

Polarcus

Third Quarter 2020

Delivering tight cost control in a challenging market

29 October 2020

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Agenda

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

Headlines Q3 2020

Delivering tight cost control in a challenging market

IMPROVED REVENUE AND EBITDA

- 10% sequential increase in segment revenue
- Higher realized day rates and tight cost control drove margin improvement sequentially
- Excellent operational metrics with low technical downtime
- Bareboat charter for V. Tikhonov extended for three years, while Polarcus Amani was redelivered

INDUSTRY OUTLOOK

- Near-term outlook remains uncertain as E&P companies work with compressed budget cycles
- E&P and multi-client spend anticipated to build slowly through 2021
- Fundamentals support longer-term activity recovery

Segment Revenues* of USD 25.2m

Segment EBITDA* of
USD 3.4m

Total cash balance**
USD 32.4m

Backlog of USD 139m

**Segment results shown above have been adjusted for IFRS15 impact and non-recurring items.*

***Includes USD 5.1 million Restricted cash.*

Polarcus action plan

Responding to near-term market challenges and preparing for the future

Mitigating the impacts of COVID-19

Managing the safety, health and wellbeing of all Polarcus people

Reinforcing cost control and capital discipline

Efficient organizational model with additional flexibility measures introduced

Rebuilding backlog responsibly

Flexible cost base enabling more disciplined pricing

Uniform fleet delivering to high standards

Scalable operational platforms providing safe and efficient geophysical services

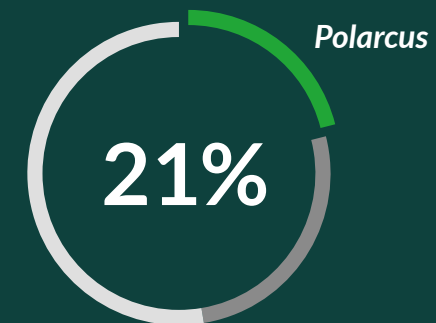
Innovation through collaboration

Leading the way in remote data transfer and hybrid acquisition (streamer and OBN)

VESSEL LOCATIONS AS OF END OCTOBER 2020



SHARE OF ACTIVE GLOBAL FLEET*



*Source: Company research

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Q3 2020 profit & loss

Segment Profit & loss

(USD millions)	Q3 2020	Q2 2020	Q3 2019
Revenues	25.2	22.8	103.4
Cost of sales	(19.4)	(22.6)	(70.7)
General and administrative costs	(2.3)	(2.7)	(3.1)
EBITDA	3.4	(2.5)	29.6
Depreciation & amortization	(6.6)	(6.8)	(6.7)
Multi-client amortization	(0.7)	(0.4)	(0.7)
EBIT	(3.8)	(9.7)	22.1
Net financial items	(9.3)	(8.2)	(8.5)
Net profit/(loss) before tax	(13.1)	(17.9)	13.7

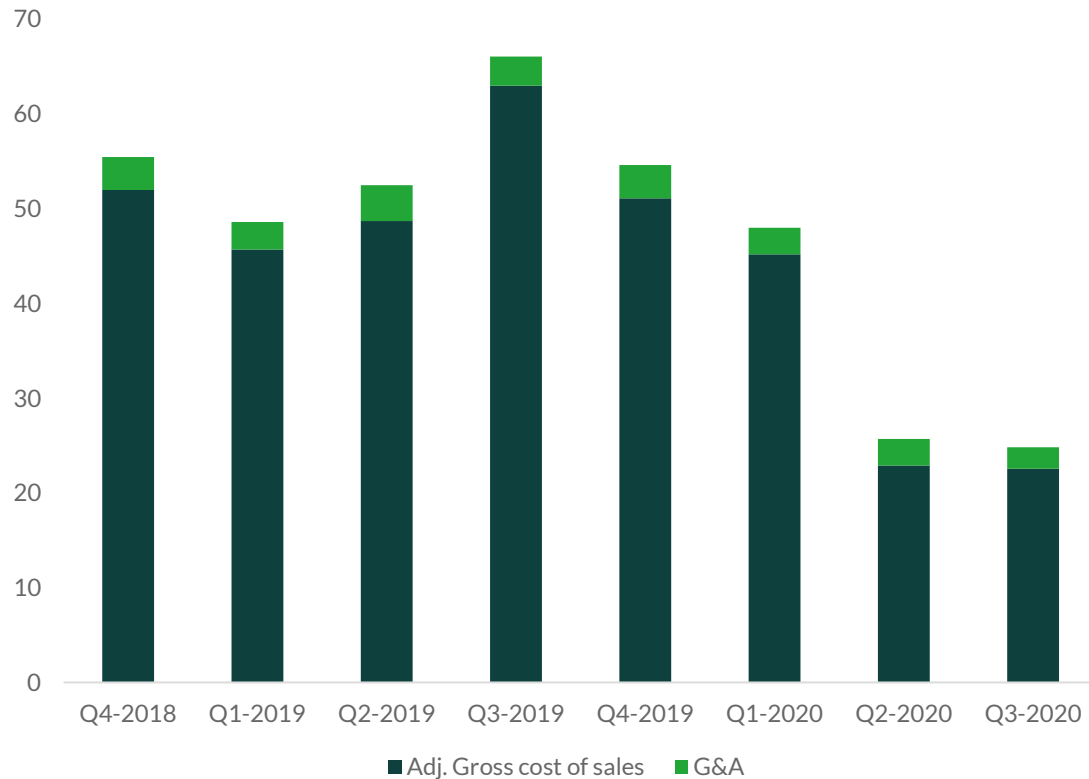
- 10% sequential revenue increase with flat core fleet utilization driven by increased realized day rates
- Continued tight cost management delivered 4% sequential drop in gross cost of sales
- Higher deferred transit during the quarter further reduced cost of sales
- USD 3.4 million EBITDA compared to negative USD 2.5 million in Q2 2020

References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects and non-recurring items

Continued focus on cost management

Cash operating cost*

(USD millions)



- Cash operating cost discipline maintained throughout the quarter
- Flexibility embedded in the cost base to manage fluctuating activity levels
- Q4 2020 cost level expected to increase based on increased utilization on complex projects

Note: *Cash operating cost is the sum of reported Gross cost of sales adjusted for the elevated costs associated with the hybrid project (before accounting adjustments including costs capitalized to multi client projects and transit costs deferrals) and reported General and Administrative costs.

Q3 2020 cash flow

Segment Cash flow

(USD millions)	Q3 2020	Q2 2020	Q3 2019
Cash from operations before changes in working capital	3.2	(4.2)	29.7
Net working capital movement	(5.8)	16.9	(1.4)
Cash from operating activities	(2.6)	12.7	28.3
PP&E investment	(1.5)	(4.0)	(8.6)
Multi-client investment	(0.7)	(0.4)	-
Total cash*	32.4	44.8	35.4
Net interest bearing debt	332.9	317.9	304.0

- Higher revenue and lower cost delivered improved cash flow from operations before working capital movements
- Positive cash flow before working capital movement and debt service
- Total cash balance at quarter end of USD 32.4 million compared to USD 44.8 million at the start of the quarter
- Cash preservation remains a key focus area

References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects and non-recurring items

*Including restricted cash balance of USD 5.1 million at the end of Q3 2020.

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Strong operational delivery

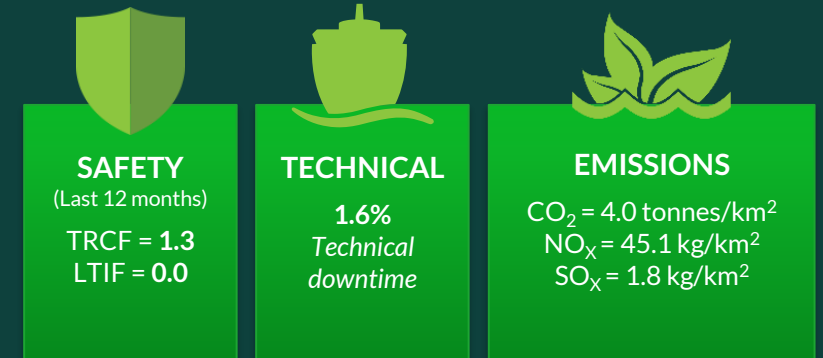
Q3 2020 highlights

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

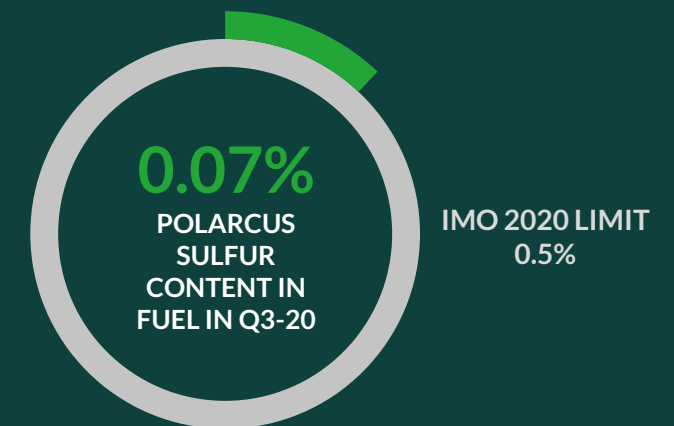


FLEET PERFORMANCE

Q3 2020



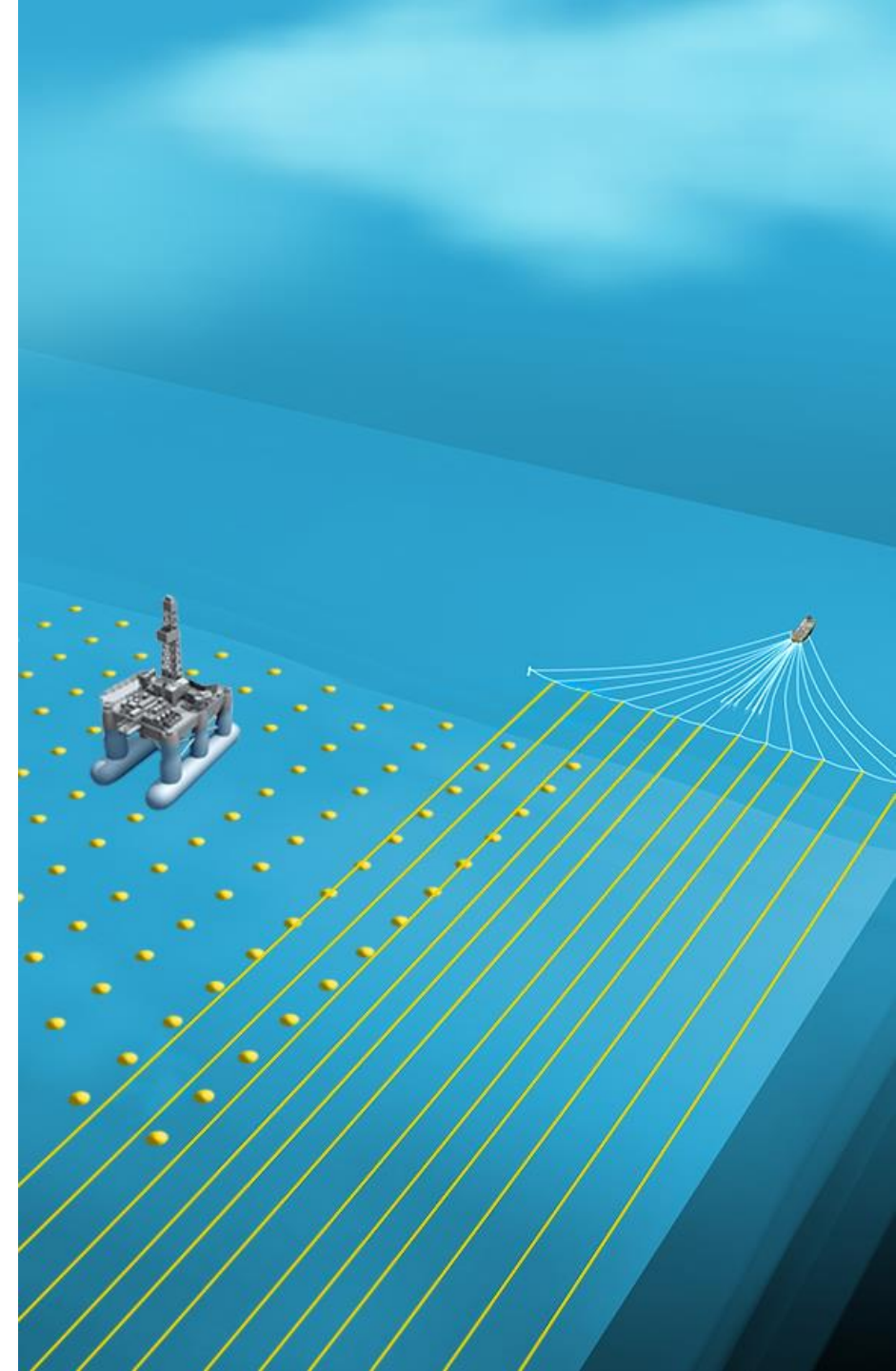
IMO 2020 SULFUR CONTENT COMPLIANT



Leaders in imaging innovation

Hybrid projects optimizing producing fields and exploration imaging

- Combined towed streamer and OBN acquisition (hybrid) is a niche growth area that Polarcus is targeting
- Applications in production optimization and enhancing exploration imaging
- Polarcus is working closely with OBN operators and technology providers to develop innovative solutions
- Recently completed a field test of a self-recovering node technology on a towed streamer project



Hybrid acquisition (combined towed streamer and OBN)

TOWED STREAMER

- Highly efficient acquisition
- Adaptable to imaging objectives
- Multiple azimuths and sources (XArray™) provide very high trace density and spatial sampling

HYBRID (STREAMER+OBN)

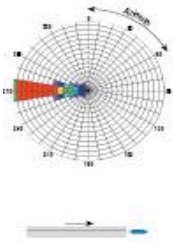
Combining acquisition techniques provides a seamless transition of subsurface imaging objectives

OCEAN BOTTOM NODES (OBN)

- Adaptive to more challenging imaging objectives
- Full azimuth distribution
- Utilizing node on a rope (NOAR) and ROV deployment methods

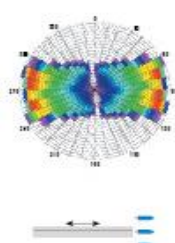
AZIMUTH GEOMETRY

NARROW

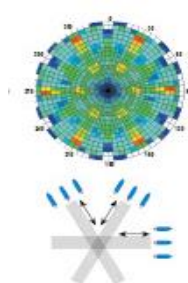


~75% Greenfield

WIDE



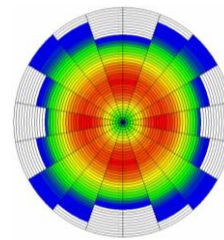
RICH



~25% Brownfield

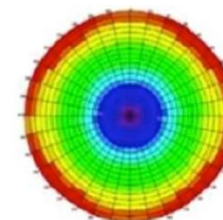
OFFSET vs. AZIMUTH

HYBRID



FULL AZIMUTH

SPARSE



~10% Greenfield

DENSE

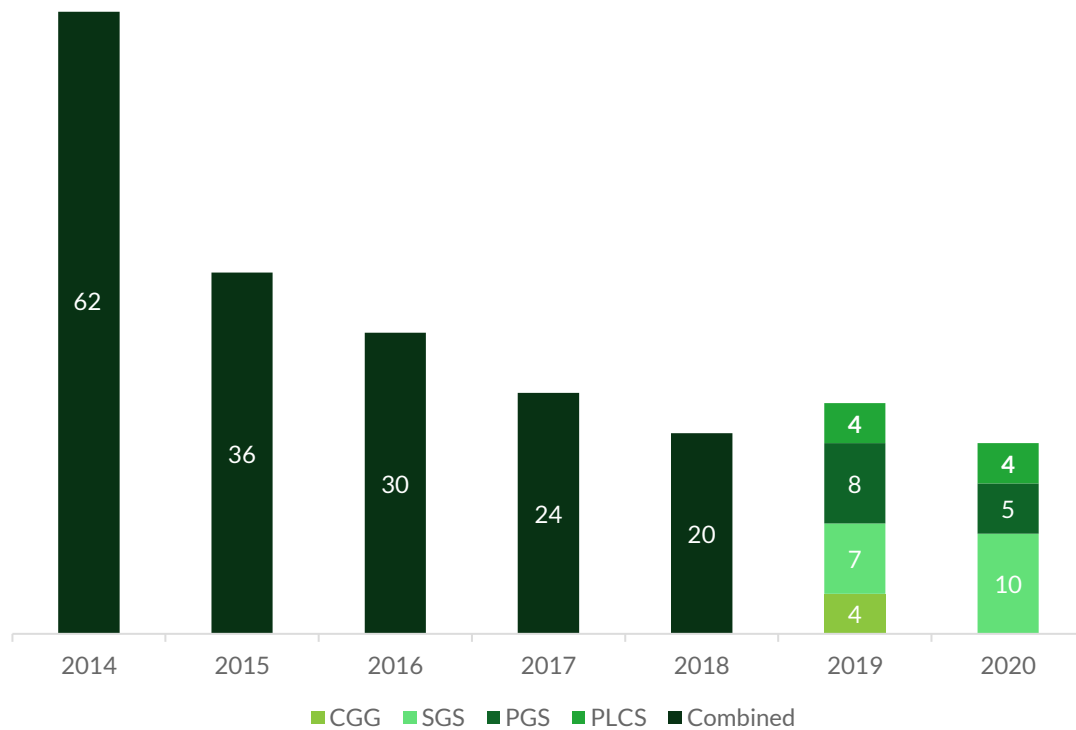
~90% Brownfield

Marine acquisition supply discipline

Global active fleet of 19 vessels

Global high-end marine seismic fleet

(# Vessels)



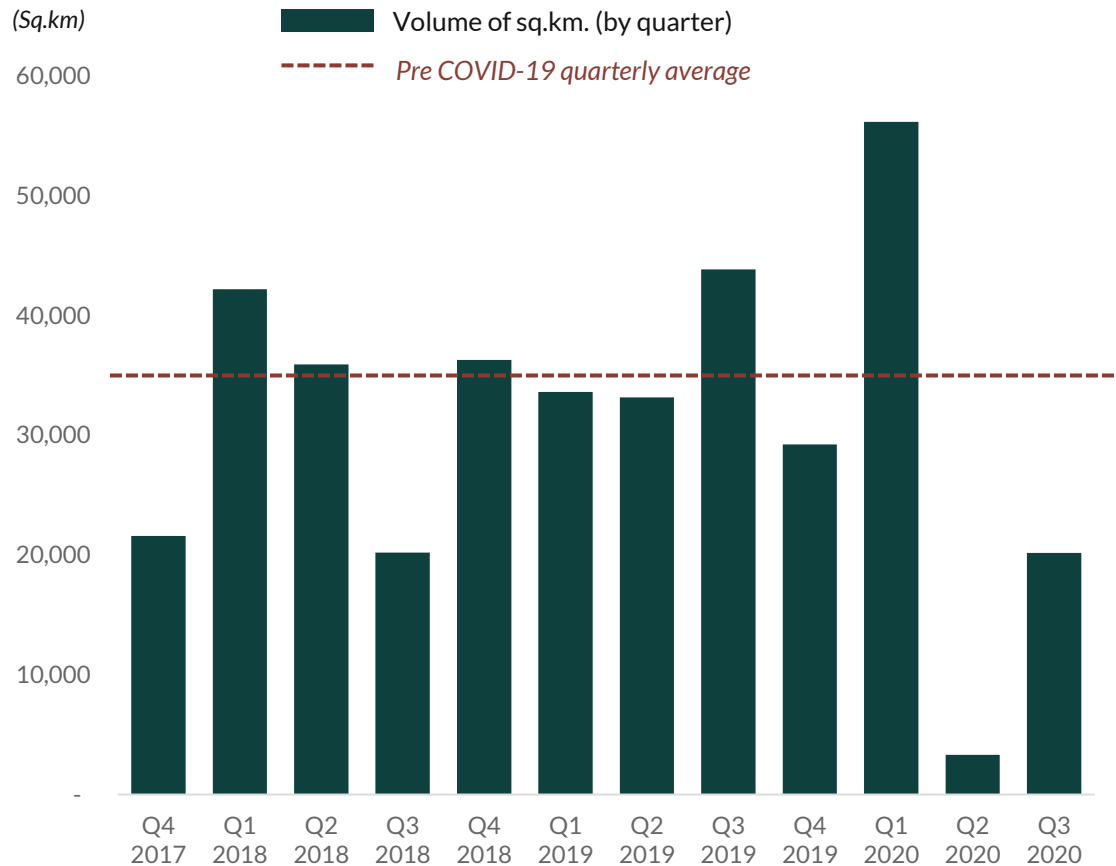
Source: Company research

- Strong correlation between vessel supply and demand
- 12 of 19 active vessels working on projects at end of Q3 2020
- Measures implemented in 2020 reduce vessel cost and provide flexibility

Marine acquisition demand slowly increasing

Tender activity increased slowly during the quarter

PROPRIETARY INVITATION TO TENDERS ONLY



Source: Company data

- Tender activity increased in Q3 2020 but to levels still below pre-COVID-19 averages
- Tenders estimated to increase further through Q4 2020
- Ongoing deferral of some tender processes & decisions continues while E&P companies review 2021

Rebuilding backlog

Seven awards since Q1 2020



1 April 2020	<i>XArray™ 3D project in North West Europe</i>
29 April 2020	<i>XArray™ 3D project in Asia Pacific</i>
10 July 2020	<i>3D project In Asia Pacific</i>
31 July 2020	<i>3D project In Asia Pacific</i>
27 August 2020	<i>XArray™ 3D in West Africa</i>
11 September 2020	<i>V.T. charter extended for 3 Years; I.G. redelivered</i>
16 October 2020	<i>WAZ project in West Africa</i>

VESSEL ACTIVITY AS OF END OCTOBER 2020

NAILA

In production in Brazil on 4D campaign which will run into Q3 2021

ADIRA

In production on West Africa project where the vessel will remain into Q1 2021

ALIMA

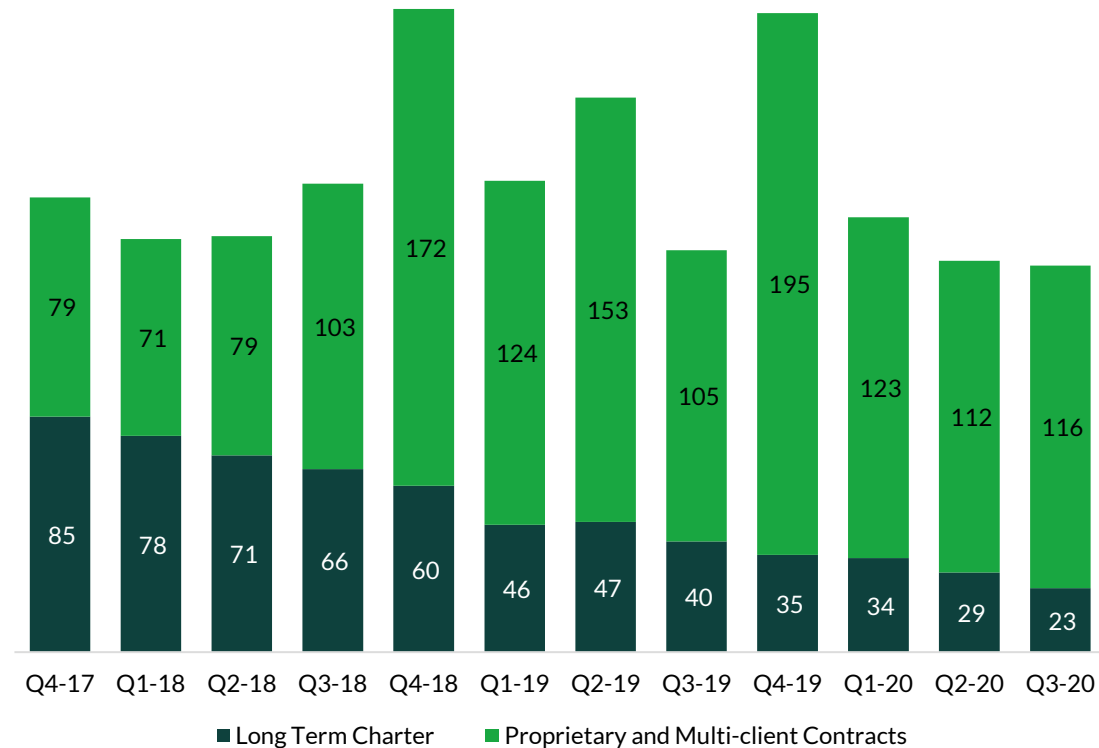
In transit to Brazil to join Naila as a source vessel

ASIMA

In short term stack close to Singapore

Backlog maintained driven by project awards in the quarter

Rebuilding backlog responsibly



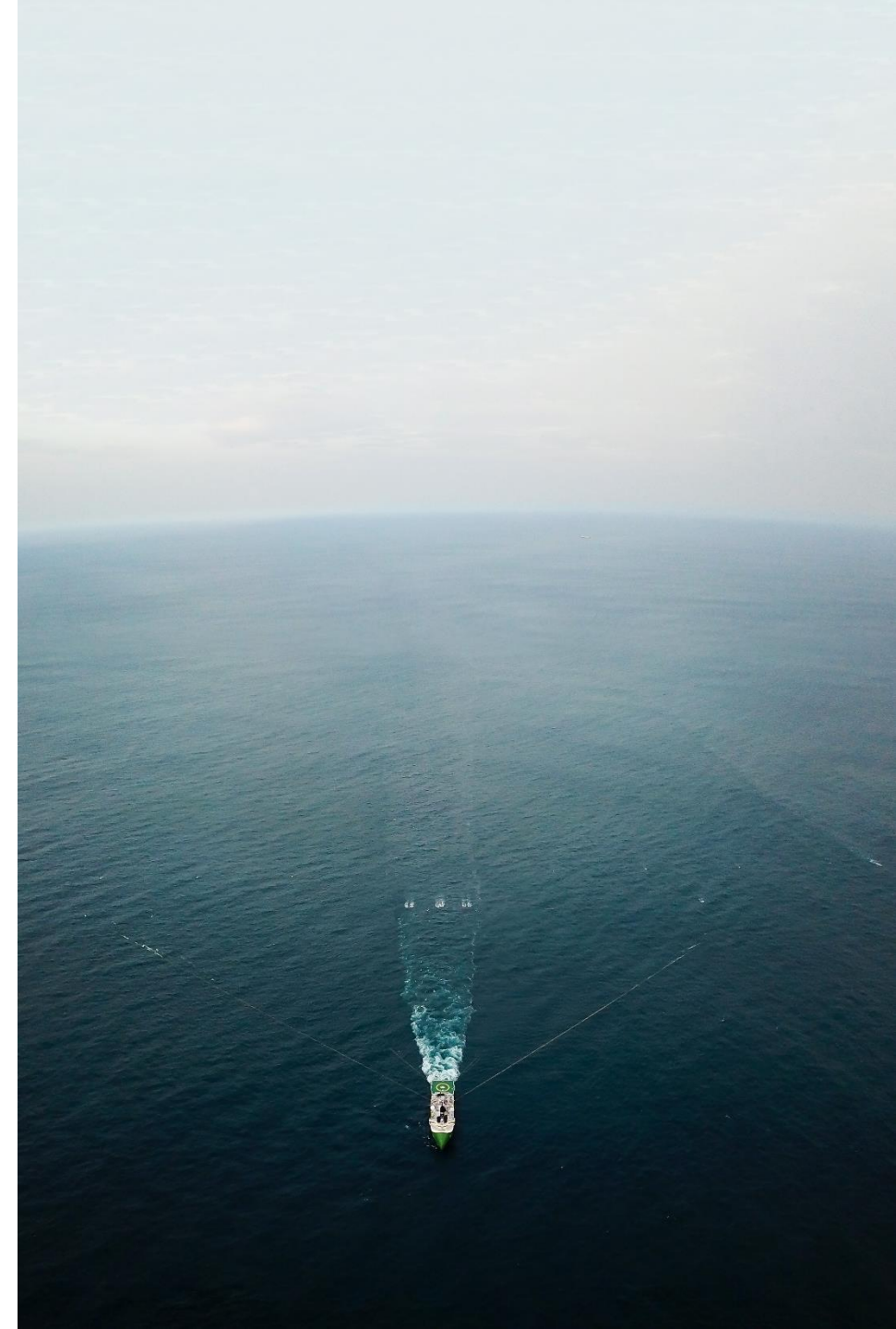
Backlog includes awards received after the quarter end.
Long Term Charter shows backlog for V. Tikhonov.

- Backlog at USD 139 million
 - Four projects awarded since the end of Q2 2020
- V. Tikhonov bareboat extended through October 2023
 - Polarcus Amani redelivered in Q3 2020
- Polarcus fleet 50% booked to end H1 2021

Closing remarks Q3 2020

Strong performance in a continued challenging market

- Operational excellence and low technical downtime maintained despite challenges related to COVID-19
- Higher realized day rates sequentially and tight cost control drove margin improvement
- Near term uncertainty remains with fundamentals supporting longer-term industry recovery
- Rebuilding of backlog underway driven by multiple awards during the quarter
- Backlog of USD 139 million with the Polarcus fleet 50% booked to the end of H1 2021



Q&A



EXPLORE SMARTER™

Appendices

Third Quarter 2020



IFRS Income statement

<i>(In thousands of USD)</i>	Quarter ended		Nine months ended		Year ended
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19	31-Dec-19
Revenues					
Contract revenue	24,298	103,267	101,244	227,323	268,825
Multi-client revenue	-	19	87	11,784	14,054
Other income	-	117	400	4,351	5,712
Total Revenues	24,298	103,403	101,731	243,458	288,591
Operating expenses					
Cost of sales	(19,378)	(70,744)	(85,140)	(169,807)	(213,904)
General and administrative costs	(2,347)	(3,082)	(7,956)	(9,802)	(13,318)
Depreciation and amortization	(6,607)	(6,727)	(19,032)	(19,673)	(25,886)
Multi-client amortization	-	(715)	(645)	(10,589)	(11,233)
Total Operating expenses	(28,332)	(81,268)	(112,773)	(209,871)	(264,341)
Operating profit/(loss)	(4,034)	22,135	(11,042)	33,587	24,250
Finance costs	(9,478)	(8,695)	(27,219)	(25,311)	(34,217)
Finance income	171	230	1,259	709	1,013
	(9,307)	(8,465)	(25,960)	(24,602)	(33,204)
Profit/(loss) before tax	(13,341)	13,670	(37,002)	8,985	(8,954)
Income tax expense	(203)	-	(1,536)	(13)	(1,080)
Net profit/(loss) and total comprehensive income/(loss)	(13,544)	13,670	(38,538)	8,972	(10,034)
Earnings per share attributable to the equity holders during the period <i>(In USD)</i>					
- Basic	(0.026)	0.027	(0.075)	0.017	(0.020)
- Diluted	(0.026)	0.027	(0.075)	0.017	(0.020)

IFRS Balance Sheet

<i>(In thousands of USD)</i>	30-Sep-20	30-Sep-19	31-Dec-19
Assets			
Non-current Assets			
Property, plant and equipment	351,865	362,573	363,335
Multi-client project library	15,409	1,289	7,030
Right-of-use assets	3,110	1,814	1,572
Intangible assets	816	-	290
Total Non-current Assets	371,200	365,676	372,227
Current Assets			
Receivable from customers	15,902	64,859	32,078
Other current assets	15,157	14,893	17,926
Restricted cash	5,061	1,207	1,235
Cash and bank	27,355	34,147	35,234
Total Current Assets	63,475	115,106	86,473
Total Assets	434,675	480,782	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	25,542	26,132	25,369
Retained earnings/(loss)	(682,635)	(625,983)	(644,097)
Total Equity	30,192	87,434	68,557
Non-current Liabilities			
Interest bearing debt	334,234	324,623	326,244
Lease liabilities	1,793	727	532
Total Non-current Liabilities	336,027	325,350	326,776
Current Liabilities			
Interest bearing debt	29,975	13,600	10,600
Lease liabilities	1,307	1,034	860
Provisions	-	117	-
Accounts payable	5,758	18,484	14,771
Other accruals and payables	31,416	34,763	37,136
Total Current Liabilities	68,456	67,998	63,367
Total Equity and Liabilities	434,675	480,782	458,700

IFRS Cash flow statement

<i>(In thousands of USD)</i>	Quarter ended		Nine months ended		Year ended
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19	31-Dec-19
Cash flows from operating activities					
Profit/(loss) for the period before income tax	(13,341)	13,670	(37,002)	8,985	(8,954)
Adjustment for:					
Depreciation and amortization	6,607	6,727	19,032	19,673	25,886
Multi-client amortization	-	715	645	10,589	11,233
Gain on sale of assets	-	(117)	-	(117)	(1,117)
Employee share based incentives	(66)	124	173	171	300
Interest expense	9,088	8,510	26,008	24,873	33,542
Interest income	(1)	(70)	(79)	(294)	(370)
Income tax paid	-	-	-	(13)	(30)
Effect of currency (gain)/loss	40	103	335	203	133
Net movements in provisions	-	-	-	(1,043)	(1,160)
Net working capital movements	(4,929)	(1,402)	5,488	(24,018)	1,440
Net cash flows from/(used in) operating activities	(2,602)	28,260	14,600	39,009	60,903
Cash flows from investing activities					
Payments for property, plant and equipment	(1,525)	(8,623)	(8,782)	(10,826)	(16,727)
Payments for multi-client library	(683)	-	(8,578)	-	(6,071)
Payments for intangible assets	(207)	-	(534)	-	(290)
Proceeds from sale of multi-client library	-	400	-	400	1,400
Net cash flows used in investing activities	(2,415)	(8,223)	(17,894)	(10,426)	(21,688)
Cash flows from financing activities					
Net receipt from bank loans	-	-	25,000	-	-
Repayment of interest bearing debt	(1,758)	(2,550)	(9,058)	(8,850)	(14,000)
Lease liabilities paid	(375)	(189)	(941)	(562)	(930)
Interest paid	(4,951)	(5,400)	(14,767)	(14,346)	(18,311)
Other finance costs paid	(275)	(310)	(525)	(761)	(970)
Decrease/(Increase) in restricted cash	5,346	(24)	(3,827)	(54)	(82)
Interest received	1	70	79	294	370
Net cash flows used in financing activities	(2,012)	(8,404)	(4,039)	(24,279)	(33,923)
Effect of foreign currency revaluation on cash	(52)	(80)	(546)	(162)	(63)
Net increase/(decrease) in cash and cash equivalents	(7,081)	11,553	(7,879)	4,142	5,229
Cash and cash equivalents at the beginning of the period	34,436	22,594	35,234	30,005	30,005
Cash and cash equivalents at the end of the period	27,355	34,147	27,355	34,147	35,234

Detailed debt overview

Debt	Outstanding 30-Sep-20	Total credit line	Maturity	Interest
USD Unsecured Bond – PLCS02	USD 14.5m		Jan-25	5% PIK
NOK Unsecured Bond – PLCS03	USD 6.3m		Jan-25	5% PIK
Convertible bond – Tranche A	USD 59.1m		Jul-22	5.60%
Convertible bond – Tranche B	USD 3.9m		Jan-25	5% PIK
Fleet Bank Facility	USD 233.0m		Aug-22 to Jun-24	
New Fleet Facility	USD 74.9m		Dec-24	
Swap Facility	USD 2.7m		Jun-21	LIBOR + 4%
Working Capital Facility	USD 25.0m	USD 40m	Jun-22	LIBOR + 4%
Gross debt	USD 419.4m			
<i>Own PLCS02 bonds held</i>	<i>USD 3.6m</i>			
Outstanding debt	USD 415.7m			

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 Udnes 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

