First Quarter Report

2020

Polarcus Limited

FIRST QUARTER 2020

Improved pricing and profitability

Note: All references in this report to "segment" and "segment reporting" are adjusted for IFRS 15 effects. See Note 3 in the accompanying interim financial statements.

Q1 2020 HEADLINES

- Segment revenues of USD 66.3 million, compared to USD 67.1 million in Q1 2019
- Segment EBITDA of USD 22.2 million, up from USD 10.2 million in Q1 2019
- Segment EBIT of USD 8.5 million, up from USD 2.8 million in Q1 2019
- Total cash balance of USD 46.7 million
- Strong operational performance with low technical downtime
- Vessel utilization of 89%, compared to 92% in Q1 2019
- Implementation of 2020 cost reduction plan and enhanced business continuity initiatives in relation to COVID-19 restrictions
- Backlog of approximately USD 157 million, compared to USD 170 million at the same time last year

Segment revenues of USD 66.3 million in Q1 2020 were essentially flat relative to the same period last year. The Polarcus core fleet generated revenues during Q1 2020 that were 26% higher compared to Q1 2019 driven by improved pricing. In Q1 2019, additional revenue was generated related to a hybrid streamer-node project acquired by Polarcus using third party vessels. Bareboat revenue was flat year on year.

Improved day rates, combined with meticulous attention to cost control and more cost capitalized to multi-client, led to a solid improvement in profitability with segment EBITDA more than doubling to USD 22.2 million in the quarter compared to Q1 2019. Operational metrics were excellent during the quarter with industry-leading technical performance combined with high utilization and productivity.

Gross cost of sales of USD 45.2 million in the quarter decreased by 18% compared to USD 55.0 million in Q1 2019. The reduction was due to the elevated costs related to the hybrid project in Q1 2019. General and administrative costs during the quarter were held at USD 2.8 million, at similar levels to Q1 2019.

The cash flow during the quarter was impacted by a negative segment working capital movement of USD 18.1 million. Total cash at quarter end was USD 46.7 million including USD 25 million drawn from the USD 40 million working capital facility in March 2020. The cash balance at the end of the previous quarter was USD 36.5 million.

The sharp decline in oil price and the global response to the COVID-19 pandemic during March 2020 impacted the short-term activity outlook of the Company. An ongoing seismic acquisition project offshore West Africa was terminated prior to its scheduled completion date resulting in 6% standby time in the quarter. In addition, the Company's backlog was impacted by the cancellation of a seismic acquisition project due to commence in Asia Pacific in Q2 2020, partly offset by two new projects announced since quarter end in North West Europe and Asia Pacific.

On 31 March 2020, the Company released details of enhanced business continuity initiatives to ensure continued efficient operations in light of the global COVID-19 pandemic response and also announced a substantial cost reduction plan to strengthen the financial resilience of the Company through 2020. The plan is expected to deliver cash cost savings in the order of USD 15 million during 2020 across capital expenditures, operating expenses and general and administrative costs which will help mitigate the financial impact of lower fleet utilization anticipated in the near term.

Backlog at 31 March 2020 together with the value of awards announced after the quarter end is estimated at USD 157 million compared to USD 170 million at the same time last year. The Company's fleet is 50% booked for the remainder of 2020.

OUTLOOK

Tender activity continued to be strong during Q1 2020. However, the combined effects of the sharp decline in oil price in March 2020 and the global slow-down resulting from the COVID-19 pandemic have introduced uncertainty around E&P companies' spending outlook over the short to medium term.

Whilst many clients remain focused on their seismic acquisition plans, the industry may encounter project deferrals, operational disruptions, and reductions in the size of awarded surveys as a consequence of the low oil price and the COVID-19 pandemic.

The Company continues to focus on managing its cost base appropriately with cash preservation being a key priority. Implementation of business continuity initiatives and cost reduction measures will help the Company navigate the current market uncertainty.

The reshaping of the seismic industry that has occurred, resulting in an increased number of multi-client companies without vessels, has led to a stable industry structure, provided that supply-side discipline continues to respond appropriately to demand levels.

Industry-wide focus on the environment continues to sharpen and Polarcus is receiving growing recognition for its Explore Green™ capabilities, a cornerstone of the Company since inception. Following a successful launch in 2019, Polarcus Cirrus™ is expected to gain further momentum as more E&P clients realize the opportunity of accelerated decision-making to compress the timeline for hydrocarbon production. With a young, highly efficient and uniform fleet, combined with demonstrated operational excellence, Polarcus is well-positioned to continue securing and delivering premium projects around the globe.

KEY FINANCIALS

	Quarter ended		Year ended
(In millions of USD)	**31-Mar-20**	**31-Mar-19**	**31-Dec-19**
Segment reporting			
Revenues	66.3	67.1	290.6
EBITDA	22.2	10.2	63.4
EBIT	8.5	2.8	28.0
Cash from operations before changes in working capital	22.7	9.3	61.5
Net working capital movement	(18.1)	(3.4)	(0.6)
As per IFRS			
Revenues	55.3	75.2	288.6
EBITDA	11.2	18.3	61.4
EBIT	4.9	2.8	24.3
Net profit/(loss) for the period	(4.2)	(5.3)	(10.0)
Basic earnings/(loss) per share (USD)	(0.01)	(0.01)	(0.02)
Net cash flows from operating activities	4.5	5.8	60.9
Total assets (period end)	489.2	464.0	458.7
Total liabilities (period end)	424.8	391.0	390.1
Total Equity (period end)	64.4	73.1	68.6
Equity Ratio	13%	16%	15%
PP&E cash investment	3.3	0.4	16.7
Multi-client projects cash investment	7.5	-	6.1
Total cash (period end)	46.7	29.0	36.5
Net interest bearing debt (period end)	317.8	310.1	301.5

Financial Results (in accordance with IFRS)

Revenues

	Quarter ended		Year ended
(In millions of USD)	**31-Mar-20**	**31-Mar-19**	**31-Dec-19**
Contract revenue			
- Proprietary contracts	45.6	53.6	228.7
- Reimbursable	2.4	6.3	12.9
- Bareboat charter	6.8	6.7	27.2
	54.8	66.5	268.8
Multi-client revenue			
- Prefunding	-	8.2	8.2
- Late sales	0.1	-	5.9
	0.1	8.2	14.1
Other income	0.4	0.5	5.7
Total	**55.3**	**75.2**	**288.6**

Revenues decreased by 26% in Q1 2020 to USD 55.3 million (Q1 2019: USD 75.2 million), mainly due to no multi-client prefunding revenue being recognized in Q1 2020 and revenue from the hybrid project using third-party vessels recognized in Q1 2019.

Proprietary contract revenue decreased to USD 45.6 million (Q1 2019: USD 53.6 million). In Q1 2019, this revenue included amounts earned from a hybrid project using third-party vessels. Adjusted for the hybrid project, proprietary contract revenue improved year on year driven by significantly higher achieved day rates offset by lower utilization.

Reimbursable revenue in the quarter decreased to USD 2.4 million compared to USD 6.3 million in Q1 2019 while bareboat charter revenue remained relatively constant at USD 6.8 million.

Multi-client late sales during the quarter was USD 0.1 million (Q1 2019: nil). There was no revenue recognized from multi-client prefunding during the quarter as a result of the IFRS 15 impact on the timing of revenue recognition (Q1 2019: USD 8.2 million). Vessel allocation to multi-client projects in the quarter increased to 9% (Q1 2019: 0%).

Operating Expenses

(In millions of USD)	Quarter ended 31-Mar-20	31-Mar-19	Year ended 31-Dec-19
Operating costs	44.0	49.6	214.7
Reimbursable cost	1.2	5.5	11.1
Gross cost of sales	**45.2**	**55.0**	**225.8**
Net deferred transit adjustment	3.1	-	(4.8)
Net movement in onerous contract provision	-	(1.0)	(1.2)
Capitalized to multi-client projects	(7.0)	-	(5.9)
Cost of sales	**41.3**	**54.0**	**213.9**

Gross cost of sales in the quarter was USD 45.2 million, 18% lower than in Q1 2019, mainly due to costs related to the hybrid project incurred in Q1 2019. Gross cost of sales, excluding these project-specific costs in Q1 2019, remained flat year-on-year. During the quarter, the Company capitalized USD 7.0 million of operating costs to two multi-client projects in Australia. Net deferred transit costs expensed in the quarter was USD 3.1 million (no transit cost adjustments in Q1 2019). Cost of sales in the quarter decreased to USD 41.3 million (Q1 2019: USD 54.0 million).

General and administrative costs were USD 2.8 million during the quarter, held at broadly the same level as in Q1 2019.

Depreciation and amortization

Depreciation and amortization during the quarter was USD 5.7 million (Q1 2019: USD 6.5 million). Amortization of multi-client projects decreased to USD 0.6 million (Q1 2019: USD 9.0 million) due to a decrease in the multi-client prefunding revenue recognised during the quarter.

The Company undertook a full impairment review of its fixed assets during the quarter as the adverse market conditions caused by the oil price volatility and effects of the COVID-19 pandemic, were considered as indicators of impairment. The resulting recoverable amounts for each vessel was lower than had been determined as at 31 December 2019 but higher than their respective carrying amounts.

Net profit and earnings per share

The Company recorded a net loss of USD 4.2 million in Q1 2020, compared to a loss of USD 5.3 million in same quarter last year. During the quarter the Company incurred income tax expenses of USD 0.7 million (Q1 2019: USD 13 thousand). Basic and diluted earnings per share for the quarter was a loss of USD 0.01 per share (Q1 2019: loss of USD 0.01 per share).

Capital expenditure

(In millions of USD)	Quarter ended 31-Mar-20	31-Mar-19	Year ended 31-Dec-19
Seismic and other equipment	4.7	1.2	18.9
Other	0.5	-	0.3
Total	**5.2**	**1.2**	**19.2**

Capital expenditure during the quarter was USD 5.2 million (Q1 2019: USD 1.2 million), mainly related to additional investment in in-sea equipment.

Cash flow and liquidity

Net cash flow from operating activities in Q1 2020 was USD 4.5 million (Q1 2019: USD 5.8 million). Net cash flow used in investing activities was USD 11.0 million (Q1 2019: USD 0.4 million). During the quarter the Company invested USD 7.5 million in multi-client projects (Q1 2019: nil) and USD 3.3 million in property, plant and equipment (Q1 2019: USD 0.4 million).

Net cash flow from financing activities was USD 17.0 million (Q1 2019: net outflow of USD 7.7 million). During the quarter, the Company drew down USD 25 million from its USD 40 million working capital facility. Interest paid during the quarter was USD 5.5 million (Q1 2019: USD 5.1 million). Repayment of interest-bearing debt in the quarter was USD 2.1 million (Q1 2019: USD 2.1 million).

Total cash held at the quarter end was USD 46.7 million compared to USD 29.0 million on 31 March 2019. Total cash includes restricted cash of USD 1.2 million (Q1 2019: USD 1.3 million).

Vessel utilization

	Quarter ended		Year ended
	31-Mar-20	**31-Mar-19**	**31-Dec-19**
Utilization	**89%**	**92%**	**79%**
By category:			
Contract*	80%	92%	77%
Multi-Client	9%	-	2%
Transit	4%	6%	13%
Yard stay	1%	2%	5%
Standby	6%	-	3%
Total	**100%**	**100%**	**100%**

*Includes the vessels *V. Tikhonov* and *Ivan Gubkin* on bareboat charters.
Polarcus Nadia is excluded from vessel utilization subsequent to stacking in 2015.

Vessel utilisation of 89% was lower during the quarter compared to 92% in Q1 2019 mainly due to increased vessel standby time.

Excluding the vessels on bareboat charters (and *Polarcus Nadia*), utilization for the Company's core fleet was 84% for the quarter (Q1 2019: 88%).

Interim consolidated statement of comprehensive income

(In thousands of USD)	Notes	Quarter ended 31-Mar-20	Quarter ended 31-Mar-19	Year ended 31-Dec-19
Revenues				
Contract revenue	3	54,822	66,527	268,825
Multi-client revenue	3	61	8,161	14,054
Other income	3	400	521	5,712
Total Revenues		**55,283**	**75,209**	**288,591**
Operating expenses				
Cost of sales	4	(41,284)	(53,989)	(213,904)
General and administrative costs		(2,792)	(2,928)	(13,318)
Depreciation and amortization	5	(5,676)	(6,514)	(25,886)
Multi-client amortization	6	(644)	(9,017)	(11,233)
Total Operating expenses		**(50,396)**	**(72,448)**	**(264,341)**
Operating profit		**4,887**	**2,760**	**24,250**
Finance costs	7	(8,844)	(8,328)	(34,217)
Finance income		368	247	1,013
		(8,476)	**(8,080)**	**(33,204)**
Profit/(loss) before tax		**(3,589)**	**(5,320)**	**(8,954)**
Income tax expense		(658)	(13)	(1,080)
Net profit/(loss) and total comprehensive income/(loss)		**(4,247)**	**(5,333)**	**(10,034)**
Earnings per share attributable to the equity holders during the period *(In USD)*				
- Basic		(0.008)	(0.010)	(0.020)
- Diluted		(0.008)	(0.010)	(0.020)

Interim consolidated statement of financial position

(In thousands of USD)	Notes	31-Mar-20	31-Mar-19	31-Dec-19
Assets				
Non-current Assets				
Property, plant and equipment	8	362,260	364,527	363,335
Multi-client project library	6	14,291	3,143	7,030
Right-of-use assets	9	3,861	2,297	1,572
Intangible assets		508	-	290
Total Non-current Assets		**380,920**	**369,967**	**372,227**
Current Assets				
Receivable from customers		45,069	49,625	32,078
Other current assets		16,590	15,477	17,926
Restricted cash		1,237	1,267	1,235
Cash and bank		45,420	27,713	35,234
Total Current Assets		**108,316**	**94,081**	**86,473**
Total Assets		**489,236**	**464,048**	**458,700**
Equity and Liabilities				
Equity				
Issued share capital		51,379	51,379	51,379
Share premium		635,906	635,906	635,906
Other reserves		25,503	26,089	25,369
Retained earnings/(loss)		(648,344)	(640,287)	(644,097)
Total Equity		**64,444**	**73,087**	**68,557**
Non-current Liabilities				
Interest bearing debt	10	327,747	327,323	326,244
Lease liabilities	9	2,433	1,195	532
Total Non-current Liabilities		**330,180**	**328,517**	**326,776**
Current Liabilities				
Interest bearing debt	10	35,600	10,600	10,600
Lease liabilities	9	1,354	944	860
Provisions		-	117	-
Accounts payable		24,039	36,703	14,771
Other accruals and payables		33,619	14,079	37,136
Total Current Liabilities		**94,612**	**62,444**	**63,367**
Total Equity and Liabilities		**489,236**	**464,048**	**458,700**

Interim consolidated statement of cash flows

		Quarter ended		Year ended
(In thousands of USD)	Notes	**31-Mar-20**	**31-Mar-19**	**31-Dec-19**
Cash flows from operating activities				
Loss for the period before income tax		(3,589)	(5,320)	(8,954)
Adjustment for:				
Depreciation and amortization	5	5,676	6,514	25,886
Multi-client amortization	6	644	9,017	11,233
Gain on sale of assets		-	-	(1,117)
Employee share option expenses		134	129	300
Interest expense	7	8,487	8,174	33,542
Interest income		(78)	(123)	(370)
Income tax paid		-	(13)	(30)
Effect of currency (gain)/loss		373	32	133
Net movements in provisions		-	(1,043)	(1,160)
Net working capital movements		(7,126)	(11,542)	1,440
Net cash flows from operating activities		**4,521**	**5,825**	**60,903**
Cash flows from investing activities				
Payments for property, plant and equipment		(3,300)	(401)	(16,727)
Payments for multi-client library	6	(7,459)	-	(6,071)
Payments for intangible assets		(218)	-	(290)
Proceeds from sale of multi-client library		-	-	1,400
Net cash flows used in investing activities		**(10,977)**	**(401)**	**(21,688)**
Cash flows from financing activities				
Net receipt from bank loans	10	25,000	-	-
Repayment of interest bearing debt		(2,150)	(2,150)	(14,000)
Lease liabilities paid	9	(270)	(184)	(930)
Interest paid		(5,507)	(5,109)	(18,311)
Other finance costs paid		(177)	(255)	(970)
Decrease/(Increase) in restricted cash		(2)	(114)	(82)
Interest received		78	123	370
Net cash flows from/(used in) financing activities		**16,972**	**(7,689)**	**(33,923)**
Effect of foreign currency revaluation on cash		(330)	(27)	(63)
Net increase/(decrease) in cash and cash equivalents		**10,186**	**(2,292)**	**5,229**
Cash and cash equivalents at the beginning of the period		35,234	30,005	30,005
Cash and cash equivalents at the end of the period		**45,420**	**27,713**	**35,234**

Interim consolidated statement of changes in equity

For the quarter ended 31 March 2020

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as at 1 January 2020	**513,786,713**	**51,379**	**635,906**	**25,369**	**(644,097)**	**68,557**
Total comprehensive loss for the period		-	-	-	(4,247)	(4,247)
Employee share based incentives		-	-	134	-	134
Balance as at 31 March 2020	**513,786,713**	**51,379**	**635,906**	**25,503**	**(648,344)**	**64,444**

For the quarter ended 31 March 2019

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as at 1 January 2019	**513,786,713**	**51,379**	**635,906**	**25,961**	**(634,955)**	**78,291**
Total comprehensive loss for the period		-	-	-	(5,333)	(5,333)
Employee share based incentives		-	-	129	-	129
Balance as at 31 March 2019	**513,786,713**	**51,379**	**635,906**	**26,089**	**(640,288)**	**73,087**

For the year ended 31 December 2019

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as at 1 January 2019	**513,786,713**	**51,379**	**635,906**	**25,961**	**(634,955)**	**78,291**
Total comprehensive income for the period		-	-	-	(10,034)	(10,034)
Employee share based incentives		-	-	300	-	300
Other movements*		-	-	(892)	892	-
Balance as at 31 December 2019	**513,786,713**	**51,379**	**635,906**	**25,369**	**(644,097)**	**68,557**

*Other movements represent the fair value of employee stock options unexercised and expired during the period.

Notes to the interim consolidated financial statements

1 General information

The interim consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "Polarcus") for the quarter ended 31 March 2020 were authorized for issue in accordance with a resolution of the Board of Directors passed on 29 April 2020.

Polarcus is a focused geophysical service provider of safe and environmentally responsible marine acquisition services globally. The Group's geophysical offering is driven by innovation and collaboration to provide clients with better seismic data faster. Polarcus operates a fleet of high performance seismic vessels with 3D and 4D imaging capabilities, which incorporate leading-edge technologies for improved environmental performance and operational efficiency. Polarcus offers contract seismic surveys and multi-client projects with advanced priority processing solutions including Cirrus™, a suite of cloud-based applications and services designed to bring clients closer to acquired seismic data, enabling faster and better informed exploration decisions. The Group services its clients globally from its head office in Dubai and regional offices located in Houston, London, and Singapore; and delivers Group's asset management services from its office in Oslo.

Polarcus Limited is incorporated in the Cayman Islands with its registered office at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company is listed on Oslo Børs with ticker PLCS.

1.1 Going concern

These interim consolidated financial statements for the quarter ended 31 March 2020 are prepared using the going concern assumption. However, as described below, this assumption is subject to material uncertainty.

The Company's expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020, spending reductions announced by E&P companies and the current global imperative to mitigate the effects of COVID-19. Certain hydrocarbon exploration and production investments, expected to utilize marine seismic acquisition in 2020, may not be commercially viable for E&P companies in the foreseeable future or may be compromised by operational restrictions which hinder or prevent project performance. This could lead to reduced levels of current or prospective backlog for the Group through project cancellations, reductions in scope or deferrals of project awards. The Group's ability to continue as a going concern is dependent upon it securing suitable backlog.

On 31 March 2020, the Company announced enhanced business continuity measures and a substantial cost reduction plan, to help ensure continued efficient operations and to strengthen the financial resilience of the Company through 2020. The plan is expected to deliver cash cost savings of approximately USD 15 million during 2020 across capital expenditures, operating expenses and general and administrative costs, which will help mitigate the financial impact of lower fleet utilisation anticipated in the near term.

The Group's financial projections used in its going concern evaluation are based on certain assumptions about the future, including those related to future contract awards, contract pricing, vessel utilization, execution of projects, management of fleet operating cost, expected future capex investment and the availability of funding. Based on these assumptions, the Group expects to have sufficient liquidity to operate for at least 12 months from the balance sheet date.

The Company's Management and the Board of Directors are closely monitoring the evolving global situation regarding both COVID-19 and the depressed oil price and their impact on going concern assumptions, cash flow forecasts and compliance with financial covenants.

The Company's drawdown of USD 25 million from its USD 40 million working capital facility on 25 March 2020 will provide increased financial flexibility in the near-term (refer to Note 10 *Interest bearing debt*).

Backlog at 31 March 2020 and value of awards announced after the quarter end is estimated at USD 157 million compared to USD 170 million at the same time last year. The Company's fleet is 50% booked for the remainder of 2020. The Company remains in compliance with all its financial covenants.

2 Basis of presentation

These interim consolidated financial statements for the quarter ended 31 March 2020 are prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2019 as published and available at the Company's website www.polarcus.com.

The accounting policies applied by the Company in these interim consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2019 unless otherwise stated below. Refer to Note 2 *Summary of significant accounting policies* in the Consolidated Financial Statements in the 2019 Annual Report for information on the Company's accounting policies.

2.1 Accounting for withholding taxes

The Group re-assessed its accounting policy for withholding taxes following a general review of the Group's tax policies. The Group had previously accounted for all withholding taxes either net of revenue or as operating expenses in the income statement in the year of occurrence. Effective 1 January 2020, the Group has elected to change its method of accounting for withholding taxes whereby such taxes will either be presented as income tax or operating expenses considering the nature of each withholding tax incurred. The Group has applied this change in accounting policy prospectively.

The Group believes that this method provides more relevant information to the users of financial statements and is more consistent with practices adopted by industry peers. This method further aligns the accounting application within the Group's financial statements to acceptable tax compliance treatments. This change in accounting policy has not had a material impact on comparative information presented within these financial statements and does not impact the balance of retained earnings brought forward from previous periods. Therefore, comparative information has not been restated.

Following adoption of the change in accounting policy, the withholding tax included in the current income tax expense amounts to USD 0.7 million (Q1 2019: nil).

3 Segment information

The chief operating decision maker of the Company reviews all activities of the Company as one segment, adjusted for non-recurring items and for the impact of adopting IFRS 15 *Revenue from Contracts with Customers*. IFRS 15 has an impact on the timing of recognition of multi-client prefunding revenue and associated multi-client amortization. While reviewing the financial performance of the Company, management has, for the purposes of internal reporting, continued to report according to the revenue recognition principles applied prior to the adoption of IFRS 15, whereby multi-client prefunding revenue is recognized on a percentage of completion basis.

The numbers under the Segment column in the table below include the multi-client prefunding revenue and the amortization of multi-client projects that the Company would have recognized if the Company had followed the accounting policies that were in place prior to the adoption of IFRS 15. Non-recurring items, if any, are excluded from the Segment information in order to compare the underlying performance with the prior periods.

	Quarter ended 31-Mar-20			Quarter ended 31-Mar-19		
(In thousands of USD)	**Segment**	**Adjustments[1]**	**As reported**	**Segment**	**Adjustments[1]**	**As reported**
Revenues						
Contract revenue	54,822	-	54,822	66,527	-	66,527
Multi-client prefunding	11,012	(11,012)	-	55	8,106	8,161
Multi-client late sales	61	-	61	-	-	-
Other income	400	-	400	521	-	521
Total Revenues	**66,295**	**(11,012)**	**55,283**	**67,103**	**8,106**	**75,209**
Cost of sales	(41,284)	-	(41,284)	(53,989)	-	(53,989)
General and administrative costs	(2,792)	-	(2,792)	(2,928)	-	(2,928)
EBITDA	**22,219**	**(11,012)**	**11,207**	**10,186**	**8,106**	**18,292**
Depreciation and amortization	(5,676)	-	(5,676)	(6,514)	-	(6,514)
Multi-client amortization	(8,008)	7,364	(644)	(856)	(8,161)	(9,017)
Operating profit/(loss) (EBIT)	**8,535**	**(3,648)**	**4,887**	**2,816**	**(55)**	**2,760**
Net financial expense	(8,476)	-	(8,476)	(8,080)	-	(8,080)
Profit/(loss) before tax	**59**	**(3,648)**	**(3,589)**	**(5,264)**	**(55)**	**(5,320)**
Other key segment reporting items:						
Net Working capital movement	(18,138)	11,012	(7,126)	(3,436)	(8,106)	(11,542)
Multi-client library net book value	542	13,749	14,291	3,143	-	3,143

	Year ended 31-Dec-19		
(In thousands of USD)	**Segment**	**Adjustments[1]**	**As reported**
Revenues			
Contract revenue	268,825	-	268,825
Multi-client prefunding	10,181	(2,020)	8,161
Multi-client late sales	5,893	-	5,893
Other income	5,712	-	5,712
Total Revenues	**290,611**	**(2,020)**	**288,591**
Cost of sales	(213,904)	-	(213,904)
General and administrative costs	(13,318)		(13,318)
EBITDA	**63,389**	**(2,020)**	**61,369**
Depreciation and amortization	(25,886)	-	(25,886)
Multi-client amortization	(9,457)	(1,776)	(11,233)
Operating profit/(loss) (EBIT)	**28,046**	**(3,796)**	**24,250**
Net financial expense	(33,204)	-	(33,204)
Profit/(loss) before tax	**(5,158)**	**(3,796)**	**(8,954)**
Other key segment reporting items:			
Net Working capital movement	(580)	2,020	1,440
Multi-client library net book value	13,416	6,386	7,030

[1] = *IFRS 15 related adjustments*

4 Cost of sales

(In thousands of USD)	Quarter ended 31-Mar-20	Quarter ended 31-Mar-19	Year ended 31-Dec-19
Operating costs	44,004	49,570	214,654
Reimbursable cost	1,161	5,462	11,119
Gross cost of sales	**45,165**	**55,032**	**225,773**
Net deferred transit adjustment	3,123	-	(4,764)
Onerous contract provision unwinding	-	(1,043)	(1,160)
Capitalized to multi-client projects	(7,004)	-	(5,945)
Cost of sales	**41,284**	**53,989**	**213,904**

5 Depreciation and amortization

(In thousands of USD)	Quarter ended 31-Mar-20	Quarter ended 31-Mar-19	Year ended 31-Dec-19
Depreciation of seismic vessels and equipment	5,698	6,234	25,065
Depreciation of office equipment	48	42	173
Amortization of right-of-use assets	375	237	963
Depreciation capitalized to multi-client library	(446)	-	(315)
Total	**5,676**	**6,514**	**25,886**

6 Multi-client project library

(In thousands of USD)	Quarter ended 31-Mar-20	Quarter ended 31-Mar-19	Year ended 31-Dec-19
Balance at 1 January	7,030	12,160	12,160
Investments during the period	7,459	-	6,071
Capitalized depreciation	446	-	315
Sale of multi-client library	-	-	(283)
Amortization	(644)	(9,017)	(11,233)
Balance at the period end	**14,291**	**3,143**	**7,030**

6.1 Investments in multi-client library

Investments and depreciation capitalized to the multi-client library during the quarter ended 31 March 2020 represents the investments in two different multi-client projects in Australia. The Company expects the data processing for these projects to be completed and data to be delivered to the clients during Q4 2020. As at 31 March 2020 the Company has collected USD 19.3 million from customers towards prefunding for these projects, which has been recognized as a liability (under "Other accruals and payables") in the statement of financial position.

7 Finance costs

(In thousands of USD)	Quarter ended 31-Mar-20	Quarter ended 31-Mar-19	Year ended 31-Dec-19
Interest expenses on bond loans	3,680	3,264	13,412
Interest expenses on other interest bearing debt	4,604	4,648	19,126
Interest expense on leases	26	8	35
Net interest expenses	**8,310**	**7,920**	**32,572**
Other finance costs	177	255	970
Currency exchange losses	357	153	675
Total	**8,844**	**8,328**	**34,217**

8 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
Costs			
Balance as at 1 January 2020	1,076,884	3,632	1,080,516
Additional capital expenditures	4,633	38	4,671
Balance as at 31 March 2020	1,081,516	3,671	1,085,187
Depreciation and impairments			
Balance as at 1 January 2020	713,900	3,281	717,181
Depreciation for the period	5,698	48	5,746
Balance as at 31 March 2020	719,598	3,330	722,928
Carrying amounts			
As at 1 January 2020	362,984	351	363,335
As at 31 March 2020	**361,919**	**341**	**362,260**
Pledged assets as at 31 March 2020	358,093	-	358,093

9 Right-of-use assets and lease liabilities

9.1 Right-of-use assets

(In thousands of USD)

	Equipment onboard the vessels	Office premises	Total
Balance as at 1 January 2020	1,174	398	1,572
Additions	2,665	-	2,665
Depreciation expense	(314)	(62)	(376)
Balance as at 31 March 2020	**3,525**	**336**	**3,861**

The USD 2.7 million in additions to the right-of-use assets during the quarter ended 31 March 2020 represents a new agreement entered into for the data processing hardware onboard the Group's vessels. Prior to the new agreement, this equipment was held on short-term leases accounted for as operating expenses in the statement of comprehensive income.

9.2 Lease liabilities

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-20**	**31-Mar-19**	**31-Dec-19**
Balance as at 1 January	1,392	2,323	2,323
Additions	2,665	-	-
Lease payments during the period	(270)	(184)	(930)
Interest expense on leases	26	8	35
Interest on leases paid	(26)	(8)	(35)
Balance at the period end	**3,787**	**2,139**	**1,392**
Of which:			
Current liability portion	1,354	944	860
Non-current liability	2,433	1,195	532

During the quarter ended 31 March 2020, the Company recognized rental expenses of USD 9.0 million towards the short-term leases (USD 13.9 million in Q1 2019 and USD 28.1 million during 2019).

10 Interest bearing debt

(In thousands of USD)	Nominal outstanding value 31-Mar-20	Carrying value 31-Mar-20	31-Mar-19	31-Dec-19
Bond loans				
125M USD secured, convertible bonds - Tranche A	60,980	22,710	20,386	21,821
125M USD convertible bonds - Tranche B	3,735	1,563	889	1,394
95M USD unsecured bonds	10,324	5,057	3,339	4,626
350M NOK unsecured bonds	5,310	3,307	2,159	3,019
Total bond loans	**80,349**	**32,637**	**26,773**	**30,861**
Other interest bearing debt				
Fleet bank facility - Tranche 1	41,324	40,241	39,905	40,105
Fleet bank facility - Tranche 2	32,773	33,131	36,131	33,157
Fleet bank facility - Tranche 3	74,865	73,667	77,196	74,612
Fleet bank facility - Tranche 4	86,045	80,605	78,808	80,284
New Fleet Facility for N-Class vessels	74,945	72,399	71,448	72,160
DNB loan facility	5,672	5,667	7,661	5,666
Working capital facility (refer to Note 10.1 below)	25,000	25,000	-	-
Total other interest bearing debt	**340,624**	**330,710**	**311,149**	**305,984**
Total Interest bearing debt	**420,973**	**363,347**	**337,923**	**336,844**
Of which:				
Current liability portion		35,600	10,600	10,600
Non-current liability		327,747	327,323	326,244

10.1 Drawdown from USD 40 million working capital facility

The Company drew down USD 25 million from its USD 40 million working capital facility on 25 March 2020. The working capital facility is repayable within nine months following the date of drawdown.

11 Transactions with related parties

Zickerman Group DMCC, a company wholly owned by a Board member Mr. Peter Zickerman, has been engaged by the Company to perform strategic consultancy services. During the quarter ended 31 March 2020 the Company paid USD 0.2 million to Zickerman Group DMCC for consultancy services (USD 0.1 million in Q1 2019 and USD 0.7 million during 2019).

Alternative performance measures

An Alternative Performance Measure ("APM") is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. In response to the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), the Group has provided additional information on the APMs used by the Group.

Backlog	The aggregate estimated value of future projects for which the Group has a signed contract or letter of award with a client. The Group uses backlog as it gives the amount of committed activity in future periods, thus providing an indication of the Group's future revenue.
CAPEX	Capital expenditure refers to investments in property, plant and equipment, and intangible assets (excluding multi-client library investments), irrespective of whether the amount is paid for in the period. The Group uses CAPEX to indicate the level of its investments in enhancing its capital assets.
EBIT	Profit/(loss) before interest and tax. The Group uses EBIT as it provides an indication of the profitability of the operating activities. The EBIT margin presented is defined as EBIT divided by net revenues.
EBIT (before non-recurring items)	Profit/(loss) before interest and tax, excluding non-recurring items (see definition below).
EBITDA	Operating profit/(loss) after adding back depreciation, impairments and amortization. The Group uses EBITDA because it is useful when evaluating operating profitability as it excludes amortization, depreciation and impairments related to investments that occurred in the past. The EBITDA margin presented is defined as EBITDA divided by net revenues.
EBITDA (before non-recurring items)	Operating profit/(loss) after adding back depreciation, impairments and amortization, excluding non-recurring items.
IFRS-15 adjustments	The effect of adopting IFRS 15 on the Group's consolidated financial statements. The Group uses IFRS-15 adjustments to explain how some of the Group's reported key numbers, post-adoption of IFRS 15, relate to the historic (pre-IFRS 15) key numbers.
Net interest bearing debt	The total book value of the Group's non-current and current debt, less the balance of cash and cash equivalents, as well as any restricted cash that is restricted for the purposes of repaying debt. The Group uses net interest bearing debt as it provides an indication of the Group's debt position by indicating the Group's ability to pay off all its debt if they became due simultaneously using only its available cash.
Non-recurring items	Impairment charges, the cost of onerous contract provisions, restructuring costs and other non-operational costs. The Group believes that non-recurring items should be identified as they are typically non-cash items or non-operational items that are not expected to occur frequently and are not representative of the underlying operational performance of the business.
Prefunding Level	The prefunding level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multi-client library. The Prefunding Level is considered as an important measure as it indicates how the Group's financial risk is reduced on multi-client investments.

Segment EBITDA	Operating profit/(loss) using Segment revenue (see below) after adding back depreciation, impairments, amortization and non-recurring items. Non-recurring items are excluded from the Segment information in order to compare the performance with the prior periods. This measure provides additional information in assessing the Group's underlying performance that management is more directly able to influence in the short term and on a basis comparable from year to year. The Segment EBITDA margin presented is defined as Segment EBITDA divided by Segment revenue.
Segment revenue	The revenue in the period based on those reported but excluding the impact of IFRS 15, so accounted for based on the revenue recognition principles prevailing before the mandatory adoption of IFRS 15 on 1 January 2018. The Group uses Segment revenue to allow consistency with prior accounting periods, which increases the comparability of the financial performance across periods.
Total cash	The total of restricted and unrestricted cash held by the Group at the reporting date. The Group uses total cash as it provides an indication of the Group's complete cash position.

The non-IFRS financial measures presented herein are not recognised measurements of financial performance under IFRS, however are used by the Group to monitor and analyse the underlying performance of its business and operations. These should not be considered as an alternative to profit and loss for the period, operating profit for the period or any other measures of performance under generally accepted accounting principles. The Group believes that the non-IFRS measures presented herein are commonly used by investors in comparing performance between companies.

Accordingly, the Group discloses the non-IFRS financial measures presented herein to permit a more complete and comprehensive analysis of its operating performance relative to other companies across periods. Because other companies may calculate the non-IFRS financial measures presented herein differently, the non-IFRS financial measures presented herein may not be comparable to similarly defined terms or measures used by other companies.

EBIT (before non-recurring items) and EBITDA (before non-recurring items) shows the EBIT and EBITDA of the Group after adjustments for non-recurring items including impairment charges, the cost of onerous contract provisions and restructuring costs. These APMs are financial performance measures that are adjusted for the impact of items that are not considered by the Group to be part of the underlying core business as they are more irregular in both amount and frequency of occurrence.