# Polarcus First Quarter 2020

*Improved pricing and profitability*

30 April 2020

*Duncan Eley, CEO*
*Hans-Peter Burlid, CFO*

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# Agenda





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# Q1 2020 Headlines

*Improved pricing and profitability year-on-year*

## INCREASED MARGINS DRIVEN BY IMPROVED PRICING

- Core fleet generated 26% higher revenue compared to Q1 2019
- EBITDA* more than doubled year-on-year
- Strong operational performance with low technical downtime
- Vessel utilization of 89%, compared to 92% in Q1 2019

## INDUSTRY OUTLOOK

- Market outlook adversely impacted by drop in oil price & COVID-19
- Low oil price causing customers to reassess near-term investments
- Temporary oil market supply-demand imbalance expected into 2021
- Global vessel capacity reduced as operators announce stacking plans

Segment Revenues* of USD 66.3m

Segment EBITDA* of USD 22.2m

Total cash balance**
USD 46.7m

Backlog of USD 157m

**Segment results shown above have been adjusted for IFRS15 impact.*
***Includes USD 25m drawn from the working capital facility in March 2020.*

# Adapting to unprecedented market changes

*Extensive actions have been taken to address the challenges created by low oil price and COVID-19*

***Focus on health and safety …*** *for all personnel including remote-working model for all onshore staff and extensive health screening & stringent travel protocols for the offshore population.*

***Ensuring continuity of operational excellence …*** *pandemic risk assessment and response plan developed for each project and shared with clients.*

***Implementing decisive financial mitigations …*** *with 2020 cost reduction plan of USD15m in addition to initiatives for low-cost vessel standby. Temporary salary reductions across the organization with executive salaries and Board of Directors' remuneration reduced by 25%.*

# Polarcus 2020 action plan

*Repositioning to respond to near-term market challenges*

## Mitigating the impact of COVID-19

*Priority is the safety, health and wellbeing of all our people*

## Reinforcing cost control and capital discipline

*Highly efficient cost platform with additional cost reduction initiatives*

## Optimized streamer inventory

*Provides flexibility and more gradual investment profile from 2022*

## Uniform fleet delivering to high standards

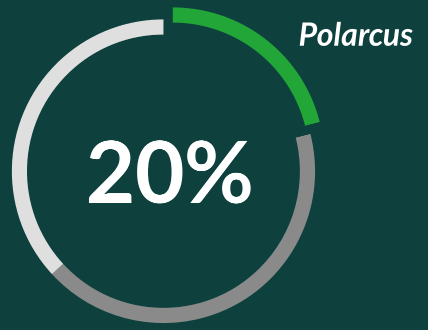
*Scalable operational platforms providing innovative geophysical services*

## A consolidated industry

*Stable industry structure showing signs of continued supply discipline*

### VESSEL LOCATIONS AS OF APRIL 2020


### SHARE OF ACTIVE GLOBAL FLEET*




*Source: Polarcus, share of 3D high-end seismic active global fleet

# Agenda

1 Headlines

2 Financials

3 Operational update and outlook

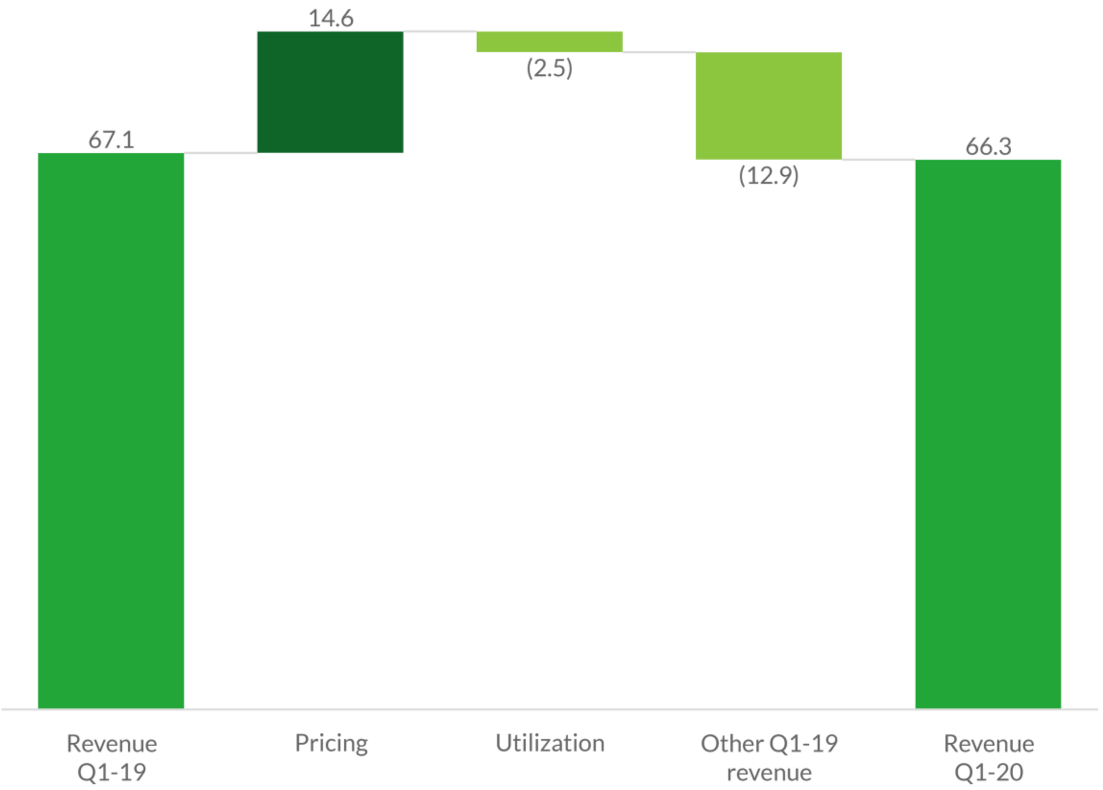
4 Q&A

# Revenue

*Improved pricing year-on-year*

**Segment revenues Q1 2020, broadly flat year-on-year**

*(USD millions)*




*References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects*
*References to "Core fleet" excludes the vessels on bareboat charters and Polarcus Nadia.*

- Core fleet revenue up 26% year-on-year
  - ~30% higher pricing in contract market and strong prefunding
  - Partly offset by lower utilization due to contract termination leading to 6% standby time
- Reduction in other revenue
  - Driven by hybrid streamer-node project acquired by Polarcus using third party vessels in Q1 2019



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# Cost of sales

*Flat underlying cost base*

### Cost of Sales Q1 2020, down 24% year-on-year

*(USD millions)*

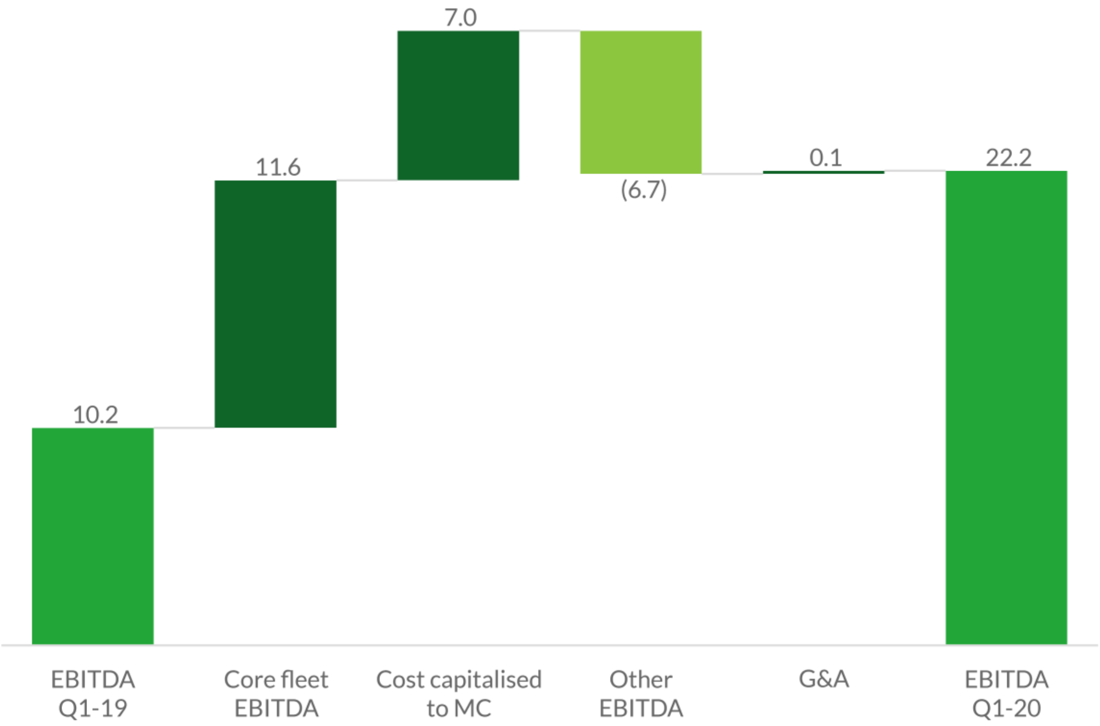

- Reduction in cost of sales driven by costs capitalized to multi-client and extraordinary cost in Q1 2019
- Efficient underlying cost base maintained
- Other costs include extraordinary cost in Q1 2019 offset by cost related to V.T. in Q1 2020
- Significantly lower cost of sales expected in Q2 2020 due to cost reduction plan

# Improved profitability

*EBITDA more than doubling year-on-year*

### Segment EBITDA Q1 2020

*(USD millions)*




- EBITDA doubling year-on-year
- Core fleet EBITDA driven by improved day rates combined with strong cost control
- Reduction in other EBITDA includes hybrid project in 2019 and cost related to V.T. in Q1 2020
- Segment EBIT improved to USD 8.5 million from USD 2.8 million in Q1 2019

*References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects*
*References to "Core fleet" excludes the vessels on bareboat charters and Polarcus Nadia.*



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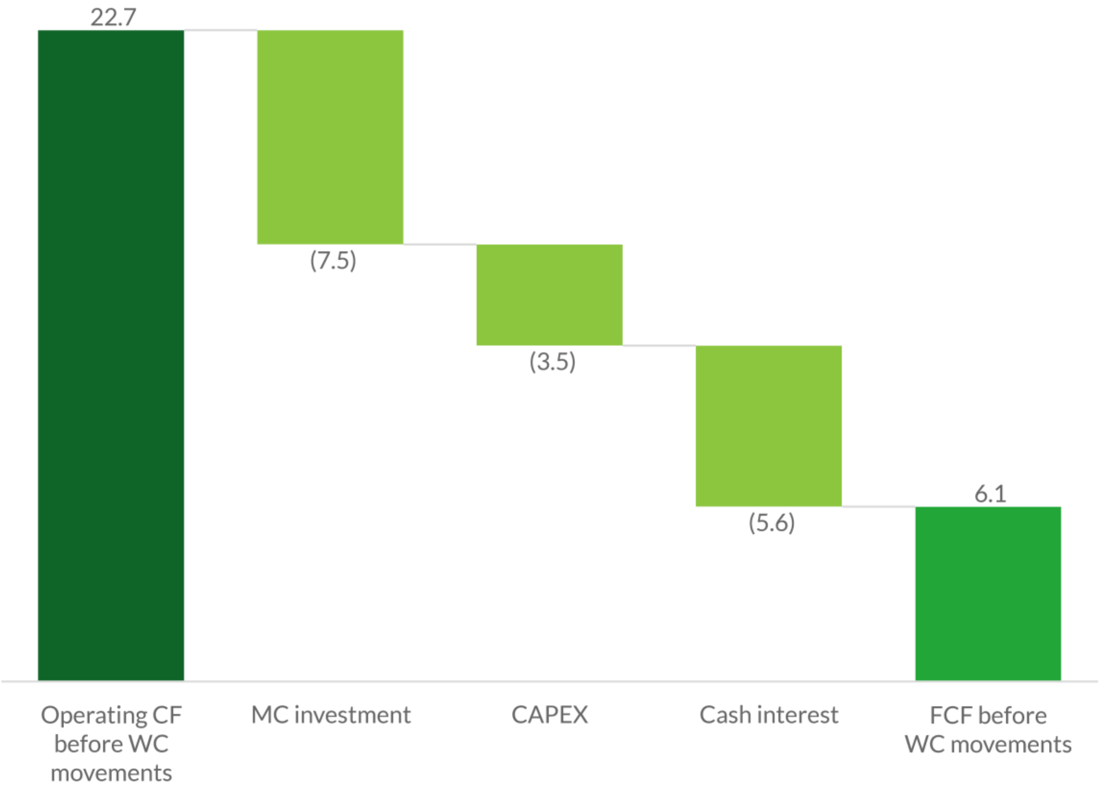
# Cash from operations

*Free cash flow of USD 6.1m before working capital movements*

**Segment cash flow Q1 2020**

*(USD millions)*




*References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects*

- Multi-client investments of USD 7.5 million supported by USD 11.0 million segment prefunding
- Operating cash flow impacted by USD 18.1 million negative working capital movement
- USD 25 million drawn from the USD 40 million working capital facility
- Total cash USD 46.7 million at quarter end

# Agenda

# Strong operational delivery

*Q1 2020 highlights*

- Excellent operational performance metrics maintained throughout the quarter
- Industry-leading environmental and safety performance remain key differentiators
- Highly efficient fleet that has been compliant with IMO 2020 regulations since 2009

*Largest clients in recent years*

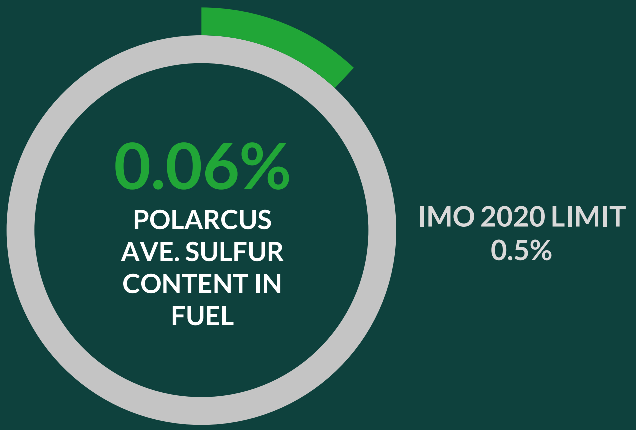
ExxonMobil, Shell, Total, Petrobras, Petronas, WesternGeco, Tullow, Equinor, Eni, TGS

## *FLEET PERFORMANCE*

*Q1 2020*

| SAFETY | TECHNICAL | EMISSIONS |
|---|---|---|
| TRCF = **1.3**<br>LTIF = **0.3** | **2.4%** Technical downtime | $CO_2$ = 2.5 tonnes/km$^2$<br>$NO_X$ = 28.7 kg/km$^2$<br>$SO_X$ = 1.0 kg/km$^2$ |

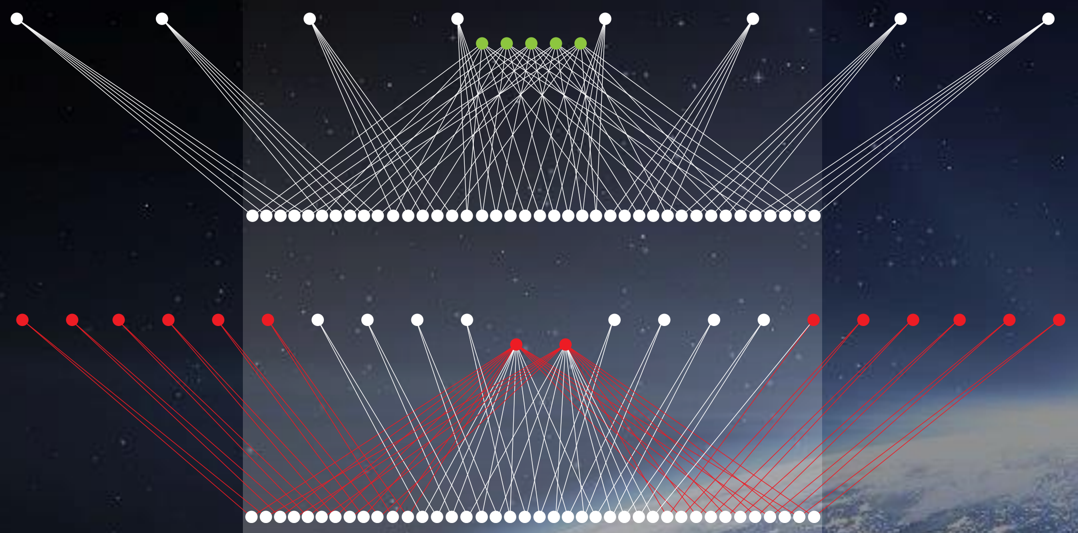
## *IMO 2020 SULFUR CONTENT COMPLIANT*



# Efficiency through Innovation

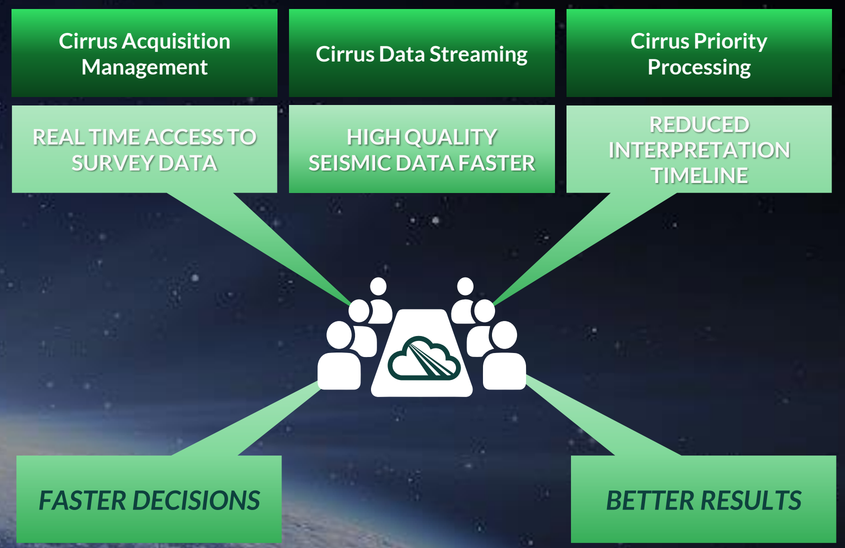
## XArray™

Delivers *more real data* for every sail-line through multiple source configurations relying on fewer streamers



## Cirrus™

Bring customers *better data faster* with near real-time access to survey- and high-fidelity seismic –data, allowing informed exploration decisions to be made faster

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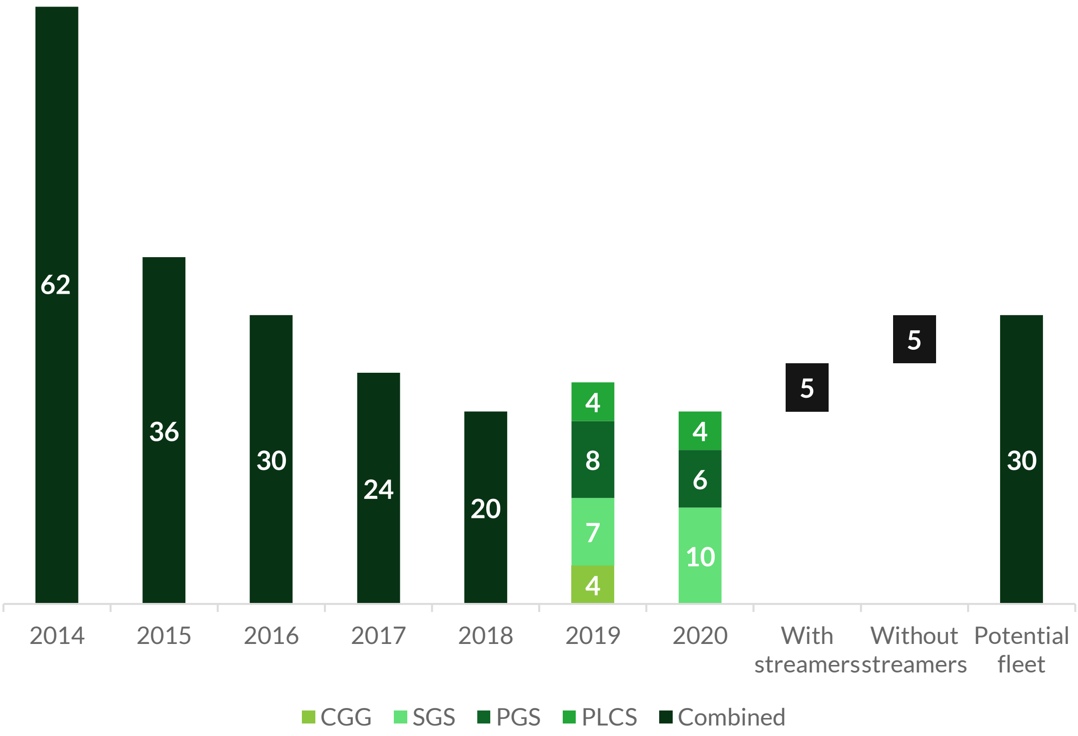
# Marine acquisition supply remains disciplined

*A further 10% reduction in global fleet capacity has been announced for Q2 2020*

**Global 3D fleet**

*(#Vessels)*




*Source: Company research*

- By end Q2, 20 active vessels are anticipated (compared to >60 in 2014)
- Limited additional capacity readily available with streamers (~5 vessels)
- Limited additional vessels with acceptable age & capacity profiles without streamers (~5 vessels)
- Plan in place for significantly reduced vessel standby cost during anticipated idle time in the near-term



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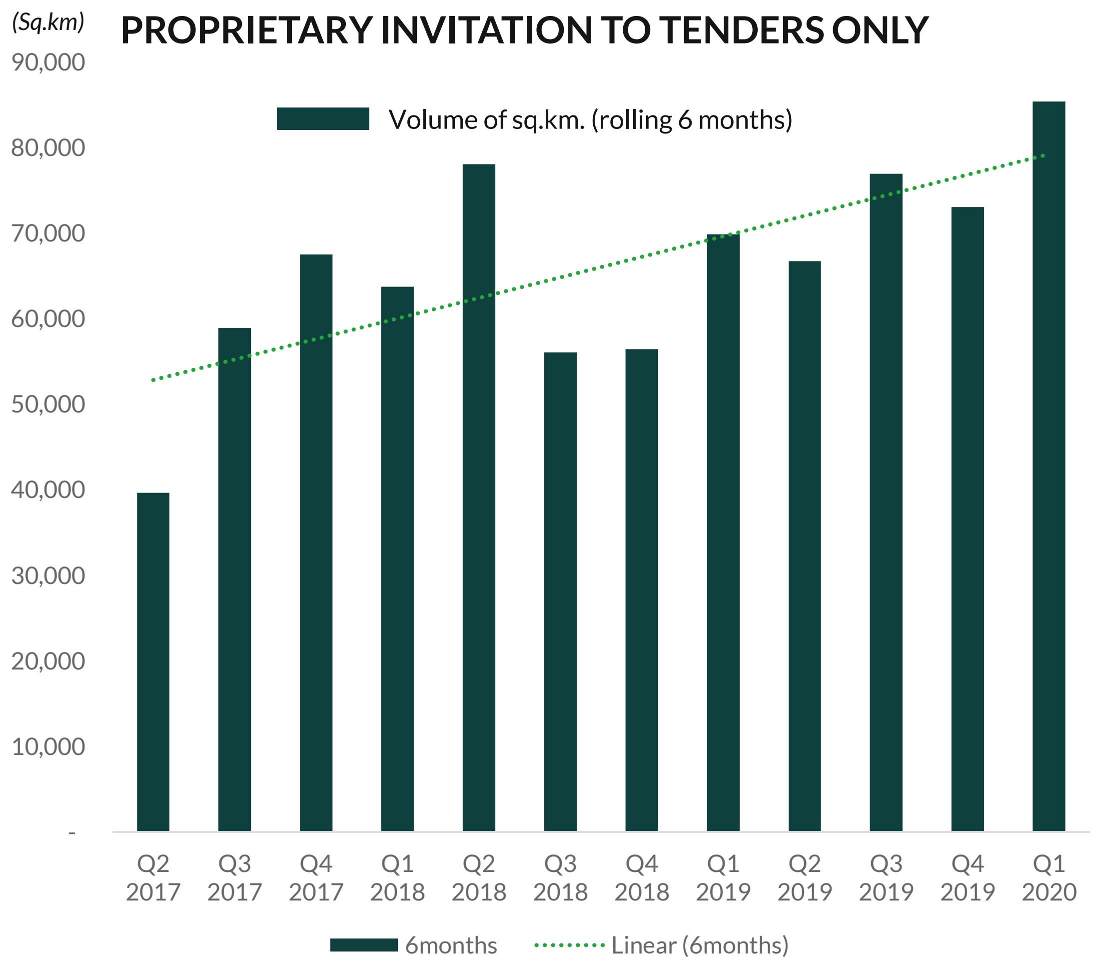
# Marine acquisition demand

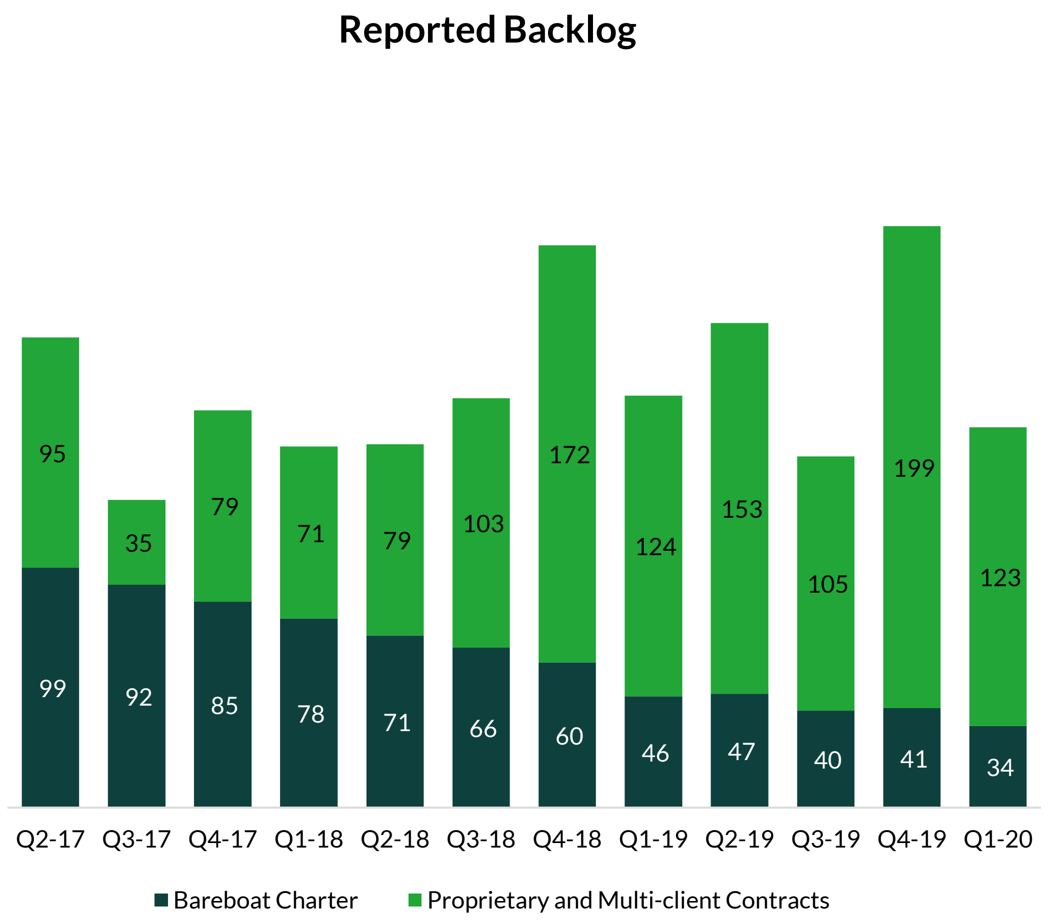
*Strong demand continued into Q1 2020*




- Solid proprietary tender demand continued into Q1 2020
  - Activity driven by large scale exploration surveys in Asia Pacific, West Africa and South America
- Levels of tenders reduced towards quarter-end due to oil price volatility and COVID-19
  - Majority of tendered opportunities remain active
  - Uncertainty related to timing and scope of new tenders and outstanding awards

# Backlog

*Current backlog at similar levels to 12 months earlier*




- Backlog at USD 157 million
  - One project terminated early and one contract cancelled
  - Two new contracts awarded since quarter end in North West Europe and Asia Pacific
- Fleet 50% booked for remainder of 2020
  - Core fleet 35% booked
  - V. Tikhonov booked into May 2020
  - I. Gubkin booked into Q4 2022

*Backlog includes awards received after the quarter end . References to "Core fleet" excludes vessels on bareboat charters and Polarcus Nadia. Proprietary Contract shows total backlog for Core fleet including multi-client prefunding. Bareboat Charter shows backlog for V. Tikhonov and I. Gubkin.*



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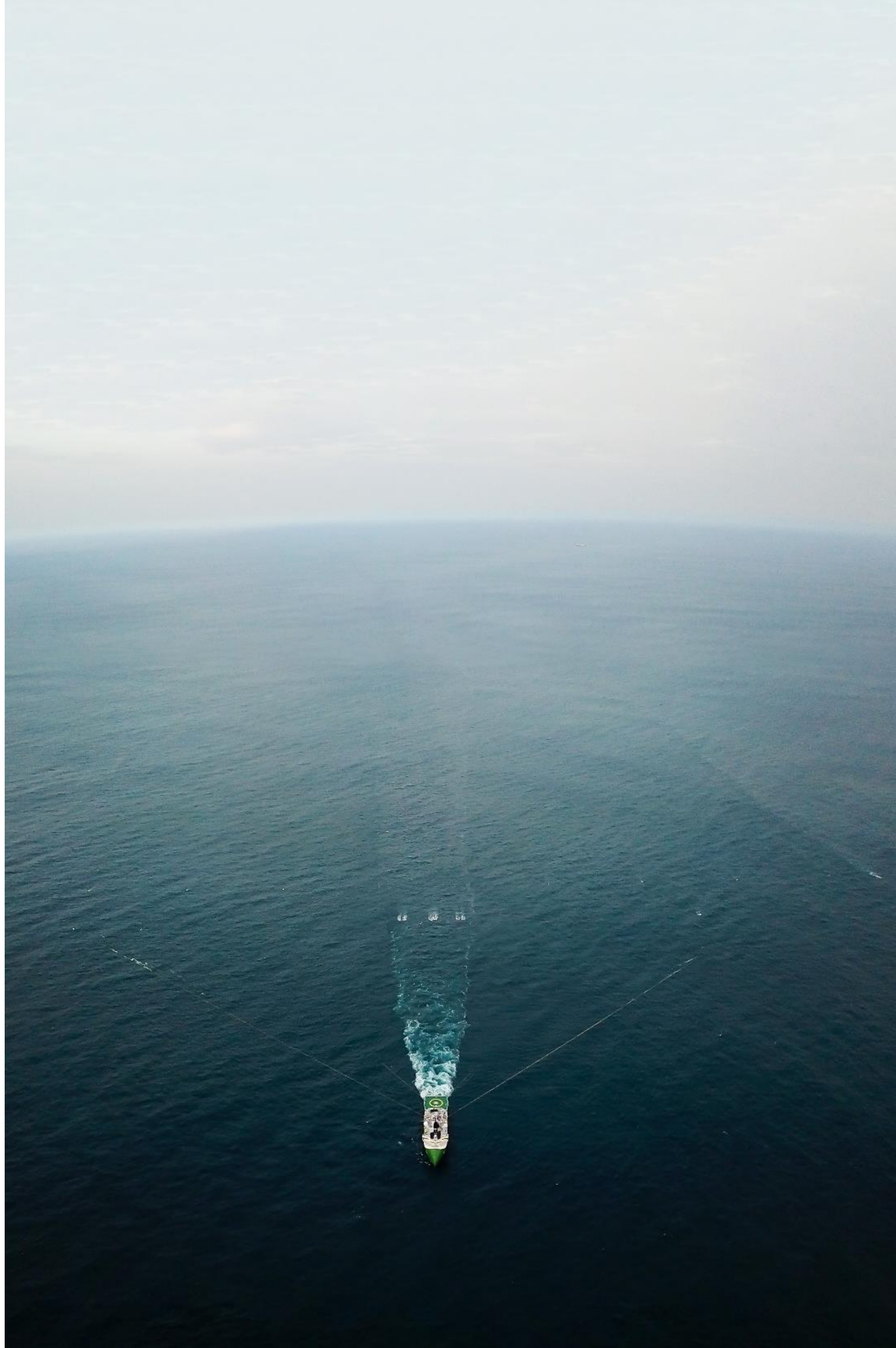
# Closing remarks

- Improved pricing and operational excellence increased profitability in Q1 2020 with EBITDA more than doubling year-on-year
- Market outlook adversely impacted by effects of oil price volatility and the global response to the COVID-19 pandemic
- Enhanced business continuity initiatives and substantial cost reduction plans implemented in response to current market environment
- Lower utilization expected in Q2 2020 following cancellation of one project and early termination of another
- Global vessel capacity expected to reduce further in near term through stacking of vessels by operators in a consolidated industry
- Backlog of USD 157m with Polarcus fleet 50% booked for remainder of 2020



# Q&A

# Appendices

## First Quarter 2020

# Income statement

| (In thousands of USD) | Quarter ended 31-Mar-20 | Quarter ended 31-Mar-19 | Year ended 31-Dec-19 |
|---|---|---|---|
| **Revenues** | | | |
| Contract revenue | 54,822 | 66,527 | 268,825 |
| Multi-client revenue | 61 | 8,161 | 14,054 |
| Other income | 400 | 521 | 5,712 |
| **Total Revenues** | **55,283** | **75,209** | **288,591** |
| **Operating expenses** | | | |
| Cost of sales | (41,284) | (53,989) | (213,904) |
| General and administrative costs | (2,792) | (2,928) | (13,318) |
| Depreciation and amortization | (5,676) | (6,514) | (25,886) |
| Multi-client amortization | (644) | (9,017) | (11,233) |
| **Total Operating expenses** | **(50,396)** | **(72,448)** | **(264,341)** |
| **Operating profit/(loss)** | **4,887** | **2,760** | **24,250** |
| Finance costs | (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)** |
| **EBITDA** | **11,207** | **18,292** | **61,369** |



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# Balance Sheet

| *(In thousands of USD)* | 31-Mar-20 | 31-Mar-19 | 31-Dec-19 |
|---|---|---|---|
| **Assets** | | | |
| | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 362,260 | 364,527 | 363,335 |
| Multi-client project library | 14,291 | 3,143 | 7,030 |
| Right-of-use assets | 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 | 16,589 | 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) | (648,343) | (640,287) | (644,097) |
| **Total Equity** | **64,444** | **73,087** | **68,557** |
| | | | |
| **Non-current Liabilities** | | | |
| Interest bearing debt | 327,747 | 327,323 | 326,244 |
| Lease liabilities | 2,433 | 1,195 | 532 |
| **Total Non-current Liabilities** | **330,180** | **328,517** | **326,776** |
| | | | |
| **Current Liabilities** | | | |
| Interest bearing debt current portion | 35,600 | 10,600 | 10,600 |
| Lease liabilities current | 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** | **94,611** | **62,444** | **63,367** |
| | | | |
| **Total Equity and Liabilities** | **489,236** | **464,048** | **458,700** |

# Cash flow statement

| (In thousands of USD) | Quarter ended 31-Mar-20 | 31-Mar-19 | Year ended 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 | 5,676 | 6,514 | 25,886 |
| Multi-client amortization | 644 | 9,017 | 11,233 |
| Gain on sale of assets | - | - | (1,117) |
| Employee share option expenses | 134 | 129 | 300 |
| Interest expense | 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 | (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 | 25,000 | - | - |
| Repayment of interest bearing debt | (2,150) | (2,150) | (14,000) |
| Lease liabilities paid | (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** |

# Detailed debt overview

| Debt | Outstanding 31 Mar 20 | Total credit line | Maturity | Interest |
|---|---|---|---|---|
| USD Unsecured Bond – PLCS02 | USD 13.8m | | Jan-25 | 5% PIK |
| NOK Unsecured Bond – PLCS03 | USD 5.3m | | Jan-25 | 5% PIK |
| Convertible bond – Tranche A | USD 61.0m | | Jul-22 | 5.60% |
| Convertible bond – Tranche B | USD 3.7m | | Jan-25 | 5% PIK |
| Fleet Bank Facility | USD 235.0m | | Aug-22 to Jun-24 | |
| New Fleet Facility | USD 75.0m | | Dec-24 | |
| Swap Facility | USD 5.7m | | Jun-21 | LIBOR + 4% |
| Working Capital Facility | USD 25.0m | USD 40m | Jun-22 | LIBOR + 4% |
| **Gross debt** | **USD 424.5m** | | | |
| *Own PLCS02 bonds held* | *USD 3.5m* | | | |
| Outstanding debt | USD 421.0m | | | |



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# Experienced Management and Board of Directors

## Executive management

### Duncan Eley
***CEO***
20 years of experience in the seismic industry

### Hans-Peter Burlid
***CFO***
15 years of experience in the seismic industry

### Lars Oestergaard
***COO***
12 years of experience in the global oilfield services industry

### Tamzin Steel
***SVP People & Business Services***
15 years' experience working in global multinational companies in the oil & gas industry

### Caleb Raywood
***General Counsel***
20 years of commercial law experience

## Board of Directors

### Michael Mannering
***Chairman***
Extensive experience in the oil service industry from Schlumberger and Songa Offshore

### Monish Sahni
30 years' experience in banking including the maritime and offshore sector

### Peter Zickerman
20 years experience in the seismic industry

### Karen El-Tawil
30 years of experience in the seismic industry

### Nina Tronstad
Extensive experience as senior executive in Kvarner, Aker Solutions and Equinor, board experience from GIEK, Prosafe and Norges Bank

### Erik M Mathiesen
Extensive experience in Investment and asset management in the energy sector



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