

# Lender Presentation

*Supporting Exploration, Optimizing Production*

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May 2019



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The Company and its subsidiaries have implemented the new revenue recognition standard, IFRS 15, as the Company's external financing reporting method. This change impacts the timing of revenue recognition for MultiClient pre-funding revenues and related amortization. PGS will for internal management purposes continue to use the revenue recognition principles applied in previous periods, which are based on percentage of completion, and use this for numbers disclosed as Segment Reporting. See Note 15 of the Q1 2019 earnings release for definitions of terms. See Note 16 of the Q1 2019 earnings release for a description of the change in revenue recognition resulting from the implementation of IFRS 15. PGS will not restate prior periods.

# Presenters

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**Rune Olav Pedersen**  
*President and Chief Executive Officer*



**Gottfred Langseth**  
*Executive Vice President and CFO*



**Bjørn Korsveien**  
*Group Treasurer and Vice President Finance*

# Agenda

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1 Transaction Overview

2 PGS in Brief

3 Key Credit Highlights

4 Market Overview

5 Financial Review

6 Appendix

Q&A

# Transaction Overview

*Supporting Exploration, Optimizing Production*

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# Proposed Offering Summary

Borrower	PGS ASA (the "Borrower")		
Issue	USD 250m Revolving Credit Facility	USD [525]m First Lien Term Loan	USD [150]m Second Lien Debt
Maturity	4.5 years	5.0 years	5.5 years
Call Protection	N/A	12-month Soft Call at 101	NC2
Expected Corporate Rating (Moody's / S&P / Fitch)	B3 / B / B-		
Expected Issue Rating (Moody's / S&P / Fitch)	N/A	B2 / B+ / B+	Caa2 / CCC+ / CCC
Ranking	First priority security interest in substantially all assets of the Borrower and the Guarantors, with the exception of Titan-class vessels where there will be an indirect 2nd priority security	First priority security interest in substantially all assets of the Borrower and the Guarantors, with the exception of Titan-class vessels where there will be an indirect 2nd priority security	Second priority security interest in substantially all assets of the Borrower and the Guarantors, with the exception of Titan-class vessels where there will be an indirect 3rd priority security
Amortization	N/A	5%	None
Mandatory Repayments	N/A	50% Excess Cash Flow Sweep; stepping down to 25% at Net Secured Leverage <1.50x; 0% at Net Secured Leverage <1.00x	N/A
Covenants	Leverage test & minimum liquidity	Cov-lite	
Guarantors	PGS ASA and wholly owned material subsidiaries. Obligors to account for at least 80% of consolidated EBITDA		
Use of Proceeds	To redeem and repay the 2020 Senior Notes in full, repayment in full of existing Term Loan B and drawn RCF and to pay related fees and expenses		
Governing Law	New York law		

# PGS in Brief

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# A Leading and Fully Integrated Marine Seismic Player



Market Share<sup>1</sup>:

**~35%**

*Strong market position*



MultiClient 3D Library:

**850,000** km<sup>2</sup>

*Large and geographically diverse library*



Active Vessels<sup>3</sup>:

**8**

*Modern, flexible and productive fleet*



GeoStreamers Since:

**2007**

*Differentiating technology platform*

## A Global Marine Geophysical Company



Revenues<sup>2</sup> :

**USD 834.5m**

EBITDA<sup>2</sup>:

**USD 515.9m**

Market Cap<sup>2</sup> :

**USD 824.8m**

Employees<sup>4</sup>:

**1,242**

1. Based on number of active streamers as of end 2018

2. Revenues and EBITDA are in USD and reflect segment reporting FY 2018. Market capitalization as of 25 April 2019 and USD/NOK rate of 8.5959

3. Operates 8 active vessels during the summer season and plan to operate 6 during the winter season

4. As per 31 January 2019



# The World of PGS

Countries:



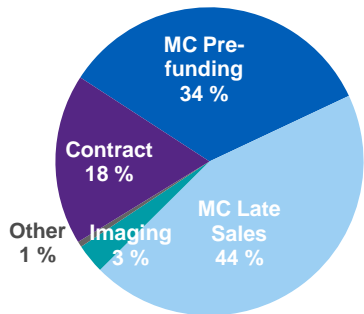
Major offices:



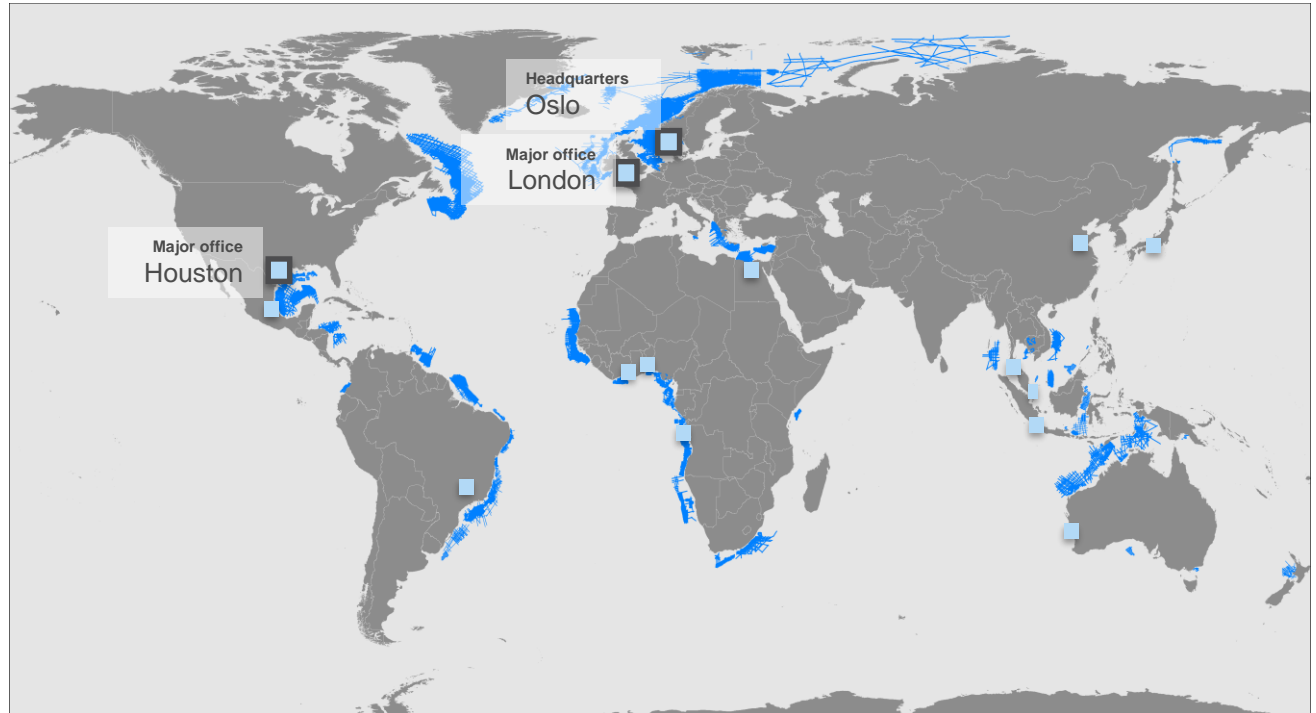
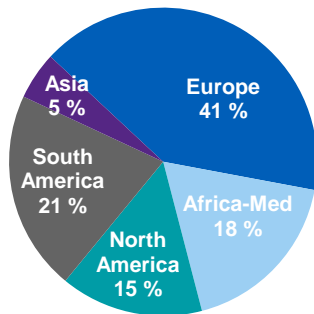
**Diversified MultiClient Library in major offshore hydrocarbon basins<sup>2</sup>**

## Diversified Revenue Streams<sup>1</sup>

by business



by geography



1. As of year-end 2018.

2. Blue shading in map represents PGS' existing MC library.

**Financial Strategy**

Profitability before growth

Return on Capital Employed

Capital structure  
to sustain future downturns

**Business Strategy**

MultiClient focus

4D leadership

Reduce turnaround time

Joint acquisition and imaging approach

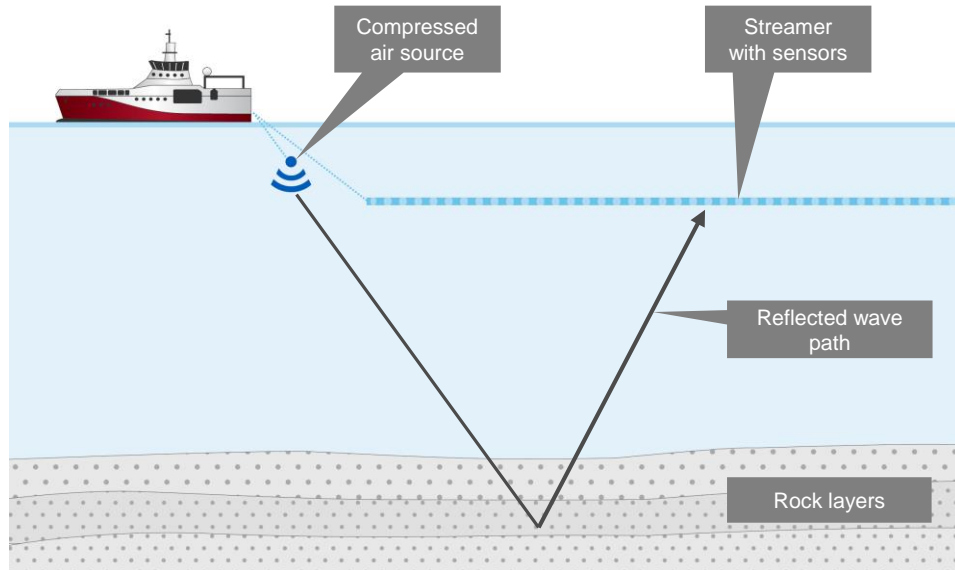
R&D focus on imaging and acquisition solutions

Leveraging PGS fleet productivity and technology



**Leveraging digitalization to improve efficiency and reduce cost**

# Purpose of Seismic Surveying

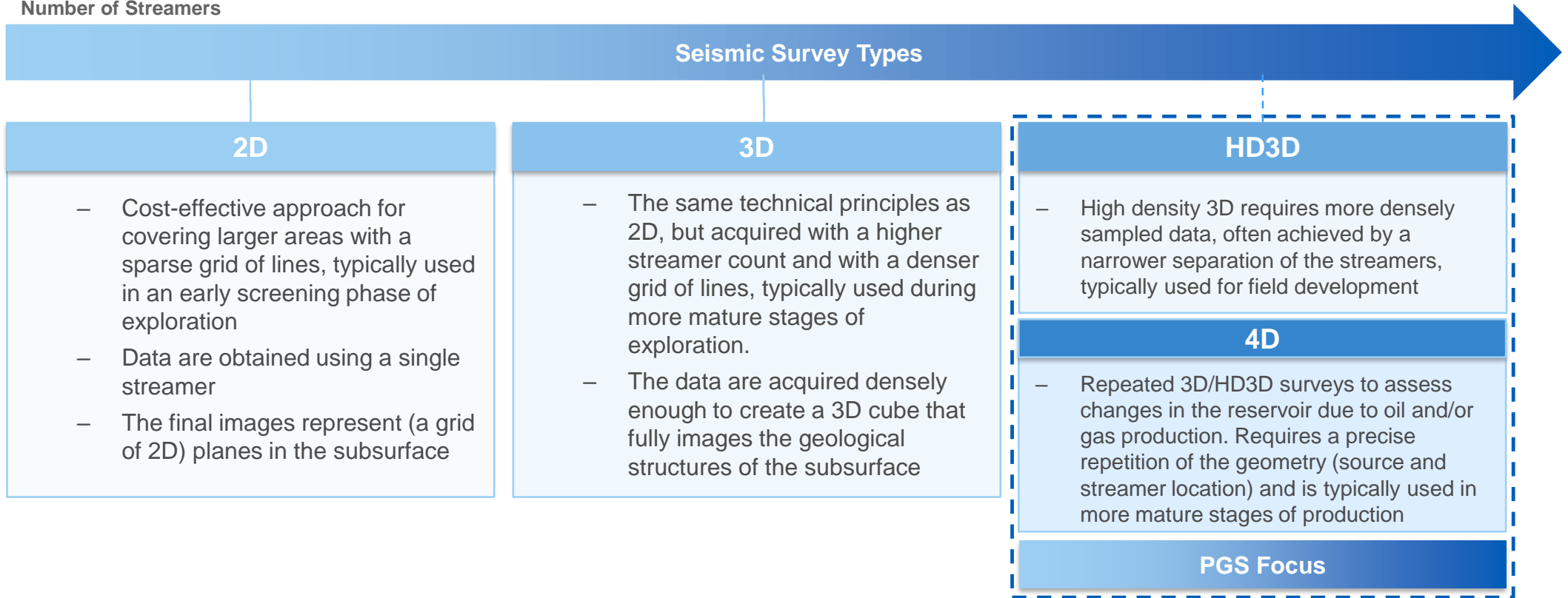


- Seismic surveys acquire information about geological structures below the earth's surface, identifying areas of potential hydrocarbon accumulation or measuring changes in reservoir activity
- Oil and gas companies use seismic to search for and identify prospects, de-risk exploration projects as well as in the development and production phase of a producing field
- Process of obtaining towed streamer marine seismic data
  - Acquisition phase (typically 1-6 months): A seismic source (most commonly compressed air sources) towed by a seismic vessel create pressure pulses that are reflected from the subsurface and detected by multiple sensors in the streamers
  - Data processing (up to 12 months): Geophysicists use software in order to form an image of the subsurface from the data recorded by the streamers. Advanced signal processing and imaging algorithms enable the processing geophysicist to work interactively with high performance computers. The key processes are to remove noise from the data, construct a representation of the rocks' velocity properties and ultimately to place the reflected signal in the correct place in the subsurface

**Seismic de-risks exploration projects and optimizes production of existing fields**

# Seismic Data - Acquisition Techniques

Quality  
Number of Streamers



**High-end survey segment requires the premium data product achieved by PGS' differentiated offering**

### 1

#### Industry Rationalisation

- 2015-16 saw the most severe downturn seen in oil service industry for decades
- Supply side significantly reduced through scrapping/retirement and cold stacking of the least efficient capacity
  - Active 3D fleet reduced by more than 50%
- In 2018, 24 3D vessels were active in the market on average
  - Substantial CAPEX required to bring stacked vessels into service (c.USD50m) as seismic equipment/streamers generally have been distributed to the active vessels
    - No new vessels are on order
- There are 3 major vessel owning participants with PGS having a market leading c.35% share<sup>1</sup>

### 2

#### Seismic Demand Recovery

- Improving market fundamentals provide a supportive backdrop for seismic recovery
  - Declining O&G reserves, offshore exploration required to meet demand
  - Cost reductions has materially reduced break-even oil price for E&P companies and offshore reserves
  - At current oil price levels, E&P companies are generating substantial free cash flows and are well positioned to increase spending
- Demand dynamics suggest an improving market
  - Strong recovery of MultiClient revenues in 2018
  - Seismic acquisition activity expected to increase some 10-15% in 2019
  - Increased contract pricing and industry order book

### 3

#### PGS Well Positioned

- The leading integrated player with a strong position in the MultiClient market and a market leading acquisition and imaging technology
  - High quality vessels and leading technology results in a differentiated MultiClient / Contract offer
- Focus on profitability and repositioning the capital structure to sustain future downturns
  - Operating costs are down 46% since 2014
  - Flexibility over capex spending
  - Targeting a substantial debt reduction
- Cash flow positive after debt servicing in 2018
  - Free cash flow expected to increase in 2019

**PGS is focused on profitability, cashflows and lower financial leverage**

**Strongly cash generative with a net debt target of USD 500-600m<sup>2</sup>**

1. Based on active number of streamers

2. Amount does not include debt relating to capitalized leases (Ref. IFRS 16). The target, including debt relating to leases, is net debt level not to exceed USD 700-800 million.

# Key Credit Highlights

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# Key Credit Highlights

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**1** Leadership Through Fully Integrated Service Offering

**2** Diversity of Customers and Revenue Model

**3** Focused MultiClient Business Reducing Financial Volatility

**4** Market Leader in 4D and the Premium Contract Segment

**5** Leveraging Fleet Productivity and Technology

**6** Proactive Financial Management Focused on Cash Flows

# 1 PGS: The Leading Integrated Marine Seismic Service Provider

	MultiClient	Contract 3D Acquisition	Contract 4D Acquisition	Multi-Component Streamer	Imaging	Reservoir	Ocean Bottom Seismic
	✓	✓	✓	✓	✓	~	x
	✓	~	~	~	✓	✓	x
	x	✓	✓	~	~	x	✓
	✓	x	x	x	✓	~	x
	✓	x	x	x	✓	✓	x
	✓	x	x	x	~	x	x
	~	✓	~	x	x	x	x

**PGS is the only integrated player**

~ = Limited capabilities or exiting

## Integrated Provider: Strategic Rationale

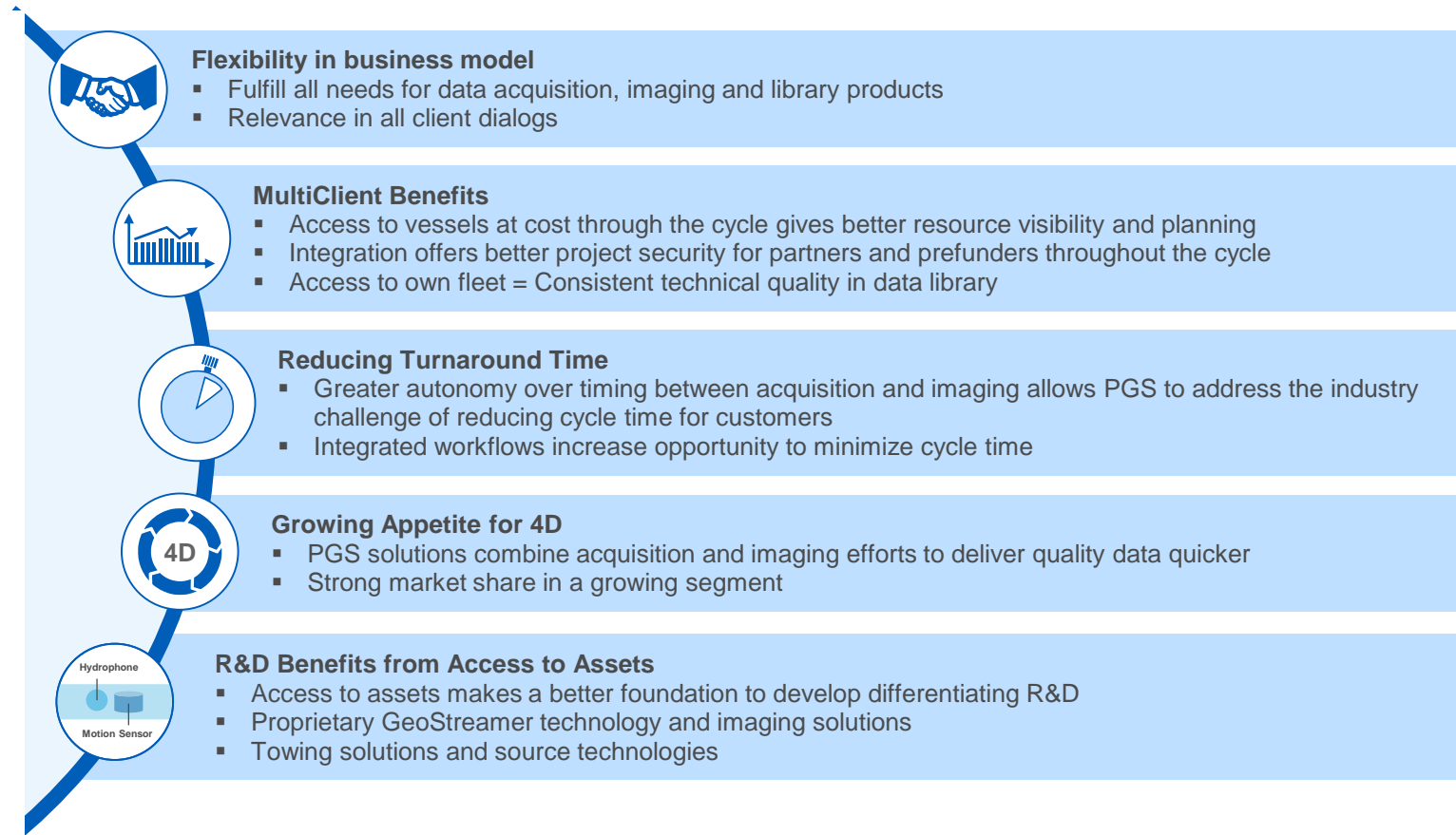
- Regarded as the industry leader for seismic acquisition
- Substantial overlap between the MultiClient and contract market
- Flexible business model with ability to tailor product offering to client requests
- Leading market position
  - MultiClient market share of ~26%<sup>1</sup>
    - MultiClient book value of USD675m
  - 4D market share of ~40%
- In-house expertise of all key seismic services
  - PGS is the only company with a full multi sensor streamer offering. GeoStreamer produced by 3<sup>rd</sup> party on proprietary PGS specification

**Increasing value by maintaining a fully integrated service offering**



# 1 Benefits of an Integrated Offering

- Whilst other players limit their range, PGS strategy is broad and integrated
  - MultiClient offering
  - Operating the industry leading 3D acquisition fleet
  - High end Imaging capability
  - Unique technology offering and continued R&D investments
  
- PGS' MultiClient business is among the best in the industry with key strengths:
  - State of the art library quality
  - Advanced acquisition technology
  - Reliability of vessel operations
  
- MultiClient business carried PGS through the downturn



Fully integrated offering serves all client needs

## 2 Large and Diverse Customer Base

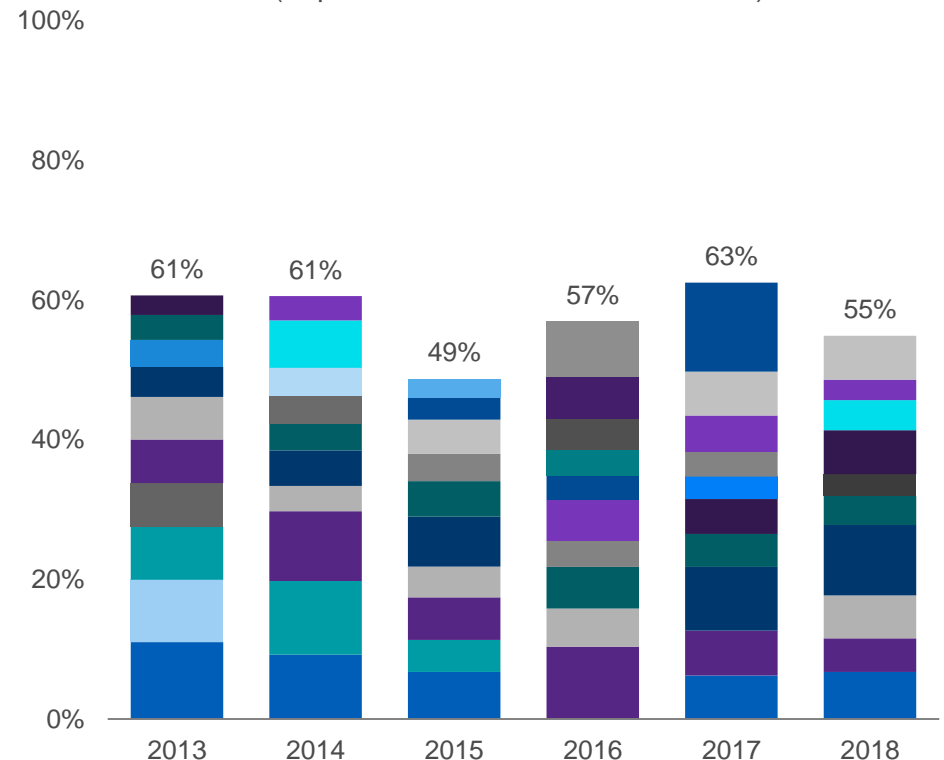
- Diversified client base for both Contract and MultiClient services. Customers include a wide range of the world's international, national and independent companies
- Longstanding relationships with IOCs and NOCs where recurring customers are a testament to PGS' performance as a player in marine seismic
- In 2018, we had over 100 MultiClient customers
- Top 2 largest customers accounted for 8.3% and 8.2% of 2018 consolidated revenues compared to 12.8% and 9.1% in 2017

### Select Large Clients



### PGS' Top 10 Clients Over the Years<sup>(1)</sup>

(Top 10 clients share of total revenue)

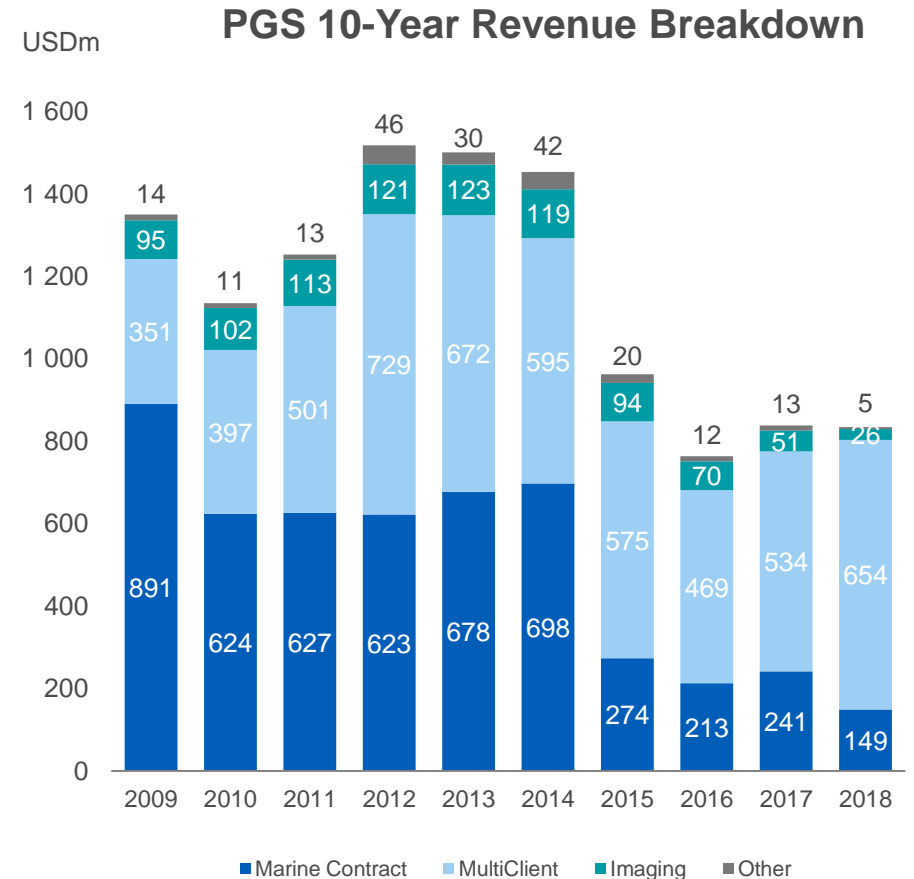


## 2 Revenue Models: Historical Split

### Overview of Revenue Streams

Revenue Type	Description
<b>Contract</b>	<ul style="list-style-type: none"> <li>▪ Exclusive seismic surveys delivered to a single client</li> <li>▪ Customer directs scope and extent of survey and retains ownership of data after the survey has been acquired</li> </ul>
<b>MultiClient</b>	<ul style="list-style-type: none"> <li>▪ Seismic data sets sold to multiple customers on a non-exclusive basis</li> <li>▪ Two types of MultiClient Revenue:               <ul style="list-style-type: none"> <li>▪ Pre-funding: Revenues from sale of licenses before project completion</li> <li>▪ Late sales: Sale of data licenses from the library</li> </ul> </li> </ul>
<b>Imaging</b>	<ul style="list-style-type: none"> <li>▪ External revenue is generated from processing seismic data as a service to clients</li> <li>▪ Majority of PGS' imaging capacity is used for processing of PGS MultiClient data</li> </ul>

- Recent years have seen a shift in customer preference towards the MultiClient segment
- PGS has the flexibility to offer the product which best fits the client's demands helping PGS adapt to changing markets



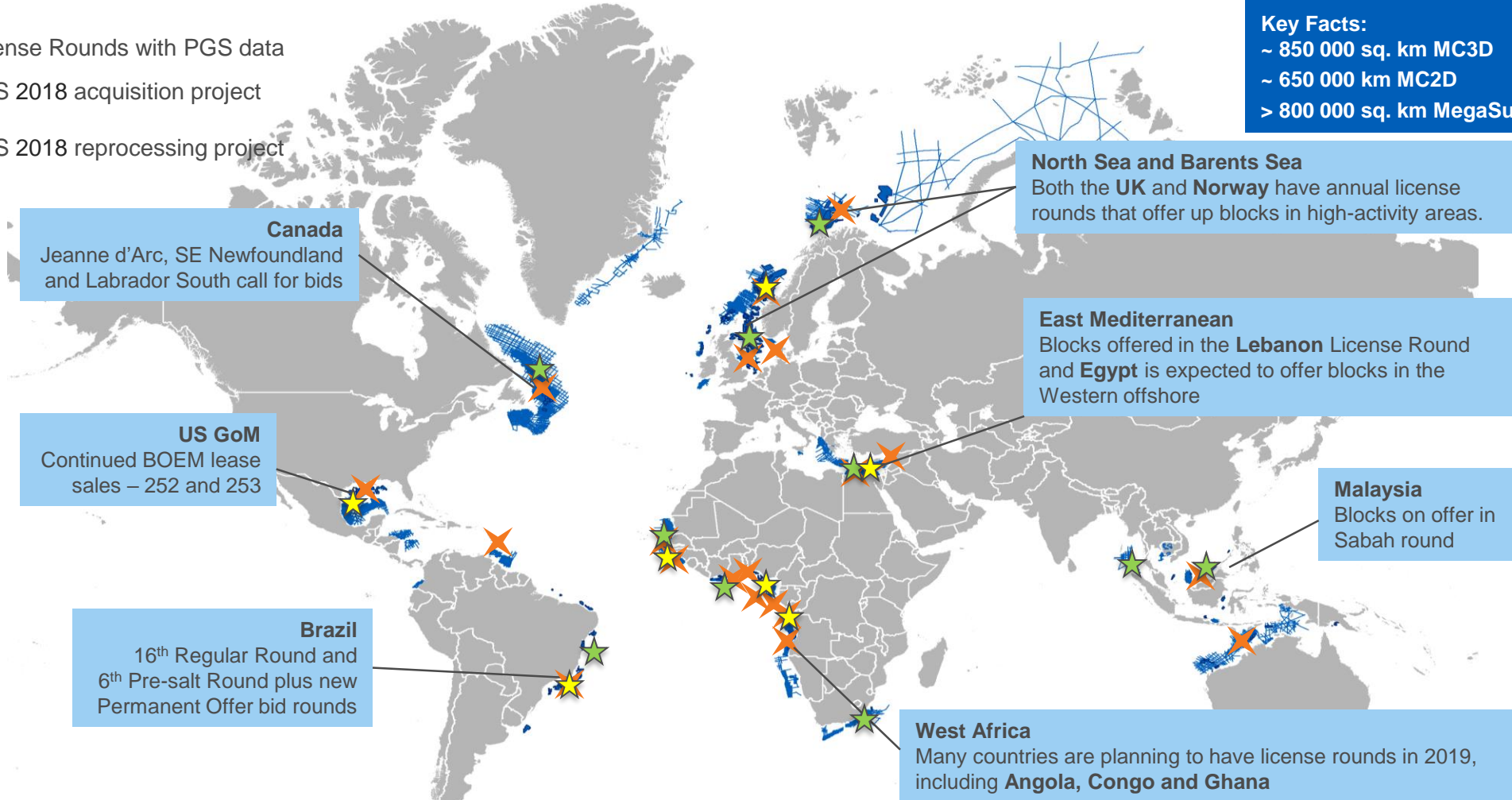
Ability to rapidly switch capacity between MultiClient and Marine Contract opportunities provides flexibility in changing markets

3

# Diversified MultiClient Library: Presence Across All of The Major Offshore Hydrocarbon Basins

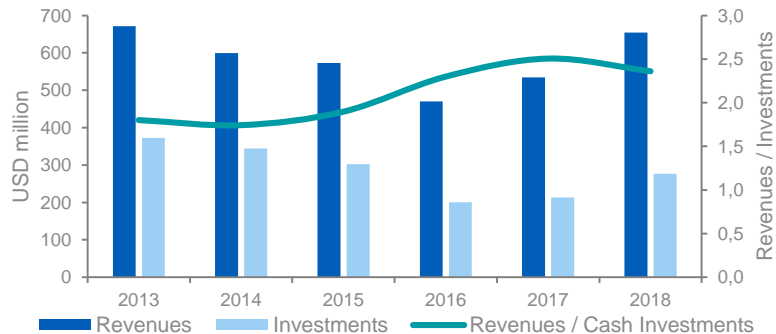
- ✖ License Rounds with PGS data
- ★ PGS 2018 acquisition project
- ★ PGS 2018 reprocessing project

**Key Facts:**  
 ~ 850 000 sq. km MC3D  
 ~ 650 000 km MC2D  
 > 800 000 sq. km MegaSurvey



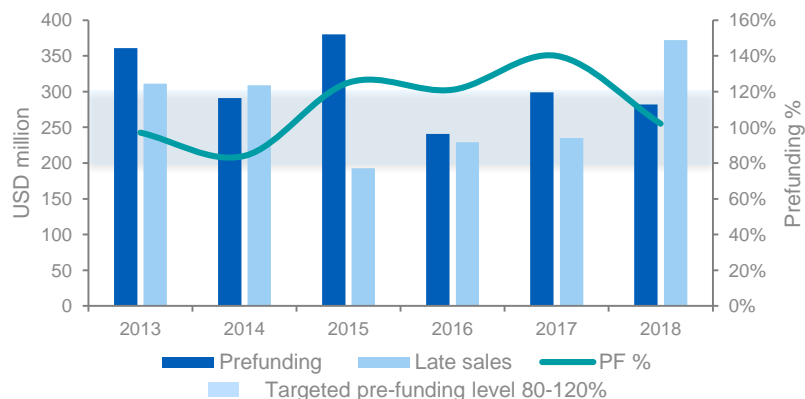
### 3 Robust MultiClient Operations with Great Track Record

Solid and stable revenue / investment ratio



- Expanding the MultiClient library
  - MultiClient 2018 cash investments of USD 277 million with a pre-funding level of 102%
  - Will harvest from these investments in a strengthening market

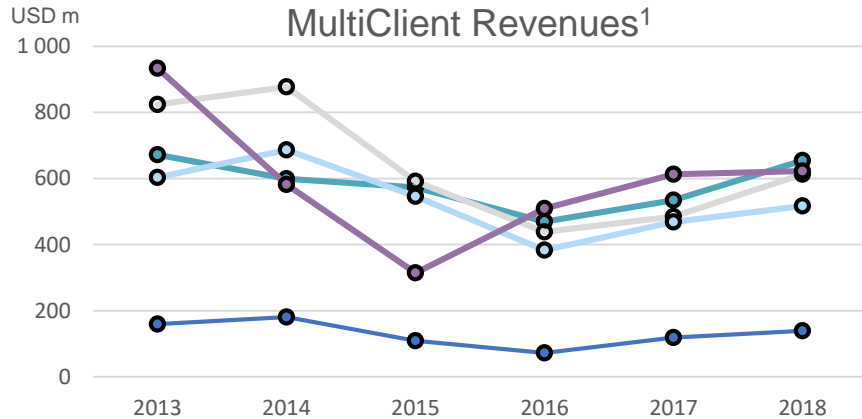
Strong prefunding over the cycle



- Pre-funding<sup>1</sup> has historically tended to be in the high end or above the targeted 80-120% range (121% 3-year average) due to incremental sales in the processing phase

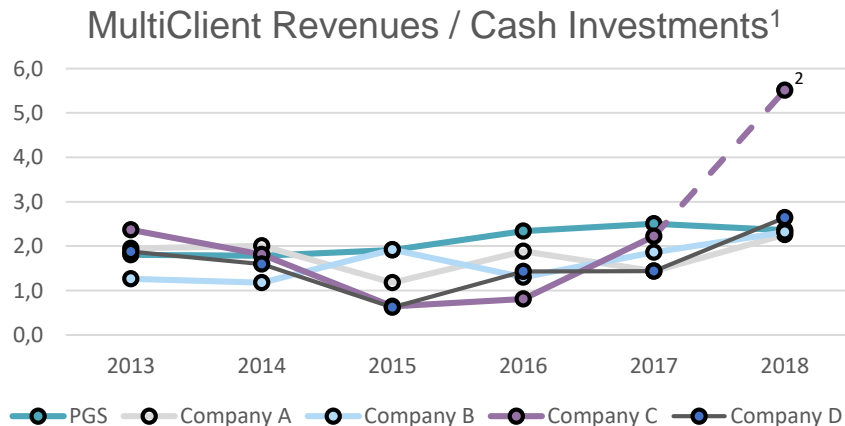
1. Calculated by dividing the MultiClient pre-funding revenues by the cash investment in MultiClient library.

### 3 Industry Leading MultiClient Performance



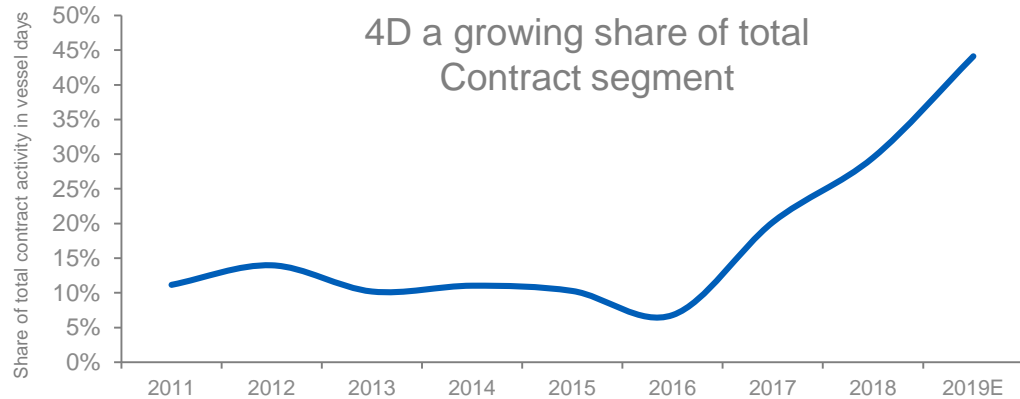
- Among the highest sales to investment ratios for PGS
  - One outlier benefits from marginal investments in 2018 while harvesting from older vintages

- Conclusion: Stable, strong performance for the PGS MultiClient library



1. PGS estimates, limited to four largest peers. Reported revenues and MC investments. No consistent industry definition of MultiClient (cash) investments. Revenues / cash investments: Can not be compared in absolute terms - relative variations from year to year for each player. 2. 2018 MultiClient Revenues / Cash Investments of Company C was 5.5x, benefits from marginal investments in 2018 while harvesting from older vintages

## 4 Contract Streamer Seismic is Moving Towards the Reservoir (4D)

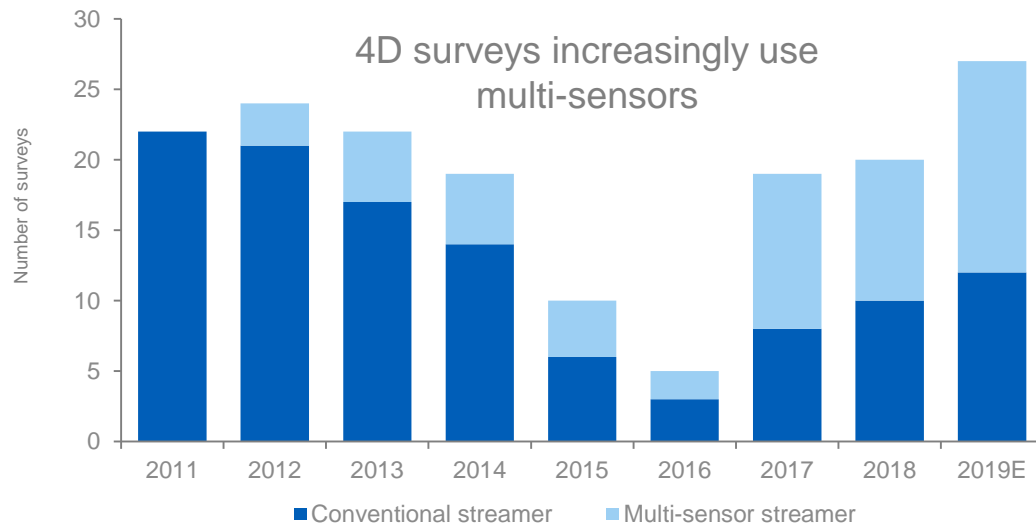


2019 is expected to be the highest ever 4D share of total Contract activity:

- 27 towed streamer 4D surveys tendered or planned for 2019 so far – the most ever

The 4D market is growing faster than the market in general, and yields enhanced returns:

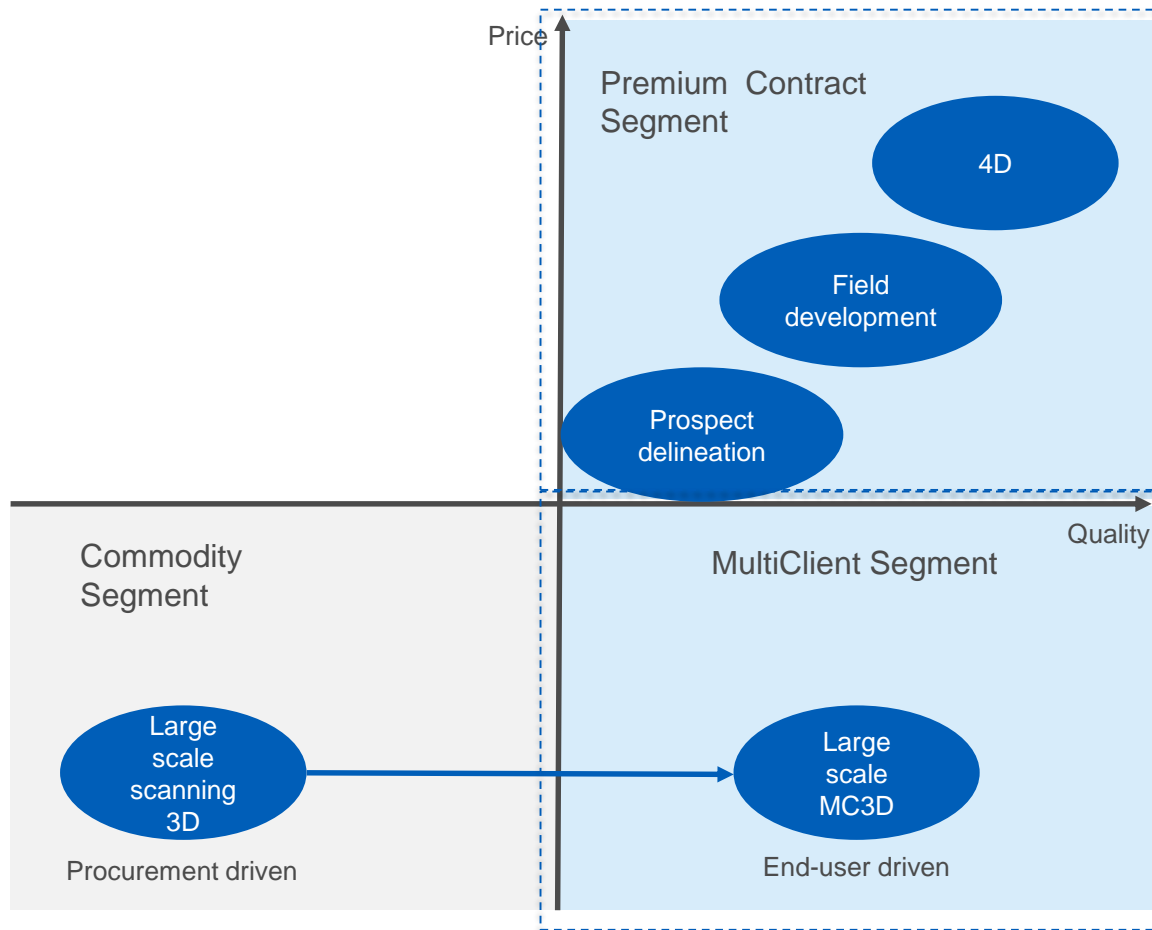
- Contract rates booked to date are more than 35% higher than average rates in 2018



PGS' 4D offering is driven by strong differentiation:

- Multi-sensor and steerable streamer and source technology on all vessels
- Large, high density streamer spreads
- Only player with integrated development of acquisition and imaging tools for 4D/reservoir seismic

# 4 PGS Strategic Pivot Towards the Premium 4D Reservoir Market



### Premium segment

- Close to the reservoir
- High density/high resolution data
- Larger streamer counts, larger vessels and smaller streamer separations
- Preference for true broadband multi-sensor

### MultiClient segment

- Shift of exploration Contract activities to MultiClient model
- Integrated offering enables economy of scale to deliver cost efficient premium quality
- End user has greater influence on purchase

### Commodity segment

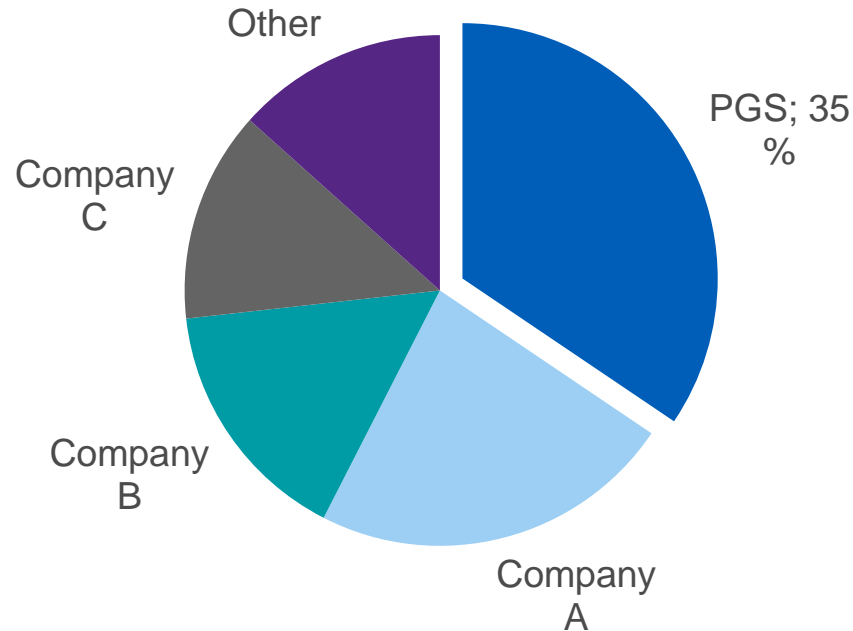
- Smaller streamer counts, smaller vessels
- Triple source configurations
- Conventional systems adequate
- Heavily price driven

PGS Focus



## 5 PGS Fleet: A Differentiated Market Leader

### 2019E Active Streamers by Offshore Seismic Players



- A market leader with market share of ~35% in 2018
- The only fleet fully equipped with the latest technologies
  - Multicomponent streamers
  - Source and streamer steering
  - 12+ streamer count
  - State of the art imaging tools
- Ramform Titan-class and Ramform S-class vessels are:
  - Superior for large exploration surveys and any survey with high streamer count
- A world class fleet with the lowest average age of active fleet in the industry
  - All vessels are capable of towing dual and triple source configurations

**Maintaining a strong market position**

## 5 A Flexible Fleet – Throughout the Cycle



RAMFORM **Hyperion**



RAMFORM **Tethys**



RAMFORM **Atlas**



RAMFORM **Titan**



RAMFORM **Sovereign**



RAMFORM **Vanguard**



PGS **Apollo**<sup>1</sup>

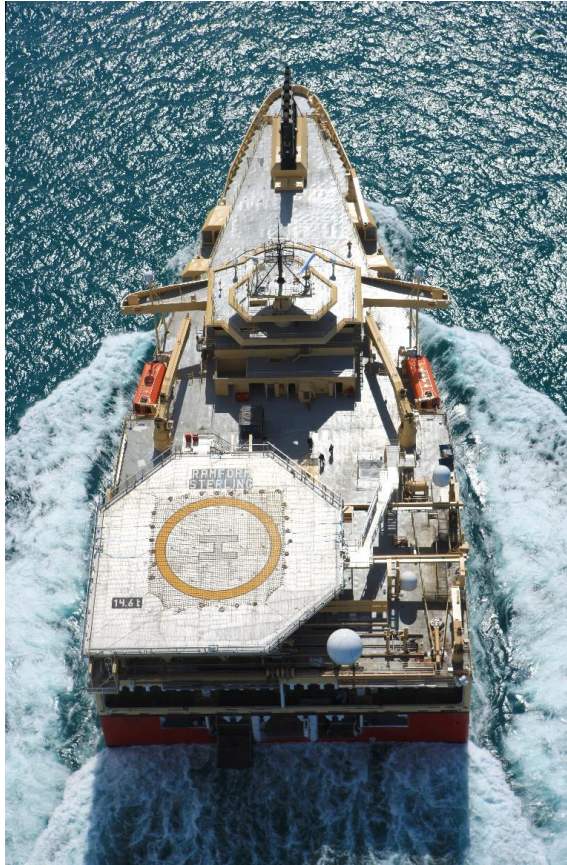


SANCO **Swift**<sup>1</sup>

- The most cost effective fleet in the industry<sup>2</sup>
- PGS will have eight 3D vessels (“the active fleet”) fully equipped at all times
- PGS can scale down operations to six vessels and reduce costs including crew accordingly
- Cost base sized to six vessels, part time crew used for additional vessels, providing a cost flexibility

# Update on sale of *Ramform Sterling* to JOGMEC and related service agreements

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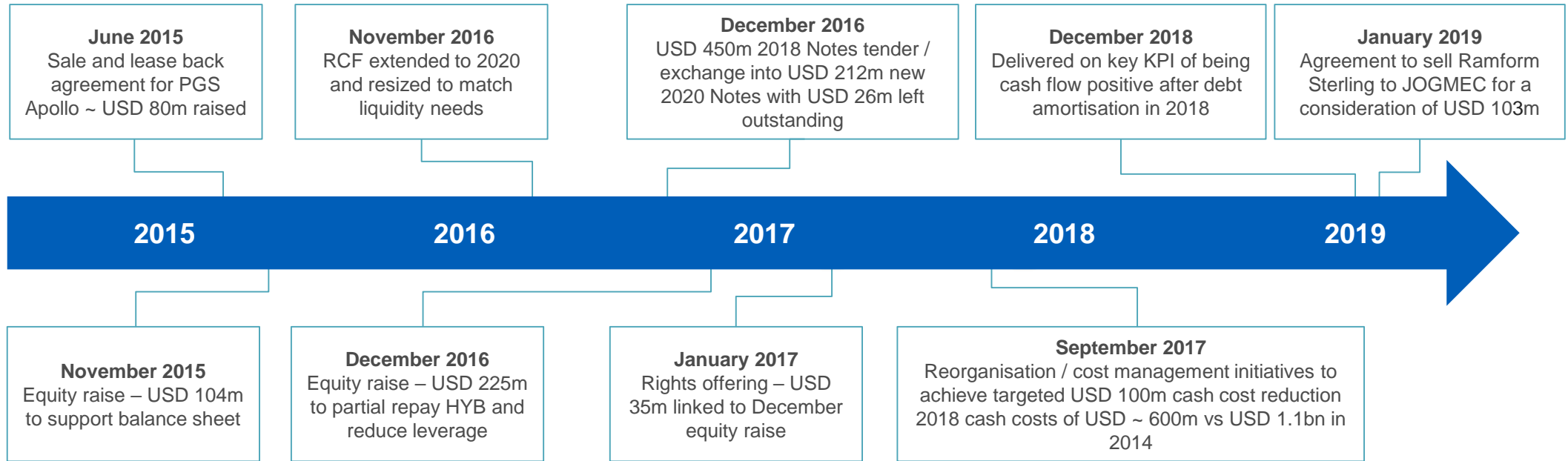


- Entered into service agreements of up to 10 years with annual renewals
- *Ramform Sterling* delivered in April 2019
  - Sales price of ~USD 103 million, excluding streamers
  - First (~50%) installment received in March 2019
  - Second (~26%) installment received in April 2019
  - Remaining amount to be paid in April 2020
- *Ramform Vanguard* reintroduced from May 2019 to maintain operated fleet size
- Reached agreement to buy back Shigen (*Ramform Victory*)
  - Likely to initially be used as source vessel on existing projects

## 6 A Proactive Approach to Managing Financial Risks

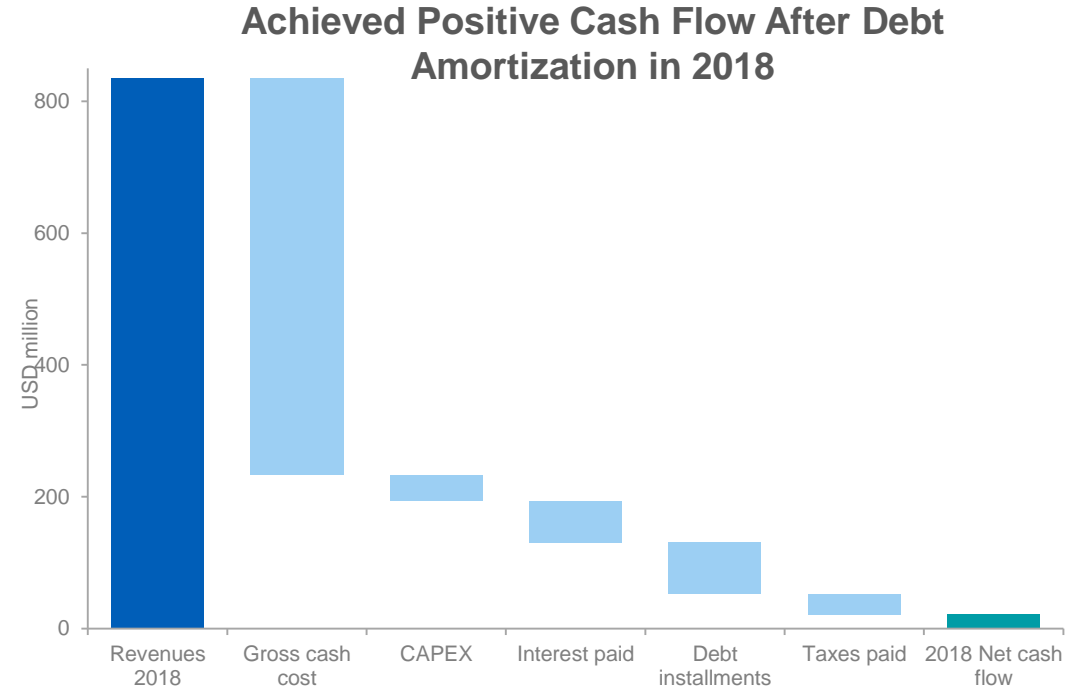
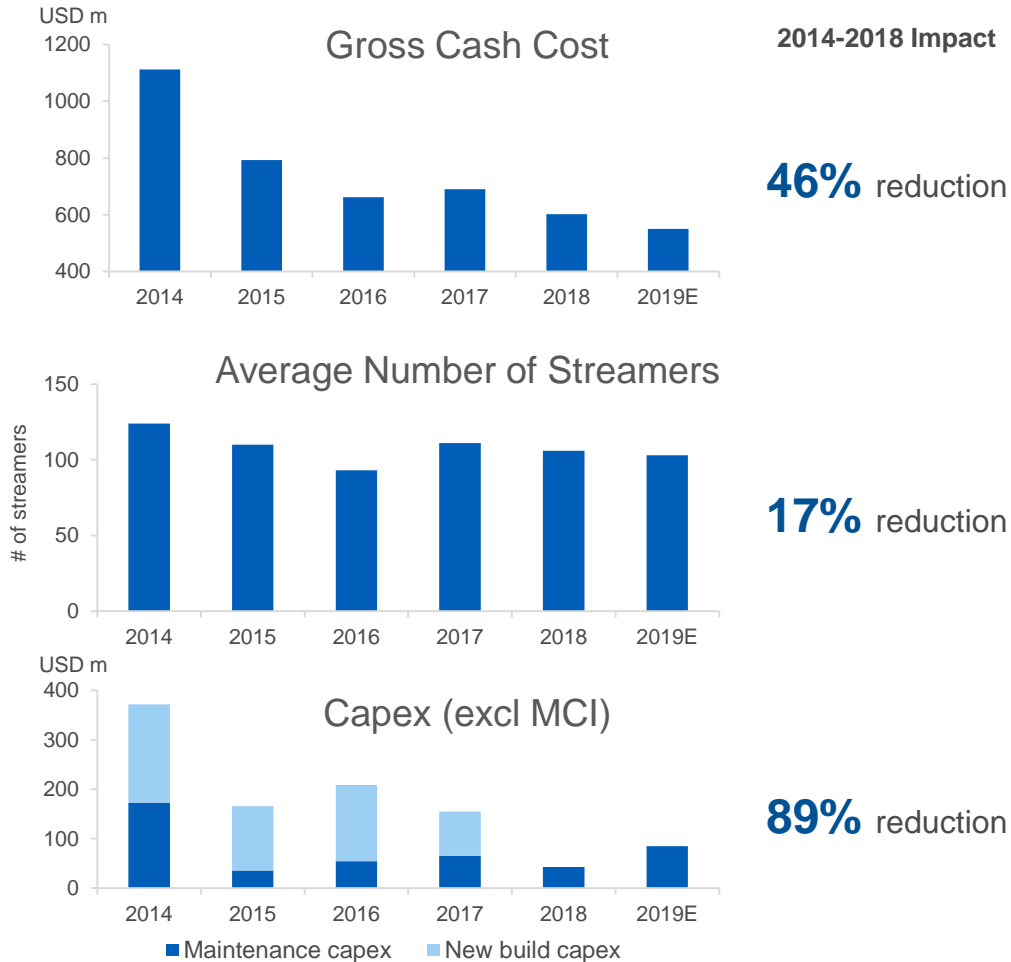
### Managing Financial Risks

- PGS is continuously looking for measures to pro-actively manage debt maturities and maintain tight control on costs
- Track record of successful balance sheet and cash flow management in a challenging market backdrop



Steps taken resulted in improved balance sheet flexibility and increased long term financial visibility

## 6 A Focus on Cash Flows



- Delivered on key KPI for 2018 of becoming cash flow positive after debt amortization
- Cash flow generation expected to increase in 2019
  - Lower debt repayments
  - Improving market fundamentals

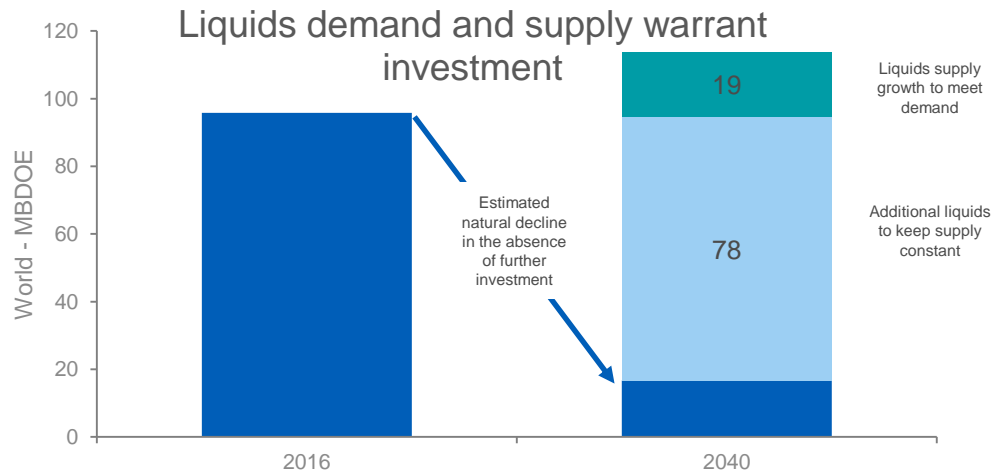
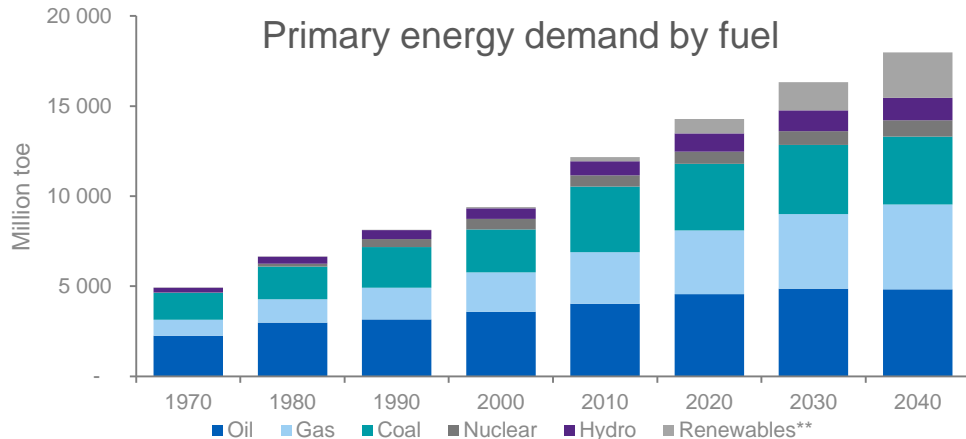
# Market Overview

*Supporting Exploration, Optimizing Production*

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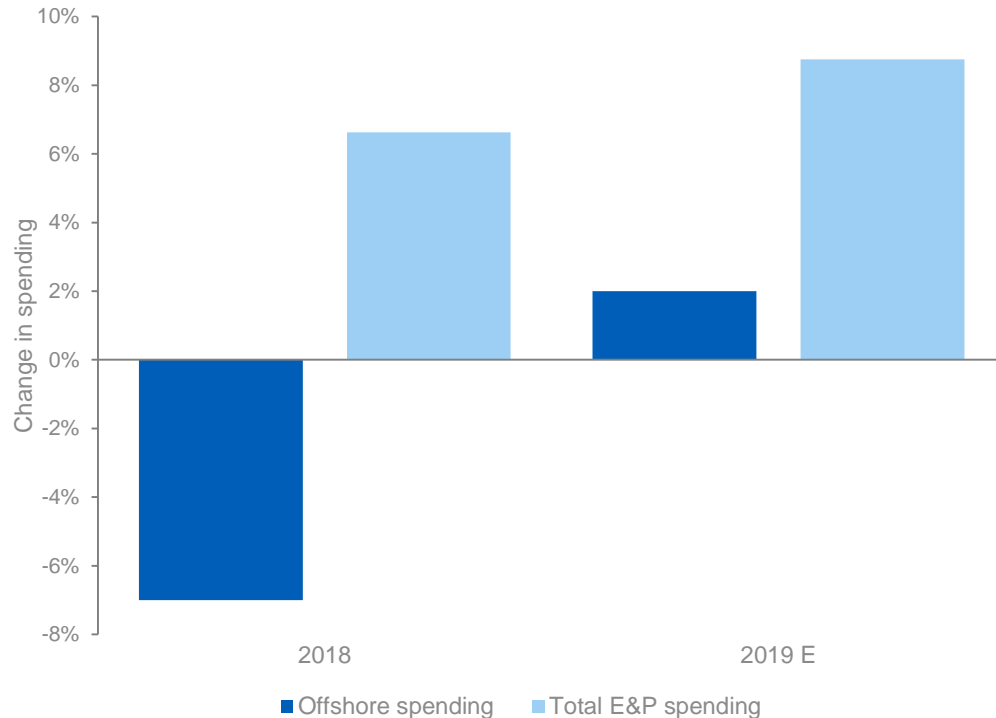


# Energy Demand Continues to Increase



- The current macro environment is positive
- Oil and gas demand expected to grow by 1% annually from 2020 to 2040
- Oil and gas accounts for a majority of energy demand and is also expected to be the dominant energy source in 2040
- Decline rates from producing fields are significant and increased shale production is not enough to compensate
  - Offshore exploration and production has to increase

## E&P (Total and Offshore) Spending Expected to Increase in 2019

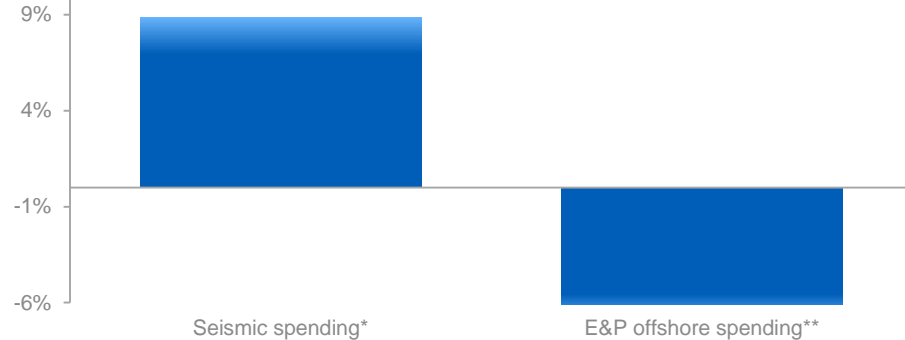


- Total 2019 E&P spending expected to continue to increase, compared to 2018 spending level
- Larger incremental increase for offshore spending than overall E&P spending
- Continued CAPEX discipline to be expected

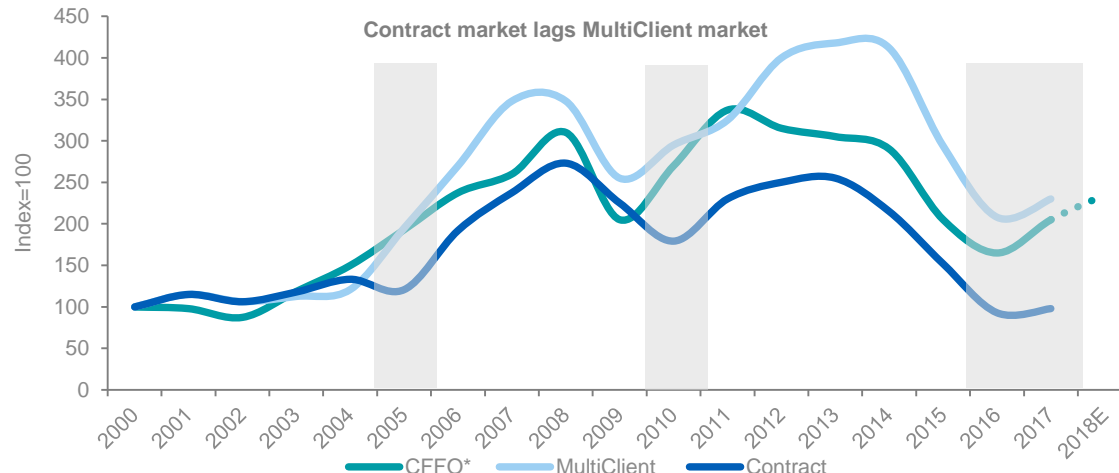


# Seismic – Early Cycle Indicator with Current Positive Momentum

Change in 2018 vs. 2017



\*Accumulated revenues for PGS, TGS, CGG, Spectrum and Polarcus. Preannounced numbers for the first four companies and based on consensus for Polarcus.  
 \*\*Average of estimates from Barclays, DNB and Pareto Securities E&P spending reports.



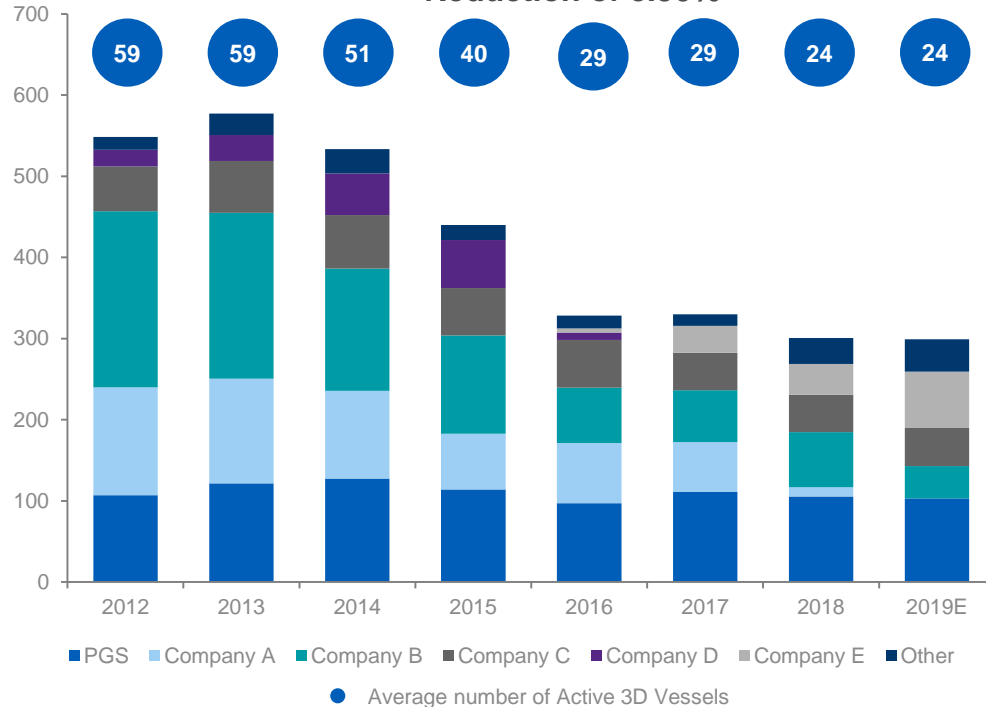
\*Aggregated cash flow from operations from Exxon, Chevron, BP, Total, ENI, Gazprom, Lukoil, Equinor, CNOOC, EOG and Suncor

Source: Rystad Energy and Nordea.

- For the second consecutive year seismic spending has increased Y-o-Y
- MultiClient has already benefitted, while contract activity has lagged
- Contract market trends
  - Higher activity
  - Higher prices
  - Increased share of 4D
- Seismic spending increasing along with E&P companies' CFFO
- Expect contract pricing to be materially higher in 2019 vs. 2018

# Supply Outlook

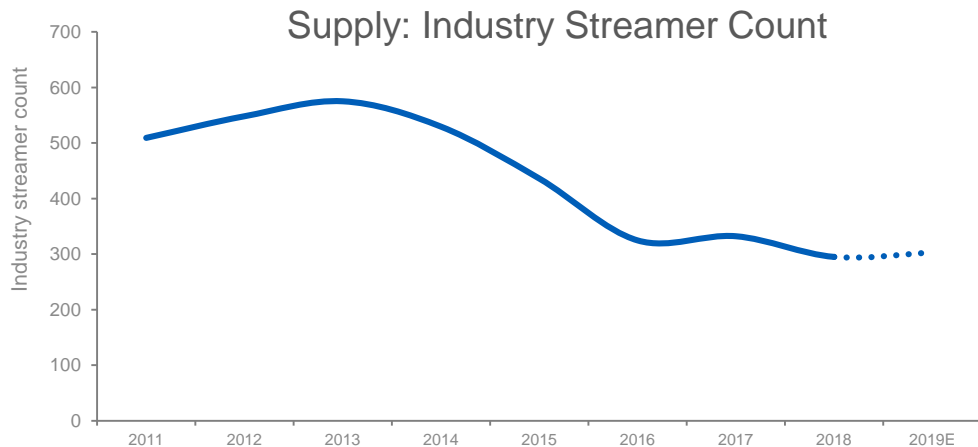
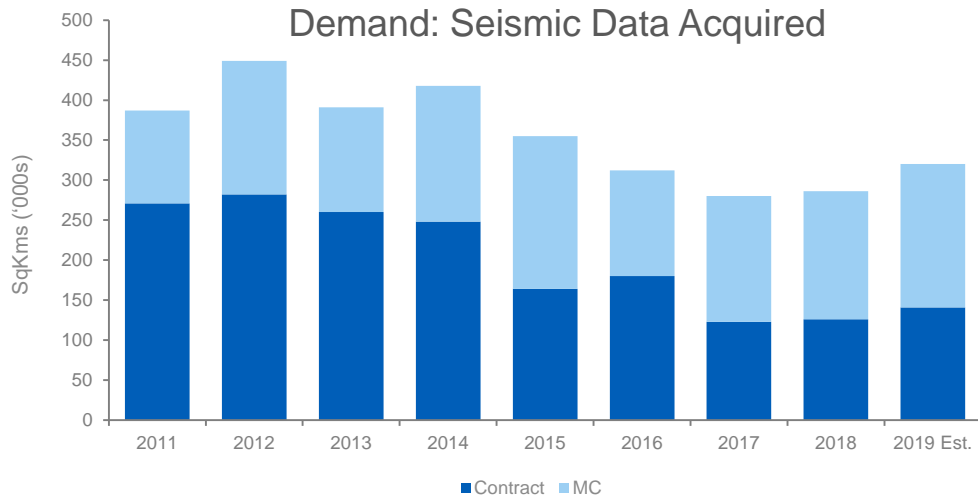
**Marine Seismic Streamer Development – Capacity Reduction of c.50%**



- Since 2013, industry capacity has been reduced by approximately 50%
- All major seismic vessel operators have reduced capacity through retiring and cold-stacking vessels since the peak following deteriorating market conditions, falling oil prices and reduced E&P spending by clients
- An average of 24 3D vessels were active in 2018 and a similar number is expected for 2019. The active capacity is to some extent seasonally adjusted by some operators. Currently 26 vessels are estimated to be active this summer season
- PGS estimates an investment need of ~USD 50m to reactivate one cold stacked vessel (cost of in-sea equipment) and a lead time of 9–12 months

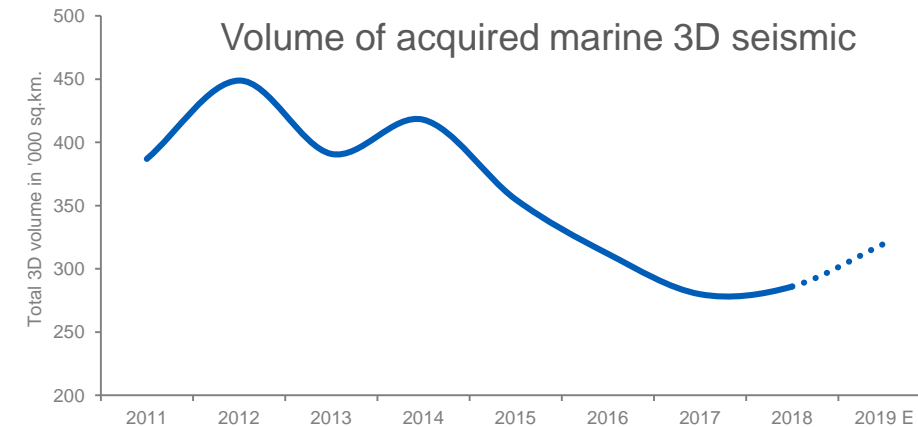
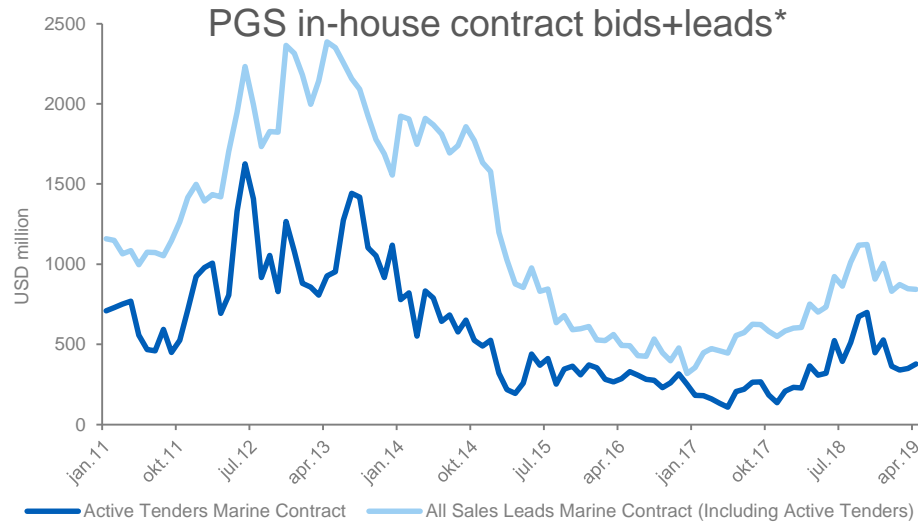
**Increasing the total industry capacity requires material investments and is dependent on demand driving improved pricing**

# Industry Activity is Set to Increase in 2019



- Total activity in 2018 was similar to 2017, and below maximum industry capacity which resulted in idle time
- 2019 activity levels are expected to be some 10-15% higher based on project pipelines. We expect the anticipated industry fleet will be close to full utilization from Q2 onwards
- The capacity allocation split between Contract and MultiClient for the industry is expected to be similar to 2017-2018 at approx. 45/55%
- Total industry capacity declined somewhat during 2018 as a result of further vessel retirements from the active market
- The relatively flat development of average 3D streamer count from 2018 to 2019 includes activation in Q2 2019 by Shearwater of several of the 3D vessels acquired from WesternGeco

# Seismic Market Outlook

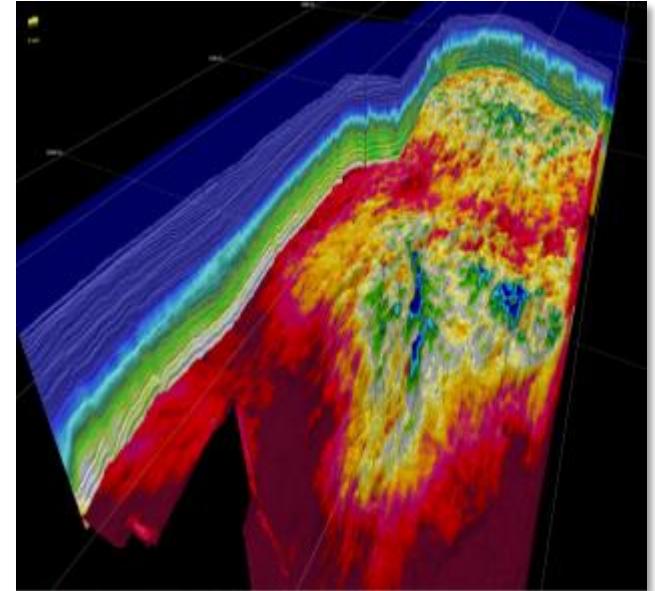


- Significant cash flow generation among oil companies and an increase in E&P spending, including offshore spending, are expected to contribute to further recovery of the marine seismic market
  - Contract seismic likely to benefit the most
  - More than 35% higher prices on 2019 contract work booked to date vs. average rate in 2018
  
- Significant contract awards YTD
  - Improves visibility
  - Reduce sales leads/tenders values
  
- 2019 seismic volume expected to be approximately 10-15% higher vs. 2018

\*Contract bids to go (in-house PGS) and estimated \$ value of bids + risk weighted leads as of April 12, 2019  
 Source to both graphs: PGS internal estimates

## Summary

- 2019 global demand outlook is strong and driving increased activity levels of 10-15%
- The 4D market is growing and in 2019 is expected to be the highest ever by share of Contract activity (~45%) providing great scope for technology and operational differentiation
- Continued strong MultiClient market supported by license round activity
- Good visibility for 2019 in the Contract segment with more than 35% higher rates achieved to date versus 2018
- PGS is a uniquely integrated player with market leading acquisition and imaging technology



# Financial Review

*Supporting Exploration, Optimizing Production*

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## 2018 Highlights



### Centralized, Simplified & Streamlined

- Completed reorganization process
- Sold OptoSeis to GeoSpace
- Operated a flexible fleet of vessels



### Became cash flow positive after debt servicing

- Delivered on key target for 2018
- First year with new organization



### Improving MultiClient Performance

- Record MultiClient late sales
- Increasing investment
- Diverse client base



### Revised PGS strategy

- Profitability and cash flow
- Conservative approach to balance sheet
- Strong focus on MultiClient

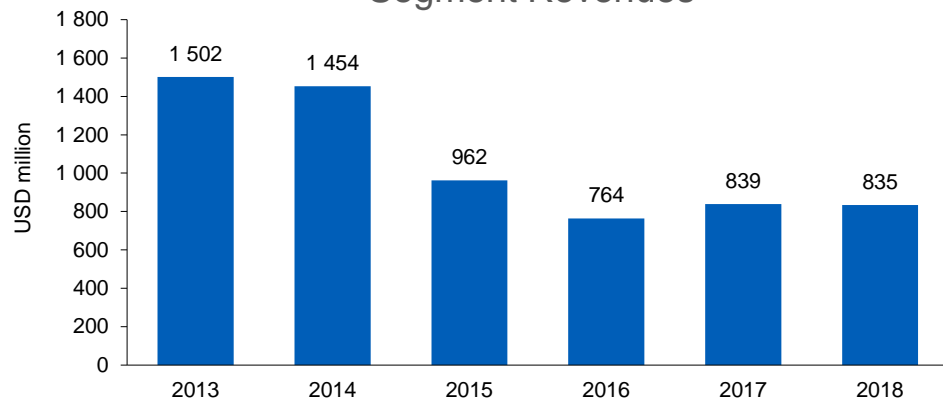


### PGS - the only full service provider

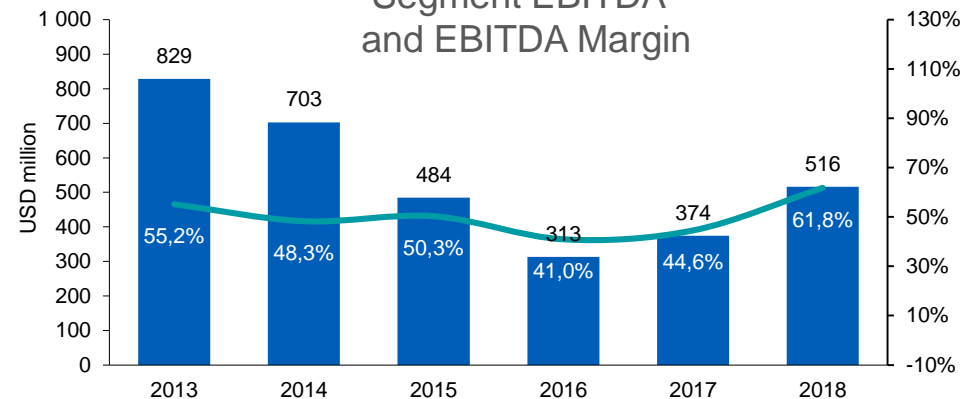
- Meeting clients' needs in all aspects of towed streamer seismic
- Flexible business models with tailored solutions

# Financial Summary – Annual

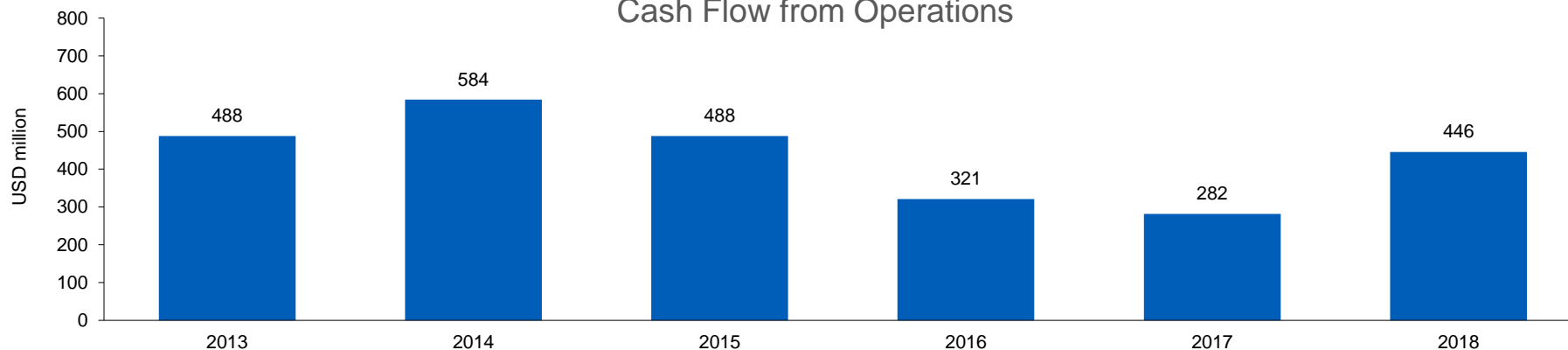
## Segment Revenues



## Segment EBITDA\* and EBITDA Margin



## Cash Flow from Operations

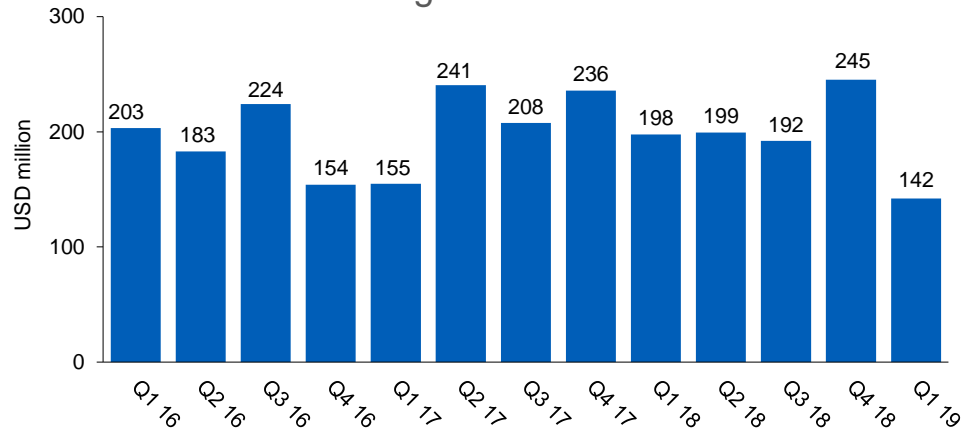


\* EBITDA, when used by the Company, means EBIT excluding Other charges, impairment and loss/gain on sale of long-term assets and depreciation and amortization as defined in Note 14 of the Q1 2019 earnings release. IFRS 16 – Leases was implemented with effect 1 January 2019 without restatement of prior periods and impacts the measurement of EBITDA compared to earlier periods, please see Note 16 of the Q1 2019 earnings release.

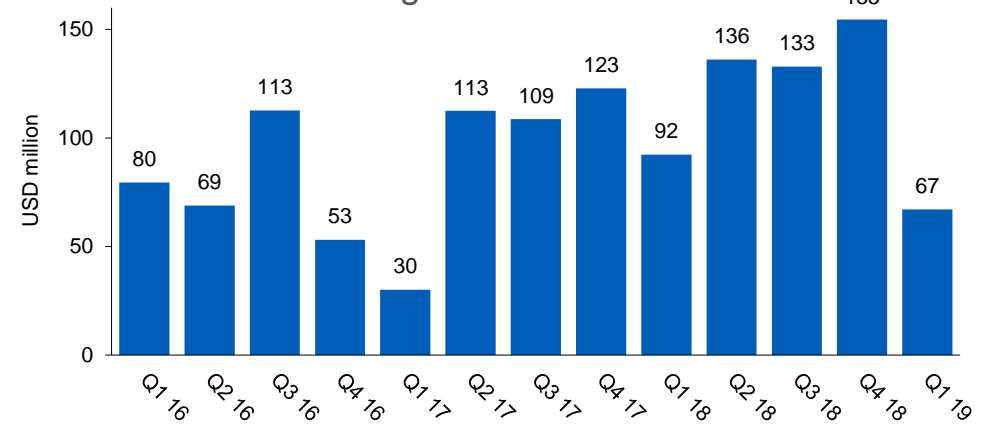


# Financial Summary - Quarterly

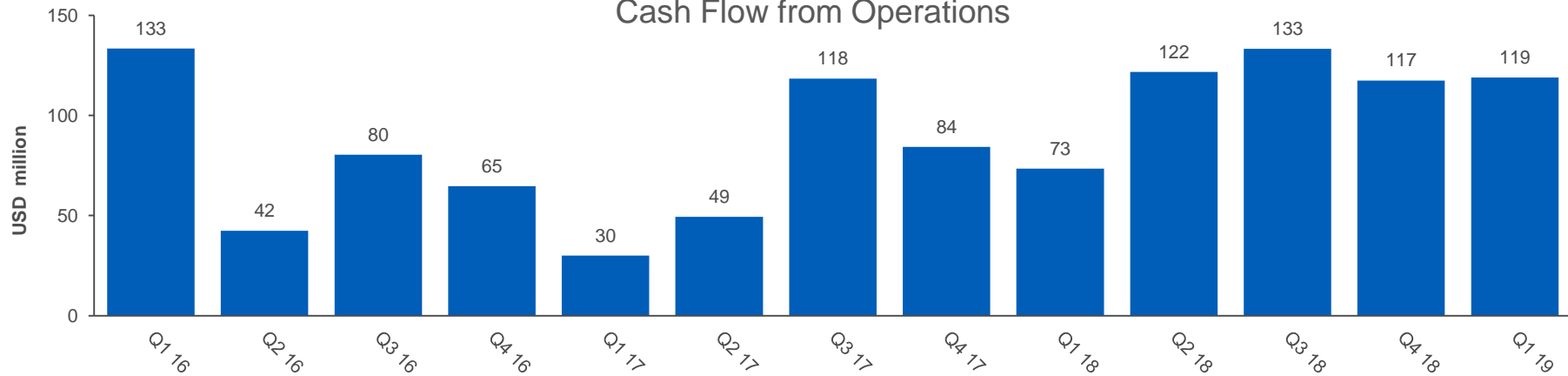
### Segment Revenues



### Segment EBITDA\*



### Cash Flow from Operations



\* EBITDA, when used by the Company, means EBIT excluding Other charges, impairment and loss/gain on sale of long-term assets and depreciation and amortization as defined in Note 14 of the Q1 2019 earnings release. IFRS 16 – Leases was implemented with effect 1 January 2019 without restatement of prior periods and impacts the measurement of EBITDA compared to earlier periods, please see Note 16 of the Q1 2019 earnings release.

## Weak Q1 2019 Results - Full Year Intact

### Drivers for Q1 Numbers

- Seasonal distribution of 2019 MultiClient investments
  - Four out of six operated 3D vessels acquiring MC in Q1
  - Overweight of low prefunded surveys which will reverse in coming quarters
  - Pre-funding of 48% of capitalized MC cash investment
  
- Quarterly variability of MultiClient late sales
  - Limited triggers in Q1 with some sales delayed to later quarters
  - Inside normal quarterly fluctuation for Q1–Q3, especially in light of a record strong Q4 2018
  
- Contract pricing improved, but Q1 still impacted by some surveys with seasonally weak price

### Full year 2019

#### Significantly improved visibility

- Order book end Q1 2019 of \$238m vs. \$163m (Q4-18)
- Improved visibility of 2019 vessel utilization

**46%**

Orderbook growth

#### Improving Contract Market

- 2019 contract work booked to date > 35% higher prices than average 2018
- Substantial increase of EBITDA contribution from contract

**>35%**

Contract Rate increase

#### Prefunding Discipline

- 2019E MC investments of \$250m unchanged
- Q2/Q3 MC investments dominated by Canada (two 3D and one 2D vessel full season) and North Sea with strong prefunding
- MC prefunding expected to be in the upper half of 80-120% target range, consistent with historical track record

**>100%**

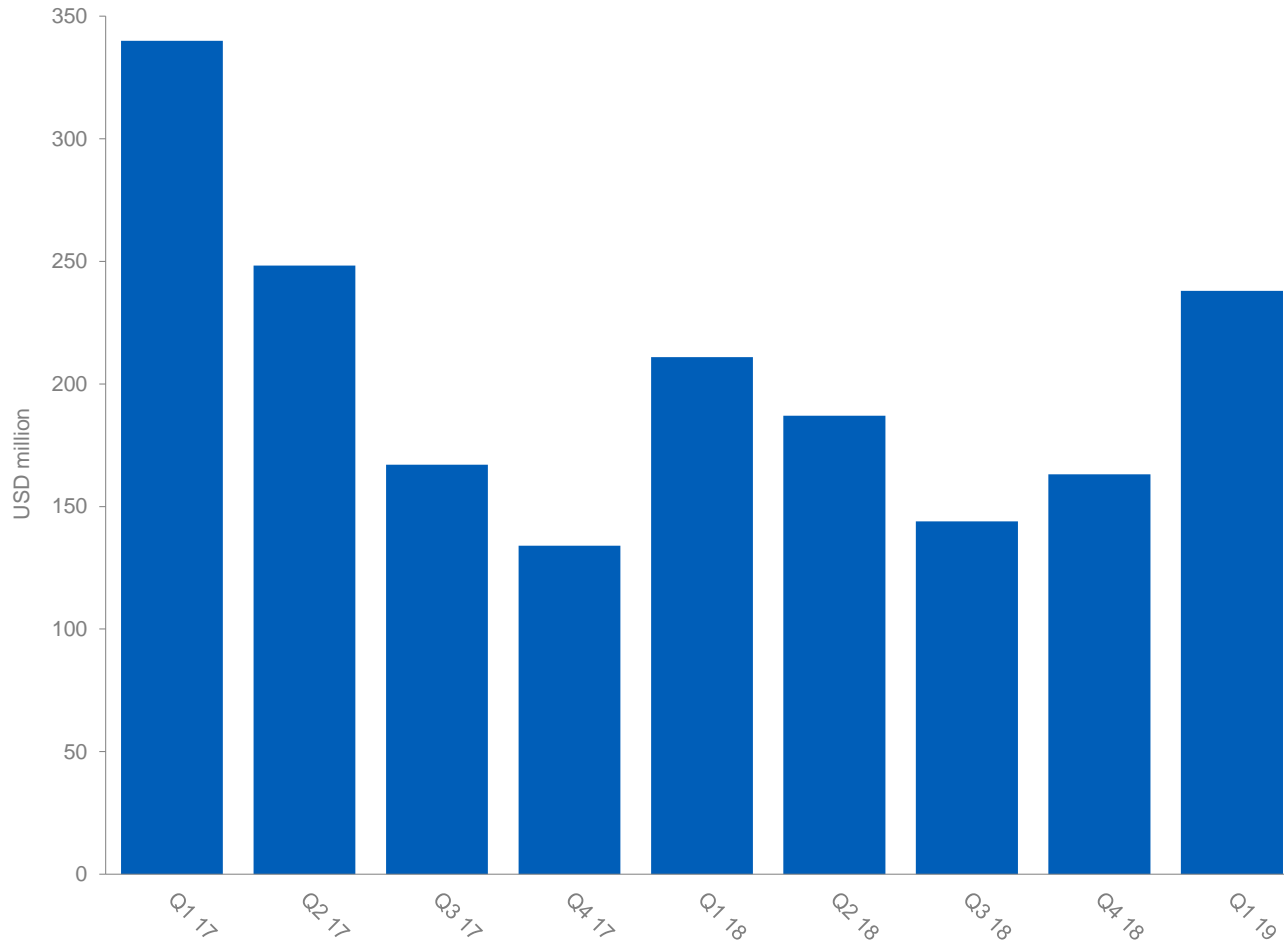
expected 2019 PF level

#### Unchanged MC Late Sales Outlook

- Record high MC late sales of \$372m in 2018
- Oil price sentiment, license rounds and industry spending forecasts support strong 2019 demand

**E&P spending drivers continue to be on the positive side - Seismic market is in recovery**

# Order Book



- Order book USD 238 million at March 31, 2019
- Vessel booking\*
  - Q2 19: 24 vessel months
  - Q3 19: 20 vessel months
  - Q4 19: 8 vessel months
- Have signed contracts with a value of more than USD 60 million after quarter close, which are included in vessel booking
- Visibility significantly improved
  - Strong Q2/Q3 utilization expected

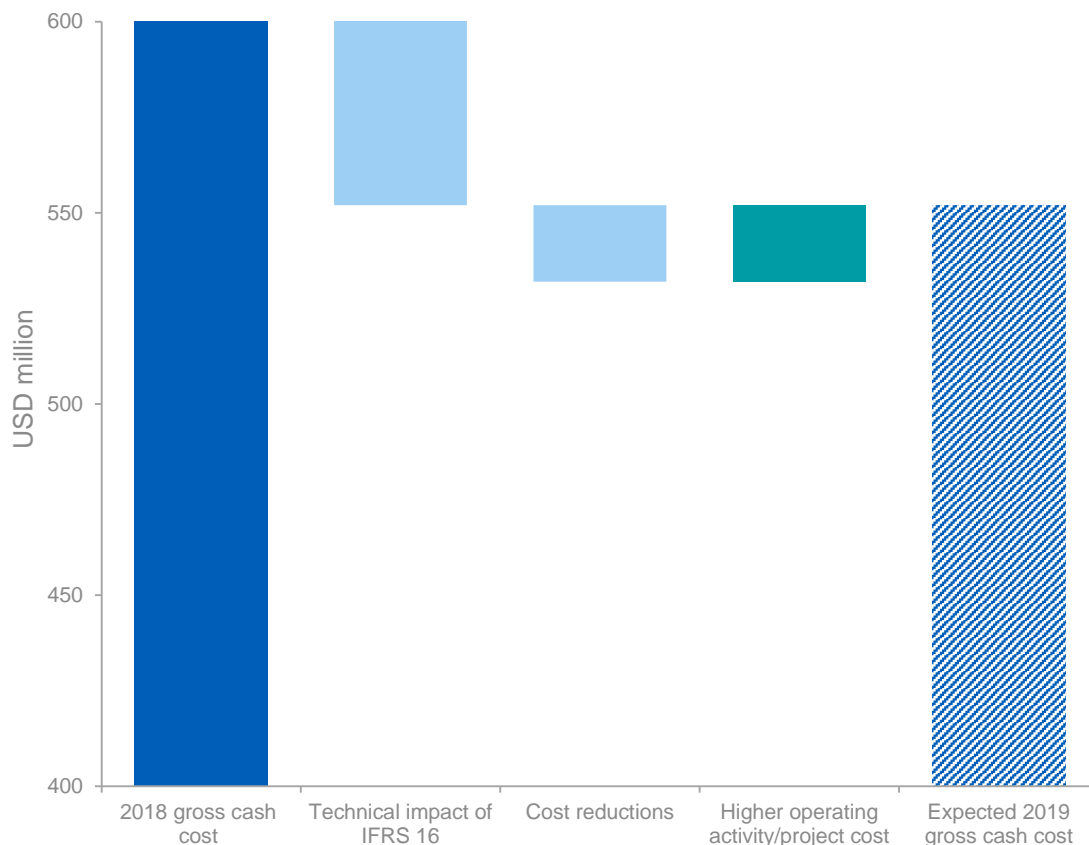
\*As of April 23, 2019.

# 2019 Gross Cash Costs

- Positioned for growth, while cost control remains priority



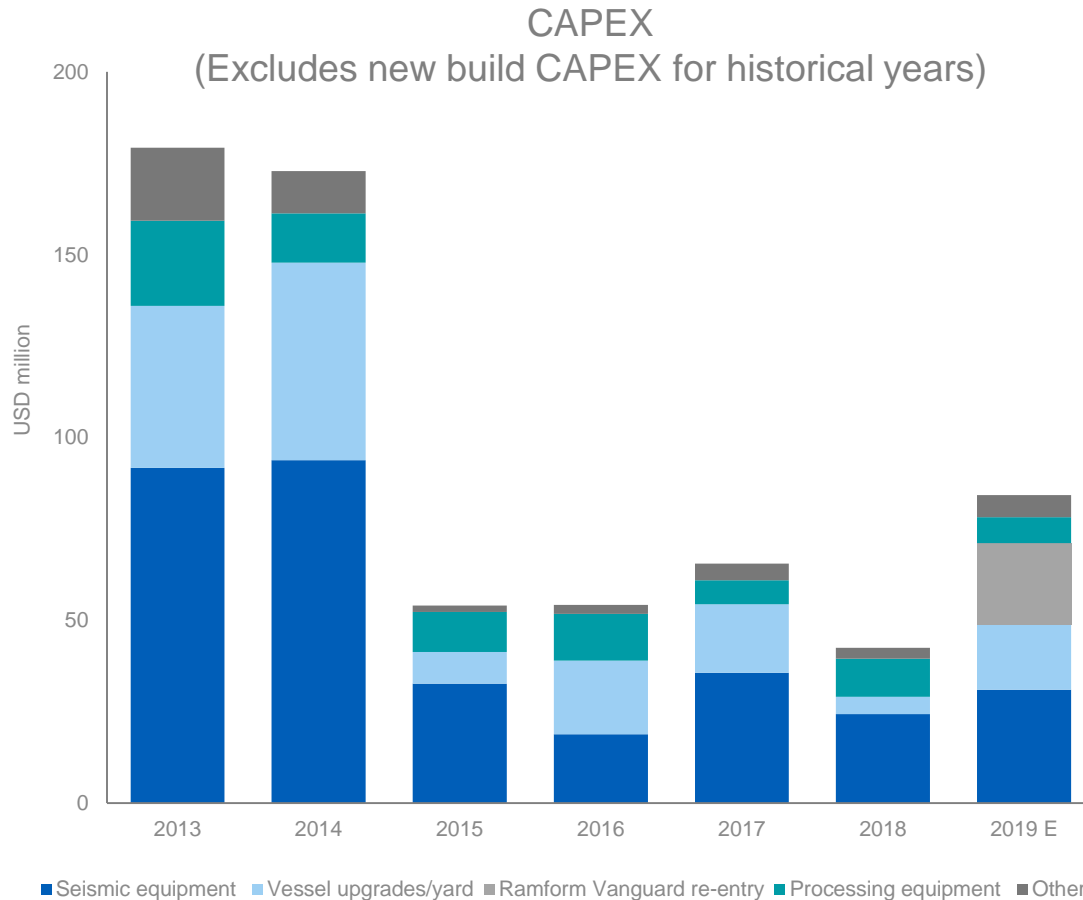
Gross Cash Cost Bridge 2018 – 2019E



- 2019 gross cash costs expected at ~USD 550 million\*
  - Down from USD 601.6 million in 2018
- IFRS 16 implemented on January 1, 2019
  - Reduces 2019 gross cash costs by ~USD 50 million
- Cost increase from higher expected operating activity in 2019 offset by full year effect of cost reductions
  - Assuming 7 vessels in operation in Q4 2019
- Tight overall cost control is a priority

\* Based on NOK/USD exchange rate of 8.56 and Brent spot price of approximately USD 60 per barrel.

# Capital Expenditure and Depreciation Trends

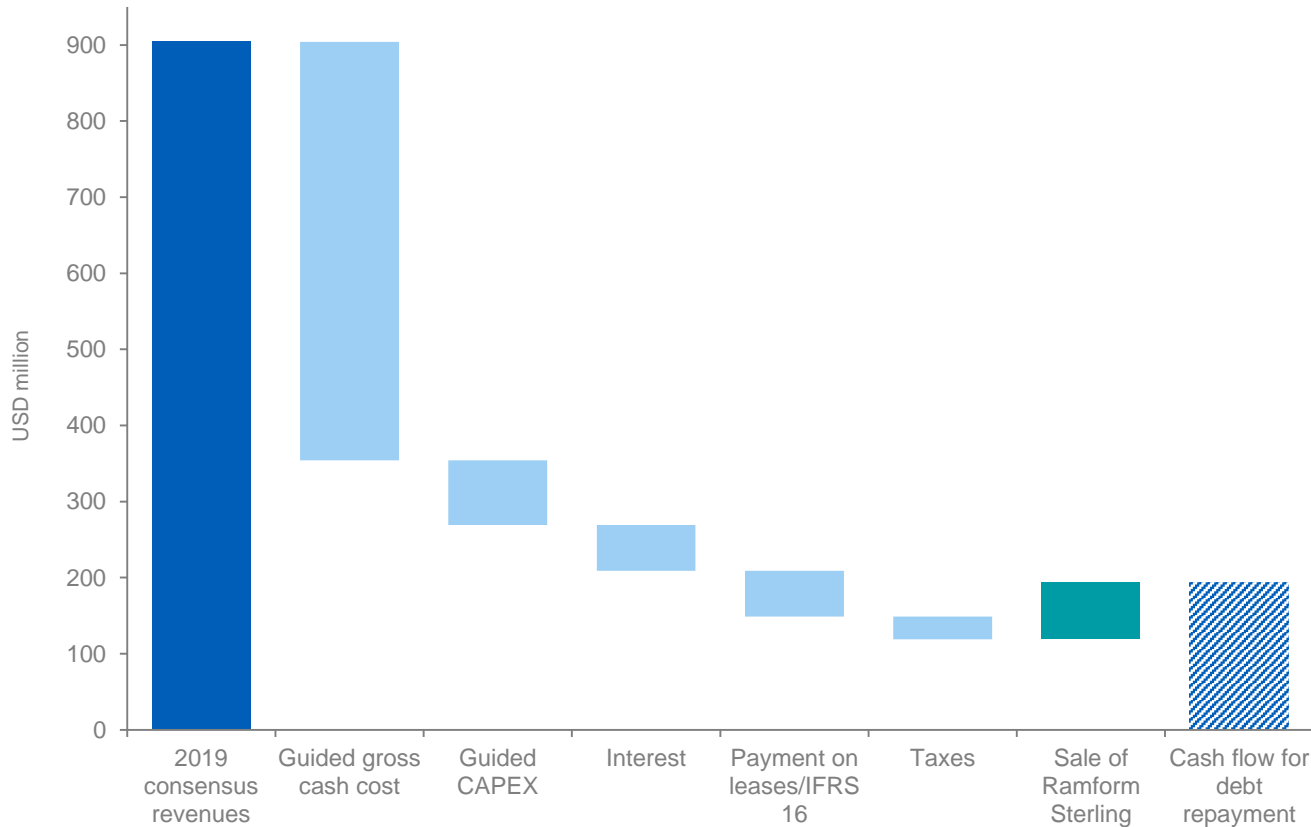


- Full year 2018 CAPEX of USD 42.5 million
- 2019 CAPEX plan of ~USD 85 million
  - USD 25 million to reactivate *Ramform Vanguard*
  - USD 8 million for scrubber installation on two Ramform Titan-class vessel
- Gross depreciation cost expected to be ~USD 215 million<sup>\*)</sup> in 2019
  - Approx. USD 100 million to be capitalized as part of MultiClient investments

<sup>\*)</sup> Includes an estimated increase of ~USD 40 million due to implementation of IFRS 16 – Accounting for leases

# Cash Flow Generation Set to Improve

2019 key cash flow drivers<sup>1</sup>

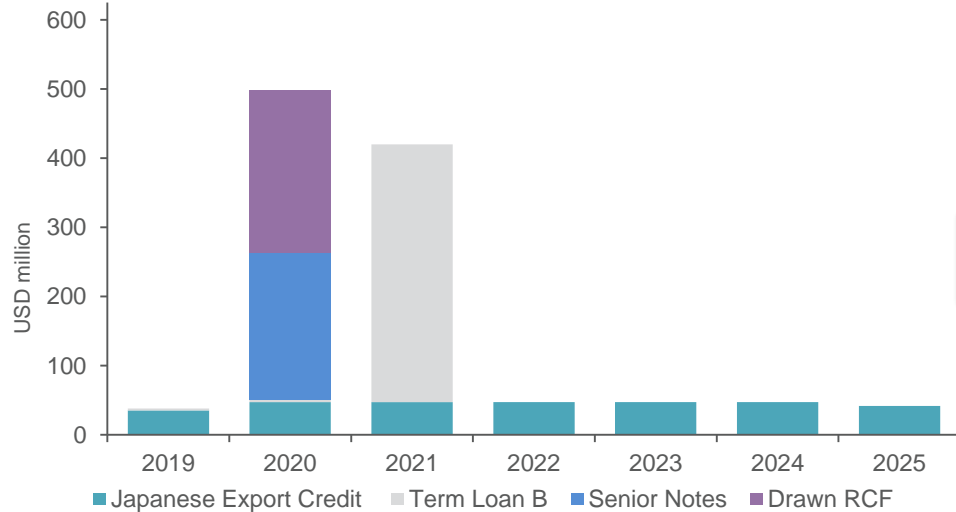


- 2019 cash flow set to improve
  - Contract pricing
  - More capacity allocation to contract services
  - Vessel utilization
  - Sale of *Ramform Sterling*
  - Lower scheduled debt installments
- Beyond 2019 a continued focus on costs and disciplined capex spend should position PGS well to pay down debt
  - Targeted debt level of below USD 500-600 million

1. The illustration of 2019 cash flow drivers is based on analyst consensus for revenues and is a simplified illustration that does not take into account working capital changes or other operating payments or receipts than those specifically shown. Taxes are based on actual taxes paid in 2018.

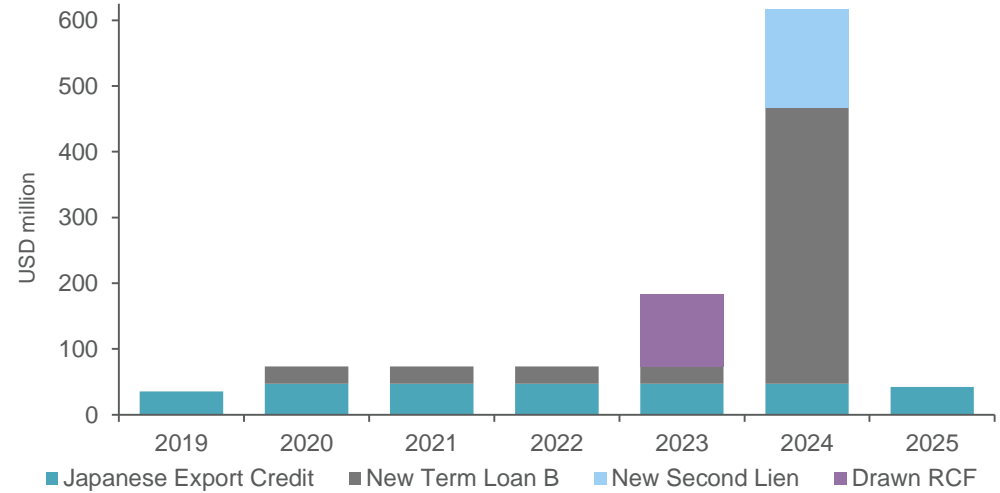
# Debt Maturity Schedule and Credit Ratings

Debt Maturity Profile as of March 31, 2019



Average debt maturity:  
**2.4 years**

Debt Maturity Profile: Pro Forma<sup>1</sup>



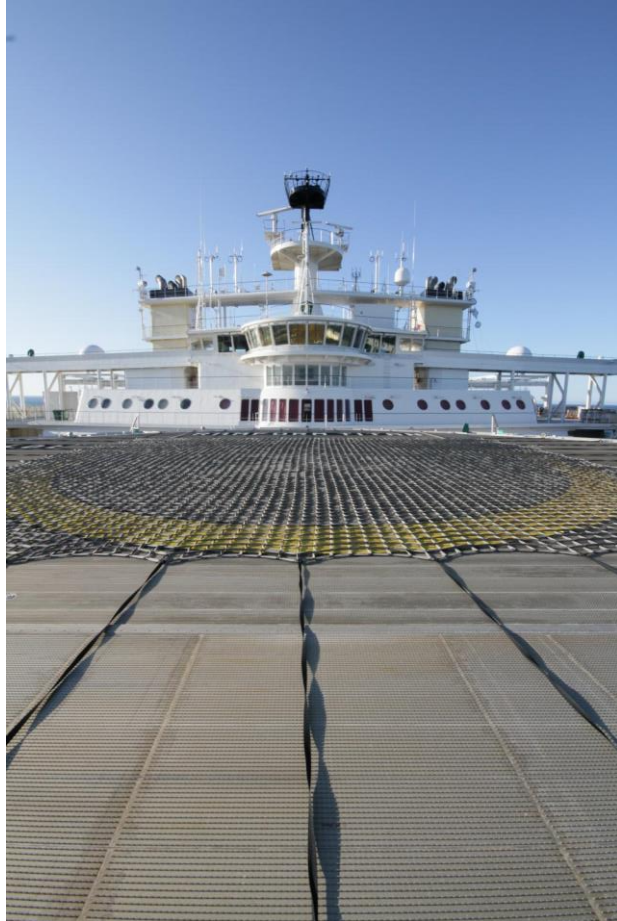
Average debt maturity:  
**4.4 years**

- Liquidity reserve of USD 205.4m (of which USD 115m is undrawn RCF) as of 31 March 2019

## Corporate Credit Ratings

Rating Agency	Rating	Outlook
Moody's	B3	Stable
Fitch	B -	Stable
S&P	B (Expected)	

# Key Financial Policies



- Policy of refinancing debt at least 12-18 months before maturity
- The company will prioritize debt reduction
  - Targeting the net debt level to not exceed USD 500 – 600m<sup>1</sup>
- MultiClient pre-funding levels targeted at 80-120% of MC cash investments
- Minimum liquidity target of USD 200m, including Revolving Credit Facility
- Dividend intended over time to be 25-50% of Net Income
  - BUT, priority will going forward be given to debt reduction to reach target level before resuming dividend payments.

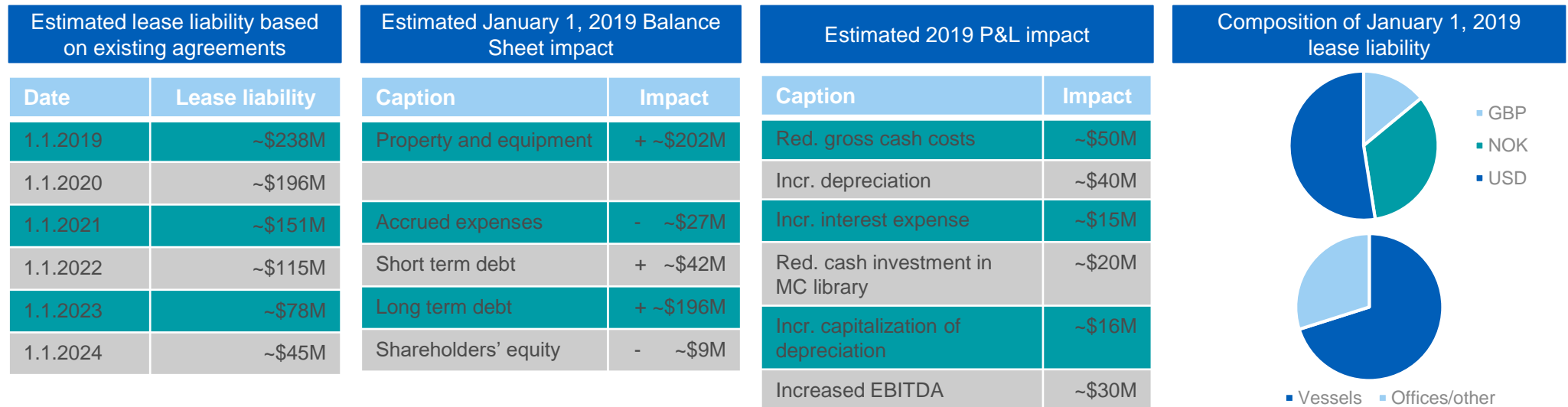
1. Amount does not include debt relating to capitalized leases (Ref. IFRS 16). The target, including debt relating to leases, is net debt level not to exceed USD 700-800 million



# Effects of IFRS 16 – Accounting for Leases

At January 1, 2019 PGS recognized lease liabilities for all assets that were previously classified as operating leases

- A substantial amount of lease costs are directly incurred while acquiring seismic, and as such are eligible for capitalization to the MultiClient library
- Adoption of IFRS 16 will for 2019 result in;
  - A reduction in gross cash costs of ~USD 50 million
  - A reduction of capitalized cash investment in MultiClient library approximately ~USD 20 million (depending on vessel utilization)
  - Lease costs previously recognized within gross cash costs will be replaced by depreciation of ~USD 40 million and interest expense of ~USD 15 million



## Summary



- 2018: Achieved record high MultiClient late sales and delivered on the key KPI of positive cash flow after debt servicing
- Q1 2019 impacted by high MultiClient investment activity. Strong order book increase
- Seismic market in recovery
  - Improving cash flow and increasing offshore CAPEX among oil companies
  - PGS' Contract seismic rates up more than 35% in 2019 compared to 2018
- PGS will focus on profitability, return on capital employed and reposition the capital structure to sustain future downturns
- Will focus on the MultiClient business, improve 4D position and image what we acquire

**Taking leadership position through fully integrated offering**