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PGS.OL - Q3 2018 Petroleum Geo Services ASA Earnings Call (Morning)

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**Gottfred Langseth** *Petroleum Geo-Services ASA - CFO & Executive VP*

**Rune Olav Pedersen** *Petroleum Geo-Services ASA - President & CEO*

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**Lillian Starke** *Morgan Stanley, Research Division - Research Associate*

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## PRESENTATION

**Bård Stenberg** - *Petroleum Geo-Services ASA - Senior VP of IR & Communication*

Good morning, and welcome to this presentation of PGS Q3 2018 results. My name is Bård Stenberg, Senior Vice President, Investor Relations and Communications. Today's presentation will be followed by a conference call, and people on the conference call will also be invited to ask questions after management's concluding remarks.

Before we start, I would like to give some practical information. As the presentation is broadcasted, I kindly ask the participants here in Oslo to use the microphones provided when asking questions.

Also, please take notice of the emergency exits located in the back of the room. If the alarm is sounded, please evacuate immediately.

Today's presentation will be given by CEO, Rune Olav Pedersen; and CFO, Gottfred Langseth. Before we start, I would like to draw your attention to the cautionary statement showing on the screen and also available in today's material.

And with that, it's my pleasure to give the floor to Rune Olav Pedersen.

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**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Thank you, Bård, and welcome, everyone. The Q3 segment revenues were \$192.1 million with an EBITDA of \$132.8 million. The quarter was characterized by a lot of MultiClient activity, and we have expounded our MultiClient library quite significantly in the fourth -- no, sorry, in the third quarter with MultiClient cash investments of more than \$100 million at \$101.9 million. We have used a lot of the capacity in MultiClient in the quarter. We believe this is a good strategic move for PGS in the current environment as we get better return in our MultiClient investments than we do in the marine contract investment in the current market, and we will harvest from these efforts in the market to come. We -- as you know, we believe the market will strengthen, so investing MultiClient will give us benefit going forward.

The strong leads basket we have for fourth quarter MultiClient late sales is a confirmation of that. And we see this year that the leads basket for late sales in the fourth quarter is building up much more rapidly and strongly early in the quarter, which is a trend we have not seen for several years.



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So we believe that the fundamentals are improving, and that this is impacting our business. We have a strong oil price, and that obviously results in improved cash flow amongst our clients. We have the highest value of bids and leads in more than 3.5 years, which I will show you later. And year-to-date, we have an increase of 28% in Segment MultiClient revenues.

On this slide, you see an overview of the key numbers for several quarters to go. Gottfred will go into this in details, as you know, but I would like to point out that we are experiencing quite strong cash flow from operations, which is very important as we are strongly focused on cash and cash generation in 2018.

Now to the order book. The order book is weak, and we have experienced delays in formalizing contracts, in formalizing prefunding for MultiClient projects, which then ends up in not being part of the order book as of end of the quarter. We have these delays in formalizing contracts that's also resulted in a situation where we are not able to start on the project in Q4, back-to-back with the project we have concluded in Q3. And therefore, we will incur some idle time between jobs in the fourth quarter. You see the fourth quarter booking of 15 vessel months, and this reflects that. We are likely to occur -- or we're not likely to book a lot more capacity in the fourth quarter because these are delays between ending up -- ending projects and starting up new projects. This happens in spite of the very large opportunity pipeline we currently experience, both on the MultiClient side and on the contract side. That so it looks better when you look into '19, which is also reflected in a fairly strong booking for the first quarter of '19, which is already sitting at 14 vessel months and with several opportunities of further bookings for '19 in the weeks to come.

Q2 is also looking okay with 5 vessel months. Obviously, it is early days for that. So overall, booking and order book is a bit of a mixed picture. It is challenging and a bit weak for in the short term, but looks much better when you look beyond the current quarter. I always say -- as I always say on this, remember that you cannot just take the order book and apply it on the 14 -- or the 15 vessel months -- or the 34 vessel months as there are booked capacity, which is not in the order book. These are in different times in the booking capacity as of yesterday, or as of 16 October, while the order book is at the end of the quarter, and there are different evaluation metrics for when we put something in the order book and when we book something.

So with that, I give the word to Gottfred for the financials.

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### **Gottfred Langseth** - *Petroleum Geo-Services ASA - CFO & Executive VP*

Thank you. On the key financial numbers, segment revenues of \$192.1 million is \$15 million or 7% down from Q1 -- Q3 '17. The reduction is due to, firstly, lower contract revenues as we allocate less capacity to contract in this third quarter. We have lower prefunding revenues in the quarter as well. That is primarily due to the lower prefunding on acquisition projects in this quarter and reduced sales on service and process. Offsetting that, we had a 7% increase -- 17%, sorry, increase in the MultiClient latest revenues. Sorry, I have a little bit of problem reading.

The increase or the segment EBITDA increased by \$24 million in the quarter compared to 2017 or 17%, and we had a small operating loss in the quarter. On the as-reported numbers, we note that still there are [someone] picking up the as-reported numbers and discuss them as segment revenues. I won't go into the details here, but the as-reported IFRS numbers are \$29 million lower in the third quarter compared to the segment revenues. Year-to-date, the as-reported numbers are still slightly higher than the segment numbers.

Total segment MultiClient revenues in the quarter was \$151.7 million. Most of this is the prefunding, \$95.7 million. This corresponds to 94% prefunding rate on the \$101.9 of MultiClient cash investments.

Late sales revenues in the quarter, \$56 million. This is modest, but still up 17%, as said, from Q3 '17. Contract revenues, \$34.3 million. This is down from \$44 million in the third quarter last year. We did realize higher prices in this quarter on contract work, but we allocated significantly less capacity, 19% of total available -- or total different time compared to 28% in Q3 '17.

The total MultiClient revenues by region, [Q3] prefunding revenues were strongest in North America, Europe and South America while the third quarter late sales were dominated by sales from our European library.



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For the key operational numbers, commented on most of the larger revenue lines. Imaging revenues external for the quarter, \$6.1 million sequentially, relatively flat from earlier quarters, but significantly lower than what we had on a quarterly basis last year. That is primarily since we focus more of our imaging resources on processing of MultiClient library projects.

The MultiClient amortization cost in the quarter, \$112.3 million, corresponds to an amortization rate of 74%, in line with what we had in Q3 last year. We had \$14 million of CapEx in the third quarter.

Vessel utilization already reported early October, 87% active time in the first quarter, relatively high. Looking into the next quarter, as Rune Olav said, we will incur some idle time in the coming quarter, which we expect to allocate -- or we will allocate the 60% of the active capacity in the fourth quarter to contract and 40% then to MultiClient. And our -- then vessel allocation estimate for the full year is unchanged with 65% approximately to MultiClient and 35% to contract.

On gross cash costs, we have taken the liberty of adjusting slightly how we present it. It's not moving the numbers a lot, but what we've done is to show the gross cash cost, excluding the effect on steaming deferral on each of the quarter. Over time this obviously evens out, and we've done that because we believe it better reflects the actual cash cost in the quarter and excludes the effect of, in a way, reallocating costs to get them to the right project activities.

There is a table in the earnings release, which will obviously show both numbers, both with or without the steaming. So it's reconciled there.

In the third quarter, we were flat compared to the second quarter or slightly down \$2 million, \$15 million -- 15% down from Q3 last year, and that is primarily due to our cost-saving initiatives implemented late last year.

In the fourth quarter, gross cash costs will be lower, relating to primarily that we reduce vessel operations from 8 to 6 vessels. And our full year full gross cash cost is \$600 million.

Cash flow from operating activities, \$133.3 million. (inaudible) in Q3 last year is driven by higher earnings or higher EBITDA, which to a large part relates to the increase in MultiClient activity this third quarter compared to last year. We had a decent working capital development in the quarter, and that was the case in the third quarter last year as well.

Cash from operating activities includes payments of severance and other provisions that we made last year, \$6.4 million paid in the quarter and \$33.2 million paid year-to-date. We are planning for a positive cash flow before -- sorry, after debt service for 2018.

On the balance sheet, liquidity reserve end of quarter, \$159.5 million. In the quarter, our revolving credit facility has been reduced from \$400 million to \$350 million, as agreed when we did our latest refinancing back in late 2016.

We had cash and cash equivalents of \$44.4 million at quarter end, restricted cash of \$42.4 million. This relates primarily to the debt service funds relating to the export credit financing. And lastly, net interest-bearing debt, \$1.149 billion end of quarter. The total leverage ratio, the maintenance covenant in our revolving facility is continuing to get -- to reduce and is currently at 2.75:1.

Not a lot of change to our debt and facilities. We repaid scheduled debt repayments of approximately \$14 million in the quarter relating to the term loan and export credit financing. And as said, the revolving credit facility total amount is reduced from \$350 million to -- sorry, from \$400 million to \$350 million.

With that, I will give the podium back to you, Rune Olav, if you're ready.

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**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

I don't think I have a choice. Anyway, our streamer operations, you see here a picture of where we have our vessels currently. You'll see the Sanco Swift and the Ramform Sterling are the ones that are identified for winter warm stack. The Sanco Swift up in Norway and the Ramform Sterling



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currently down in Spain. Ramform Atlas is doing MultiClient in the North Sea. Ramform Sovereign doing contract work in Angola. PGS Apollo currently doing some repairs in Singapore before reverting back to a large program in Indonesia. Ramform Tethys and Hyperion are 2 vessels, which are currently done with their summer operations and are now waiting/preparing for the next jobs, and one of those where we will incur some idle time in the quarter.

Our view on the marine seismic market outlook has not changed. We still believe that higher oil price, improved cash flow among oil companies and exceptionally low oil and gas discovery rate are benefiting and will continue to benefit the marine 3D seismic market fundamentals.

And as I have alluded to, and you will see on the next slide, the value of bids and leads for contract work is at the highest level for more than 3.5 years, which is a clear sign of improvement in the marine contract and market.

In PGS, we have also achieved meaningfully higher pricing in 2018 on the contract work than we have had in 2017.

On the MultiClient side, we haven't seen a solid increase in sales compared to last year, and as I already talked to, we have a much better lead basket for the fourth quarter. Obviously, we'll have to convert those leads to sales, but it is promising at this stage, I must say.

Here you see what we talked about, the bids and leads in the marine contract segment in PGS. The upper line being obviously the bids in-house and the risk-weighted estimation of the leads we see in the market and the lower line being the dollar value of bids in-house. The recent increase is driven primarily by projects in West Africa and in South America. We are also seeing an increasing number of bids for 2019 Europe season. And you've seen several bids already in-house, and there is quite a few leads for next year. And it is my personal belief and our belief in PGS that the Europe season in 2019 will be this year in terms of new acquisition and what we have seen this year.

The volume acquired in marine 3D seismic in 2018 will be somewhat higher than in 2017. Somewhat weaker than what we had expected earlier in the year due to some idle time for us and others in the industry in the fourth quarter.

On the guidance, as Gottfred has already explained, we still guide on the group cash -- gross cash cost of approximately \$600 million. We have adjusted the MultiClient cash investment to approximately \$285 million, which is down from \$300 million. This represents 65% of our active 3D vessel time allocated to MultiClient. And CapEx down from \$50 million to \$40 million now.

So in conclusion, as I started to say, the quarter was characterized by high investment in our MultiClient library, more than \$100 million in attractive MultiClient projects. We have achieved higher pricing, meaningfully higher pricing this year versus last year. And on the more weak side, the order book has not developed the way we would like to have seen it up until the end of the third quarter. But our market view remains the same as the whole -- the total leads and bids and the opportunity basket is large, and we see booking for '19 firming up nicely.

Tight overall cost control remains a priority, and it's something I always speak to when I speak to the employees in PGS, and we'd like to underscore that also here in this presentation.

So with that, I think it's Q&A, Bård.

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### **Bård Stenberg** - *Petroleum Geo-Services ASA - Senior VP of IR & Communication*

Yes, that's right. We can start by the questions from the audience in Oslo before we go over to the people on the conference call. So is there any questions from people here in Oslo? So if there's not any immediate questions here, we can go to the conference call. Operator, can you help us with the Q&A session for the people on the conference call?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) We will now take our first question from [Alexander Norder] from the [Gambit Company].

It appears he stepped away. We're going to take our next question from Christopher Møllerløgken.

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### Christopher Møllerløgken - Carnegie Investment Bank AB, Research Division - Research Analyst

This is Christopher Møllerløgken at Carnegie. First, when you presented the second quarter results this summer, you talked about that you had projects in the pipeline that you expected to be concluded. Now obviously with the development of the backlog in Q3, those weren't concluded. Could you talk a little more in detail what's happening now in terms of the bid pipeline you see, which is increasing, and the aborted (inaudible), which seems to be at least decreasing in terms of the order book? Is it the pushback from clients when you raise prices, which are basically what's happening here or anything else?

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### Rune Olav Pedersen - Petroleum Geo-Services ASA - President & CEO

Yes. Just to your first comment on when I talked on the second quarter, we did actually receive the contract I talked about at that stage, and we have obviously eaten that backlog during the quarter. There are many reasons and individual reasons why the formalization of contracts where we either have been said that, yes, this is our job. What we have to wait for, either could be a governmental approval or it could be that contract negotiations are dragging out or that any -- some other element is pushing the contract further out in time than what we had expected when we looked at our opportunity pipeline in the second quarter. It is clear that when we did not expect to have idle time in the fourth quarter when we delivered our second quarter results. So these things have pushed out. I don't think it's a reflection of the fact that we have increased our prices because -- and I have to think. I think none of the work we have had in there has gone away or gone to others, but has rather been pushed out in time. But there are many different reasons, individual reasons, for this happening.

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### Christopher Møllerløgken - Carnegie Investment Bank AB, Research Division - Research Analyst

But in terms of the idle time or the extended contract negotiations, to put it like that, isn't it the fair to say that we now have 2 forces with you guys and the seismic industry trying to push up prices? At the same time, we have the E&P companies trying to keep their capsul disciplined and trying to avoid having to pay higher prices so that in this period where there is a lot of change, that there could be extended negotiations or extended pushback from the clients.

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### Rune Olav Pedersen - Petroleum Geo-Services ASA - President & CEO

Yes, that could be part of it, but that's always there. As always, there are possible explanation for some of this.

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### Christopher Møllerløgken - Carnegie Investment Bank AB, Research Division - Research Analyst

In the graph you're presenting, which is very positive in terms of the leads and the active tenders, that's a dollar amount. Do you know these facts, the prices that you guys are expecting to achieve? Or is it the prices that clients are hoping to pay, to put it that way, so there could be some gap there between the dollar you hope to get and the dollar the clients want to pay?



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**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

No, it's -- this is based on what we hope to achieve, obviously, which is not totally unrelated to what the clients are willing to pay, to clear that way. But it is our estimation, yes.

**Christopher Møllerløkken** - *Carnegie Investment Bank AB, Research Division - Research Analyst*

Yes. And just a bookkeeping question. When you were talking about fourth quarter vessel booking of 15 months, could I assume that the plan the yard stays are part of that booking?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

I don't think -- I mean, steaming is a -- I mean, steaming 2 jobs obviously is part of that booking. I don't think that we have any yard stay in that booking.

**Christopher Møllerløkken** - *Carnegie Investment Bank AB, Research Division - Research Analyst*

Booking. And you go over the performance...

**Gottfred Langseth** - *Petroleum Geo-Services ASA - CFO & Executive VP*

No, no, I -- we don't -- there's a short yard stay for Apollo now in October. And in a way, it's not necessarily truly -- it's not included in the book number, but it's -- then again, it's not really that long.

**Christopher Møllerløkken** - *Carnegie Investment Bank AB, Research Division - Research Analyst*

And final question for me, you talked about improved leads for MultiClient sales. In terms of -- do you see this is broad in terms of geography? Or is it specific regions where you see increased interest from MultiClient sales in fourth quarter?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

No, I think this is -- first of all, it would surprise me if our peers aren't seeing the same. This is from multiple companies and it's multiple regions.

**Operator**

(Operator Instructions) We will now take our next question from [Nick] from Jefferies.

**Unidentified Analyst**

[Steven Linit] from Jefferies. I was just wondering, I guess, Slide 16 of your debt, whether your net leverage is now low enough for you to seek a refinance. Or do you close it to 2x?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Not sure I understand the question. Gottfred?



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**Gottfred Langseth** - *Petroleum Geo-Services ASA - CFO & Executive VP*

The question -- I understood the question to be whether our net leverage now is at the level where we could seek to refinance. I think we said on a general basis that we would like to refinance in a way our 2020 and '21 maturity stock that -- to ensure that we are done with parts of -- we're done with that a year before the maturity happens, so -- of course, and we are prepared to start refinancing between now and that time. There's -- not so that we need to get to 2x before we start the refinancing, if that was the question.

**Operator**

We will now take our next question from Lillian from Morgan Stanley.

**Lillian Starke** - *Morgan Stanley, Research Division - Research Associate*

I have two questions. The first one is if you could share a bit of detail on the pricing dynamics that you're seeing. You mentioned that you were raising pricing already in third quarter. Is this something as well that you're seeing across your peers that you see sort of a bit more of a push from the burned industry? And then the second question I had is, with the conversation you have with your clients, do you feel there's any indication or commentary around their budgets for seismic or exploration going up next year that gives you a bit of confidence on how they will deploy capital into seismic?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Yes, sure. In terms of the pricing, it's difficult for me to comment on whether we think it's an industry-wide thing. It may be, but I suspect that we are probably realizing higher prices than our competition for a few reasons. First of all, we have done a lot of 4Ds where we are -- have a particularly competitive offering and where we have been taking the opportunity to raise prices probably more than others have been able to do because of our offering. And doing that in combination with a very large MultiClient portfolio this year, we have been able to be a bit more selective on the jobs we have taken, but you should obviously ask the others this question. In terms of what our clients are telling us, I think it's clear that the general trend is that everyone expects to be able to convince their management to get higher budgets for '19 than for '18. I don't think we've heard anyone say -- I was thinking -- I know we've not heard anyone say we've got a lower budget, and I'm wondering whether I've heard anyone say flat even. So yes, our client conversation also gives a reason for optimism into 2019.

**Lillian Starke** - *Morgan Stanley, Research Division - Research Associate*

Okay. And maybe I could add one follow-up. Just with regards to how Shearwater will be bringing back as I understand they have a work for 2 vessels this incoming [8 pop] in fourth quarter. How are you looking at the positioning of your own vessels with the potential of higher capacity coming in for next year as these vessels slowly ramp up activity?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Yes. What can I say? I expect Shearwater to bring back their vessels in a gradual mode and as the market are able to absorb them, which I believe also is the communication from Shearwater and what makes sense. So I expect to see 1 to 2 vessels coming back in the late first half of '19, and then I guess we'll see what the market can consume thereafter. We don't expect this at all to impact our competitive position relative to the others and uncertain whether it will impact us at all, to put it that way, in 2019.

**Operator**

(Operator Instructions) We will now take our next question from Jon Masdal.



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**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Just one quick question on a bit on sort of the report there. Could you remind us a little bit what is sort of your profit warning policy here? And why wasn't this a profit warning issued on this?

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

Well, we didn't believe that this was a deviation large enough from what we have communicated and how the market was for this to be a profit warning.

**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Okay. Then on Page 18 in the slide deck, I think you're missing Titan there. Can you just remind us a little bit the status of that vessel?

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

It's missing. Titan is currently working in West Africa, isn't it?

**Gottfred Langseth** - Petroleum Geo-Services ASA - CFO & Executive VP

Yes.

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

Yes, currently working in West Africa.

**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Okay. And the status, like how long will it work, the outlook for that?

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

We don't give any outlook on current projects and how long they will last, but I think you will have to rely on our booking numbers.

**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Okay. And then last question for Gottfred. IFRS 16, do you have any sort of rough estimates on how this will impact 2019 net income?

**Gottfred Langseth** - Petroleum Geo-Services ASA - CFO & Executive VP

I don't have that yet, unfortunately. The only thing I can say now is the -- was this in the release -- we also expect that the -- sorry, you're on 16, I was on 15. I just have to refer to what we wrote in our last -- in a way that our annual report for 2017, which will state the expected impact on our sort of reported debts and assets, and then you will have to make your estimates out of that. We obviously have internal estimates but we have not communicated anything around that.



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**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Okay. And then final question on an earlier question in terms of the sales leads. Could you quantify a little bit how much year-over-year improvement is related to price increases and how much is actually volume?

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

On the sales lead. Sorry, I...

**Jon Masdal** - DNB Markets, Research Division - Senior Analyst

Yes. Or tenders like in that ground.

**Rune Olav Pedersen** - Petroleum Geo-Services ASA - President & CEO

Yes, yes, yes. Well, I don't think I quantify it. I mean, what we've said is that pricing for PGS is up year-on-year meaningfully. It's double-digit pricing increase obviously from '17 to '18. That will have a similar impact on the sales and on the leads. And tender, up obviously. But I mean the majority of what you're seeing there -- the vast majority of what you're seeing there is clearly activity-driven and not price-driven.

**Operator**

We will now take our next question.

**Unidentified Analyst**

Yes, it's from Arctic Securities. A lot of the questions have been answered, but I just wanted to follow-up on the maturity profile and ask you why, I guess, in Q2, you said something about addressing the [220] maturities sooner than later. So I just wondered why this haven't happened yet. Is it negotiating prices? Is it a company view that given fundamentals and potential improvements, that pricing on this will be more or a bit better 1 quarter, 2 quarters going forward? If you could comment on that, that would be fine.

**Gottfred Langseth** - Petroleum Geo-Services ASA - CFO & Executive VP

I think I will need to say that we can't comment on, in a way, the specific and tactics. But you're right to say that, in a way, we've been prepared to start executing partial, but our refinancing alternative seems relatively early in the year. And for various reasons, we have chosen not to execute. So far, it is -- they are obviously adding to in a way where the bond market has been over the period and so on. And what I can say now is more or less the same as we did 6 months back then. We are prepared to start executing on the refinancing as we go forward.

**Unidentified Analyst**

And you have some bookings -- will have a decent booking for Q1 and you have also some bookings on Q2. When you talk about achieved price, it seems that you're talking about achieved price year-to-date. Could you also put some color on how we should think of the development here with respect to pricing and directs? Is it a trend that continues? Or is that the trend stopped? I think you stopped for us discussing it with -- in terms of negotiation with oil companies, et cetera.



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**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

I think I'll be general here. I mean, we are very cautious commenting on the forward pricing. But in general, we expect the price increase we have seen in '18 over '17 to continue into '19.

**Operator**

(Operator Instructions) We will take our next question from John Delos Santos from UBS.

**John Delos Santos** - *UBS Investment Bank, Research Division - Associate Analyst*

John Delos Santos from UBS. I have a couple of questions. One is, you provide us with estimates of days spent in yards. Do you also have estimates of days spent idle or steaming over the next couple quarters? And the second is if I can get some more color on the upcoming 2019 Europe season. You noted an increasing number of bids. I was wondering if, specific to that region, you're seeing anything in terms of pricing in your contract negotiations and if you could talk about that.

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Yes. I guess...

**Gottfred Langseth** - *Petroleum Geo-Services ASA - CFO & Executive VP*

We do not -- in a way, we do not provide any specific guiding on, in a way, steaming and standby and others -- metrics for future periods on utilization. So all of that, in a way, the indication we give today, which is based on the booking position for Q4, we don't do that. The yard schedule is, in a way, that's fairly firm. It follows, in a way, routine work on the vessels. So that's the only thing. We guide on that, then we guide on our expectations for allocation of active time between contract and MultiClient.

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

And in terms of the North Sea season, we have seen more activity or more bids already, and we know that there are several companies planning for larger campaigns where we haven't seen the bid come out yet. So already from that, we can see that the North Sea season in 2019 is very likely going to be more busy than what we've seen this year, which was clearly slow compared to earlier years again. In terms of pricing, again, I'm going to be careful. But I do expect that the trend we are seeing and the price increase we are seeing in '18 will continue into '19, and that will obviously also affect the North Sea season, which is a strong part of the year. As you know, the second and the third quarter are typically where there are more jobs and higher utilization of the world fleet, and that obviously impacts the prices we are able to achieve compared to the fourth quarter and the first quarter.

**Operator**

It appears there are no further questions at this time. I would like to turn the conference back to you for any additional or closing comments. Thank you.

**Bård Stenberg** - *Petroleum Geo-Services ASA - Senior VP of IR & Communication*

Okay. Any further questions from the people here in Oslo? Yes?



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**Morten Nystrom** - *Nordea Markets, Research Division - Senior Analyst of Oil Services & Sector Coordinator*

Morten with Nordea. Just one quick follow-up on one of the questions asked earlier about vessel reactivation. Also considering key active tenders that you guys are showing here and on the market outlook. What should we be looking for in terms of you guys reactivating more capacity in the year or years ahead?

**Rune Olav Pedersen** - *Petroleum Geo-Services ASA - President & CEO*

Yes. I think the first thing you should look for from us is that we keep our 8 vessels going through the winter that will kind of be the first indication that you're seeing a general activity increase year-on-year, which is meaningful enough for us to increase activity. And then following on from that, we will consider reactivating new vessels. It is unlikely that we will do so in 2019, to put it that way. So the next -- the likely next opportunity for that to happen is for the summer season of 2020. And then obviously that will depend on the development up to that, clearly.

**Bård Stenberg** - *Petroleum Geo-Services ASA - Senior VP of IR & Communication*

Any further questions? If not, that concludes the presentation. I would like to remind you of the conference call scheduled for 3:00 p.m. Central European Time later today. So thank you all for coming to the presentation, and also thank you all for calling in to the conference call.

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