

# Polarcus Q2 2019

*Significant earnings increase and strong operational performance*

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Second Quarter and Preliminary Half Year Results

24 July 2019

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# Agenda

- 1 Headlines
- 2 Financials
- 3 Operational update and outlook
- 4 Q&A

# Q2 2019 headlines

*Significant earnings increase and strong operational performance*

## FINANCIAL PERFORMANCE UP SIGNIFICANTLY YEAR-ON-YEAR

- Achieved day rates improved by ~50%
- EBITDA improved by ~120%
- Continued stringent cost focus optimizing margins

## STRONG OPERATIONAL DELIVERY

- Solid operational performance with high technical uptime
- Fleet relocations early in quarter ahead of a tight summer schedule
- Commencement of the industry's largest 4D project in 2019

## INCREASED MARKET ACTIVITY AND ROBUST BACKLOG

- Continued elevated levels of tender activity
- Increased backlog year-on-year and sequentially

Segment Revenues\* of USD 64.8m

Segment EBITDA\* of USD 16.0m

Total cash balance\*\*  
USD 23.8m

Fleet backlog of USD 200m

\*Segment results and IFRS results are consistent in Q2 2019.

\*\*Excludes undrawn USD 40m working capital facility

# Polarcus in brief

## Preferred supplier in a consolidated market

*Three remaining global players in the marine seismic acquisition segment*

## Uniform fleet, working for top-tier clients

*Scalable operational platforms delivering innovative geophysical services*

## Leading environmental credentials

*Lowest emissions and IMO 2020 compliant*

## Lowest cost and debt per active vessel

*Streamlined organization with strong cost focus*

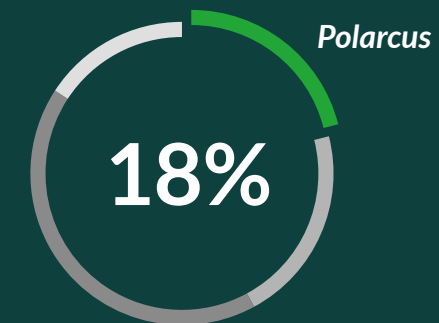
## Improving financial performance

*Revenue and EBITDA showing significant improvement*

## VESSEL POSITIONS AS OF JULY 2019



## SHARE OF ACTIVE GLOBAL FLEET\*



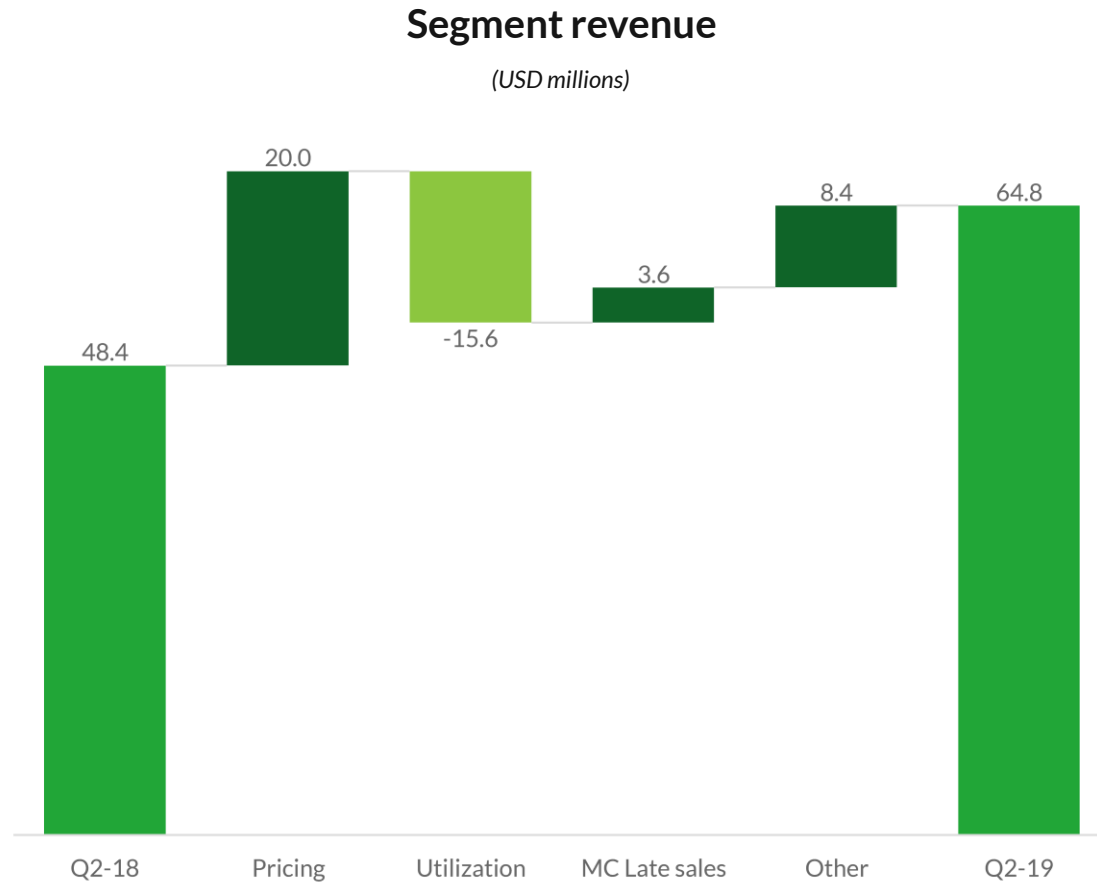
*\*Source: Polarcus, share of 3D high-end seismic active global fleet*

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# Q2 2019 revenue increased 34% year-on-year

*Improved pricing and multi client late sales drives revenue*

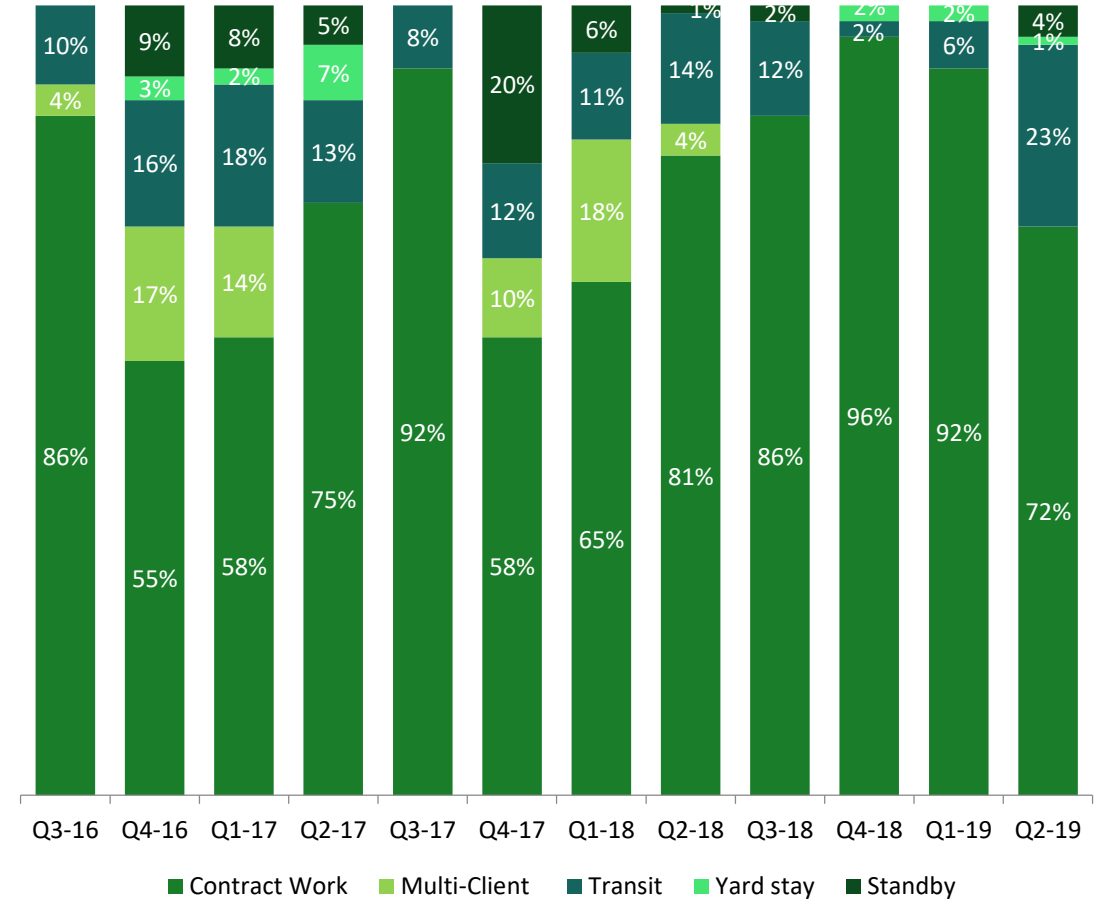


- Pricing up 50% year-on-year
  - Strong operational performance driving rates
  - Differentiators delivering improved pricing
- Lower utilization as guided
  - Vessel repositioning early in the quarter
- Multi-client late sales of USD 3.6 million
- Other revenue:
  - Hybrid project (towed streamer and OBN)
  - Insurance claim proceeds
  - Offsetting reduced revenue from management contract

# Fleet utilization

*Continued focus on proprietary contract allocation*

- Q2 2019 utilization of 72%
- Fleet repositioned during the quarter for new projects
- Utilization of 82% for the first half of 2019
- Q3 2019 utilization expected in line with first half 2019



NB: Polarcus Nadia stacked in NW Europe since 2015.



# Q2 2019 Profit & loss

*Significantly improved profitability year-on-year*

- Segment revenues of USD 64.8 million
  - Up 34% year-on-year driven by improved day rates and multi client late sales
- Cost of sales USD 45.1 million
  - Up 19% year-on-year driven by the hybrid project
- Segment EBITDA of USD 16.0 million
  - Increase of 122% compared to USD 7.2 million in Q2 2018

(USD millions)	Q2-2019	Q2-2018	H1-2019	H1-2018	2018
<b>Segment reporting</b>					
Revenues	64.8	48.4	131.9	88.6	202.2
EBITDA	16.0	7.2	26.2	19.4	29.1
Depreciation & amortization	6.5	6.8	12.9	12.3	26.6
Multi-client amortization	0.9	6.2	1.7	20.1	22.3
EBIT	8.7	(5.8)	11.5	(13.0)	(19.8)
Net financial items	8.1	7.4	16.1	16.4	31.2
Net profit / (loss)	0.6	(13.2)	(4.6)	(29.2)	(50.8)

*References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects and non-recurring items. Non-recurring items adjusted in 2018 include impairments, onerous contract provisions and restructuring costs.*

# Q2 2019 Cash flow

*Disciplined cash focus*

- USD 16.0 million cash from operations before working capital movements
  - Up from USD 5.0 million in Q2 2018
- PP&E investments of USD 1.8 million
  - Continued disciplined spending
- Total cash balance at quarter end of USD 23.8 million
  - Impacted by USD 11.1 million negative working capital movements due to increasing activity

(USD millions)	Q2-2019	Q2-2018	H1-2019	H1-2018	2018
Cash from operations before changes in working capital	16.0	5.0	25.2	12.8	23.2
Net working capital movements*	(11.1)	(11.2)	(14.5)	(13.4)	(11.9)
Cash from operating activities	4.9	(6.2)	10.7	(0.6)	11.3
PP&E investment	1.8	1.5	2.2	77.6	82.2
Multi-client investment	-	4.1	-	15.8	18.7
Operating cash flow	4.9	(6.2)	10.7	(0.6)	11.3
Total cash**	23.8	34.4	23.8	34.4	31.2
Net interest bearing debt	314.6	307.3	314.6	307.3	306.1

\*Net working capital movement as per Segment reporting which has been adjusted for the impact of IFRS-15.

\*\*Excluding undrawn USD 40 million working capital facility. Including restricted cash balance of USD 1.2 million.

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# Solid operational performance

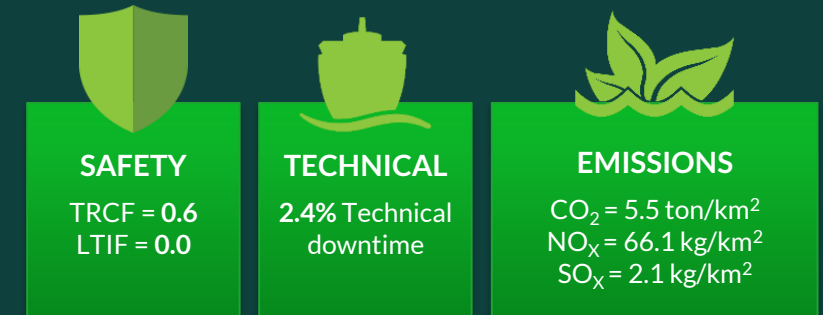
Q2 2019 highlights

- Awarded large wide-azimuth project in the Americas
- Successful commencement of multi-vessel 4D project in the Far East
- High technical uptime maintained
- Industry-leading safety and environmental performance continues
- Complying with IMO 2020 regulations since 2009

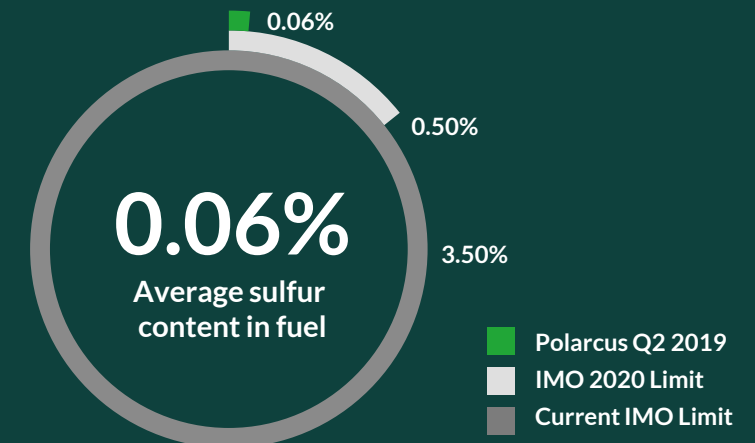
## Largest clients since inception



## FLEET PERFORMANCE Q2 2019



## IMO 2020 SULFUR CONTENT COMPLIANT



# Three remaining players in the marine seismic acquisition industry

*Consolidated competitive landscape for vessel operators*

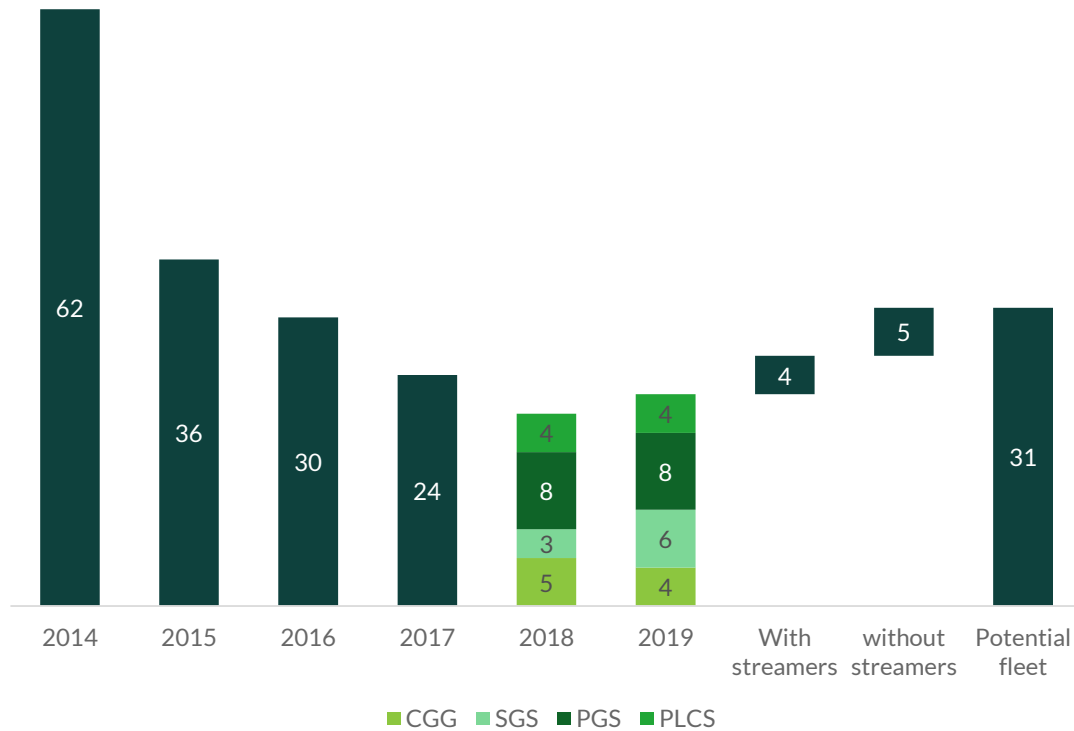


Vessel ownership has consolidated meaningfully

Competitors shift to multi-client means more acquisition clients with increased spend

# Marine acquisition supply has reduced significantly

## Global 3D vessels



## Comments

- 22 active vessels in 2019 compared to >60 prior to the downturn
- Highly consolidated supply picture with only three global vessel operators (post SGS/CGG acquisition)
- Limited additional capacity readily available with streamers (~4 vessels)
- Limited additional vessels with attractive age & capacity profiles: stacked and no streamers (~5 vessels)

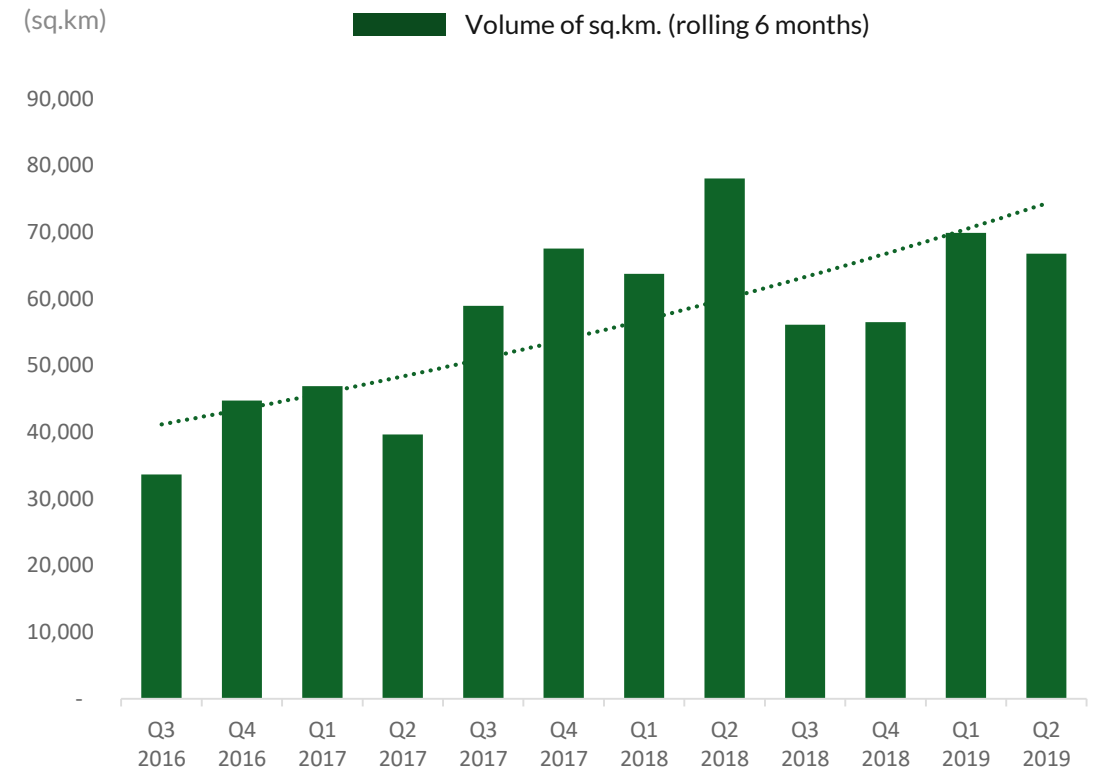
Source: Company research

# Marine acquisition demand improving

*Solid demand indicated by E&P company tenders and increasing leads from MC companies (without vessels)*

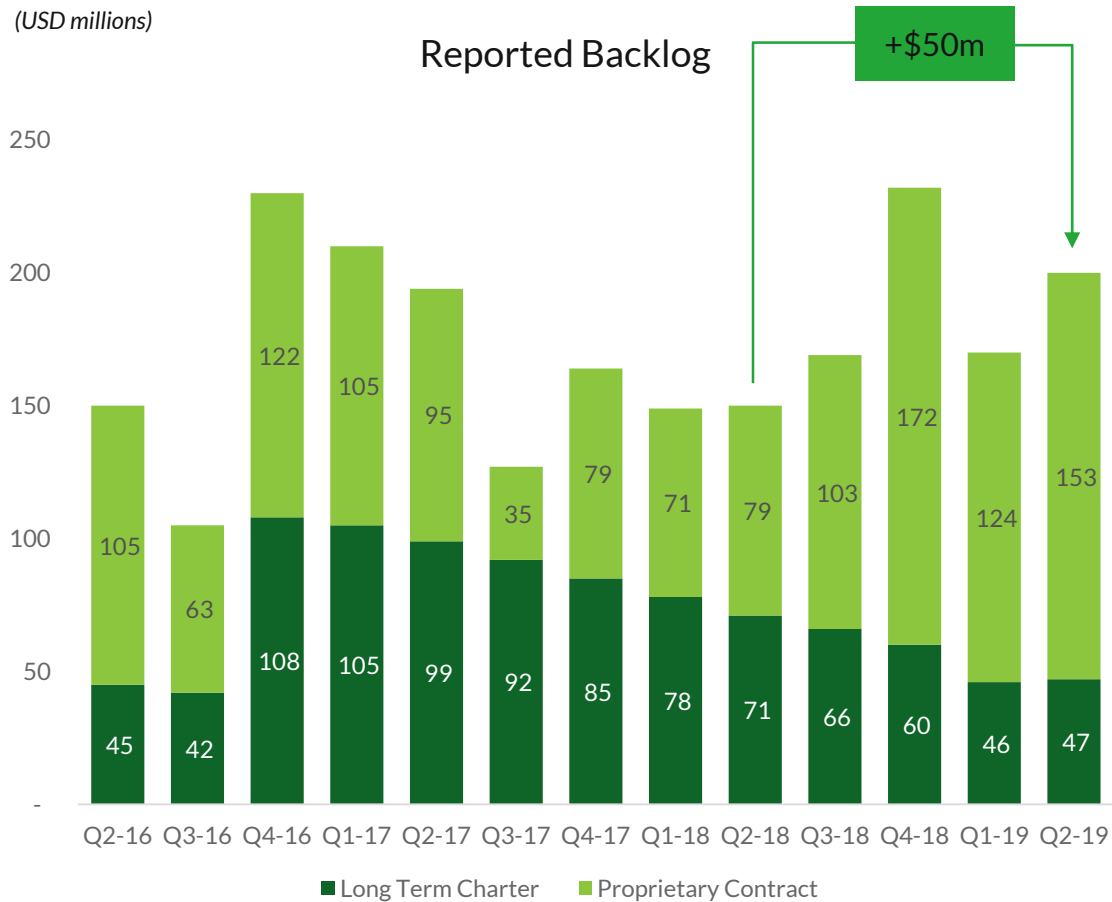
- Solid proprietary tender demand in H1 2019
- Healthy opportunity pipeline for Q4/Q1
- Larger exploration surveys by E&P companies driving proprietary tenders
- In addition, large scale multi-client activity particularly in southern hemisphere

## Proprietary invitation to tenders only



# Improved backlog

Increased year-on-year and sequentially



## BOOKED CAPACITY<sup>1</sup>



1) Includes the two vessels on long term charters at 100%. V.T. excluded from next redelivery option date. Booked Capacity is not directly comparable with utilization as it includes vessel transit time.

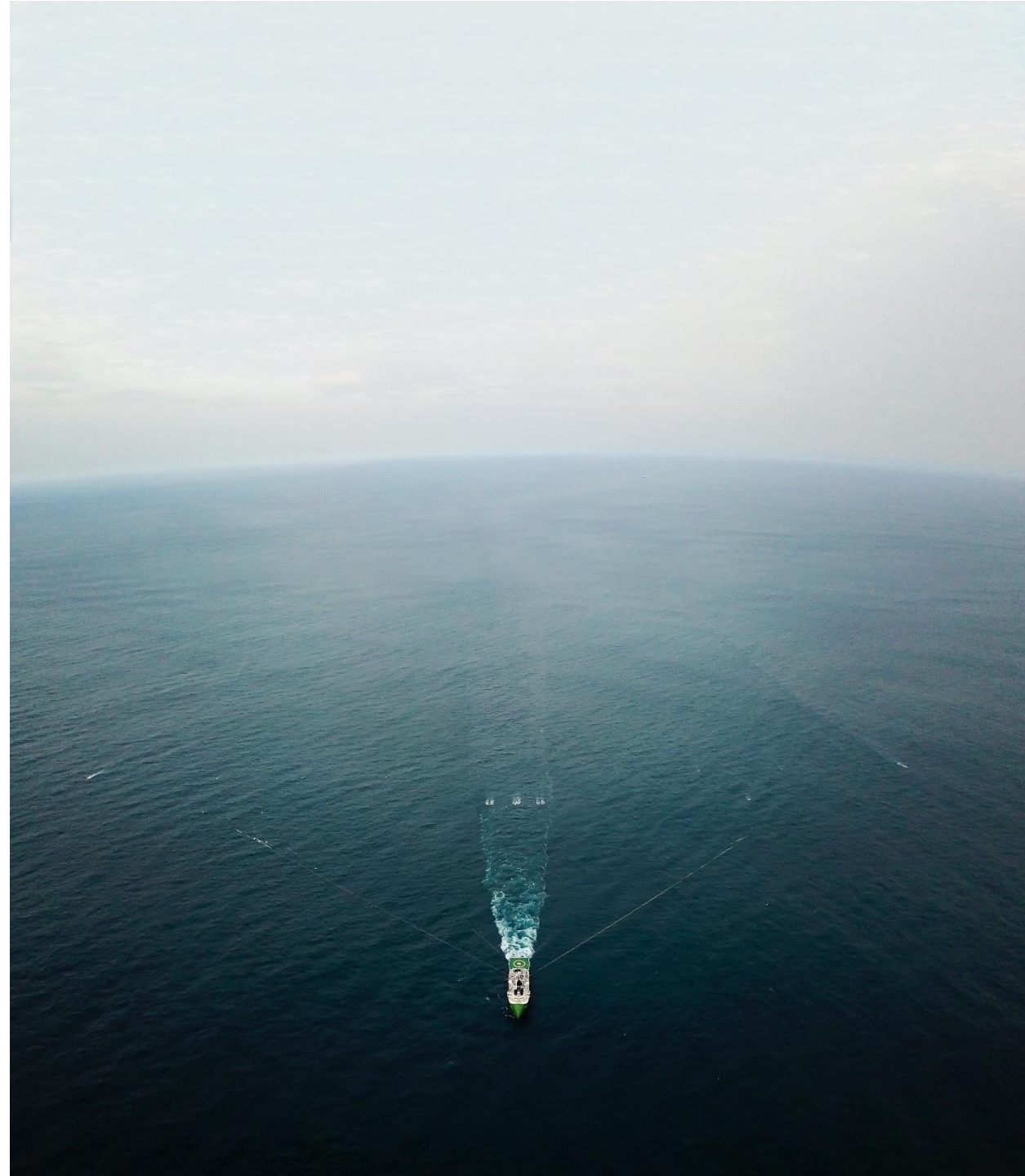
2) Backlog includes revenue from projects as of 1 July 2019



# Q2 2019 closing remarks

*Focused on optimizing margins and operating cash flows*

- Consolidated competitive landscape for vessel operators
- Strong growth in revenue & EBITDA year-on-year and improved cash flow from operations
- Largest 2019 4D project in industry underway
- Increased backlog year-on-year and sequentially
- Tender levels, multi-client activity and pricing improving
- Reiterate previous guidance of delivering improved EBITDA and cash flow in 2019 compared to 2018



# Q&A



EXPLORE SMARTER™



# Appendices

Second Quarter 2019



# Income statement

(In thousands of USD)	Quarter ended		Six months ended		Year ended
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	31-Dec-18
<b>Revenues</b>					
Contract revenue	57,529	44,403	124,056	74,361	182,746
Multi-client revenue	3,603	3,778	3,659	13,405	18,615
Other income	3,712	200	4,233	798	798
<b>Total Revenues</b>	<b>64,845</b>	<b>48,382</b>	<b>131,948</b>	<b>88,564</b>	<b>202,159</b>
<b>Operating expenses</b>					
Cost of sales	(45,075)	(37,786)	(99,063)	(62,663)	(159,934)
General and administrative costs	(3,792)	(3,477)	(6,720)	(6,535)	(13,115)
Depreciation and amortization	(6,432)	(6,769)	(12,946)	(12,314)	(26,647)
Multi-client amortization	(856)	(6,222)	(1,713)	(20,140)	(22,268)
<b>Total Operating expenses</b>	<b>(56,155)</b>	<b>(54,253)</b>	<b>(120,442)</b>	<b>(101,652)</b>	<b>(221,964)</b>
<b>Operating profit/(loss)</b>	<b>8,690</b>	<b>(5,872)</b>	<b>11,506</b>	<b>(13,088)</b>	<b>(19,805)</b>
Finance costs	(8,289)	(7,978)	(16,617)	(17,777)	(33,478)
Finance income	234	618	481	921	1,842
Changes in fair value of financial instruments	-	-	-	479	479
	<b>(8,055)</b>	<b>(7,360)</b>	<b>(16,136)</b>	<b>(16,377)</b>	<b>(31,157)</b>
<b>Profit/(loss) before tax</b>	<b>635</b>	<b>(13,232)</b>	<b>(4,630)</b>	<b>(29,465)</b>	<b>(50,963)</b>
Income tax expense	-	-	(13)	191	191
<b>Net profit/(loss) and total comprehensive income/(loss)</b>	<b>635</b>	<b>(13,232)</b>	<b>(4,642)</b>	<b>(29,274)</b>	<b>(50,772)</b>

Results are shown under 'Segment' reporting format, which have been adjusted for IFRS 15 impact and non-recurring items (in all periods).  
Non-recurring items adjusted in 2018 include impairments, onerous contract provisions and restructuring costs.

# Balance Sheet

<i>(In thousands of USD)</i>	30-Jun-19	30-Jun-18	31-Dec-18
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	363,419	386,165	369,629
Multi-client project library	2,287	26,787	12,160
Right-of-use assets	2,056	-	-
<b>Total Non-current Assets</b>	<b>367,761</b>	<b>412,952</b>	<b>381,789</b>
<b>Current Assets</b>			
Multi-client project library	-	32,333	-
Asset held for sale	-	6,500	-
Receivable from customers	52,057	26,210	39,583
Other current assets	26,806	14,947	13,132
Restricted cash	1,183	107	1,153
Cash and bank	22,594	34,628	30,005
<b>Total Current Assets</b>	<b>102,641</b>	<b>114,725</b>	<b>83,873</b>
<b>Total Assets</b>	<b>470,402</b>	<b>527,677</b>	<b>465,662</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued share capital	51,379	51,379	51,379
Share premium	635,906	635,906	635,906
Other reserves	26,008	25,659	25,961
Retained earnings/(loss)	(639,653)	(608,503)	(634,955)
<b>Total Equity</b>	<b>73,640</b>	<b>104,442</b>	<b>78,291</b>
<b>Non-current Liabilities</b>			
Interest bearing debt	326,651	333,432	325,500
Lease liabilities	1,010	-	-
<b>Total Non-current Liabilities</b>	<b>327,661</b>	<b>333,432</b>	<b>325,500</b>
<b>Current Liabilities</b>			
Interest bearing debt current portion	10,600	8,600	10,600
Lease liabilities current	940	-	-
Provisions	117	-	1,160
Accounts payable	31,443	17,676	21,417
Other accruals and payables	26,000	63,527	28,694
<b>Total Current Liabilities</b>	<b>69,101</b>	<b>89,803</b>	<b>61,871</b>
<b>Total Equity and Liabilities</b>	<b>470,402</b>	<b>527,677</b>	<b>465,662</b>

# Cash flow statement

(In thousands of USD)	Quarter ended		Six months ended		Year ended
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	31-Dec-18
<b>Cash flows from operating activities</b>					
Profit/(loss) for the period	635	(8,121)	(4,698)	(5,336)	(31,788)
<b>Adjustment for:</b>					
Depreciation and amortization	6,432	6,769	12,946	12,314	26,647
Multi-client amortization	856	1,748	9,874	3,497	51,358
Impairments	-	(4,333)	-	(1,351)	4,878
Changes in fair value of financial instruments	-	-	-	(479)	(479)
Employee share option expenses	(81)	156	47.33	288	589
Interest expense	8,188	7,477	16,363	16,482	31,660
Interest income	(102)	(159)	(224)	(206)	(397)
Gain on financial restructuring	-	-	-	(6,398)	(14,517)
Gain on termination of vessel operating lease	-	-	-	(13,907)	(13,907)
Effect of currency (gain)/loss	68	(118)	100	84	281
Net movements in provisions	-	(2,213)	(1,043)	(5,489)	(4,329)
Net working capital movements	(11,074)	(7,437)	(22,616)	(99)	(38,671)
<b>Net cash flows from operating activities</b>	<b>4,923</b>	<b>(6,230)</b>	<b>10,748</b>	<b>(600)</b>	<b>11,327</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	(1,802)	(1,500)	(2,203)	(77,563)	(82,184)
Payments for multi-client library	-	(4,139)	-	(15,818)	(18,667)
Proceeds from sale of multi-client library	-	-	-	-	6,500
<b>Net cash flows used in investing activities</b>	<b>(1,802)</b>	<b>(5,639)</b>	<b>(2,203)</b>	<b>(93,381)</b>	<b>(94,351)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary shares	-	5,142	-	43,021	43,021
Transaction costs on issue of shares	-	(204)	-	(1,719)	(1,719)
Net receipt from bank loans	-	-	-	82,672	82,672
Repayment of interest bearing debt	(4,150)	(1,550)	(6,300)	(10,347)	(15,475)
Lease liabilities paid	(189)	-	(372)	-	-
Interest paid	(3,836)	(3,004)	(8,946)	(8,068)	(16,785)
Financial restructuring fees paid	-	-	-	(3,856)	(3,856)
Other finance costs paid	(196)	(191)	(450)	(454)	(1,149)
Decrease/(Increase) in restricted cash	84	53	(30)	7,711	6,664
Security deposit related to currency swaps	-	-	-	1,370	1,370
Paid towards liability under currency swaps	-	-	-	(7,672)	(7,672)
Interest received	102	159	224	206	397
<b>Net cash flows used in financing activities</b>	<b>(8,185)</b>	<b>406</b>	<b>(15,874)</b>	<b>102,864</b>	<b>87,469</b>
Effect of foreign currency revaluation on cash	(55)	58	(82)	(101)	(286)
<b>Net increase in cash and cash equivalents</b>	<b>(5,119)</b>	<b>(11,405)</b>	<b>(7,410)</b>	<b>8,782</b>	<b>4,159</b>
Cash and cash equivalents at the beginning of the period	27,713	46,033	30,005	25,846	25,846
<b>Cash and cash equivalents at the end of the period</b>	<b>22,594</b>	<b>34,628</b>	<b>22,594</b>	<b>34,628</b>	<b>30,005</b>

# Detailed debt overview

Debt		Outstanding 30 June 2019	Total credit line	Maturity	Interest
USD Unsecured Bond – PLCS02		USD 13.1m		Jan-25	5% PIK
NOK Unsecured Bond – PLCS03	NOK 53.5m	USD 6.2m		Jan-25	5% PIK
Convertible bond – Tranche A		USD 64.4m		Jul-22	5.60%
Convertible bond – Tranche B		USD 3.5m		Jan-25	5% PIK
Fleet Bank Facility		USD 241.4m		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 40m	Jun-22	LIBOR + 4%
<b>Gross debt</b>		<b>USD 409.3m</b>			
<i>Own PLCS02 bonds held</i>		<i>USD 3.3m</i>			
Outstanding debt		USD 406.0m			

# Experienced Board and Management

## Board of directors



**Michael Mannering**  
*Chairman*

Extensive experience in the oil service industry from Schlumberger and Songa Offshore



**Nicholas Smith**

7 years as Chairman of Ophir Energy plc



**Peter Zickerman**

20 years experience in the seismic industry



**Tom Henning Slethei**

20 years experience as an investor in the stock and bond market



**Monish Sahni**

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



**Karen El-Tawil**

30 years of experience in the seismic industry



**Erik M Mathiesen**

Extensive experience in Investment and asset management in the energy sector

## Executive management



**Duncan Eley**

*CEO*  
20 years of experience in the seismic industry



**Lars Oestergaard**  
*COO*

12 years of experience in the global oilfield services industry.



**Caleb Raywood**

*General Counsel*  
20 years of commercial law experience



**Hans-Peter Burlid**

*CFO*  
15 years of experience in the seismic industry



**Tamzin Steel**

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



