needed. From there on, we're into monitoring, which is mandatory for decades even after the injection has ceased. The early years of injection are quite likely to see traditional 4D seismic as a very important part of their monitoring program. So good business there. But as we move to the post injection stage, then other methods are likely to prevail, and PGS will take part of that technology development to stay relevant.

Throughout all of these phases, we offer geoscience advice. Carbon storage isn't simply exploration in reverse, it requires an earlier understanding of dynamic behaviors of the large areas. So at the bottom, you see a simulation that we have run on a potential site in the U.K. showing CO2 saturation over a time span of more than 100 years. We are working with industry and academia to increase the understanding and create better models. And here, our regional data coverage and ability to work with large data volumes is of crucial value.

So then back to my target and Rune's target to make new energy a profitable business from the very start. This is an overview of some of the activities we had in 2022. We -- we're contracted to do 3 bespoke surveys for carbon storage and one Snohvit, which was a combined 4D monitor for production and carbon storage. In total, it was a quite close to a full North Sea season.

As expected, we do see variation in the specification of these surveys depending on their area challenges, but we also see a common factor. They all need high-quality seismic, both at the reservoir level and at the shallower layers to properly map the ceiling potential of the sites. And here, PGS is uniquely positioned as the GeoStreamer technology delivers both the deep imaging and the high resolution at the same time.

Our innovative towing solutions also come into play. For instance, in one of these surveys, we towed more than double count of streamers and sources compared to the original plan. And I can assure you, we had a very happy client.

We also had multiclient data sales related to CCS license applications, and we started a large multi-client reprocessing project in the Southern Gas Basin of U.K. and the Netherlands. This has become quite a hotspot for CCS purposes, but it also has remaining gas potential at the deeper levels. So this is a truly integrated project.

One other thing to notice here is our dialogue with other players in the CCS value chain. We signed a letter of intent with deepC Store in Australia to jointly develop storage options there, and we have similar discussions ongoing with other players in other geographical markets. Together, we can offer ways for CCS operators to really get a head start of their projects.

So now moving into offshore wind. And I gather from the questions earlier on that you have noticed the press release about our first contract award. We are really excited about this, as wind can become an important new arena for PGS, although we are cognizant of the differences to our traditional markets. And I have tried to illustrate those differences on the slide here.

Unlike hydrocarbon exploration, or carbon storage for that matter, the most important success factor for a wind farm is not the subsurface, it's the wind. That's the revenue generator. Then there are some important cost optimization factors and potential project blockers like environmental permits and then the part that we aim for the geology. In wind, the geology is not the project enabler, but it can represent a significant risk to the project and the development of that project, which must be taken seriously.

The traditional PGS business has been to map targets at several kilometers of depth. In wind, it's all about the seabed itself and a few tens to hundreds meter into the seabed. So although the principles are the same, the methods are slightly different.

So here, I have listed the methodologies and I have grouped them into geophysical and geotechnical, where geophysical are indirect measurements and geotechnical are direct soil samples or intruding measurements. PGS' expertise is geophysics, and we will do all of those geophysical measurements. Some are hull-mounted equipment, some are towed equipment and some may be deployed from unmanned vessels even.

But 3D seismic operation is the core strength of PGS, and that's where we see that we can bring a whole new level of efficiency and data quality to this industry. We may also decide to do some geotechnical work, and we will definitely deliver our data as part of a holistic ground model for these sites. So given these differences, do we have the right assets for this market? So we can look at it through the same lens as we did for carbon storage.

Now the map shows our data library overlaying by the wind farm areas that are under evaluation or in development. Again, you see an interesting degree of overlap, meaning we have something to offer in the early screen to identify phases.

The images below the map are showing vertical sections of approximately the first 100 meters into the seabed. The upper panel is what our data or anyone's data looks like when it's processed for deep exploration purposes. And the lower panel shows what resolution we can achieve through targeted reprocessing. This is valuable information for government offices and developers in the early phases. But when the license is awarded and the development project starts, this is not enough.

Now you move from mapping at a scale of a few meters down to decimeters in order to design and place cables and turbines and other installations optimally. The equipment that we use and deeper mapping doesn't really deliver this resolution. So we have invested in the most efficient ultra high-resolution 3D technology in the market, the P-cable spread that you see in the cartoon on the lower left.

At first glance, you may think that this looks just like any other PGS acquisition spread and in (inaudible), it is, but look at the difference in size. Because the cartoon in the middle shows a quite modest layout of 12 streamers of 6 kilometers in length, we often tow a lot more than that, but okay.

The little blue square at the bottom is the size of the P-cable spread in comparison. It's less than 100 x 100 meters. So cost to operate a kit like this is not the same as for our large-scale spreads. But dear gentlemen, you should know by now that it's not just size that matters.

An ultra-high resolution 3D from this tiny little spread can actually produce more data than a full exploration 3D survey. So data management and processing capacity becomes really important factors for success. So coupled with our operational excellence, these are areas where we stand a much stronger than the traditional site survey players who generally deal with 2D data and do fairly simple processing.

As wind farm developers are awarded larger blocks and more complex geologies, our offering becomes even more valuable. And we will continue to improve our efficiency through technology development. This is just a start.

We also aim to explore our geoscience expertise to see if we can replace some of the geotechnical sampling with higher quality geophysical data like we have done in the exploration domain. That would be a substantial time and cost saving for developers and would be very welcome.

So towards the end now, a few words about Marine Minerals. You're probably aware that there is an opening process going on in Norway, roughly in the area between Jan Mayen and Svalbard, it's a huge area, more than 400,000 square kilometers and water depths around 3,000 meters. So how do you map something like that?

Well, again, there is nothing that is more efficient than towed seismic. But seismic doesn't have the necessary resolution to map deposits accurately, and it doesn't say anything about the metal content of deposits. So the value of towed seismic has been debated in this domain.

On the slide, you see a 2D GeoStreamer line acquired this summer as a part of the [ATLAB-3] survey. And ATLAB-3 has a broad coalition between industry players and academia formed to research the best mapping methods. The line now clearly shows, actually in the right colors again, good, a clear difference in character between the smooth seabed and the smooth layers that are colored in green. And the part on the right side there that I have colored in red.

And there is this strange noise on top of the seabed in the red area. Can you see that? That is because the seabed over there actually looks like the picture on top. And that is exactly what we're looking for. So we have shown that we can locate areas of interest with towed seismic. But to properly characterize them, you actually do need to go down there with an AUV. But the most important thing to do is to make sure that we map and understand the ecosystems and find ways to explore and possibly exploit in a sustainable way.

So in summary, the strategic goal to develop new energy into a substantial business unit stands firm, and we will do this by using our core strengths and build brick-by-brick in tune with the development of the relevant markets. We have already shown that we can generate good business and carbon storage, and we aim to do so in offshore wind as well. And time will tell if Marine Minerals have a future. If so, we are well placed. Thank you.

And now to the man who will deliver everything, Rob, operations.

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**Robert James Adams** - PGS ASA - EVP of Operations

Thanks, Berit. I think it sounds like the microphone is working. So I'm now all that lies between you and lunch. So if you'll just bear with me for 15 minutes, we can talk through my business area, which is operations within PGS. What that means fundamentally is the fleet, and all that's associated with that.

So in lieu of an agenda, I'll start by just talking you through what operations means for PGS. What it's really all about is the safe and sustainable operation of our vessels in a cost-efficient manner. And this is enabled by use of industry-leading technology and some of the best people that are out there as well. And I'll work through each one of those in turn, as I present to you this morning.

Now starting off with safety. I think it would be really remiss of me to stand up here and talk about safety without referring to the obvious elephant in the room over the last couple of years, and that's COVID. Everybody here and everybody listening online has all been affected by this. This has been a global challenge, and it's been one that's put PGS through some of its most difficult periods in our history.

It's been an enormous challenge to the market. And for us to be able to survive this, it's involved being able to operate a global fleet of vessels with people coming from all over the world to crew these vessels under extremely challenging circumstances. And we managed to achieve that. It was very difficult, and it's required some massive dedication and sacrifice from our crews and indeed loyalty from our crews to bear with us as we work the way through this.

What's been particularly important is how our strategy has worked. Going into this with a strategy of having crew based all around the world, and ensuring that we maintained and kept hold of all our key talent through this challenging period has been extremely important to the success story we have here. And we're actually extremely proud that through this whole period, we managed to deliver an operation that didn't have a single case of copy transmission in the offshore environment, which I'm given to understand is if not unique, quite close to it.

Some of the statistics you'll see at the bottom of the page here, remind us just how much the offshore industry and the maritime industry at large has been affected by this. I'm sure we've all been subject to isolations and quarantines, but the quantity that some of our crew have taken cumulatively over this period is quite substantial, and we owe them a great debt of thanks to helping us get through this period.



During that period, we're also very happy to see that over the last couple of years, our safety statistics have maintained a very flat trend despite the additional challenges that we've had getting to and from the fleet. We have seen an ever so slight uptick in 2022 in terms of our overall statistics. But this is both offset by the fundamental lower severity of the incidents we did see in 2022 and also the fact that this is -- this uptick is something that we've seen generally across the market.

Our bigger clients who have much higher numbers in terms of their safety statistics were already warning us at an early stage of 2022 that as people's attention had started to move from the pandemic back to the day-to-day operation and a more normal operation, that safety statistics at large were starting to tick up a little bit. Perhaps there's a little bit of relaxation post-pandemic. That's something we've got our eye on as we go into the next year.

Moving now towards the fleet. There's been some questions already on this afternoon. This graphic up here is showing you what the PGS fleet currently looks like. So we have in the dark blue, at the top there, we have the active fleet, which is 6 currently 3D vessels. All of these are Ramform vessels.

We also have 3 further vessels down there, 3D capable. PGS Apollo and Sanco Swift, as has been mentioned earlier, are currently operating in source and 2D mode, respectively, with Sanco Swift moving to 3D mode with the P-cable for this wind project that we've just been talking about during the course of the summer.

Tansa, formerly Ramform Sterling, is currently operating in our Japanese joint venture, and she continues to provide us with stable revenues of approximately \$30 million a year through this period and through the duration of her contract.

As we look to those vessels currently in STACK, 3 more Ramform class vessels, of which Victory -- Ramform victory will be coming back to market for the Brazil projects from the latter part of this year. And as has been previously discussed, we will take a view on how long she stays in the market according to how the market develops over this period.

Now a few highlights of the fleet. I think it is very important to point out that these vessels are all very similar. The Ramform design has been scaled over the years. But fundamentally, these boats all look and feel the same. They also all have fundamentally the same equipment on board, most notably the GeoStreamer. For those of you who aren't that technical, what is the GeoStreamer? in very short, it is a multi-sensor cable. For the harder, more challenging projects or more valuable projects, our clients will prefer multi-sensor data and we control 70% to 80% of the active vessel fleet of multi-sensor cables.

There's only one more thing I'll focus on here, which is going back to safety. Berit mentioned that size isn't important. Now there are occasions when it is. And I think having a big wide back deck, it's been proven over the years. This does mean it's much safer, much less congested on the back of the boat. -- to deploy the equipment spreads that we do and to be able to deploy a range of different equipment spreads depending upon what projects we are there to perform.

Now cost, of course, is something that comes under great scrutiny, and this is an area where we've continued to challenge ourselves over the last few years. As you can see from the graph on screen, we've managed over the last 5 years to drive our overall cost of operating the Titan class vessels, down by 22%, which is quite a strong achievement, particularly given the market that we've been going through.

How have we done this? Fundamentally, it's because we've worked really hard to make sure that this is something that we're able to deliver. The restructure in 2020, partly or largely driven by COVID, of course, has been a contributory factor, but there's been heavy focus on how we manage our assets, how we get the best out of what we have and also the digital transformation that was already been alluded to several times today, has allowed us to move forward in different ways as well.

As we move forward, we're starting to think about what the market looks like. We can see from the numbers that have been presented earlier today that things are moving in the right direction. How is PGS going to respond to this? Well, the short answer is that we will -- we have a large fleet, as I've pointed to on the previous slides.

And we will bring vessels and capacity back into that market as and when we can do so, as driven by margin growth. We will not be bringing back vessels purely for the sake of increasing our market share.

So then the question becomes, what are the challenges that we might face in order to return some of these vessels to the market? Now as you can see here, there are 2 primary challenges here, people and equipment. We have the boats.

So when it comes to people, there's been a very large attrition in terms of personnel offshore over the last few years. I quote some numbers here from 2019, but this period of attrition goes back further than that. And a lot of the people that have left will not be coming back.

Unemployment in many of the countries from which we source our seismic crew, is low. Many of the people that have left the industry have either got other jobs or they've retired. And that means that building crews for the next generation is probably one of the key challenges that we face.

The big strength that we have here, as you can see in the graph on the top right there, is that over 85% of our crew have more than 10 years' experience. We have a very strong base from which we're working. And also over 80% of our crew are full-time and permanently contracted to PGS, which puts us in a very strong place. We have crew who've worked with us for a long time. We have a lot of loyalty. We have a lot of experience. The next challenge is how we increase the younger crew, the more junior crew and grow that base to ensure we're ready to meet the market demand that we expect to come.

Then moving to equipment. Supply chains are probably the biggest challenge or the change that we've seen over the last couple of years. Yet, the geopolitical situation has developed. And what's going on with COVID means that supply chains are challenged as they haven't been for many years. This means that fundamentally getting hold of equipment takes longer than it used to.

What we've done here, to give one example, is to continue investing through the cycle. We continue to build and refurbish streamers. And the numbers that I show on screen here for reference represent roughly 40% of the active streamers that we might use on a daily basis in the water.

As we look towards the future, we will continue to build streamers. We've already discussed that our CapEx run rate will be around \$100 million over the coming years, and that includes approximately half of that to be continuing to build streamers at the rate of approximately one vessel set per year for the future.

Now I said digitalization has enabled some of our progress, and I'm just going to give a few quick examples here, again, sticking to our key messages of safety and cost. On the safety side, with our partner, Cognite, we have built ourselves a tool here, which allows us to address one of the challenges we started to see offshore is that -- we have quite a well-evolved safety system, where our crews are very keen and willing to give us feedback on any little thing they might see offshore.

To the extent that we get about 7,500 bits of data, input from the crew each year, which tell us something they might have seen offshore that isn't safe or even that is safe. But as you can imagine, that's an enormous amount of data, trying to get shift through that and find the signal from the noise is or can be challenging.

One example we had here is that we were receiving something like 10 safeguards out of the 7,500 over the year, telling us there might be something wrong with life jackets when they were being tested. I think under normal circumstances, that wouldn't have been noticed. They weren't all on one boat, it was across the fleet. This allowed us to extract that signal and go to the life jacket manufacturer and discover actually, there was a manufacturing problem, and that was something we were able to help them to fix. This will allow us to proactively prevent incidents that we probably otherwise wouldn't have seen.

Another one. One of the challenges that we face when operating our fleet at sea is how we manage our vessel speed. Vessel speed has 2 major impacts. Of course, there's a cost to the fuel and there is a requirement to deliver data fit for the project.

And understanding what the limitations might be to achieving the optimal speed on any given survey is more complicated than you might think. There are a lot of different factors going into that and trying to address that through a human on a minute to minute, second to second basis is very hard.

What we've done, again, in conjunction with Cognite, is build ourselves a tool, which allows us to happen automatically. And we've taken this to the extent where we were able to run one of our vessels last summer for a period without any manual input whatsoever to the speed of the vessel.

And my third example here is energy efficiency. We've talked about the cost of fuel and that, that is an impact on our business. So one of the ways we can drive that is to manage how we use our fuel. And this use case is a way that we use all of the information that we have on board -- the modern fleet that we have and the sensors they have on board to adjust the way that we run our boats, the load we put on each of our engines and so forth in order to ensure that we extract the maximum efficiency from the fuel that we are burning, and this leads, of course, directly to cost savings.

And now moving on to the final section, social and environmental responsibility. This is obviously an area of key focus for us, Rune has already alluded to. And we do have a strong track record of reducing our emissions per data units, as this graph shows, over the last decade.

Our goal here is to reduce our H2O emissions per -- sorry, our carbon emissions per data units by 50% by 2030. As I said, there is a strong track record here, but there has been a blip in 2022, where we have crept back up again. And what lies behind this? We've talked already a lot today about utilization of the fleet and the amount of steaming that took place in 2022. That is one of the key reasons for this move in the wrong direction.

We've also done an unusual amount of work within dual vessel operations. What does that mean? It means that, fundamentally, we are using 2 vessels to acquire a single data unit. So the amount of carbon or fuel consumed to acquire that data unit is significantly higher. That's driven us in this direction, and we do expect to return onto the path next year.

But we've always recognized that this is quite an involved metric and probably not one many of you see very often. And the wider world is looking to different targets. This is the same slide that Rune showed earlier on, presenting our key targets for the next 30 years.

And I'm going to hone in on one of those in particular, which is the 75% reduction in maritime emissions, and that is the direction that we will be taking for the future. We intend to reduce our maritime emissions per jewel used offshore by 75% by 2050.

How are we going to get there? Well, we've done a study with DNV. We spent a lot of time internally looking at this, and whilst it is not yet quite certain what the targets are going to be, the IMO, the EU and various other bodies are still looking into the exact details, what is clear is the trend that we are likely to see. And that's shown in the bar chart on the bottom right-hand side here.

It's essentially saying that there are relatively small changes required over the next 5 to 10 years, a 2% reduction by 2025, a 6% reduction by 2030. These changes are things that we believe we can manage with our existing fleet with some small changes to the way that we operate. I've talked already about some of the energy efficiency things we can do with digitalization. There are also other things like biofuels that we can move into the mix, and we're confident we can get through these early stage gates.

When it becomes to the bigger ones, further out in time, the 75% by 2050, which could be 50% or 100%, depending upon exactly where some of these bodies land, that's going to require a different solution. And what that means is fleet renewal. Even the newest of our boats will be 28 years old, I think it is, in 2050, well past their expected life. So as we renew the vessels, we will be renewing with lower or zero emission vessels, and that will be our path to achieving these targets.

Finally, on from environmental sustainability to social responsibility, which I think is another very important part of our message. And I'll just start with the headline here that many of you have probably seen from some of our social media releases over the last few months, I say greater than 100 lives saved at sea in 2022. It's very hard to categorize that or come to a precised number. But certainly, we've rescued approximately 100 people just in the last couple of months at sea, including recently a rescue of 89 people offshore Italy from the Ramform Hyperion. These were rescued just before a storm, which would almost inevitably have led to the cap size of this boat.

This is worth mentioning, I think, for several reasons. First of all, that these things don't happen by accident. The way these rescues have been conducted was extremely gratifying in terms of the competence of everybody offshore and onshore to support the operation. And this is because we train on these things. We expect these things to happen.

As we do our risk assessments going into any given survey, we have a pretty good idea of the things that could occur, and we make sure that we are as prepared as we can be for them to occur. So when they happen, generally speaking, they go very smoothly.

I think it's also very important that we do, do these things. It's a very important part of what one should do at sea. And I'm very proud of the fact that our crews will immediately respond to these incidents and execute on them without any consideration and because of the training that they've gone through.

Finally, healthier oceans. We have talked in the past about the amount of plastic and so forth that we recover. That continues to be an ongoing trend. We collected approximately 200 tonnes over the last 5 years. That is quite literally a drop in the ocean, but it is something. And of course, as part of our operation, we do not contribute to that. Nothing goes over the side of our boats, we are collecting it.

So I think that's where I finish. And I think we then move on to questions after the final summary slide. We have the most productive fleet in the industry. We do continue to focus on cost. And within that cost focus, we continue to ensure that we are ready to scale up as and when the market and the margins drive us to do so.

Whilst we've had much success through digitalization, we still continue to believe there is a lot more that we can do there, and we will be continuing to drive down that path. And of course, we'll do all this whilst making sure that we do it safely and we deliver what our clients want and need. Thank you.

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

(Operator Instructions) The first one, I'll just answer myself. But if I answer wrongly, feel free to correct me.

So there was one investor asking since you're not planning to raise equity, has that -- does that mean that you changed your outlook? But I would just add you've never said that you would raise equity in terms of this proposed refinancing. So we'll go to the next question.

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**Robert James Adams** - PGS ASA - EVP of Operations

That is correct.

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

What is the economics of CCS players? And is there a willingness to pay for seismic data on a similar level as the oil and gas players?

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**Berit Osnes** - PGS ASA - EVP of New Energy

I guess that's to me. So as I said, we have this very clear target that we have to operate profitably from day 1 in the new energy markets as well as the hydrocarbon markets. And the fact that you saw us do 4 surveys last year kind of answers that question. Yes, clients do recognize the value of data and that they actually have to have high-quality data and they are prepared to pay for it.

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

In the -- this is also for Berit. Given the small size of the spread for a detailed seabed survey, I guess, he's referring to the offshore wind survey, is there -- are the Ramform vessels, the optimal vessels for these kind of surveys? Are these the most cost-efficient alternative?

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**Berit Osnes** - PGS ASA - EVP of New Energy

So we're not using a Ramform for the first survey, we're using the SWIFT. And we see that, again, the most cost-effective solution for us is to use the Vesal vessels that we already have versus to go out there in the market and lease something on the open market.

Now this may change over time. We really do need to look at what are the most optimal platforms to operate in a wind setting, but I think there's 2 elements to this. So it is -- I explained the very small setup that we have today. We, over time, absolutely are on a path to expand the size of this to become more efficient. And then we may want to have slightly larger vessels than you would think. So this is something that we'll have to evolve over time, and we will be looking for the most optimum solution as we go.

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

Next question is probably to Nathan. What you think about a new box in the Barents Sea? And then I assume the investor is referring to blocks being included in the latest Aperround in Norway? Will this be very good for the industry? CSEM data has been very successful, predicting wildcats in the Barents Sea, does PGS still have the CSEM capabilities?

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**Nathan Oliver** - PGS ASA - EVP of Sales & Services

Yes, I mean I did notice the number of blocks that were put up in the next round in the Barents. I think it remains to be seen what industry's appetite is going to look like there. There's been variable success to date, but there's undoubtedly hydrocarbons to be found and commercially produced.

So I think that it will be a little bit of a bellwether for industry's appetite for exploration in that particular area when we see the potential bidding and take-up of acreage there.

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

The CSEM, no, we don't own it anymore. And what we can access is through our partnership with OFG, which are the owner of that kit now. But there are no EM plans in PGS currently.

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

One investor is asking for when do you need a new streamer package? And I would say then immediately since you're building one this year.

And last question. Let's say that you have to buy a new vessel today, would you go for a new Ramform vessel or a smaller?

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

I think we like the Ramform platform very much. So I think the question to us would rather be what size of Ramform would we go for, if we were to buy a vessel today.

It's not given that we would add another of the biggest. I think we have communicated earlier. And as you kind of see in our fleet mix, we will, going forward, optimally have a fleet mix where some are large the Titan cases and some are smaller, which could do 4Ds and other things.

So it's difficult because we haven't really assessed what to do if we were going to build a vessel, but I think it will be a Ramform. The question is the size of it.

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

I have a couple of follow-up on these matters. The new streamers are the building this year. Are they for week 3?

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**Robert James Adams** - PGS ASA - EVP of Operations

The streamers that we're building currently are part of general fleet renewal. There's no specific...

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

Because the story has been -- you continuously said that you had a streamer set for the seventh vessel?

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**Nathan Oliver** - PGS ASA - EVP of Sales & Services

Yes. Yes, that's correct.

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

So what you're building now is for -- to replace?

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**Robert James Adams** - PGS ASA - EVP of Operations

It's just an ongoing program of continuing to refresh the streamer pool. It's -- we don't build a -- whilst we talk about building one set per year, it's not actually distributed in the way that we get a new set, and we put it all on one vessel. We just manage the wider streamer pool that we have.

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

Right. I may ask, if in the case that you're going to bring in one of the other, like an 8 vessel, how much CapEx would that require?

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

Yes, we -- as we have communicated earlier, we have streamers for 7. We don't have streamers for 8 anymore. So bringing in a eighth vessel would require that we build a streamers, increase, let's say, the pool with the streamers so that we can equip an eighth vessel.

How much CapEx it would require? Depends a little bit of timing, I think. Let's say, if we were to bring in the day, we're going to have more or less build it. If it is next summer, we may not have to build an entire new set for that where we can take it from the fleet. And if it's in 2 years, we may take it with a fleet renewal system we have. But it depends a little bit on it. But obviously, the eighth vessel will likely require some more CapEx, but I don't think you could just add another 50 to put it that way. That depends a little bit on timing and what's in the pool, how many streamers we choose to equip it with, things like that.

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

Only the streamers would be the extra cost? Or would it have to be like a general upgrade of the vessel?

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

Not so much. Well, some upgrade of the vessel class in that kind of thing, and then you need other E&C equipment as well. Rob, do you want to comment?

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**Robert James Adams** - PGS ASA - EVP of Operations

Yes, I was just going to say that we've got PGS Apollo and SANCO SWIFT operating currently so from a classing point of view and a general equipment, there's not much that's required there. So streamers would be the bulk of the expenditure required.

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

And if I understood correctly from one of the previous slides, we should expect \$100 million in continuous CapEx going forward now to -- is that to sustain a fleet of 7 vessels?

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

That is to sustain a fleet of 7 vessels. But as I said, I think we could probably face in an 8 vessel and not increase that very much. If we assume that doesn't come early. That's kind of what I was trying to allude to.

These things will fluctuate around that number a little bit because it depends on the yard schedule and other maritime, there are other stuff in the CapEx (inaudible) streamers. But I think we would aim to not increase the CapEx number much and still go to 8.

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

Then I felt the hairs in my neck rising up when I heard you started talking about building new vessels already. I mean...

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

There is no plan as of yet.

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

Are you starting to preparing for the idea of building new vessels?

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

No, we're not.

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

When potentially could -- how many vessels can you bring in before you start building new vessels?

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

No, I mean we can at least go up to 9, at least. And then there's a question of the last 2 ones. I mean if this were to happen, let's say, quickly that the market explodes or something like that, we probably can be even bring in attempt. But then it starts to get -- we have 11 vessels on the chart there.

I don't think it's reasonable to expect that they will return all 11 to 3D operations when how old the last one will be when this is relevant. So that's probably the max. We're talking many years into the future here. So no, we're not planning to build in the vessels.

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

And we have one final question from the web, but I'll answer it, and you can just correct me. Are the plans for electrifying ships or other forms of environmentally friendly fuel, and Rob just said that, yes, when the fleet renewal is coming, they will be either electrified or more environmental friendly than the current fleet.

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

Correct. There's a question here, I think? Yes.

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

From the audience?

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**Unidentified Participant**

So I was just trying to understand that dynamic on the CapEx, we should interpret the \$100 million number going forward as a sort of increase from 6 to 8 vessels. Is that roughly what your...

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

Yes, roughly over time as long as this kind of projects out over the time, yes. So we will have 7 vessels operating as with the [100], and we will start renewing the fleet. And if we get well into the renewal, we can bring in an 8 vessel without, let's say, increasing the (inaudible).

It's not like pure math, it depends on how well the equipment is at the time what do we think is the optimal spread we put on it. It will be 14, 12, 10 by 6, 8, 12. So there is that. And then there is a number of spares we can flex with in an interim period until we kind of catch up. So that's why this is not, call it, exact math.

Rob, anything to add to that?

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**Robert James Adams** - PGS ASA - EVP of Operations

Yes, I'd just say that also it's about the wider trend in terms of what the market wants in terms of spread, not just what the new vessel might need. So to pick an arbitrary example, if the world's moved to the degree where we required half as much streamers on a vessel in order to address the market as it was, of course, we'd have many more streamers available to put on to another vessel. So as (inaudible), it's a complicated problem.



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

That's why our best guidance we can give is kind of an approximate [100] going forward, but that should take into account the market we see.

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

Great. And with that, I think we're concluded on behalf of , I think we changed the name, but I'll call NFF still. On behalf of NFF, John and me, I would like to thank you PGS for arranging this Capital Markets Day. There will be served lunch. It's just exit the room and one floor down. Thank you.

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

Thank you, John.

**Berit Osnes** - PGS ASA - EVP of New Energy

Thank you.

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