



POLARCUS LIMITED  
**ANNUAL REPORT**  
2019







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**ANNUAL REPORT 2019**

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## MIKE MANNERING

### CHAIRMAN OF THE BOARD

As I write, governments and communities around the world are taking unprecedented measures to contain COVID-19, Brent Crude is trading in the mid-20s per barrel and E&P companies are urgently reviewing their 2020 spending plans. The improvements seen across the oilfield services sector during 2019 are becoming a distant memory.

For Polarcus, that is unfortunate as 2019 represented our 'year of change' in a steadily improving marine acquisition market. By year-end, Polarcus had started to see the positive impact of the preceding years' right-sizing of its operations through tight cost management, financial restructurings and a strong sales performance, focused on operating margins ahead of securing vessel utilization.

Polarcus is proud to highlight the client endorsements for extremely challenging projects such as the year's largest 4D project and the operational excellence delivered by our offshore crews and onshore support teams. There can be no better validation of Polarcus' service offering than the trust which clients place in us to execute the most complex projects safely and seamlessly.

At the time of the previous oil price shock in 2014, there were over 60 vessels trading in the global market for seismic acquisition services. Today, the number is just over 20 and two of the largest operators previously have now sold their marine assets to focus on other aspects of the seismic data value chain; from being competitors, they have become clients. With fewer active vessels and global operators, our clients will want to see Polarcus continuing to raise the bar, and leading the industry on safety, ESG metrics and outstanding operational performance. These must become the key areas of focus for responsible E&P company procurement departments and all play to the strengths of Polarcus.

Perhaps predictably, 2019 saw under-prepared vessel operators seeking relief from the introduction of the IMO's 2020 cap on sulfur content in fuel. Stakeholders have become ever-more vociferous in their demands that all industries do more to reduce their emissions meaningfully.

In 2019, the Board of Directors approved the Company's 2023 strategy which is aligned with the Polarcus vision:

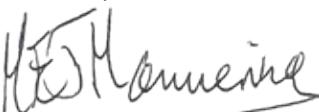
*To be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world.*

Polarcus' emissions have been substantially below the IMO's 2020 sulfur cap since the first keel was laid in 2009! The Company tracks gaseous emissions from all its vessels and will continue to lead the way in transparent reporting and targeting continual improvement of ESG standards.

I am very fortunate to lead a Board with a depth of leadership experience in negotiating challenging industry conditions and financial markets and to work with a management team and organization that consistently surpasses expectations in terms of their commitment, innovation and collaboration.

As ever, may I take this opportunity to thank our financial stakeholders and our clients for their investment in Polarcus, to our valued employees for all that they do to sustainably support our global operations and to our suppliers, an essential element of our performance. I signed off last year with the following words and, despite the very different climate, they seem just as relevant today:

I am proud to be Chairman of the most efficient, innovative and sustainable marine geophysical company as we make our way forward into this new reality.

  
Mike Mannering  
Chairman



**DUNCAN ELEY**  
CHIEF EXECUTIVE OFFICER

2019 saw substantial positive developments in the marine seismic acquisition market which translated into significantly improved financial results for Polarcus.

Revenue was up 44% from 2018 to USD 291 million driven by increased pricing despite lower fleet utilization. Whilst we saw a corresponding increase in cost of sales due to the complex nature of several large-scale projects, EBITDA more than doubled year-on-year to USD 63 million. This improved financial performance reflects not only pricing improvements in the order of 50% but also the ability of Polarcus' sales organization to secure a number of premium projects and the outstanding performance of Polarcus' operations team in delivering these projects above expectations. A tremendous achievement by the entire Polarcus organization!

During 2019, our field crews, operational support and geophysical organization have continued to build on our industry-leading performance in safety, quality and operational efficiency. Together with our innovative technology solutions, such as CIRRUS™ which was commercialized during the year, this sees us firmly established as the preferred provider of geophysical services to a growing number of leading E&P companies. I must acknowledge and thank the loyal, committed and talented Polarcus employees who work tirelessly to deliver this performance.

I am particularly proud of several projects acquired during 2019 that has anchored Polarcus as the leading marine seismic acquisition company when it comes to executing challenging projects requiring geophysical innovation. Polarcus Alima and Polarcus Asima successfully completed the industry's largest 4D program for the year. This was the second time Polarcus had acquired this repeat 4D project in the Eastern Hemisphere, in an environmentally sensitive remote area, incorporating numerous in-field obstructions. In the Western Hemisphere, Polarcus Naila and Polarcus Adira delivered an efficient, large scale wide azimuth program for one of our new clients now focused on multi-client investments and no longer operating seismic vessels themselves.

Notable in 2019 was the increased focus on environmental, social and governance (ESG) aspects of the oilfield services industry. At Polarcus we are leading the way in our sector with IMO 2020 compliance already in place for more than a decade, regular and transparent environmental reporting along with many community initiatives and governance measures embedded across the organization.

Demand, represented by E&P company tender activity increased steadily, but modestly, throughout 2019. On the supply side, 2019 also saw the final steps taken in the transition to three global marine acquisition operators, down from five at the beginning of 2018. Disciplined behavior by these companies will be required, in combination with a continued increase in demand that was seen through 2019 and into early 2020, in order to realize the necessary further improvements towards a sustainable marine seismic industry.

At the release date of this 2019 Annual Report, the world has been rocked by the rapidly escalating COVID-19 pandemic. Oilfield services are quickly feeling the impact of a steep decline in the oil price, driven by a growing hydrocarbon supply-demand imbalance. This backdrop has created uncertainty in many sectors for the remainder of 2020 and into 2021, including marine seismic acquisition services.

That said, with the changes that have occurred over the preceding years in terms of our focus on organizational efficiency and the marked reduction in the total number of active seismic vessels in the global fleet, I am confident that with support from all our stakeholders and our extremely lean, efficient and innovative organization, Polarcus will navigate these choppy waters successfully and come out the other side even stronger than we are today.

I look forward to updating you throughout 2020.



Duncan Eley  
CEO

## EXPLORE SMARTER™

### POLARCUS AT A GLANCE

Polarcus is a focused geophysical service provider of safe and environmentally responsible marine acquisition services globally. Our geophysical offering is driven by innovation and collaboration to provide clients with **better data faster**. Polarcus operates a fleet of high performance seismic vessels with 3D and 4D imaging capabilities, which incorporate leading technologies for improved environmental performance and operational efficiency.

Both contract seismic surveys and multi-client projects are offered with advanced priority processing solutions including Polarcus Cirrus™, a suite of cloud-based applications and services designed to bring clients closer to acquired seismic data. This enables our clients to make faster and better-informed exploration decisions. The Company services its clients globally from its head office in Dubai and regional offices located in Houston, London, and Singapore. The Company delivers Group asset management services from its office based in Oslo.

## GREENER DATA SAFER ACQUISITION SERVICES

The Company's onshore support teams and offshore crews operate the Polarcus fleet of modern seismic vessels, equipped with advanced maritime and seismic technologies. These teams working coherently together ensure the safe and efficient acquisition of world class seismic data.

With the foresight and planning to operate in environmentally sensitive sea areas and underexplored regions, Polarcus vessels have been designed to meet the most stringent environmental regulations. Utilizing features such as chemical free ballast water management systems, and choosing low sulfur Marine Gas Oil for all operations, Polarcus is leading the way in sustainable exploration.

### Multi-client

Polarcus offers a library of 3D multi-client projects, developed by geoscientists for, geoscientists, in highly prospective areas around the globe. Our high quality data library was acquired through the application of professional project management from survey design through to delivery of the final data products.

## BETTER DATA FASTER GEOPHYSICAL SOLUTIONS

The team of innovative Polarcus geophysicists continues to develop and improve applications that enable the successful imaging of some of the world's most complex geologies. This optimizes exploration success for clients.

During 2019, clients continued to opt for the Company's bespoke XArray™ configurations, with 65% of all projects being acquired throughout the year with XArray. XArray has challenged conventional acquisition utilizing multiple sources instead of streamers. XArray configurations optimize today's larger spreads and deliver improved data quality and project efficiency.

The latest addition to the suite of XArray solutions is XArrayOBM™, a hybrid technique combining towed streamer acquisition and ocean bottom node operations. XArrayOBM offers truly unconstrained geometry, and improved access for data coverage below obstructions and in shallow water environments. The marriage of towed streamer acquisition and ocean bottom nodes provides both a cost and time efficient response to clients' imaging challenges.

Polarcus Cirrus™, the Company's suite of data transfer and cloud processing solutions, also went to market in 2019. These cloud-based products provide clients near real-time access to their seismic data, enabling crucial project decisions to be made faster and ultimately shortening the exploration cycle. Three projects utilized the power of Cirrus™ throughout 2019, enabling clients near real-time access to over 120TB of seismic data.

## GLOBAL OFFICES

Dubai Headquarters

Houston

London

Singapore

Oslo



**327**  
Employees

73%  
Field employees

27%  
Office employees

## HIGH-END UNIFORM SEISMIC FLEET



Polarcus operates four high-end vessels in the global marine seismic acquisition market. The uniform fleet is equipped with the most advanced acquisition and navigation technologies available. These high-end systems enable full flexibility to meet client needs from large exploration projects through to intricate 4D surveys.

Polarcus has strategically allocated its vessels to create diverse revenue streams. In addition to operating in the global marine seismic acquisition market, Polarcus has two vessels on bareboat charter to Sovcomflot. Polarcus has one additional vessel, Polarcus Nadia, that has been stacked since 2015.

## STRONG INCREASE IN EARNINGS

### FINANCIAL

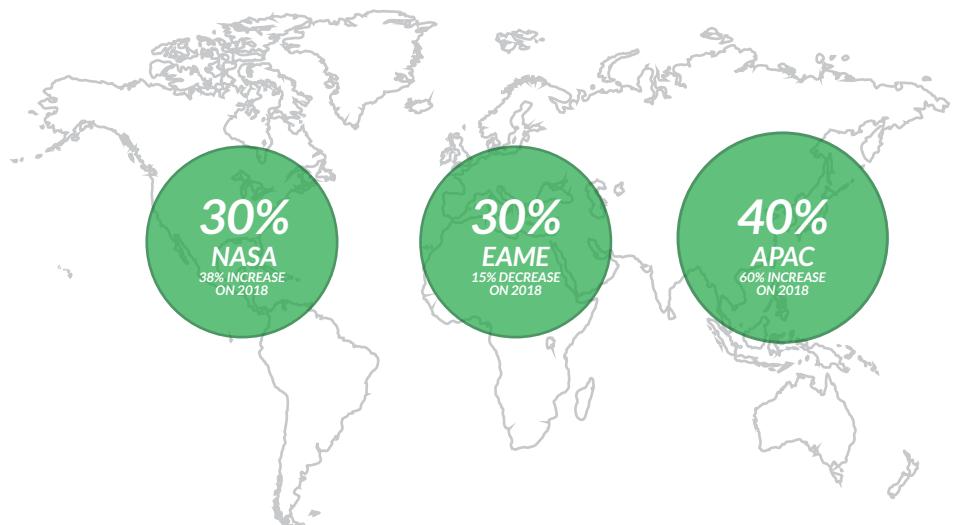
2019 financial results reflect a significantly improved seismic market resulting in substantially higher realized day rates year-on-year. Segment revenue increased 44% in 2019 to USD 290.6 million, despite a lower fleet utilization of 79%.

The significant increase in revenue during the year was attributed to the Company's ability to generate improved day rates on premium projects. These complex surveys incurred an associated increase in project specific costs, most notably related to the hybrid XArrayOBN™ project which was acquired using third party services, as well as increased costs attributable to the source and support vessels required for the wide-azimuth project. This resulted in a 26% increase in gross cost of sales, year-on-year. The improved revenue significantly offset the higher cost of sales which resulted in more than doubling of segment EBITDA to USD 63.4 million, compared to USD 29.1 million in 2018.

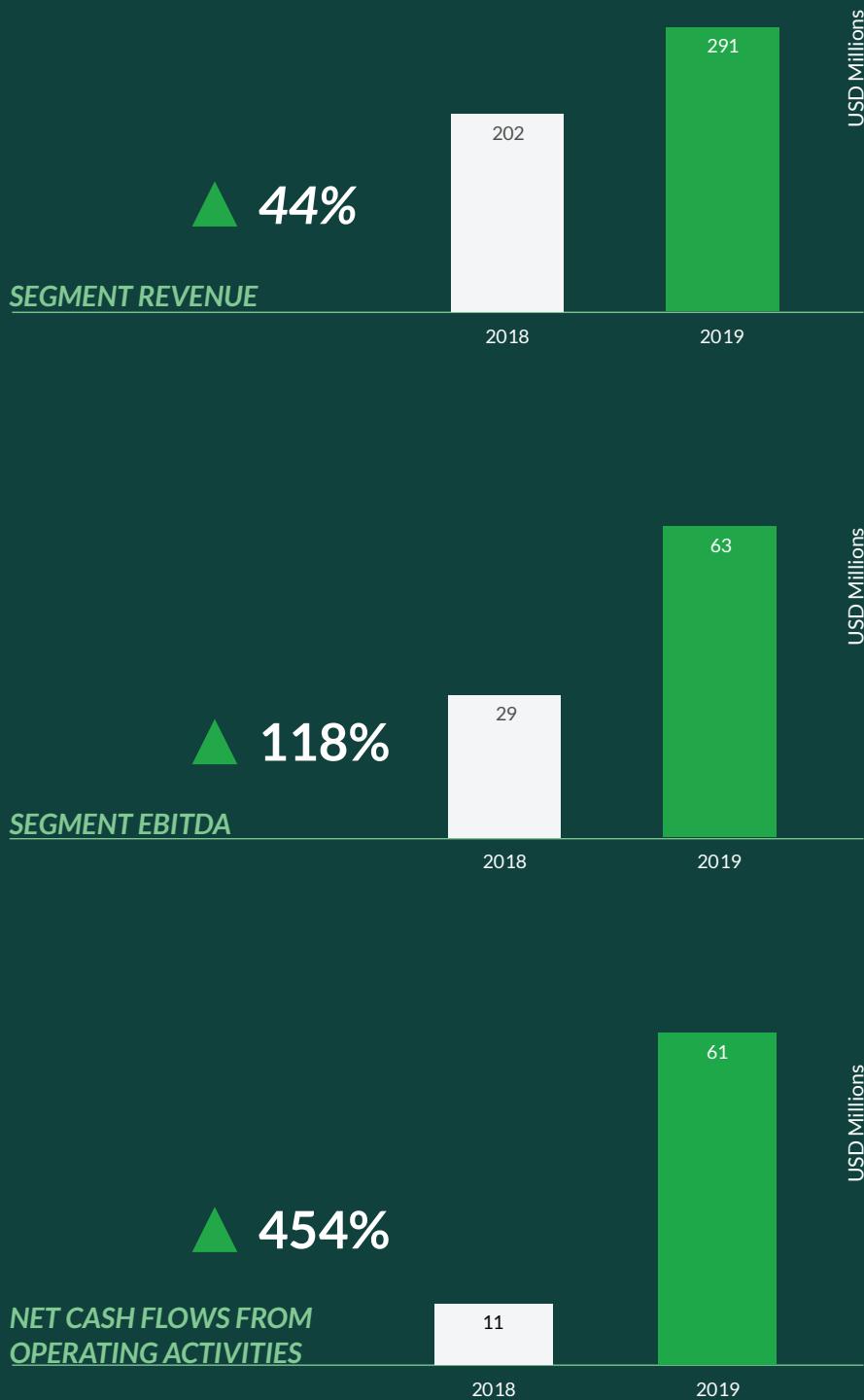
Total cash held at year-end increased to USD 36.5 million from USD 31.2 million in 2018. This was driven by increased cash flows from operating activities which were USD 60.9 million compared to USD 11.3 million in 2018.

### Revenue by Region

Polarcus generates revenue from a geographically diversified portfolio of projects. In 2019, revenue from North and South America (NASA) increased to 30% of total revenue. Revenue from Europe, Africa and Middle East (EAME) decreased to 30%, while revenue from Asia Pacific (APAC) increased to 40%. The diagram below shows the proportion of revenue earned in each of the Group's regions in 2019.



## 2019 KEY NUMBERS



## STRONG OPERATIONAL PERFORMANCE

### OPERATIONS

With over 98% technical uptime of its fleet in 2019, strong operational delivery continues to underpin the performance and reputation of Polarcus. The Company continues to benefit from its proactive, embedded safety culture, and one crew model of employing both maritime and seismic crews. Health, safety and the environment continue to be our top priority, and Polarcus continues to perform very well in these areas.

Maintaining the position as industry leader in environmental performance and transparency of environmental data is a primary motivation for Polarcus. The Polarcus seismic fleet is the most unified and efficient in the world and has been compliant with the new IMO 2020 sulfur regulation (<0.5%) since the Company's first project, with an average sulfur content in the fuel used across the Polarcus fleet of ~0.1% for more than a decade, since inception of the Company.

#### FIRST HYBRID PROJECT

##### 2019 PROJECTS IN FOCUS

At the beginning of 2019, Polarcus mobilized for a hybrid (streamer and node) project in the Middle East. Located in a very challenging environment, the vessels navigated shallow water areas, five active fields and over 70 in-field obstructions.

Polarcus capitalized on its strong operational expertise to develop and plan an efficient survey comprising 1,200 sq.km of UHD XArray™ Penta Source data and 45 sq.km of node data.

The combination of towed streamer acquisition for basin-wide imaging and ocean bottom nodes for targeted imaging in areas of particular interest, provided the client with a complete high quality image of the subsurface at a lower cost.

#### WORLD'S LARGEST 4D PROJECT

##### 2019 PROJECTS IN FOCUS

During the summer of 2019, two Polarcus vessels returned to the Sea of Okhotsk, Sakhalin for a 4D survey over an area previously acquired by the Company in 2015. The project area was uniquely complex with multiple obstructions in an environmentally sensitive sea area.

The project was the industry's largest 4D survey in 2019. Its successful delivery was a true testament to the operational and geophysical capabilities of the Polarcus team.

## 2019 KEY NUMBERS



## CORE VALUES

POLARCUS LIMITED

Polarcus' 2023 strategy is to create superior value for stakeholders through responsible marine acquisition services and geophysical solutions driven by innovation and industry

collaboration. To execute this strategy successfully, the core values of Polarcus – Responsibility, Innovation and Excellence – are embedded in all elements of the business.

### IMO 2020

The maritime industry's most substantial regulatory reform was the sulfur cap implemented by the International Maritime Organization (IMO), effective from 1 January 2020. The IMO reduced the level of sulfur content permitted in fuel from 3.5% mass by mass (m/m) to 0.5% m/m. In uniquely sensitive sea areas, the limit of 0.1% m/m sulfur content remains the same.

The sulfur content of Polarcus fuel has been well within these new limitations since the Company was founded. Therefore, every client who has worked with Polarcus over the past ten years has commenced their exploration cycle with a significantly reduced environmental footprint.

### POLARCUS SULFUR EMISSIONS SINCE INCEPTION

● ~1,100 tonnes

SULFUR EMISSIONS FOR THE SAME PERIOD IF ONLY COMPLYING WITH IMO REGULATIONS

~35,000 tonnes

**x32**

### SULFUR CONTENT IN FUEL

2019

POLARCUS  
**0.06%**  
IMO 2020  
0.5%

## Responsibility

Polarcus' environmental Explore Green™ agenda is central to all business activity. The Company's uniform fleet was built to adhere to the most rigorous environmental standards, equipped with technology to measure, monitor and mitigate all emissions. Polarcus implements an extensive suite of environmental procedures across all operations to minimize the Company's environmental footprint.

In 2019, Polarcus continued with its commitment to report gaseous emissions from vessels on a quarterly basis in order to promote transparency and accountability within the marine seismic industry.

## Innovation

Polarcus continues to develop solutions that deliver better data faster to clients through innovation and industry collaboration. In 2019, Polarcus launched several new products and services that bring customers closer to their seismic data and allows them to explore smarter.

### XArrayOBN™

Through unique hybrid solutions of towed streamer acquisition and ocean bottom node operations, XArrayOBN offers truly unconstrained acquisition geometry, improved access for data coverage below obstructions and in shallow water, and further exemplifies the value of Polarcus' market-leading XArray™ multi-source solution.

This XArrayOBN methodology takes advantage of the source effort used for the streamer survey, recording a parallel data set on Ocean Bottom Node (OBN) patches, or acquiring a complementary OBN dataset in areas normally inaccessible to towed streamer seismic vessels.

### Cirrus™

Polarcus Cirrus™ is the Company's suite of data transfer and cloud processing solutions, that went to market in 2019. This new data management and streaming platform is designed to bring the acquired seismic data to clients faster via direct satellite transfer. This allows rapid onshore access to high fidelity seismic data, which in turn allows Polarcus and clients to make project decisions in near real-time and thus shorten the exploration cycle.

## Excellence

Polarcus' primary concern is the safety of all employees and third party contractors. Monitoring and maintaining high safety, security, and good health conditions across all areas of operations, and in all Polarcus support locations, is key to protecting the well-being of everyone. More than three million exposure hours were recorded in 2019, demonstrating the necessity of continued focus on safety awareness.

### 2019 EHSQ Reporting

Lost Time Injury (LTI)	1
Lost Time Injury Frequency (LTIF)	0.3
Restricted Work Case (RWC)	1
Medical Treatment Case (MTC)	0
Total Recordable Case Frequency (TRCF)	0.6
First Aid Cases	15
Non Conformance Corrective Action Preventative Action Reports (NCCAPA)	9,926
Near Miss	98
Improvement Suggestions	2,506

Based on the International Association of Oil and Gas Producers (IOGP) 510 Report, Polarcus operates an integrated Management System that encompasses the four fundamentals: Leadership, Managing Risk, Continual Improvement and Implementation, a Plan, Do, Check and Act process. The Management System carries a hierarchical structure with Commitment and Accountability at the top, leading into the process flows that apply to all Polarcus business activities.

The Polarcus organization is fully certified to ISO 9001, ISO 14001 & OHSAS 18001 while also subscribing to the DNV GL Triple-E™ program, an Environmental and Energy Efficiency rating scheme for ships.

## READ MORE IN POLARCUS 2019 SUSTAINABILITY REPORT

# BOARD OF DIRECTORS



**Mike Mannering**  
(b. 1952)  
Chairman

Mike Mannering is an experienced Chairman and Non-Executive Director with a long career in oil field services. He held many senior corporate positions in Schlumberger including Managing Director of Schlumberger Sedco Forex in Nigeria, Vice President Integrated Services Schlumberger in Paris, Vice President Schlumberger Sedco Forex in Singapore, Vice President Schlumberger Resource Management Services in London, VP Global Sales and VP QHSE. Prior to Schlumberger, he served as a Drilling Engineer for Shell in the Netherlands and for Deminex in Germany and Cairo. In recent years, he has been Chairman and subsequently Non-Executive Director of Songa Offshore until its acquisition by Transocean; advisor to several Private Equity funds; Chairman and Investor in Navetas Energy Management until its sale in 2017; Chairman of Acoustic Data.

*Mr. Mannering was appointed as a director and Chairman of the Board of Polarcus Limited on 10 May 2018. As at 31 December 2019, Mr. Mannering held 150,000 shares in Polarcus.*



**Carl-Peter Zickerman**  
(b. 1972)

Peter Zickerman has over two decades of experience in the seismic industry. He was the Founder of Eastern Echo Ltd where he held the position of Executive Vice President & Business Development and was a member of the board. In 2008, he founded Polarcus Limited where he held the position of Executive Vice President & Head of Strategic Investments until February 2016. His experience covers both maritime and seismic operations, strategy and commerce. Mr. Zickerman holds a B.Sc. in Marine Engineering from Kalmar Maritime Academy, Linnaeus University, Sweden.

*Mr. Zickerman was appointed to the Board for the first time on 9 February 2008 for a period expiring on 2 July 2012 and was again appointed to the Board on 12 May 2016. As at 31 December 2019, he held 34,925,401 shares in Polarcus through his wholly owned companies Zickerman Group Limited and Zickerman Holding Limited.*



**Nicholas Smith**  
(b. 1951)

Nicholas Smith is a Chartered Accountant with a long-term career in investment banking and as CFO of Asian investment bank, Jardine Fleming Group. He has had a successful non-executive track record in the public E&P sector and investment

trusts, including seven years as Chairman of Ophir Energy plc, and as board member for several other London listed companies. He is currently Chairman of Aberdeen New Thai Ltd; Chairman of Schroder Asia Pacific Ltd, where he was previously Chair of Audit and Senior Independent Director; and a board member for JP Morgan European Small Companies Ltd where he is also Chair of Audit. Mr. Smith is FCA approved and holds a BA from the Open University.

*Mr. Smith was appointed as a director of the Board on 6 March 2017. As at 31 December 2019, Mr. Smith held 135,000 shares in Polarcus.*



**Erik M Mathiesen**  
(b.1970)

Erik Mathiesen is an independent advisor and board member. He was, until January 2017, a founding partner of Storm Capital Management, London, an asset management company focusing on energy, transportation and real estate in the

Nordics. He was also CEO of Storm Real Estate ASA until August 2016. He has worked in corporate finance advisory in shipping and oil services as a partner for EC Hambro Rabben, London and in corporate banking at Hambros Bank, London.

*Mr. Mathiesen was appointed to the Board on 12 May 2016. As at 31 December 2019, he held 267,308 shares in Polarcus through his wholly owned company SISU Holding AS.*



**Karen El-Tawil**  
(b. 1961)

Karen El-Tawil has spent over 30 years in the seismic industry. She retired from TGS-NOPEC Geo-physical Company ASA in 2012, as VP Business Development, responsible for investor relations, M&A and corporate marketing. Previously she has managed

multi-client sales for TGS, and exploration services and multi-client sales for Schlumberger Geco-Prakla. She has extensive experience of the international geophysical sector. Mrs El-Tawil is a Board member of Pulse Seismic Inc, an onshore multi-client company traded on the Toronto exchange and currently sits on that Company's Compensation Committee (as Chair) and Environmental Health and Safety Committee. Mrs El-Tawil is a founding member and Governing Board Chair of Empowered Women of Purpose, a non-profit organisation based in Texas, USA. Mrs. El-Tawil holds a BA in Earth Science and Mathematics from Adrian College, Adrian Michigan, USA.

*Mrs. El-Tawil was appointed to the Board on 13 February 2014. As at 31 December 2019, Mrs El-Tawil held 4,250 shares in Polarcus.*



**Monish Sahni**  
(b. 1963)

Monish Sahni is a senior finance professional with 30 years' experience in banking and hedge funds across Europe, Asia and the US. He is a highly experienced transactor, analyst and risk manager with diverse sector experience including the

shipping and logistics industries, offshore drilling, oil services and industrials. He was a senior banker with Citigroup in New York, Hong Kong and London, a senior credit analyst at CQS LLP in London and currently is an Advisor at Auld Partners in London. Mr. Sahni holds an MBA and a BA from Cornell University, Ithaca, New York.

*Mr. Sahni was appointed as a director of the Board on 29 April 2019. As at 31 December 2019, Mr. Sahni held 125,000 shares in Polarcus.*



**Tom Henning Slethei**  
(b. 1974)

Tom Henning Slethei has been an investor in the stock and bond market for more than two decades. He is Chairman and owner of various companies within real estate and finance. He has extensive board experience including as Chair of the nomination and compensation committees, Noreco ASA, as Chairman of the Board, Jåsund Utviklingselskap AS and Sola Bredband AS, and as a Director at Forus Naeringspark. Mr. Slethei is an Economics graduate from BI Norwegian Business School and majored in business development. In October 2019, Mr. Slethei was elected mayor of Sola, Rogaland, Norway.

*Mr. Slethei was appointed to the Board on 12 May 2016. As at 31 December 2019, he held 11,907,019 shares in Polarcus through his wholly owned company, Alto Holding AS.*

# EXECUTIVE MANAGEMENT



**Duncan Eley**  
(b. 1972)  
CEO

Duncan Eley has over 20 years of experience in the oilfield services industry. He was appointed CEO of Polarcus in 2017 after 8 years with Polarcus, 3 of which as Chief Operating Officer. Prior to joining Polarcus in 2009, Duncan

can worked for several years with strategy consultancy firm, L.E.K. Consulting, across the energy, transport and natural resources sectors. Prior to that, he worked with Schlumberger for 10 years supporting marine seismic operations in Europe, West Africa and North America. Duncan has a Bachelor of Science and Bachelor of Engineering from Monash University in Australia. In 2006, he completed his MBA at Erasmus University in Holland.

*As at 31 December 2019, Mr. Eley held 1,014,616 shares, 260,000 options in Polarcus stock, 420,000 PSUs and 180,000 RSUs.*



**Hans-Peter Burlid**  
(b. 1980)  
CFO

Hans-Peter Burlid has over 15 years of experience in the seismic industry. He was appointed as CFO of the Company in 2016. Prior to joining Polarcus, Hans-Peter served in key roles

in finance, accounting and business development. He was formerly Senior Manager, Business Development and co-founder of Eastern Echo Ltd and was instrumental in the start-up of Polarcus in 2008. Mr. Burlid holds a B.Sc. in Economics and Business Administration from Blekinge Institute of Technology, Sweden.

*As at 31 December 2019, Mr. Burlid held 502,596 shares, 113,500 options in Polarcus stock, 315,000 PSUs and 135,000 RSUs.*



**Lars Østergaard**  
(b. 1973)  
COO

Lars Østergaard has over 13 years of experience with the oil and gas industry. He joined Polarcus in June 2018 as COO where he leads the Sales, Marketing, Geophysical & Operations teams, as well as the EHSQ

department. Mr. Østergaard was previously employed at Maersk Drilling where he held a number of operational and commercial leadership roles, most recently as Chief Commercial Officer. Mr. Østergaard holds a degree in Business Administration from Copenhagen Business School and a Master's Degree in Political Science from the University of Aarhus.

*As at 31 December 2019, Mr. Østergaard held 150,000 shares in Polarcus, 175,000 PSUs and 75,000 RSUs.*



**Caleb Raywood**  
(b. 1970)  
General Counsel & Company  
Secretary

Caleb Raywood has over 20 years of commercial experience, predominantly in the shipping and oil and gas service sectors. Caleb joined Polarcus in 2016 as General Counsel and Company

Secretary. He previously worked in the same capacities for an international offshore contracting company based in the UAE and Nigeria prior to which he worked for 6 years with MasterCard as Region Counsel (South Asia, Middle East & Africa). Before that assignment, he worked for 6 years at Clyde & Co, an international law firm in London and Dubai specialising in shipping and maritime issues. Holding a Bachelor's Degree in English and European Law from the University of Essex and a Master's Degree in European Business Law from the University of Nijmegen, The Netherlands, he leads Polarcus' team of lawyers as a qualified Barrister and Solicitor Advocate.

*As at 31 December 2019, Mr. Raywood held 209,615 shares, 50,000 options in Polarcus stock, 175,000 PSUs and 75,000 RSUs.*



**Tamzin Steel**  
(b. 1977)  
SVP People & Business Services

Tamzin Steel has over 18 years' experience working in global multinational companies in the oil & gas industry. Tamzin joined Polarcus in 2016, prior to which she held senior leadership positions, with a focus on Human

Resources and organizational change. Tamzin worked for KCA DEUTAG Drilling Group, an international drilling and engineering contractor, for 13 years in various global roles and latterly worked for Abu Dhabi National Energy Company. Mrs. Steel holds a Bachelor's Degree (with Honours) in Business Studies from Robert Gordon University, Aberdeen.

*As at 31 December 2019, Mrs. Steel held 209,615 shares, 50,000 options in Polarcus stock, 175,000 PSUs and 75,000 RSUs.*

# THE POLARCUS SHARE

POLARCUS LIMITED

Shares in Polarcus are listed on the Oslo Børs under the ticker symbol 'PLCS'.

## Share facts

During the year, a total of 322 million shares were traded representing approximately 63% of the average volume weighted shares outstanding. On average, approximately 1.3 million Polarcus shares were traded daily on the Oslo Børs in 2019. At the end of the year, Polarcus had a market capitalization of NOK 684 million (USD 75 million).

The issued and paid up share capital of the Company as of 31 December 2019 was USD 51,378,671 divided into 513,786,713 shares, each with a par value of USD 0.10 each. All shares have equal rights in all respects, including with respect to voting and dividends.

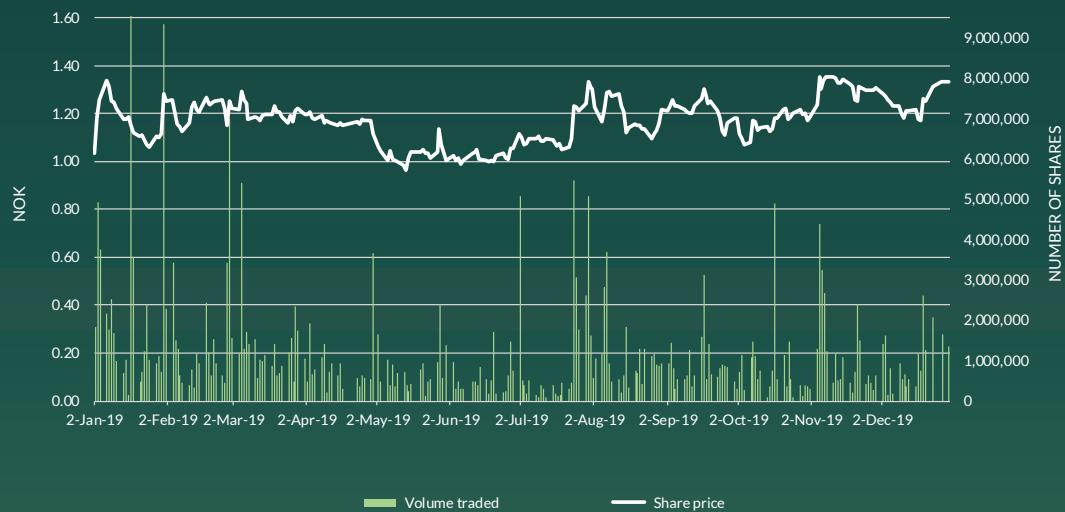
## Analyst coverage

As of 31 December 2019, there were eleven analysts covering Polarcus. Note that any estimate or forecast regarding Polarcus made by any these analysts are theirs alone and do not represent estimates or forecasts of Polarcus or its management. A full list of analysts covering Polarcus can be found on the Polarcus website at [www.polarcus.com](http://www.polarcus.com)

## Shareholders

A list of the Company's current top 20 shareholders can be found on the Polarcus website. Polarcus updates the list of 20 top shareholders on a monthly basis, in line with the recommendation of the Oslo Børs Code of Practice for Investor Relations. The list is provided by the Company's Registrar; the shareholder name listed is that of the legal owner of the shares which may be different to the beneficial owner of the shares. The legal owner may hold shares on behalf of more than one beneficial owner.

## POLARCUS SHARE PERFORMANCE 2019



# Board of Directors' Report 2019

The Board of Directors of Polarcus Limited present the Company's Annual Report and audited financial statements of the Company and the Group for the year ended 31 December 2019.

## 2019 Business Highlights

Polarcus delivered a substantial increase in earnings during 2019 reflecting an improved seismic market. During the year Polarcus achieved significant growth in revenue through higher realized day rates year-on-year which, combined with a continued focus on cost control, led to a significant increase in segment EBITDA compared to 2018. The Group's segment revenue increased by 44% to USD 290.6 million and segment EBITDA increased by 118% to USD 63.4 million. The Group's segment operating profit was USD 28.0 million in 2019 compared to an operating loss of USD 19.8 million in 2018. Total cash held at the year end increased to USD 36.5 million from USD 31.2 million in 2018 driven by increased cash flow from operating activities of USD 60.9 million compared to USD 11.3 million in 2018.

During 2019 Polarcus continued to deliver strong operational performance and executed a range of complex projects including the industry's largest 4D project for the year, a multi-vessel wide-azimuth project, and a hybrid (streamer-node) project. All three projects were technically demanding and completed in challenging environments from harsh sea-ice conditions through

to obstructed shallow water. Fleet utilization was 79% in 2019 compared to 87% in the previous year.

Health, safety and the environment continue to be a top priority for Polarcus across all aspects of business and in 2019 the Group has once again achieved an excellent health, safety and environmental record while delivering industry-leading technical performance, with technical downtime of less than 2%.

Through close collaboration with clients, the Company constantly strives to provide innovative solutions and enhanced product offerings which provide optimum efficiency and data quality. In 2019, Polarcus became the first global seismic vessel operator to launch an innovative digital offering for advanced seismic data processing as part of Polarcus Cirrus™, a cloud-based suite of applications and services.

Strong levels of tender activity developed throughout 2019 driven by healthy demand from both E&P companies and multi-client companies without vessels. This resulted in pricing of marine seismic acquisition services increasing by around 50% during the year.

## Key financials (reported per IFRS)

(In millions of USD)	2019	2018
Revenue	288.6	228.9
EBITDA	61.4	67.5
EBITDA (before non-recurring items)*	61.4	55.9
EBIT	24.3	(15.3)
EBIT (before non-recurring items)*	24.3	(25.1)
Net loss for the year	(10.0)	(31.8)
Basic earnings/(loss) per share (USD)	(0.02)	(0.07)
Net cash flows from operating activities	60.9	11.3
Total assets	458.7	465.6
Total liabilities	390.1	387.3
Total Equity	68.6	78.3
Equity Ratio	15%	17%
Property, plant & equipment cash investment	16.7	82.2
Multi-client projects cash investment	6.1	18.7
Total cash**	36.5	31.2
Net interest-bearing debt	301.5	306.1

\*Non-recurring items include impairments, the cost of onerous contract provisions and restructuring costs.

\*\* Includes restricted cash of USD 1.2 million.

# 1. Operations and market

The Company owns a fleet of seven high performance seismic vessels with 3D and 4D imaging capabilities comprising a core fleet of four vessels operating in the global marine seismic acquisition market, two vessels on bareboat charters, and one vessel which is currently stacked. One of the vessels on a bareboat charter, *Vyacheslav Tikhonov*, is scheduled to be re-delivered in May 2020, subject to options of extensions. The other vessel on bareboat charter, *Ivan Gubkin*, is scheduled to be re-delivered in October 2022.

During 2019, the Company continued to deliver strong safety, technical and operational performance. In 2019, technical downtime was reduced to 1.7% (2018: 3.3%) despite the Company completing a variety of technically demanding projects which included the industry's largest 4D project for the year, performed under harsh sea-ice conditions in an environmentally sensitive sea area. This 4D project in the Far East was completed utilizing two Polarcus ICE-1A class vessels.

In the first half of the year, the Company completed its first hybrid project (towed streamer and ocean bottom node) using third party vessels. The project, which took place in the Middle East, was completed in a challenging environment of multiple field obstructions and shallow water. By offering hybrid project capabilities, Polarcus capitalizes on its operational expertise, delivering a seamless sub-surface image and benefitting from the respective strengths of complementary seismic acquisition techniques.

In the second half of the year, the Company delivered a multi-vessel wide-azimuth project offshore Mexico. Strong production was achieved on the project which required the deployment of a large fleet of source and support vessels. This was the first time that Polarcus utilized its new digital offering, *Cirrus™*, for enhanced near-real time data transfer and processing (see section 1.1 for further details).

Utilization of the Company's fleet was 79% during the year (2018: 87%). Exclusive Seismic Contract utilization was 77% (2018: 82%) and allocation to multi-client decreased to 2% (2018: 5%). Excluding vessels on bareboat charters (and Polarcus *Nadia*), utilization for the Polarcus core fleet decreased to 69% (2018: 82%). The table below shows the Company's vessel utilization for the year.

	2019	2018
Utilization	79%	87%
By category:		
Exclusive Seismic Contract*	77%	82%
Multi-client Seismic Contract	2%	5%
Transit	13%	10%
Yard stay	5%	1%
Standby	3%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

\*Includes the vessels *Vyacheslav Tikhonov* (formerly *Polarcus Selma*) and *Ivan Gubkin* (formerly *Polarcus Amani*) which are on bareboat charters. *Polarcus Nadia* is excluded from vessel utilization subsequent to stacking in 2015.

The Company's operating revenues earned from external customers worldwide are grouped as per below based on the operational regions in which we deliver services to clients:

(In millions of USD)	2019	2018
Asia Pacific ("APAC")	118.4	73.9
Europe, Africa and Middle East (EAME)	78.2	91.8
North and South Americas ("NASA")	86.3	62.4
<b>Total revenue</b>	<b>282.9</b>	<b>228.1</b>

These regions correspond to the Polarcus office locations providing client interfaces in Houston (NASA), London (EAME), and Singapore (APAC).

During 2019 the Company's global reach continued to expand, operating offshore in three new countries: Mexico, South Africa and Brunei (2018: two new countries). Levels of tender activity built solidly during the year driven by steadily increasing demand for marine seismic acquisition. There was a 10% increase in square kilometers of marine seismic acquisition tendered in 2019 including tenders for both proprietary and multi-client seismic contracts. Improved pricing of contracts in 2019 has been underpinned by an improved supply and demand balance observed in the marine seismic acquisition segment.

## 1.1. Cirrus™

Polarcus has a proven track record of delivering clients innovative product offerings, which continues to differentiate the Company from other service providers. During the year the Company launched its new digital offering *Cirrus™* in collaboration with its digitalization partners DownUnder GeoSolutions and Blueware. *Cirrus™* comprises a suite of cloud-based applications and services designed to bring clients near real-time access to high fidelity seismic data during the acquisition phase. The product offering aligns with E&P companies' objectives to shorten the exploration cycle by enabling better exploration decisions to be made faster.

*Cirrus™* is aligned with the Company's pioneering environmental agenda through reduced emissions compared to traditional data transfer methods. Positive client feedback has been received to date and client interest is expected to grow as the benefits of accelerated decision-making are realized by more E&P companies.

## 1.2. XArray™

In 2015 Polarcus introduced a new acquisition technique, termed *XArray™*. This technique delivers superior quality data while at the same time improving acquisition efficiency. The number of surveys acquired using *XArray™* acquisition continued to increase throughout 2019 and accounted for 65% of all projects acquired during the year (2018: 63%).

## 2. Financial review

The consolidated financial statements of Polarcus Limited and its subsidiaries (the "Group") are prepared in accordance with International Financial Reporting Standards. A financial review of the Group for 2019 is provided below.

### 2.1. Financial performance

#### 2.1.1. Revenue

(In millions of USD)	2019	2018
Contract revenue		
- Proprietary contract revenue	228.7	130.6
- Reimbursable	12.9	14.3
- Bareboat charter	27.2	27.1
- Management fees	-	10.7
	268.8	182.7
Multi-client revenue		
- Prefunding	8.2	40.8
- Late sales	5.9	4.5
	14.1	45.4
Other income	5.7	0.8
<b>Total</b>	<b>288.6</b>	<b>228.9</b>

Total revenue increased 26% to USD 288.6 million in 2019 (2018: USD 228.9 million), mainly driven by improved day rates along with good levels of utilization.

Contract revenue increased by 47% to USD 268.8 million (2018: USD 182.7 million). Bareboat charter revenue remained steady at USD 27.2 million (2018: USD 27.1 million). Management fees reduced to nil in 2019 following discontinuation of a vessel management contract in 2018.

Multi-client revenue decreased by 69% to USD 14.1 million (2018: USD 45.4 million) due to fewer multi-client projects executed in 2019. Accordingly, prefunding revenue decreased 80% to USD 8.2 million (2018: USD 40.8 million) while late sales increased 30% to USD 5.9 million (2018: USD 4.5 million). In 2019, the cash investment in multi-client was USD 6.1 million (2018: USD 18.7 million).

Other income was USD 5.7 million in 2019 (2018: USD 0.8 million) mainly relating to proceeds received from insurance claims for damaged in-sea equipment.

EBITDA for the year decreased to USD 61.4 million (2018: USD 67.5 million) mainly due to increased cost of sales on account of higher project specific costs as described below.

#### 2.1.2. Cost of sales

(In millions of USD)	2019	2018
Operating costs	214.7	165.2
Reimbursable cost	11.1	13.9
<b>Gross cost of sales</b>	<b>225.8</b>	<b>179.1</b>
Net deferred transit adjustment	(4.8)	-
Onerous contract provision unwinding	(1.2)	(5.5)
Capitalized to multi-client projects	(5.9)	(14.1)
Gain on termination of vessel operating lease	-	(13.9)
Bad debt expenses	-	0.4
<b>Cost of sales</b>	<b>213.9</b>	<b>146.0</b>

Cost of sales increased by 47% to USD 213.9 million (2018: USD 146.0 million) while reimbursable costs decreased to USD 11.1 million (2018: USD 13.9 million). Less costs were capitalized to multi-client projects in 2019 due to fewer multi-client projects being completed in the year compared to the previous year. Net transit costs of USD 4.8 million were deferred at year end to be amortized on projects expected to be completed during the first half of 2020. Gross cost of sales, excluding reimbursable costs, increased to USD 214.7 million (2018: USD 165.2 million), mainly due to higher project specific costs relating to third party vessels used for the hybrid project, and source vessels used for the wide-azimuth project.

General and administrative costs decreased by 6% to USD 13.3 million (2018: USD 14.2 million), driven by a continued focus on cost management and the achievement of operational efficiencies.

Based on a financial assessment of open seismic acquisition contracts at the balance sheet date, the Group had no legal or constructive obligation to account for any onerous contract provisions as of 31 December 2019 (2018: provision of USD 1.2 million).

#### 2.1.3. Depreciation and amortization

Depreciation and amortization decreased by 3% to USD 25.9 million (2018: USD 26.6 million), while gross depreciation which includes depreciation capitalized to multi-client library, decreased by 5% to USD 26.2 million (2018: USD 27.4 million).

Amortization of the multi-client library decreased 78% to USD 11.2 million (2018: USD 51.4 million) due to fewer multi-client projects being completed in 2019. Multi-client amortization included USD 8.2 million recognized upon completion of a multi-client project in Australia and the remaining USD 3.0 million represents straight-line amortization of two other multi-client projects.

#### 2.1.4. Impairment

There were no impairments required in 2019 (2018: USD 4.9 million) based on the Group's most recent assessment of recoverable value of the Group's assets which included a value-in-use calculation. In 2018, an impairment charge of USD 6.2 million was incurred on seismic vessels and equipment which was partly offset by the reversal of impairment charges on Multi-client library of USD 1.3 million resulting from the sale of a multi-client project library.

During 2019 EBIT increased to USD 24.3 million (2018 – negative USD 15.3 million).

#### 2.1.5. Finance costs

Finance costs increased marginally by 2% to USD 34.2 million (2018: USD 33.5 million) primarily as a result of increased interest expense on bond loans which was largely offset by a reduction in foreign currency exchange losses during the year.

#### 2.1.6. Taxation

The Group's corporate income tax expense increased to USD 1.1 million in 2019 (2018: credit of USD 0.2 million) mainly due to a higher level of profits being generated in taxable jurisdictions during the year.

#### 2.1.7. Net loss

The net loss for the year was USD 10.0 million, reduced from a net loss of USD 31.8 million in 2018 mainly due to improved profit margins driven by increased contract revenue day rates combined with continued focus on cost control, and the absence of any impairment charges in the year.

## 2.2. Cash flow and liquidity

Net cash flow from operating activities increased to USD 60.9 million from USD 11.3 million in 2018, mainly driven by a decrease in net loss before tax to USD 9.0 million and an increase in net working capital movements to positive USD 1.4 million (2018: negative USD 38.4 million) primarily through a reduction in receivables from customers.

Net cash flow used in investing activities decreased to USD 21.7 million (2018: USD 94.4 million) due to lower investments in property, plant and equipment as well as multi-client assets. Payments for property, plant and equipment and intangible assets totaled USD 17.0 million (2018: USD 82.2 million, including the buyback of two N-Class vessels for USD 75.0 million), while payments for investments in the multi-client library decreased to USD 6.1 million (2018: USD 18.7 million) as a result of a reduction in the vessel allocation to multi-client projects. The Company earned USD 1.4 million in 2019 from the sale of multi-client libraries (2018: USD 6.5 million).

Net cash flow from financing activities was an outflow of USD 33.9 million during the year (2018: inflow of USD 87.5 million) mainly due to debt service costs along with repayment of interest-bearing debt. In the previous year, the Company secured USD 74.9 million as new fleet facility to finance the buyback of two N-Class vessels and a USD 7.7 million loan facility for financing the unwinding of a cross-currency swap agreement. In 2019, interest paid increased to USD 18.3 million (2018: USD 16.8 million) mainly as a result of an increased bank interest rate margin. No dividend is to be paid for 2019 and none was paid for the previous year.

Total cash held at the year end increased to USD 36.5 million (2018: USD 31.2 million), including restricted cash of USD 1.2 million (2018: USD 1.2 million). The Company's working capital facility of USD 40.0 million remained undrawn throughout the year.

## 2.3. Financial position

### 2.3.1. Assets

Total assets decreased by USD 7.0 million to USD 458.7 million (2018: USD 465.7 million), mainly driven by a decrease in non-current assets. Non-current assets decreased by USD 9.6 million to USD 372.2 million (2018: USD 381.8 million) mainly due to depreciation and amortization of the existing fleet and multi-client data library, respectively. Capital expenditure on vessels in 2019 included USD 5.3 million relating to two periodic vessel dry dockings as well as USD 3.7 million for the acquisition of new streamers on attractive terms. As a result of the increased streamer pool and the continued high-quality output from the in-house streamer repair facility, the Group does not anticipate any significant capital expenditure on streamers until 2022, following which a gradual investment profile is expected.

Total current assets increased by a net amount of USD 2.6 million to USD 86.5 million (2018: USD 83.8 million), mainly driven by an increase in cash and other current assets. Receivables from customers decreased by USD 7.5 million to USD 32.1 million (2018: USD 39.6 million). The majority of receivables outstanding at the year end was collected in January 2020.

### 2.3.2. Liabilities

Total liabilities increased by USD 2.7 million to USD 390.1 million (2018: USD 387.4 million) mainly on account of an increase in other accruals and payables, partly offset by a decrease in accounts payable. Total current liabilities increased by USD 1.5 million to USD 63.4 million (2018: USD 61.8 million).

The Company remained in full compliance with all of its financial covenants throughout the year with adequate headroom (2018: in compliance).

### 2.3.3. Equity

Equity decreased by USD 9.8 million to USD 68.5 million (2018: USD 78.3 million). The decrease was mainly attributed to the net loss of USD 10.0 million in 2019 (2018: USD 31.8 million).

## 2.4. Parent company's non-consolidated financial statements

The non-consolidated financial statements of Polarcus Limited are prepared in accordance with International Financial Reporting Standards.

Revenues earned by the Parent company decreased by 75% to USD 3.2 million in 2019 (2018: USD 12.6 million) mainly due to the reduction in revenue from provision of crewing services to the Group's subsidiaries.

Cost of sales decreased by 55% to USD 5.9 million (2018: USD 13.3 million), due to reduction in operating activities. General and administrative expenses remained stable at USD 5.0 million (2018: USD 5.0 million).

An impairment charge of USD 0.1 million was recognized in the year (2018: USD 111.1 million), pertaining to the impairment of intercompany receivables due to the uncertainty on the timing and amount of repayments. Depreciation and amortization increased to USD 0.7 million (2018: AED 0.1 million), mainly as a result of certain items of property, plant and equipment purchased in 2019.

Finance costs were USD 14.7 million during the year compared to USD 13.2 million in 2018 after a one-off positive IFRS 9 adjustment was recorded in 2018 upon first time adoption of this accounting standard. Finance income decreased by 14% to USD 4.3 million (2018: USD 5.0 million) mainly due to a reduction in balance of intercompany loans.

The Parent company recorded a loss of USD 19.0 million in the year (2018: loss of USD 114.9 million). The Board of Directors propose to carry the loss forward as a retained loss.

The Parent company's total assets decreased by USD 16.1 million to USD 130.4 million at the end of the year (2018: USD 146.5 million), mainly driven by a reduction in accounts receivables by USD 24.2 million to USD 15.0 million (2018: USD 39.2 million) partly offset by an increase in receivables from subsidiaries of USD 13.5 million to USD 95.3 million (2018: USD 81.7 million). The Parent company's property, plant and equipment increased to USD 3.7 million (2018: USD 3.4 million).

The Parent company's total liabilities increased by USD 2.7 million to USD 92.3 million (2018: USD 89.6 million), mainly due to an increase in the interest-bearing debt to USD 36.5 million (2018: USD 33.2 million).

The Parent company's equity decreased by USD 18.7 million to USD 38.1 million (2018: USD 56.8 million) mainly due to the net loss of USD 19.0 million.

Net cash flow from operating activities increased USD 5.9 million to USD 18.2 million (2018: USD 12.3 million), driven by improvements in working capital. Working capital movements were positive USD 25.8 million (2018: USD 17.8 million).

Net cash outflow from investing activities decreased to USD 11.0 million (2018: USD 52.7 million) due to a decrease in intercompany receivables.

Net cash flow from financing activities was an outflow of USD 7.2 million (2018: inflow of USD 38.7 million as a result of proceeds received from the issue of ordinary shares). Total cash held at the year end was USD 0.6 million (2018: USD 0.6 million).

## 2.5. Post balance sheet events

### Grant of LTIPs

On 10 January 2020, the Company awarded 8,151,250 performance share units (PSUs) and 1,588,750 restricted share units (RSUs) to certain key employees pursuant to the Company's Long Term Incentive Plan, the main terms of which were provided in the Notice to the Company's Annual General Meeting held on 29 April 2019 and were approved at that general meeting.

Each PSU and RSU, upon vesting in accordance with the applicable terms, is convertible into one share of the Company's common stock. Subject to the achievement of the vesting conditions, these PSU and RSU awards will vest annually over three years. The number of PSUs to vest and be converted into shares will be determined by performance against target metrics established by the Board.

### Market conditions

After the balance sheet date, macro-economic uncertainty has been observed with regards to prices and demand for oil as a result of the COVID-19 pandemic and excess market supply. The Company's expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020.

### 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.

## 3. Going concern

The 2019 financial statements of the Company and the Group have been prepared under the going concern assumption and the Board of Directors concludes this assumption is appropriate. 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 or deferrals of project awards. The Group's ability to continue as a going concern is dependent upon it securing suitable backlog.

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 after 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.

As measured at the end of March 2020, the Group's total backlog is estimated to be USD 134 million. The Company remains in compliance with all its financial covenants.

## 3.1. Covenants

The status of main financial covenants applicable to the Company as at 31 December 2019 under the terms of the financing arrangements were as follows:

Minimum requirements (In millions of USD)	31-Dec-19	31-Dec-18
Minimum liquidity reserve of USD 10 million	66	70
Working capital - positive	34	33

For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months are included as liquidity.

## 4. Financial risks

The financial risks to which the Group's financial assets and financial liabilities are exposed are market risk, credit risk and liquidity risk. The market risk the Company may be exposed to is the risk that the fair value of future cash flows of its financial instruments fluctuates because of changes in market prices. The Company's exposure to credit risk relates to its financial assets, mainly amounts owed by customers and deposits held at banks, and is the risk that the counterparty defaults and does not meet its financial obligations to the Company. Liquidity risk is the risk that the Company will not be able to meet its current and future cash flow and collateral requirements without negatively and materially affecting the Company's daily operations or overall financial position.

### 4.1. Foreign currency risk

Most of the Company's financial assets and liabilities are denominated in USD, the functional currency of the Group. As of 31 December 2019, approximately 4% of the Group's total financial assets are denominated in foreign currencies (2018: 4%). Of the Group's total financial assets of USD 72.0 million (2018: USD 72.5 million), USD 2.5 million are foreign currency bank deposits (2018: USD 2.9 million). There are no foreign currency denominated receivables from customers (2018: nil). Any reasonably possible change in the exchange rate between these currencies and USD, with all other variables held constant, is not expected to have a material impact on the Group's loss before tax.

As of 31 December 2019, approximately 1% (2018: 1%) of the Group's loans and borrowings are held in NOK. All other loans and borrowings are denominated in USD. Any reasonably possible change in the exchange rate between NOK and USD, with all other variables held constant, is not expected to have a material impact on the Group's loss before tax.

In addition to the above financial assets and liabilities, the Group had some other current financial assets and accounts payable denominated in foreign currencies at 31 December 2019 that are under standard credit terms. Due to the short-term nature of these financial assets and liabilities, the foreign currency risk is considered low.

The Group's activities are global, and the foreign currency risk related to its operating activities may change from year-to-year depending on the different jurisdictions in which the Group operates. In general, most operating revenues and costs are denominated in USD.

## 4.2. Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings with floating interest rates.

(In millions of USD)	31-Dec-19	31-Dec-18
Total interest-bearing debt	336.8	336.1
Interest bearing debt with variable interest rates	133.0	121.8
% of interest-bearing debt with variable interest rates	39%	36%

An increase of LIBOR by one percentage point would increase the Group's interest expense on its debt with variable interest rates by approximately USD 1.6 million for the year 2019 (2018: USD 1.5 million).

## 4.3. Market price risk

As of 31 December 2019, the Group has no financial liabilities that are accounted for at fair value through profit and loss and subject to risk of changes in the market price.

## 4.4. Credit risk

The Company is exposed to credit risk from its operating activities, primarily its receivables from customers, advance payments made to suppliers, and from its cash and cash equivalents deposited with banks.

The Group's maximum exposure to credit risk for the components of the balance sheet is as follows:

(In millions of USD)	31-Dec-19	31-Dec-18
<b>Receivables from customers</b>		
Receivables from customers	32.5	40.0
Provision for doubtful debts	(0.4)	(0.4)
Net receivables from customers	<b>32.1</b>	<b>39.6</b>
Cash and short-term deposits with banks	36.4	31.1
<b>Total</b>	<b>68.5</b>	<b>70.7</b>

As at 31 December 2019, the Group had a provision for doubtful debts of USD 0.4 million (2018: USD 0.4 million). The Group's remaining receivables as at 31 December 2019 were due from 15 different customers (2018: 13 customers) and two of these customers owed more than USD 5 million (2018: four customers), accounting for 70% (2018: 89%) of the total receivables from customers. An amount of USD 8.2 million of the net receivables from customers were overdue as at 31 December 2019 (2018: USD 8.6 million). The majority of balances due from customers were collected post year end.

## 4.5. Liquidity risk

The following tables show the maturity profile of the Group's financial liabilities based on contractual payment terms. The amounts disclosed in the table are undiscounted cash flows. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In millions of USD)	<3 mths	3 – 6 mths	6 – 9 mths	9 – 12 mths	Total <12 mths
<b>Total as at 31 December 2019</b>	<b>62.5</b>	<b>9.0</b>	<b>5.7</b>	<b>4.4</b>	<b>81.6</b>
<i>Total as at 31 December 2018</i>	57.3	8.0	7.1	5.7	78.1

(In millions of USD)	< 1 year	1 – 2 yrs	2 – 5 yrs	> 5 yrs	Total
<b>Total as at 31 December 2019</b>	<b>81.6</b>	<b>23.0</b>	<b>399.1</b>	<b>27.5</b>	<b>531.2</b>
<i>Total as at 31 December 2018</i>	78.1	23.1	236.8	217.0	555.0

## 5. Sustainability

Polarcus first published its Corporate Social Responsibility (CSR) report in 2014 and has been publishing this annually since. In 2017, the Company undertook a significant step to enhance the CSR reporting and transparency of its operations by adopting the more rigid Global Reporting Initiative (GRI) guidelines. The Company's 2019 Sustainability report has been produced in accordance with the GRI guidelines: Core Option.

A report on Polarcus' CSR describing Polarcus' compliance with its commitments during 2019 is provided in the document "Polarcus 2019 Sustainability Report", which can be downloaded from [www.polarcus.com](http://www.polarcus.com). Polarcus is not required to report on CSR in compliance with the Norwegian Accounting Act Section 3-3c.

## 6. People and the organization

The Company supports its global operations from its head office in Dubai and regional client facing-offices located in Houston, London, and Singapore. The Company delivers Group asset management services from its office based in Oslo.

As of 31 December 2019, the Group had 324 employees (2018: 322) of approximately 45 different nationalities, of which 237 (2018: 243) work in the field as seismic and maritime crew on board Polarcus vessels. The Company's strategy is to employ its own field crew to work onboard the vessels. Contractors are used for certain junior level maritime support roles.

Polarcus is committed to being the employer of choice in the marine seismic acquisition business and to maintaining an open, transparent and fair organization. Polarcus aims to provide a workplace with equal opportunities and has policies to ensure everyone has the same opportunities and rights and to prevent discrimination on any basis. Polarcus believes that being a global and sustainable organization requires people with a global mindset, and a culturally diverse workforce is key to this. The Company is committed to promoting from within based on proven talent

and potential, however, will look externally to identify required skill sets and competencies as appropriate.

Polarcus is committed to promoting gender diversity throughout its business activities. At the year end, the female proportion of employees was 32% in the office population (2018: 33%) and 3% in the field population (2018: 5%). Working time arrangements and salary levels across the business do not depend on gender.

Of the current five members of the Company's Executive Management team, one is female (2018: one). Of the current seven Directors on the Board, one is female consistent with the previous year. The Board remains diverse in terms of the range of nationality and experience of its members. The Directors' broad range of experience and expertise covers relevant technical, operational, financial, governance and commercial expertise as well as the valuable experience of operating in the energy industry on an international basis. The Company aspires to diversify its Board and Executive Management team further as part of its succession planning process. Whilst seeking to achieve this aim, the Company will not appoint an individual to a position unless they are considered the best candidate for the role, irrespective of gender.

## 7. Environmental, health, safety and quality (EHSQ)

EHSQ is at the core of every operational decision the Company makes. Polarcus has established procedures and practices to protect the environment and all people involved during the course of its business activities, both onshore and offshore. The Company believes its EHSQ systems, monitoring and management are among the best in the industry.

During 2019, the Company successfully completed the renewal requirements for ISO 9001, 14001, OHSAS 18001 and ISM Code certification by DNV GL, valid until May 2020, including:

- Document of Compliance – ISM Code (Bahamas)
- ISO 9001:2015 – Quality Management
- ISO 14001:2015 – Environmental Management
- OHSAS 18001:2007 – Occupational Health and Safety Management.

Polarcus transitioned to the ISO 9001 and ISO 14001 2015 standards during 2018 and was certified as compliant with these standards in 2019 following an independent audit by DNV-GL.

Polarcus holds the Triple-E™ Level-1 rating for the entire active fleet of Polarcus. The Company continues to be the only seismic vessel owner and operator in the world to have achieved this rating across its active fleet.

All Polarcus vessels use biodegradable oils and lubricants, including all open deck hydraulic systems. This significantly reduces the impact of any potential spill to sea in the event of a system failure or difficulty. Polarcus had zero recordable spills in 2019 (2018: zero).

### 7.1. Fleet emission summary

The Company measures emissions of exhaust gases from its fleet of vessels. Polarcus is the first and only seismic company in the industry to receive DNV GL "Vessel Emissions Qualification Statement" for measuring emissions. This qualifies the Company's emissions reporting methodology and the accuracy of data, verifying the ability to model the exhaust emissions footprint for any project as well as provide actual emissions measurements after the project is completed.

Polarcus' fleet emissions summary for the five years to the end of 2019 is as presented in Table 1:

The three monitored gaseous emissions in 2019 were all significantly below the IMO guidelines (2018: below IMO guidelines). In 2019 the Company's global fleet average sulfur content of fuel consumed was below 0.1% sulfur by mass, which is approximately 35-times lower sulfur content than current global regulations (2018: below 0.1%).

### 7.2. Health and safety

To ensure continuous improvement in Polarcus' operations, all incidents, injuries, near misses, non-conformances and improvement suggestions are recorded within the Polarcus EHSQ reporting system. Reports are rated according to the International Association of Oil and Gas Producer's ("IOGP") risk matrix in order to assess actual and potential risk based on realistic assumptions. Subsequent to analysis of actual and/or potential risks, root cause investigations are performed where appropriate. All investigations are followed up by named responsible parties and actions identified within a set time frame.

In 2019 the Group's performance on the industry recognized reporting EHSQ metrics was as presented in Table 2:

Emissions Reporting per km <sup>2</sup> (Table 1)	2019	2018	2017	2016	2015
CO2 Emission (t)	2.44	1.56	2.87	2.10	1.58
NOx Emission (kg)	29	19	35	23	15
SOx Emission (kg)	0.9	0.6	2.0	1.0	1.0

EHSQ Reporting (Table 2)	2019	2018	2017	2016	2015
Restricted work cases (RWC)	1	4	-	1	2
Medical treatment cases (MTC)	0	1	1	-	1
Lost time injury (LTI)	1	-	-	1	2
Lost time injury frequency (LTIF)	0.31	-	-	0.26	0.47
Total recordable case frequency	0.62	1.60	0.32	0.52	1.17
First aid cases (FAC)	15	20	35	29	54
Near miss (NM)	98	99	75	143	186
Non-conformance corrective action preventative action (NCCAPA)	9,926	9,632	9,105	11,358	11,554
Improvement suggestions	2,506	2,394	2,405	3,489	4,146

## 8. Corporate Governance

Polarcus is committed to maintaining high standards of corporate governance and believes that this is critical to its success and long-term growth. The governance structure of Polarcus is designed to ensure sound and efficient decision-making, appropriate to the Company's size and business model, whilst meeting shareholder expectations.

Polarcus adheres to the Norwegian Code of Practice for Corporate Governance (the "Code") (in light of the Company's securities being listed on the Oslo Stock Exchange), Cayman Islands' law and practice, and the Company's Memorandum and Articles of Association.

The Company's corporate governance is implemented through a comprehensive and efficient framework of commitments, procedures, checklists and audits as well as the promotion of a responsible corporate culture throughout the Group. The Company's corporate governance commitments have been developed by the Board of Directors and any amendments, additions or deletions can only be decided by the Board or, in certain cases, by a General Meeting.

A report on Corporate Governance inclusive of internal control in accordance with the Norwegian Accounting Act 3- 3b and details regarding Polarcus' compliance with the Code are provided in the document "Corporate Governance Report for the year 2019," available for download from [www.polarcus.com](http://www.polarcus.com).

The Board has overall responsibility for the governance of Polarcus and for supervising the Company's Executive Management team and business, including regularly reviewing the performance of the CEO. The Board ensures the appropriate organization of the Company and approves plans and budgets. The Board keeps itself informed about the Company's financial situation and ensures that its operations, accounts and asset management are duly controlled. The Board provides leadership in contributing towards and setting the Company's strategic planning.

The Board held 4 physical meetings, 6 phone meetings and executed 4 written resolutions in 2019 (2018: 5, 11 and 4, respectively). The Board also held 4 all day strategy sessions with the Company's management (2018: 1).

The attendance by the various Directors at the Board meetings during 2019 is reflected in the table below:

Board Member	No. of Physical Meetings	No. of Phone Meetings
Mike Mannerling (Chairman of the Board)	4	6
Karen El-Tawil	4	5
Carl-Peter Zickerman	4	6
Erik Mathiesen	4	5
Tom Henning Sletthei	4	6
Nicholas Smith	4	6
Monish Sahni (elected to the Board on 29 April 2019)	3	3

### 8.1. Committees

The Board of Directors has established two Board Committees: the Corporate Governance and Remuneration Committee (the "CGR Committee") and the Audit and Risk Committee (the "A&R Committee").

#### 8.1.1. Corporate Governance and Remuneration Committee

The members of the CGR Committee as at 31 December 2019 were Mrs. Karen El-Tawil (Chair), Mr. Mike Mannerling and Mr. Monish Sahni. In 2019, the CGR Committee held 2 physical meetings and 7 phone meetings. Each member of the CGR Committee holds such position until he/she resigns, is removed by resolution of the Board or otherwise ceases to be a director.

The CGR Committee is mandated to review and update the Company's governance commitments and structure regularly, and to review proposals from Management on the Company's remuneration principles and overall remuneration framework, including provision for short and long-term incentive plans.

#### 8.1.2. Audit and Risk Committee

As at 31 December 2019, the members of the A&R Committee were Mr. Nicholas Smith (Chair), Mr. Erik Mathiesen and Mr. Monish Sahni, with Mr. Mike Mannerling being invited to attend all meetings. In 2019, the A&R Committee held 1 physical meeting and 6 phone meetings.

The A&R Committee is mandated to review regularly the Company's proposals for quarterly accounts and various issues related to the accounts, introduction of new and changes to existing accounting policies, high level supervision of the budget process, to review and evaluate the Company's internal financial controls and on behalf of the Board to liaise with the Company's auditor and monitor the auditor's independence.

#### 8.1.3. Risk management

The A&R Committee is mandated to review Management's processes regularly to mitigate key corporate risks that have been identified (such as operational, financial, compliance and cyber security) and to ensure that appropriate mitigation measures have been implemented.

For the purpose of the Group's internal control and risk management as they relate to financial reporting, the Company has implemented accounting policies and procedures which are actively used to ensure the reliability, consistency and the uniformity of the financial information both in respect of general financial information of the Group and in connection with specific transactions.

During 2019 the A&R Committee focused on ensuring that the Company has appropriate measures in place to mitigate the increasing threat of cyber security incidents. The Company has implemented a range of measures to manage this risk, including the use of cyber security policies and procedures, mandatory training for all employees, security protection tools, ongoing detection and monitoring of threats, and testing of response and recovery procedures.

Demand for the Group's products and services depend on the spending levels of its clients including E&P companies in the oil and gas industry, which historically have been heavily influenced by oil and gas prices. In addition to the risk of lower demand for the Group's products and services, the Group is subject to a number of other risk factors including, but not limited to; the actions of competitors, the attractiveness of technology, changes in government laws and regulations, technical downtime, health and safety performance, availability of licenses and permits, availability of competent crew and personnel, and operational risks which may be affected by external factors such as weather conditions.

Management, with oversight by the A&R Committee and the Board of Directors, has undertaken an assessment of the impact of business risks arising from the depressed oil price and COVID-19 pandemic (refer to section 3 above) and has identified a number of mitigating actions which are being implemented by the Company.

## 9. Outlook

Robust levels of tender activity developed throughout 2019 driven by solid demand from both E&P companies and multi-client companies without vessels. Increases in contract pricing secured in 2019 have been underpinned by tighter supply in the marine seismic acquisition segment.

The sharp decline in oil price in March 2020 and COVID-19, has introduced uncertainty around E&P companies' spending outlook over the short to medium term. A sustained low oil price, caused by a global economic slowdown, could lead to reduced spending levels which could in turn adversely affect the Group's ability to secure backlog at sustainable margins. The Company is carefully monitoring the emerging effects of a prolonged low oil price and is in the process of implementing various mitigating actions to help minimise negative financial consequences. The Company currently expects its earnings in 2020 to be adversely impacted.

The Company will continue to focus on managing its cost base appropriately with cash conservation being a key priority. The Company does not anticipate any significant capital expenditure on streamers until 2022, following which a gradual investment profile is anticipated.

The reshaping of the seismic industry that has occurred, resulting in an increased number of multi-client companies without vessels, provides the opportunity for positive market developments in the future providing there is sustained supply side discipline. The Company remains actively engaged in a number of tender processes and enquires in all geographic regions where Polarcus services its clients: NASA, EAME, APAC.

Following its successful launch during the year, Polarcus Cirrus™ is expected to gain further momentum during 2020 as more E&P clients realize the opportunity of accelerated decision-making to compress the timeline for hydrocarbon production.

Industry-wide focus on the environment continues to sharpen. Polarcus is receiving growing recognition for its Explore Green™ capabilities, a cornerstone of the Company since inception. Polarcus leads the way in the monitoring and improvement of acoustic, gaseous, solid and liquid emissions and expects this to be well-received by stakeholders going forward.

With a young and uniform fleet, and demonstrated operational excellence, Polarcus is well-positioned to continue securing and delivering premium projects.

30 March 2020



Mike Mannering  
Chairman of the Board



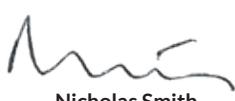
Karen El-Tawil  
Board Member



Carl Peter Zickerman  
Board Member



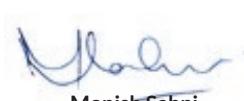
Tom Henning Slethei  
Board Member



Nicholas Smith  
Board Member



Erik Mathiesen  
Board Member



Monish Sahni  
Board Member



Duncan Eley  
CEO

## FORWARD-LOOKING STATEMENTS

This Annual Report contains certain forward-looking statements with respect to principal risks and uncertainties facing the Group. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by those forward-looking statements. No assurances can be given that the forward-looking statements are reasonable as they can be affected by a wide range of variables. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

POLARCUS LIMITED

## **CONSOLIDATED FINANCIAL STATEMENTS**

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2019

## Consolidated Statement of Comprehensive Income

(In thousands of USD)	Notes	Year ended	
		31-Dec-19	31-Dec-18
<b>Revenues</b>			
Contract revenue	6	268,825	182,745
Multi-client revenue	6	14,054	45,358
Other income	7	5,712	798
<b>Total Revenues</b>		<b>288,591</b>	<b>228,901</b>
<b>Operating expenses</b>			
Cost of sales	8	(213,904)	(146,027)
General and administrative costs	9	(13,318)	(14,169)
Onerous contracts		-	(1,160)
Depreciation and amortization	10	(25,886)	(26,647)
Multi-client amortization	11	(11,233)	(51,358)
Impairments		-	(4,878)
<b>Total Operating expenses</b>		<b>(264,341)</b>	<b>(244,240)</b>
<b>Operating profit/(loss)</b>		<b>24,250</b>	<b>(15,338)</b>
Finance costs	12	(34,217)	(33,478)
Finance income	13	1,013	1,842
Changes in fair value of financial instruments		-	479
Gain on financial restructuring		-	14,517
		<b>(33,204)</b>	<b>(16,641)</b>
<b>Profit/(loss) before tax</b>		<b>(8,954)</b>	<b>(31,979)</b>
Income tax expense	14	(1,080)	191
<b>Net profit/(loss) and total comprehensive income/(loss)</b>		<b>(10,034)</b>	<b>(31,788)</b>
<b>Earnings per share attributable to the equity holders during the period</b>			
<i>(In USD)</i>			
- Basic	15	(0.020)	(0.071)
- Diluted	15	(0.020)	(0.071)

## Consolidated Statement of Financial Position

(In thousands of USD)	Notes	31-Dec-19	31-Dec-18
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	16	363,335	369,629
Multi-client project library	11	7,030	12,160
Right-of-use assets	25	1,572	-
Intangible assets		290	-
<b>Total Non-current Assets</b>		<b>372,227</b>	<b>381,789</b>
<b>Current Assets</b>			
Receivable from customers	3	32,078	39,583
Other current assets	17	17,926	13,132
Restricted cash	18	1,235	1,153
Cash and bank	19	35,234	30,005
<b>Total Current Assets</b>		<b>86,473</b>	<b>83,873</b>
<b>Total Assets</b>		<b>458,700</b>	<b>465,662</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued share capital	20	51,379	51,379
Share premium	20	635,906	635,906
Other reserves	21	25,369	25,961
Retained earnings/(loss)		(644,097)	(634,955)
<b>Total Equity</b>		<b>68,557</b>	<b>78,291</b>
<b>Non-current Liabilities</b>			
Interest bearing debt	22	326,244	325,500
Lease liabilities	25	532	-
<b>Total Non-current Liabilities</b>		<b>326,776</b>	<b>325,500</b>
<b>Current Liabilities</b>			
Interest bearing debt	22	10,600	10,600
Lease liabilities	25	860	-
Provisions		-	1,160
Accounts payable		14,771	21,417
Other accruals and payables	23	37,136	28,694
<b>Total Current Liabilities</b>		<b>63,367</b>	<b>61,871</b>
<b>Total Equity and Liabilities</b>		<b>458,700</b>	<b>465,662</b>

## Consolidated Statement of Cash Flows

(In thousands of USD)	Notes	31-Dec-19	Year ended 31-Dec-18
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period before income tax		(8,954)	(31,979)
<b>Adjustment for:</b>			
Depreciation and amortization	10	25,886	26,647
Multi-client amortization	11	11,233	51,358
Impairments		-	4,878
Gain on sale of assets	7	(1,117)	-
Changes in fair value of financial instruments		-	(479)
Employee share option expenses	20	300	589
Interest expense	12	33,542	31,660
Interest income	13	(370)	(397)
Income tax paid	14	(30)	(106)
Gain on financial restructuring		-	(14,517)
Gain on termination of vessel operating lease		-	(13,907)
Effect of currency (gain)/loss		133	281
Net movements in provisions	8	(1,160)	(4,329)
Net working capital movements		1,440	(38,374)
<b>Net cash flows from operating activities</b>		<b>60,903</b>	<b>11,327</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(16,727)	(82,184)
Payments for multi-client library	11	(6,071)	(18,667)
Payments for intangible assets		(290)	-
Proceeds from sale of multi-client library	11	1,400	6,500
<b>Net cash flows from/(used in) investing activities</b>		<b>(21,688)</b>	<b>(94,351)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares		-	43,021
Transaction costs on issue of shares		-	(1,719)
Net receipt from bank loans		-	82,672
Repayment of interest bearing debt	22	(14,000)	(15,475)
Lease liabilities paid	25	(930)	-
Interest paid	22, 25	(18,311)	(16,785)
Financial restructuring fees paid		-	(3,856)
Other finance costs paid		(970)	(1,149)
Decrease/(Increase) in restricted cash		(82)	6,664
Security deposit related to currency swaps		-	1,370
Paid towards liability under currency swaps		-	(7,672)
Interest received	13	370	397
<b>Net cash flows from/(used in) financing activities</b>		<b>(33,923)</b>	<b>87,468</b>
Effect of foreign currency revaluation on cash		(63)	(286)
<b>Net increase in cash and cash equivalents</b>		<b>5,229</b>	<b>4,159</b>
Cash and cash equivalents at the beginning of the period		30,005	25,846
<b>Cash and cash equivalents at the end of the period</b>		<b>35,234</b>	<b>30,005</b>

## Consolidated Statement of Changes in Equity

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
<b>Balance as at 1 January 2019</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(634,955)</b>	<b>78,291</b>
Total comprehensive income for the period	-	-	-	-	(10,034)	(10,034)
Employee share based incentives	-	-	-	300	-	300
Other movements*	-	-	-	(892)	892	-
<b>Balance as at 31 December 2019</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,369</b>	<b>(644,097)</b>	<b>68,557</b>

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

For the year ended 31 December 2018

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/ (Loss)	Total Equity
<b>Balance as at 31 December 2017</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>24,411</b>	<b>(609,228)</b>	<b>44,719</b>
Other movements*	-	-	-	-	6,061	6,061
<b>Balance as at 1 January 2018</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>24,411</b>	<b>(603,167)</b>	<b>50,780</b>
Total comprehensive loss for the year	-	-	-	-	(31,788)	(31,788)
Employee stock options	-	-	-	589	-	589
Warrants issued	-	-	-	960	-	960
<b>Issue of share capital</b>						
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	-	-	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	-	-	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231	3,077	2,065			5,142
Transaction costs on issue of shares	-	-	(1,719)	-	-	(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(634,955)</b>	<b>78,291</b>

\*Other movements represent the effect of adopting IFRS-15 using modified retrospective approach effective 1 January 2018. Refer to Note 2.3.1 for details

# Notes to the Consolidated Financial Statements

## 1 General information

The consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together referred to as the "Group" or "Polarcus") for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 30 March 2020. All information in the notes relate to the Group, not the Company unless otherwise stated.

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 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 consolidated financial statements for the year ended 31 December 2019 have been 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 or deferrals of project awards. The Group's ability to continue as a going concern is dependent upon it securing suitable backlog.

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 after 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 28 *Subsequent events*).

As measured at the end of March 2020, the Group's total backlog is estimated to be USD 134 million. The Company remains in compliance with all its financial covenants.

#### 1.1.1 Financial covenants

The Group is subject to below financial covenants as part of its financing arrangements:

- Minimum liquidity reserve of USD 10 million
- Minimum working capital as positive at all times

The Group was in compliance with the above covenants as at 31 December 2019.

## 2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. They have all been applied consistently throughout the year.

### 2.1 Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies below. The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (USD 000) except where otherwise indicated.

## 2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## 2.3 Changes in accounting policies

### 2.3.1 New and amended accounting standards and interpretations

The Group applied certain accounting standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new standards, amendments and interpretations that are relevant for the Group as adopted effective 1 January 2019 are listed below:

#### **IFRS 16 Leases**

The Group adopted IFRS 16 *Leases* using the modified retrospective method with the date of initial application of 1 January 2019. The prior year figures have not been adjusted.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the lessee's Statement of Financial Position, unless the term is 12 months or less or the lease is for a low-value asset. For each lease, the lessee recognizes a liability for lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized (which is generally equivalent to the present value of the future lease payments plus directly attributable costs) and amortized over the useful life (usually the lease period).

The Group elected to use the transition-practical expedient allowing the new standard to be applied only to contracts that were previously identified as leases at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value.

On 1 January 2019 the Group recognized a Right-of-use asset of USD 2.5 million and corresponding lease liability of USD 2.3 million. The difference between the Right-of-use asset and the lease liability represents the prepaid lease amounts. These amounts represent the lease commitments for the satellite services onboard the Group's vessels and the lease arrangements for its two different office premises. The future payments under each lease arrangement have been discounted using the incremental borrowing rate applicable to the leased assets in order to calculate the lease liability recognized on the date of adoption.

Also refer to Note 25.1 *Group as a lessee*.

## 2.4 Consolidation

### 2.4.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

### 2.4.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. Joint arrangements are classified into one of two types, joint operations and joint ventures. The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. The Group assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

#### **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

For its interest in a joint operation, the Group recognises its share of assets held and liabilities incurred jointly and its share of revenue and expenses arising from the joint operation. The Group's share of assets, liabilities, revenues and expenses relating to its interest in a joint operation are accounted for in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Group enters into a transaction with a joint operation in which the Group is a joint operator, such transactions are considered as conducted with other parties to the joint operation. Accordingly, the Group recognises the gain or losses resulting from such transactions only to the extent of other parties' interests in the joint operation.

## **Joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. One of the main differences between the Group's joint operations and joint ventures is that the Group's share of joint ventures is an investment in the share capital of a separate legal entity, whereas a joint operation is not a separate legal entity.

The Group recognizes its interest in joint ventures using the equity method. Under the equity method, the investment in the joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture since the acquisition date. The income statement reflects the Group's share of the results of operations of the joint venture. When there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture. The Group's share of profit or loss of a joint venture is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. The joint venture uses the same accounting policies as the Group.

After application of the equity method, the Group determines whether there is any objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group compares the recoverable amount of the joint venture to its carrying value in order to assess whether there is an impairment.

Upon loss of influence over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the Group's income statement.

## **2.5 Foreign currency translation**

### **2.5.1 Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in USD, (the presentation currency). The parent and all the subsidiaries have USD as their functional currency.

### **2.5.2 Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities such as equity instruments held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

## **2.6 Revenue recognition**

The Group is in the business of providing marine seismic data acquisition services to the customers. Revenue from contracts with customers is recognised as the exchange for the performance obligation under each contract which is satisfied by transferring the promised goods and/or services to the customers. Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is presented net of discounts, rebates, returns and sales taxes or duty. The Group defers the unearned component of payments received from customers for which the revenue recognition requirements have not been met.

The Group's revenue recognition policy on different types of revenue is described below:

### **2.6.1 Proprietary sales/contract sales**

The Group performs seismic services under contract for a specific customer, whereby the seismic data is owned by that customer. The Group recognizes the revenue from proprietary contract sales as the services under the contract are performed on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied. Any fees paid to the Group on mobilising to or demobilising from a proprietary project are considered as part of the total revenue for that project, hence included in the revenue recognised over the term of such project. Any amount collected from the customers for which the revenue recognition criteria have not been met during the period reported, is recognized as a contract liability in the consolidated statement of financial position.

## 2.6.2 Revenue from Multi-client projects

### Pre-funding

Revenue secured prior to the completion of data processing and receipt of all deliverables of a multi-client project is referred to as pre-funding revenue. Effective 1 January 2018, post adoption of IFRS 15 *Revenue from Contracts with Customers*, pre-funding revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data). All pre-funding revenue collected from the customers till the project completion is recognized as a liability in the Group's consolidated statement of financial position (i.e. contract liability as per IFRS-15).

### Late sales

Revenue secured after completion of all data processing and receipt of all deliverables of a multi-client project is referred to as late sales. The Group grants a license to a customer, which entitles the customer to have access to a specifically defined portion of the multi-client project library. The customer's license payment is fixed and determinable and typically is required at the time that the license is granted. The Group recognizes revenue for late sales when the customer executes a valid license agreement and has received the underlying data or has the right to access the licensed portion of the data and collection is reasonably assured.

## 2.6.3 Other income

Bareboat charter revenue is recognized in line with the contractual day rate for charter party hire of the Group's vessels. Revenue for management fees is recognized as the services are performed and at the contractual day rate. Revenue from other services is recognized as the services are performed, provided all recognition criteria are satisfied. Revenue from other sources, such as insurance income, is recognized when receipt of the revenue is probable and the amount can be measured reliably.

## 2.7 Property, plant and equipment

Property, Plant and Equipment is recorded at cost less accumulated depreciation and impairment charges. Cost includes expenditure that is directly attributable to the acquisition, construction or installation of the items, including borrowing costs capitalized according to the Group's policy which is described further below.

### 2.7.1 Useful life and depreciation

Depreciation is calculated on a straight-line basis over the useful life of the asset once the asset is ready for use. The estimated useful life of major assets is as follows:

Seismic vessels	30 Years
Streamers	8 Years
Other seismic equipment	3-30 Years
Maritime equipment	5-30 Years
Furniture and fixtures	3-5 Years
Office IT equipment	3-5 Years

Each component of a vessel with a cost significant to the total cost is separately identified and depreciated on a straight-line basis over that component's useful life, less residual value. Subsequent expenditures and major renovations and inspections are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. Drydocking and classification costs for vessels are capitalized and depreciated over the period until the next expected dry-docking.

The assets' residual values and useful lives are reviewed at least annually and subsequently adjusted if appropriate. Adjustments, where applicable, are made on a prospective basis. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are presented net in the income statement.

## 2.8 Multi-client projects library

The multi-client projects library comprises seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client projects library, including transit costs (moving a vessel from one location to another) and borrowing costs, when capitalization criteria are met. A multi-client project is valued at cost less accumulated amortization, or at recoverable amount, if lower. The Group reviews the multi-client projects library for potential impairment at each reporting date.

Once a multi-client project is completed, straight-line amortization is applied on a monthly basis from the first day of the month following completion of processing. The straight-line amortization period can be a maximum of four years, and will either be 12, 24, 36 or 48 months. The straight-line amortization period is determined based on the expected timing of future late sales and shall be adjusted based on the

changes in estimates. No amortization is charged during the prefunding stage (i.e. before project completion). In case of multi-client projects with limited or no late sales potential, 100% of the carrying value is amortized at project completion (i.e. at the same time of recognizing the prefunding revenue).

## 2.9 Leases

### 2.9.1 Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.17 *Impairment of non-financial assets*.

The Group has applied the practical expedient available under IFRS 16 that permits lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

### 2.9.2 Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

## 2.10 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except for borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of that asset.

## 2.11 Transit costs

Transit costs are costs related to moving a vessel from one location to another, such as those incurred between completion of one seismic acquisition project and the start of the next project. Transit costs are capitalized when it is probable that future economic inflows from the project(s) to which the vessel transits are sufficient to recover the costs of transit. If the project(s) is not able to recover all of the costs which could be capitalized or deferred, only the costs that are recoverable are capitalized or deferred. The transit costs related to multi-client projects are capitalized as part of the multi-client projects library. Transit costs to proprietary projects are deferred and expensed as performance obligations are fulfilled.

## 2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Cash and cash equivalents that are restricted for the Group's use are disclosed separately in the statement of financial position and are classified as current or non-current depending on the nature of the restrictions.

## 2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

## 2.14 Employee benefits

### 2.14.1 Pension plan

The Group has a retirement savings ('pension') plan for the majority of its employees, under which the Group on a monthly basis contributes a minimum of between 4% and 8% of an employee's base salary to the plan. No mandatory contribution is required from the employees. The amount contributed to the plan is ring-fenced in favour of the employees through a trust. The vesting period of the fund is 5 years and each applicable employee is enrolled into the scheme at the end of his/her probation period. The employees have an option to contribute their own funds to the scheme and the Group matches such contributions with an additional maximum 2% employer contribution. The Group also operates defined contribution pension schemes in the UK and USA for local employees. The Group recognizes such pension costs in line with salaries.

For employees in the UAE who are not enrolled in any of the pension plans described above, the Group recognizes a provision for end of service benefits which are payable to qualifying employees upon cessation of employment. The only obligation of the Group with respect to end of service benefits is to make the specified lump-sum payments to employees, which become payable when they leave the Group for reasons other than gross misconduct. The amount payable is calculated as a multiple of a pre-defined fraction of basic salary based on the number of years of service. The provision relating to end of service benefits has not been subject to a full actuarial valuation or discounted as the impact would not be material.

### 2.14.2 Share-based compensation

The Group has different share option plans and two share based long-term employee incentive plans. The fair value of the employee services received in exchange for the share options and share units is recognized as an expense over the vesting period.

The fair value of the share options is estimated by a tree implementation of the Black Scholes formula for the pricing of equity call options. The inputs to the valuation model include expected dividend yield for the Company's shares, expected volatility, risk-free market interest rate and expected life of the options. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The share units under the long-term incentive plans are measured at the grant date using the current market value, further adjusted for estimated employee turnover rate and estimated success rate of performance criteria associated with the vesting conditions of the share units.

## 2.15 Derivative financial instruments and hedging

The Group may use derivative financial instruments to reduce risk exposure related to fluctuations in foreign currency rates and interest rates. Such derivative financial instruments are initially recognized in the consolidated balance sheet at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and any ineffective hedges are taken directly to the income statement. The Group did not apply hedge accounting to any derivative financial instruments in 2019 or 2018.

## 2.16 Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes party to the contractual obligations of the instrument and are initially recognized at fair value, except trade receivables that are measured at transaction price if the trade receivables do not contain a significant financing component. Subsequent to initial measurement, financial assets and liabilities are classified as per below.

### 2.16.1 Financial assets and liabilities measured at fair value through profit or loss

This includes the financial assets and liabilities measured at fair value upon initial recognition with change in fair value recognized through the consolidated income statement. Subsequent to initial recognition, financial assets and liabilities in this category are measured at fair value at the end of each reporting period with unrealized gains and losses being recognized through profit or loss.

As at 31 December 2019 the Group does not have any financial liabilities that are measured at fair value through profit or loss.

### 2.16.2 Financial assets and liabilities measured at amortized cost

This category is the most relevant for the Group and includes trade receivables, certain loans and borrowings, and other non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted in an active market. Financial assets and liabilities in this category are initially recognized at fair value, net of directly attributable transaction costs. After initial measurement financial assets and liabilities in this category are subsequently carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. The EIR amortization is included in finance income for receivables and finance cost for borrowings. Losses arising from impairment of accounts receivable are recognized in operating expenses.

## Convertible bonds

Convertible bonds are separated into a debt liability and an equity component based on the terms of the contract. On issuance of the convertible bonds, the fair value of the debt liability excluding conversion option is measured at the fair value of expected cash flows at inception and is recorded under non-current liabilities in the balance sheet. The debt liability component is amortized to the redemption value over the bond life, accruing interest at the effective rate. The rest of the convertible bond issue proceeds are recorded as equity.

Transaction costs are apportioned between the debt liability and equity components of the convertible bonds based on the allocation of the proceeds of the debt liability and equity components when the instruments are initially recognized.

### 2.16.3 Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

### 2.17 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or Cash Generating Unit's (CGU) recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An asset's or CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. When the carrying amount of an asset does not yet include all the cash outflows to be incurred before it is ready for use or sale, the estimate of future cash outflows includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use or sale.

### 2.18 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For diluted earnings per share, diluted potential ordinary shares are determined independently for each period presented. When the number of ordinary shares outstanding changes (e.g. share split) the weighted average number of ordinary shares outstanding during all periods presented is adjusted retrospectively.

### 2.19 Consolidated statement of cash flows

The Group's consolidated statement of cash flows is prepared using the indirect method. Cash flows from operating activities are incorporated as a part of the cash flow statement and the cash flows are divided into operating activities, investing activities and financing activities. In the cash flow statement the net profit is adjusted for non-cash items, such as depreciation and non-cash movements in accounts payable and receivables. Any cash flows that have been recorded as part of the net profit but which are investing or financing in nature are removed from operating cash flows and presented as part of investing or financing cash flows.

### 2.20 Taxation

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 3 Financial risk

### 3.1 Financial risk management

The Group's principal financial liabilities are loans and borrowings, and trade and other payables. The main purpose of the loans and borrowings is to finance the Group's investments in property, plant and equipment, plus provide support for its operations. The Group's principal financial assets are trade and other receivables, and cash and bank deposits, which are mainly derived directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and the risk management program focuses on minimizing potential adverse effects on the Group's financial performance and position. The Group does not undertake any speculative trading in derivatives.

### 3.1.1 Financial market risk

Financial market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The main market price risks that the Group is exposed to are interest rate risk and foreign currency risk.

#### Foreign currency risk

The Group's financial assets and liabilities that are exposed to the risk of changes in foreign exchange rates relates primarily to the following:

(In thousands of USD)	31-Dec-19	31-Dec-18
<b>Financial assets</b>		
<b>Cash and bank</b>		
Brazilian Reals	344	566
GBP	202	204
EUR	169	197
NOK	90	191
Other foreign currencies (total of 10 different currencies)	640	652
<b>Total cash and bank denominated in foreign currencies</b>	<b>1,445</b>	<b>1,810</b>
<b>Cash and bank denominated in USD</b>	<b>33,789</b>	<b>28,195</b>
Restricted cash denominated in Brazilian Reals	1,098	1,096
Restricted cash denominated in USD	137	57
<b>Receivable from customers</b>		
Denominated in foreign currencies	-	23
Denominated in USD	32,078	39,560
<b>Financial liabilities</b>		
NOK	3,019	1,877
<b>Total loans and borrowings denominated in foreign currencies</b>	<b>3,019</b>	<b>1,877</b>
<b>Loans and borrowings denominated in USD</b>	<b>333,825</b>	<b>334,222</b>

As at 31 December 2019, approximately 4% (USD 2.5 million) of the Group's total financial assets are denominated in foreign currencies (4% or USD 2.9 million at 31 December 2018). This mainly represents the Group's deposit with banks denominated in foreign currencies. Any reasonably possible change in the exchange rate between these currencies and USD, with all other variables held constant, is not expected to have any material impact on the Group's profit before tax.

As at 31 December 2019, approximately 1% of the Group's loans and borrowings are held in NOK. All other loans and borrowing are denominated in USD. Any reasonably possible change in the exchange rate between NOK and USD, with all other variables held constant, is not expected to have any material impact on the Group's profit before tax.

In addition to the above financial assets and liabilities, the Group had some other current financial assets and accounts payable denominated in foreign currencies at 31 December 2019 that are under standard credit terms. Due to the short-term nature of these financial assets and liabilities, the foreign currency risk is considered low.

The Group's activities are global and the foreign currency risk related to its operating activities may change from year-to-year depending on the different jurisdictions the Group operates in. In general, most of the operating revenues and costs are denominated in USD.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

(In thousands of USD)	31-Dec-19	31-Dec-18
Total interest bearing debt	336,844	336,100
Interest bearing debt with variable interest rates	133,037	121,750
% of interest bearing debt with variable interest rates	39%	36%

A hypothetical increase of LIBOR by one percentage point would increase the Group's interest expense on its debt with variable interest rates by approximately USD 1.6 million as measured at 31 December 2019.

The effective interest rate and maturity of the Group's loans and borrowings are as follows:

(In thousands of USD)	Weighted average effective interest rate (%)	Maturity	Carrying value	
			31-Dec-19	31-Dec-18
125M USD convertible bonds - Tranche A	4.10%	Jul-22	21,821	20,047
125M USD convertible bonds - Tranche B	5.00%	Jan-25	1,394	730
95M USD unsecured bonds	5.00%	Jan-25	4,626	2,916
NOK 350 million unsecured bond	5.00%	Jan-25	3,019	1,877
Fleet Bank Facility Tranche 1	6.02%	Aug-22	40,105	39,290
Fleet Bank Facility Tranche 2	4.63%	Mar-23	33,157	36,085
Fleet Bank Facility Tranche 3	5.50%	Mar-24	74,612	78,003
Fleet Bank Facility Tranche 4	4.81%	Jun-24	80,284	78,282
New Fleet Facility	4.74%	Dec-24	72,160	71,210
Swap facility	6.44%	Jun-21	5,666	7,660
<b>Total interest bearing debt</b>			<b>336,844</b>	<b>336,100</b>

The principal amounts outstanding under the Group's loans and borrowings listed above are higher than the carrying values. For total principal outstanding under the loans and borrowings, refer to Note 22 *Interest bearing debt*.

### 3.1.2 Credit risk

The Group is exposed to credit risk from its operating activities, primarily its receivable from customers, advance payments made to suppliers and from its cash and cash equivalents deposited with banks.

The Group provides its services only to recognized clients who are primarily multinational oil and gas companies, including companies owned in whole or in part by governments. All customers who wish to trade on credit terms are subject to the Group's credit verification procedures.

For banks and financial institutions, only independently rated parties with a minimum rating of investment grade or higher are accepted by the Group. Credit risk from balances with banks and financial institutions is managed by the Group's senior management.

The Group's maximum exposure to credit risk for the components of the statement of financial position is as follows:

(In thousands of USD)	31-Dec-19	31-Dec-18
<b>Receivable from customers</b>		
Receivable from customers	32,478	39,983
Provision for bad debts	(400)	(400)
Net receivable from customers	<b>32,078</b>	<b>39,583</b>
Cash and short-term deposits with banks	36,469	31,158
<b>Total</b>	<b>68,547</b>	<b>70,741</b>

The Group's receivable from customers as at 31 December 2019 were owed by a total of 15 different customers (2018: 13 customers) and two of these customers owed more than USD 5 million (2018: 4 customers), accounting for 70% (2018: 89%) of the total receivables from customers. USD 8.2 million of the net receivable from customers were overdue as at 31 December 2019 (2018: USD 8.6 million). The majority of balances due from customers were collected post year end. As at 31 December 2019, the Group has provided for USD 0.4 million as doubtful debt towards a part of the overdue amounts receivable from one customer (2018: USD 0.4 million).

### 3.1.3 Liquidity risk

The objective of the Group's liquidity risk management is to maintain sufficient cash and have access to funding through an adequate amount of committed credit facilities. The senior management monitors the risk of shortage of funds using both short-term and long-term cash flow forecasts and other business planning tools.

The following table shows the maturity profile of the Group's financial liabilities based on contractual payment terms. The amounts disclosed in the table are undiscounted cash flows. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In thousands of USD)	<1 year	1-2 years	2-5 years	>5 years	Total
Repayment of Fleet bank facility	4,000	4,000	233,058	-	241,058
Interest payments for fleet bank facility	11,270	11,089	19,548	-	41,907
Repayment of New fleet facility	-	-	76,742	-	76,742
Interest payments for New fleet facility	3,060	2,975	7,907	-	13,942
Repayment of Swaps facility	3,000	2,672	-	-	5,672
Interest payments for Swaps facility	271	88	-	-	359
Repayment of bond loans	2,300	-	60,292	27,532	90,124
Interest payments of bond loans	2,820	2,197	1,493	-	6,510
Accounts payable	14,771	-	-	-	14,771
Other payables	40,135	-	-	-	40,135
<b>Total as at 31 December 2019</b>	<b>81,627</b>	<b>23,021</b>	<b>399,040</b>	<b>27,532</b>	<b>531,220</b>
Total as at 31 December 2018	78,090	23,072	236,871	216,980	555,013

(In thousands of USD)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Repayment of Fleet bank facility	1,000	1,000	1,000	1,000	4,000
Interest payments for fleet bank facility	3,227	2,570	3,003	2,472	11,272
Repayment of New fleet facility	-	-	-	-	-
Interest payments for New fleet facility	1,295	330	1,147	287	3,059
Repayment of Swaps facility	-	3,000	-	-	3,000
Interest payments for Swaps facility	85	96	45	45	271
Repayment of bond loans	1,150	1,150	-	-	2,300
Interest payments of bond loans	870	854	547	549	2,820
Accounts payable	14,771	-	-	-	14,771
Other payables	40,135	-	-	-	40,135
<b>Total as at 31 December 2019</b>	<b>62,533</b>	<b>9,000</b>	<b>5,742</b>	<b>4,353</b>	<b>81,628</b>
Total as at 31 December 2018	57,260	7,971	7,124	5,734	78,090

The contractual payments in the above maturity table assume that Group will not exercise the call options available for the bond loans. Also refer to Note 22.1 *Bond loans*.

## 3.2 Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to maximise shareholder value. In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its loans and borrowings. The Company is subject to dividend restrictions under some of its financing arrangements.

The Group considers both share capital and net interest bearing debt as relevant components of funding, and hence, part of its capital management. The Group aims to have funding at a level appropriate to its objectives, strategy and risk profile. The Group monitors its capital structure on the basis of total equity to total assets ratio. As at 31 December 2019 the Group had a book equity ratio of 15% (2018: 17%).

The covenants under some of the financing arrangements as at 31 December 2019 require the Group to maintain a minimum liquidity reserve of USD 10 million and a positive working capital at all times. Senior management monitors performance against the covenants to ensure that the Group is in compliance with these requirements.

The Group calculates its net interest bearing debt as its total loans and borrowings less free cash and any restricted cash balances relating to loans and borrowings. The Group's net interest bearing debt at 31 December 2019 was USD 301.5 million (2018: USD 306.1 million).

As at 31 December 2019, the Group had an undrawn working capital facility ("WCF") of USD 40 million (2018: USD 40 million) with a maturity date of 30 June 2022. The WCF is in place to provide a buffer in the event the Group needs to increase its working capital liquidity. The WCF is not expected to be used as part of the Group's long-term capital strategy.

## 4 Critical accounting estimates, assumptions and judgements

The preparation of the Group's consolidated financial statements requires the Group to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities in future periods.

### Judgments

In the process of applying the Group's accounting policies, the Group must sometimes make judgments which may have a significant impact on the amounts recognized in the consolidated financial statements. The following key judgements made by the Group had a significant impact on the financial statements.

#### Revenue from contracts with customers

IFRS 15 requires the Group to make judgements while identifying the deliverables under each contract with its customers, determining and allocating the transaction price to each deliverable for the purpose of recognizing revenue from the contracts with customers.

The Group recognizes the revenue from proprietary contract sales as the services under the contract that are performed on a proportionate performance basis over the term of each contract. Progress is measured in a manner generally consistent with the physical progress of the project, and revenue is recognized based on the ratio of the project's progress to date, provided that all other revenue recognition criteria are satisfied. Any fees paid to the Group on mobilising to or demobilising from a proprietary project are considered as part of the total revenue for that project, hence included in the revenue recognised over the term of such project.

For multi-client projects, the Group's performance obligation under the contract with customer is considered as satisfied and revenue is recognized only when a multi-client project is completed and at the point in time when the customer receives the fully processed data (or receives access to such fully processed data).

#### Lease arrangements – Group as a lessor

As at 31 December 2019 the Group had two vessels, *Vyacheslav Tikhonov* and *Ivan Gubkin*, chartered out under two separate Bareboat Charter Party Agreements (BBCPs). Subject to options to extend, the lease period for *Vyacheslav Tikhonov* will expire in May 2020 and lease period for *Ivan Gubkin* will expire in October 2022. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of these vessels and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vessels, that it retains all the significant risks and rewards of ownership of these vessels and accounts for these BBCPs as operating leases.

### Estimates and assumptions

Certain amounts included in or affecting the financial statements and related disclosure must be estimated, requiring the Group to make assumptions with respect to values or conditions which cannot be known with certainty at the time when the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the Group's financial condition and results and requires the Group's most difficult, subjective or complex estimates, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The Group evaluates such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods considered reasonable in particular circumstances, as well as forecasts as to how these might change in the future.

The following is a summary of estimates that could have a material effect on the Group's financial statements.

#### 4.1 Assessment of impairment

##### 4.1.1 Impairment assessment of vessels and seismic equipment

The Group undertook a full impairment review of its fixed assets as at 31 December 2019. The resulting recoverable amounts for each CGU was higher than their respective carrying values. Therefore, no impairment charge was recognised as at 31 December 2019. The total carrying value of the Group's seismic vessels and equipment was USD 363.0 million as at 31 December 2019 (refer to Note 16 *Property, plant and equipment*).

For impairment testing, the assets are separated into four CGUs, being;

- i) Core Fleet Vessels (consisting of *Polarcus Adira*, *Polarcus Alima*, *Polarcus Asima* and *Polarcus Naila*),
- ii) *Vyacheslav Tikhonov*
- iii) *Ivan Gubkin* and
- iv) *Polarcus Nadia*

As summarized in the table below, the impairment assessment, based on the Value in Use (VIU) method for the different CGUs, did not result in any impairment charges:

(in USD millions)	Core Fleet Vessels	Vyacheslav Tikhonov	Ivan Gubkin	Polarcus Nadia
VIUs (i.e. Net Present Value of future cashflows)	314.6	79.9	90.8	31.2
Carrying value as at 31 December 2019	235.0	54.9	56.1	17.0
<b>Headroom available</b>	<b>79.6</b>	<b>25.0</b>	<b>34.7</b>	<b>14.2</b>

The Group used VIU method for the impairment test as the alternative method, FVLCD (Fair Value Less Costs of Disposal) is not considered defendable on a standalone basis in the current market which has insufficient observable transactions for similar assets.

The assumptions used in the forecast cash flows are based on externally available information, where possible, and historically achieved rates and amounts. Where such historical or external data is not available or is limited, then the assumptions are also based on the Group's expectations about the future.

The VIU test involves estimates about key assumptions used such as future revenue per day, operating expenses per day and expected utilization levels for Group's vessels. The VIU tests are based on a scenario analysis method, whereby three reasonably possible scenarios are employed, all three equally weighted. The first scenario is based on the Group's best forecast, the second scenario on the Group's historically achieved margins and a third scenario that is between the other two used and whereby the revenue day rate is based upon the industry achieved average day rate.

A discount rate of 11.4% has been used in the VIU calculations, consistent with the discount rate used for the impairment assessment performed at the end of 2018. Management believes this is a prudent approach following an updated discount rate calculation based on the Group's weighted average cost of capital as derived using the capital asset pricing method, which indicates a discount rate of 10.8%.

### Sensitivity of VIU test

The VIU calculation is based on the net present value of future cash flows the Group expects to generate using the assets in their current condition. The calculation requires the Group to make assumptions in the VIU test about the future earnings that the Group will generate from using the assets. These forecasts are uncertain as they require assumptions about the demand for the Group's products and services, future market conditions and future technological developments. The outcome of the VIU calculation is highly sensitive to relatively small changes in those assumptions.

The table below shows the sensitivity of the VIU of different CGUs to each of the changes listed below, all other assumptions held constant:

(in USD millions)	Core Fleet Vessels	Vyacheslav Tikhonov	Ivan Gubkin	Polarcus Nadia
USD 5k change in revenue day-rate from year 2025	+/- USD 10m	+/- USD 5m	+/- USD 4m	+/- USD 2m
1% change in forecast utilization across all years	+/- USD 20m	+/- USD 5m	+/- USD 2m	+/- USD 3m
Changing the discount rate to 10.8% (from 11.4%)	+ USD 15m	+ USD 3m	+ USD 4m	+ USD 3m

Despite the headroom available based on the impairment assessment, the Group does not consider it prudent to reverse any of the past impairments in 2019 or earlier due to the sensitivities of impairment assessment to the changes in assumptions used. Also, a large portion of the value in use of the vessels is derived from the later years (year 5 onwards) rather than in the earlier years. Therefore, the Group considers that it is prudent to wait for further evidence of significantly favourable longer term changes in the underlying assumptions and market conditions to support any reversal of past impairments.

#### 4.1.2 Impairment assessment of multi-client projects library

As at 31 December 2019, the Group performed an impairment test on the carrying value of its multi-client project libraries on a project-by-project basis using the VIU method. The VIU calculation involves estimating all future cash inflows and outflows of a project and discounting those cash flows to net present value (NPV). Where the NPV is less than the carrying value of the project then an impairment charge is recognized. The VIU test as at 31 December 2019 did not indicate any impairment on the Group's multi-client projects library.

USD 6.4 million of the total carrying value of the Group's multi-client project library as at 31 December 2019 (USD 7.0 million) represents a new multi-client project in Australia for which the Group started acquiring data during Q4 2019 and is in progress as at year end. The secured pre-funding revenue supports the carrying value of this project as at 31 December 2019.

The remaining USD 0.6 million of the carrying value of multi-client project library as at 31 December 2019 represents a completed multi-client project that has been amortized on straight-line basis and will be fully amortized by the end of Q1 2020.

#### 4.2 Amortization of multi-client projects

Once a multi-client project is completed, the Group applies a straight-line amortization on a monthly basis from the first day of the month following completion of processing. The straight-line amortization is applied for a maximum of four years, depending on the expected late sales revenue profile. For example, if most of the future revenue is expected to fall within the first two years from the completion of the

project, then the amortization period is set as two years. In case of multi-client projects with low late sales potential, 100% of the carrying value is amortized at project completion (i.e. at the same time of recognizing the prefunding revenue).

As at 31 December 2019 the Group has one multi-client project that is being amortized on straight-line basis and will be written down to zero carrying value by the end of Q1 2020.

## 5 Segment information

The chief operating decision maker of the Group reviews all activities of the Group as one segment, adjusted for non-recurring items and for the impact of adopting IFRS 15. 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 Group, 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 Group would have recognized if the Group had followed the accounting policies that were in place prior to the adoption of IFRS 15. Non-recurring items are excluded from the Segment information in order to compare the performance with the prior periods. The segment information for comparative periods are adjusted to eliminate non-recurring items.

(In thousands of USD)	Year ended 31-Dec-19			Year ended 31-Dec-18		
	Segment	Adjustments <sup>1</sup>	As reported	Segment	Adjustments <sup>2</sup>	As reported
<b>Revenues</b>						
Contract revenue	268,825	-	268,825	182,746	-	182,746
Multi-client prefunding	10,181	(2,020)	8,161	14,080	26,743	40,823
Multi-client late sales	5,893	-	5,893	4,535	-	4,535
Other income (Note 7)	5,712	-	5,712	798	-	798
<b>Total Revenues</b>	<b>290,611</b>	<b>(2,020)</b>	<b>288,591</b>	<b>202,159</b>	<b>26,743</b>	<b>228,901</b>
Cost of sales	(213,904)	-	(213,904)	(159,934)	13,907	(146,027)
General and administrative costs	(13,318)		(13,318)	(13,115)	(1,054)	(14,169)
Onerous contracts	-	-	-	-	(1,160)	(1,160)
<b>EBITDA</b>	<b>63,389</b>	<b>(2,020)</b>	<b>61,369</b>	<b>29,110</b>	<b>38,434</b>	<b>67,545</b>
Depreciation and amortization	(25,886)	-	(25,886)	(26,647)	-	(26,647)
Multi-client amortization	(9,457)	(1,776)	(11,233)	(22,268)	(29,090)	(51,358)
Impairments	-	-	-	-	(4,878)	(4,878)
<b>Operating profit/(loss) (EBIT)</b>	<b>28,046</b>	<b>(3,796)</b>	<b>24,250</b>	<b>(19,805)</b>	<b>4,467</b>	<b>(15,338)</b>
Net financial expense	(33,204)	-	(33,204)	(31,157)	14,517	(16,641)
<b>Profit/(loss) before tax</b>	<b>(5,158)</b>	<b>(3,796)</b>	<b>(8,954)</b>	<b>(50,963)</b>	<b>18,984</b>	<b>(31,979)</b>
<b>Other key segment reporting items:</b>						
Net Working capital movement	(580)	2,020	1,440	(11,928)	(26,743)	(38,671)
Multi-client library net book value	13,416	6,386	7,030	3,999	8,161	12,160
Multi-client prefunding %	168%	-	134%	75%	-	219%

<sup>1</sup> = adjustments consist of IFRS 15 related adjustments

<sup>2</sup> = adjustments consist of IFRS 15 related adjustments and adjustments of non-recurring costs (impairments, cost of onerous contract provisions and restructuring costs)

## 5.1 Geographic information

The Group's operating revenues earned from external customers worldwide are grouped as per below based on the territory of services provided:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Asia Pacific ("APAC"), excluding Russia and Australia	19,342	20,367
Russia	90,314	27,090
Australia	8,739	26,432
Europe, Africa and Middle East ("EAME"), excluding Mauritania and United Arab Emirates	28,811	63,139
United Arab Emirates	25,006	5,864
Mauritania	24,414	22,818
North and South Americas ("NASA"), excluding Mexico and Brazil	13,152	30,096
Mexico	73,101	-
Brazil	-	32,298
<b>Total revenue</b>	<b>282,879</b>	<b>228,104</b>

At the end of the periods reported, the property, plant and equipment were geographically located as per below:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
APAC	120,184	51,074
EAME	188,260	318,555
NASA	54,891	-
<b>Total</b>	<b>363,335</b>	<b>369,629</b>

The Group had seven vessels included in property, plant and equipment as at 31 December 2019 (2018: seven vessels). These vessels were located in different geographical locations at the year end. Other non-current assets included in the property, plant and equipment are furniture, fixtures and office equipment all of which are located at the Group's office in Dubai, United Arab Emirates.

## 5.2 Revenues from key customers

During the year ended 31 December 2019 the Group provided its services to 23 different customers worldwide (34 during year 2018). Revenue earned from the largest two of these customers amounted to 54% of the Group's total operating revenue earned during the year 2019 (29% during year 2018).

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Customer 1	87,574	34,393
Customer 2	65,788	32,298
Other customers	129,517	161,413
<b>Total revenue</b>	<b>282,879</b>	<b>228,104</b>

## 6 Revenue from contracts with customers

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Contract revenue		
- Proprietary contracts	228,749	130,602
- Reimbursable	12,922	14,346
- Bareboat charter	27,154	27,090
- Management fees	-	10,707.2
	268,825	182,746
Multi-client revenue		
- Prefunding	8,161	40,823
- Late sales	5,893	4,535
	14,054	45,358
Other income	5,712	798
<b>Total</b>	<b>288,591</b>	<b>228,901</b>

### 6.1 Contract revenue

Proprietary contract revenue represents the revenue from providing seismic data acquisition services for a specific customer, whereby the seismic data is owned by that customer. The Group recognizes the revenue from proprietary contract sales as the services under the contract are performed on a proportionate performance basis over the term of each contract. For proprietary contracts, the customer simultaneously receives and consumes the benefits as the Group performs the seismic data acquisition services. The asset created by the Group's performance under a proprietary contract (i.e. the seismic data) is controlled by the customer. The Group has an enforceable right to payment for performance completed to date under the proprietary contracts and the Group does not have an alternative use to the seismic data

acquired under proprietary contracts. The payment terms for proprietary contract sales are normally in the range of 30 to 60 days from the end of the month in which the services are provided.

The Group is often paid a fee by the customer upon mobilising to and/or demobilising from a proprietary project. Any such mobilisation/demobilisation fee is considered as part of the total revenue for the specific project and included in the revenue recognised over the term of such project. As at 31 December 2019 the Group does not have any mobilisation/demobilisation fees collected from customers for which revenue recognition criteria has not been met.

Below is a summary of the revenue deferred by the Group (i.e. contract liability) for the periods reported:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the year	(778)	(12)
Revenue recognized during the year	778	12
Revenue deferred to future periods	(56)	(778)
<b>Balance at the year end</b>	<b>(56)</b>	<b>(778)</b>

The above liability of USD 0.06 million as at 31 December 2019 relates to the processing revenue collected in advance from a customer and is included under *Other accruals and payables* in the Group's consolidated statement of financial position (refer to Note 23 *Other accruals and payables*).

## 6.2 Multi-client revenue

Multi-client projects comprise seismic surveys to be licensed to customers on a non-exclusive basis. The Group's performance obligation under multi-client agreements is to deliver fully processed seismic data to the clients. Multi-client revenue secured prior to the completion of data processing and receipt of all deliverables of a multi-client project is referred to as prefunding revenue. Revenue secured after completion of all data processing and receipt of all deliverables of a multi-client project is referred to as late sales.

Under both prefunding and late sales agreements, the customer receives and consumes the benefits of the Group's performance when the customer receives the fully processed data (or receives access to such fully processed data). The asset created by a multi-client project has an alternative use to the Group as it may be sold to multiple customers. Despite the prepayment clauses under the prefunding agreements (whereby the Group collects the prefunding revenue in advance from the customers), the Group is not considered to have an enforceable right to payment until a multi-client project has been completed. Therefore, the Group recognizes the revenue from multi-client data sales when a multi-client project is completed and at the point in time when the customer has received the fully processed data.

The table below summarizes the multi-client prefunding revenue that the Group had collected from its customers for which no revenue has been recognized at the end of the reporting period:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the year	(8,340)	(34,848)
Revenue recognized during the year	8,340	34,848
Revenue deferred to future periods	(11,683)	(8,340)
<b>Balance at the year end</b>	<b>(11,683)</b>	<b>(8,340)</b>

The liability of USD 11.7 million as at 31 December 2019 towards the multi-client prefunding collected relates to one multi-client project that was in progress at the year end. The Group expects the data processing for this project to be completed and data to be delivered to the clients during Q4 2020 (USD 8.3 million of liability as at 31 December 2018 was related to one multi-client project which was completed and revenue recognized in 2019).

The above liability towards prefunding collected is included under *Other accruals and payables* in the Group's consolidated statement of financial position (refer to Note 23 *Other accruals and payables*).

## 7 Other income

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Insurance claims	4,595	798
Gain on sale multi-client library (refer to Note 11.3 <i>Sale of multi-client library</i> )	1,117	-
<b>Total</b>	<b>5,712</b>	<b>798</b>

## 8 Cost of sales

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Operating costs	214,654	165,154
Reimbursable cost	11,119	13,946
<b>Gross cost of sales</b>	<b>225,773</b>	<b>179,100</b>
Net deferred transit adjustment	(4,764)	-
Onerous contract provision unwinding	(1,160)	(5,489)
Capitalized to multi-client projects	(5,945)	(14,108)
Gain on termination of vessel operating lease	-	(13,907)
Bad debt expenses	-	430
<b>Cost of sales</b>	<b>213,904</b>	<b>146,027</b>

## 9 General and administrative costs

General and administrative costs consist of the following:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Salaries and other employee benefits	7,615	6,994
Other general and administrative expenses	5,703	7,175
<b>Total General and administrative costs</b>	<b>13,318</b>	<b>14,169</b>

### 9.1 Salaries and other employee benefits

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Salaries and bonuses	41,434	42,516
Social security costs	195	331
Pension costs	2,265	2,263
Other benefits	8,453	7,202
Crew travel related costs	6,233	5,961
Vessel crew salaries and benefits included in Cost of sales	(38,482)	(40,612)
Other employee costs allocated to Cost of sales	(12,483)	(10,668)
<b>Net salaries and other employee benefits included in the general and administrative costs</b>	<b>7,615</b>	<b>6,994</b>

### 9.2 Remuneration of the auditors

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Audit fees – Parent company and consolidated financial statements	189	190
Audit fees - subsidiaries	151	159
Audit related services	29	24
Tax advisory services	216	109
<b>Total</b>	<b>585</b>	<b>482</b>

## 10 Depreciation and amortization

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Depreciation of seismic vessels and equipment	25,065	27,369
Depreciation of office equipment	173	134
Amortization of Right-of-use assets	963	-
Depreciation capitalized to multi-client library	(315)	(856)
<b>Total</b>	<b>25,886</b>	<b>26,647</b>

## 11 Multi-client projects library

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the period	12,160	51,317
Investments during the period	6,071	16,494
Capitalized depreciation	315	856
Sale of multi-client library	(283)	(6,500)
Amortization	(11,233)	(51,358)
Impairments	-	1,351
<b>Balance at the year end</b>	<b>7,030</b>	<b>12,160</b>

### 11.1 Investments in multi-client library

The total investments of USD 6.4 million in multi-client library during the year ended 31 December 2019 represents the investments in a multi-client project in Australia for which the Group started acquiring data during Q4 2019. The Group expects the data processing for this project to be completed and data to be delivered to the clients during Q4 2020. As at 31 December 2019 the Group has collected USD 11.7 million from customers towards prefunding for this project, which has been recognized as a liability (under "Other accruals and payables") in the statement of financial position. Also refer to Note 6.2 *Multi-client revenue*.

### 11.2 Amortization of multi-client library

During the year ended 31 December 2019 the Group completed a multi-client project in Australia and delivered the processed data to the clients. In the same period, in accordance with IFRS 15, the Group recognised prefunding revenue of USD 8.2 million that the Group had previously collected from customers for this project. The Group amortised 100% of the carrying value of this project (USD 8.2 million) in the same period due to limited late-sales potentials of this project. The remaining amortization of USD 3.0 million during the year ended 31 December 2019 represents the straight-line amortization recognised on two multi-client projects.

Also refer to Note 4.2 *Amortization of the multi-client projects*.

### 11.3 Sale of multi-client library

During 2019, the Group sold two of its multi-client project libraries for a cash consideration of USD 1.4 million. The carrying value of these libraries at the date of sale was USD 0.3 million, therefore the Group recognized a gain on sale of assets (i.e. "Other income") of USD 1.1 million.

Also refer to Note 7 *Other income*.

## 12 Finance costs

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Interest expenses on bond loans	13,412	11,639
Interest expenses on other interest bearing debt	19,125	18,873
Interest expense on leases	35	-
<b>Net interest expenses</b>	<b>32,572</b>	<b>30,512</b>
Other finance costs	970	1,149
Currency exchange losses	675	1,818
<b>Total</b>	<b>34,217</b>	<b>33,478</b>

## 13 Finance income

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Interest income from deposit with banks	370	397
Currency exchange gains	643	1,445
<b>Total</b>	<b>1,013</b>	<b>1,842</b>

## 14 Income tax expense

The Group's major components of income tax expense are as follows:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
<i>Current income tax:</i>		
Current income tax charge	1,080	-
Reversal of accruals related to previous years	-	(191)
<b>Income tax expense</b>	<b>1,080</b>	<b>(191)</b>

No tax expense is included in other comprehensive income or directly in equity.

The Group's income tax payable is as follows:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Income tax liability at 01 January	181	478
Income tax expense for the year	1,080	-
Reversal of excess accruals from previous years	-	(191)
Income tax paid during the year	(30)	(106)
<b>Income tax liability at 31 December</b>	<b>1,231</b>	<b>181</b>

Income tax payable is included within 'Other accruals and payables' in the consolidated statement of financial position.

The Group conducts business in a number of jurisdictions and whether or not income tax is due may depend on a number of different variables, including, but not limited to, the existence of tax treaties, the number of days an entity is present in a jurisdiction and change to or interpretation of tax regulations. Income tax liabilities are recorded based on the Group's best estimates about such variables.

The Group's effective tax rate is sensitive to the geographic mix of its earnings.

Effective tax rate:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Accounting profit/(loss) before tax	(8,954)	(31,979)
Income tax expense/(reversal)	1,080	(191)
<b>Effective income tax rate</b>	<b>-12%</b>	<b>0%</b>

Tax on the Group's profit before tax differs from the amount that would have been recognized if the corporation tax rate applicable in the Cayman Islands of 0% had been used. The following is a reconciliation of the profit before tax to the income tax expense:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Profit/(loss) before tax	(8,954)	(31,979)
Tax expense at Cayman Islands (corporation tax rate 0%)	-	-
Recognized income tax expense	1,080	-
<b>Difference</b>	<b>1,080</b>	<b>-</b>
Taxes in foreign countries	1,080	-
Adjustments for previous years (relates to foreign countries)	-	(191)
<b>Difference</b>	<b>1,080</b>	<b>(191)</b>

The Group has no deferred tax assets or liabilities. As at 31 December 2019, the Group has tax losses carried forward of approximately USD 532 million (2018: USD 386 million) arising from losses incurred in different subsidiaries. Although the majority of the losses do not have a time-based limit for use, no deferred tax assets relating to these tax losses have been recognized due to the uncertainty of the timing and amount of tax losses that may be utilized in the future.

The Group conducts business in a number of different tax jurisdictions and income tax expenses recognized by the Group are dependent upon the tax rules and regulations of the jurisdictions in which the income was earned. Income tax rates imposed by the taxation authorities in jurisdictions where the Group has operated during the year 2019 vary from 0% to 36% (2018: 0% to 35%).

In a number of jurisdictions, the Group's operating activities are not subject to profit taxes (i.e. corporate income tax). Instead, a jurisdiction may impose corporate taxes through withholding taxes on revenue, for instance, or a deemed profit regime. Such forms of taxation are not profit taxes and are therefore not recorded as income tax expenses.

Withholding taxes on revenue are recognized by the Group either net of revenue or as vessel operating costs in the income statement, dependent upon whether the Group is acting as principal or agent for the taxation jurisdiction.

The Norwegian vessel owning subsidiaries in the Group voluntarily exited the Norwegian tonnage tax regime for shipping companies in Norway with effect from 01 January 2015. Since exiting the tonnage tax regime, all losses accrued by the Norwegian subsidiaries (approximately USD 458 million as at 31 December 2019) can be carried forward to utilise against future taxable profits.

The Group's income tax and withholding taxes (WHT) expenses, based on the location of the tax jurisdiction where the amounts are charged, are as set out per below:

(In thousands of USD)	Year ended 31-Dec-2019			Year ended 31-Dec-2018		
	Income Tax	WHT*	Total	Income Tax	WHT*	Total
APAC	-	616	616	-	2,252	2,252
EAME	30	1,052	1,082	(173)	312	139
NASA	1,050	190	1,240	(17)	2,386	2,368
<b>Total</b>	<b>1,080</b>	<b>1,858</b>	<b>2,938</b>	<b>(191)</b>	<b>4,950</b>	<b>4,759</b>

\*Recorded net of revenues or as Cost of sales in the consolidated statement of comprehensive income.

## 15 Earnings per share

### 15.1 Basic

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares issued during the year.

(In USD)	Year ended	
	31-Dec-19	31-Dec-18
Profit/(Loss) attributable to equity holders of the Company	(10,033,645)	(31,787,864)
Weighted average number of ordinary shares issued	513,786,713	448,749,544
Basic earnings per share	(0.020)	(0.071)

### 15.2 Diluted

All potential shares as listed under Note 20 *Share capital, share based incentives and warrants* have an anti-dilutive effect for the years reported.

## 16 Property, plant and equipment

(In thousands of USD)

	Seismic vessels and equipment	Office equipment	Total
<b>Year ended 31 December 2019</b>			
<b>Costs</b>			
Balance as at 1 January 2019	1,057,995	3,577	1,061,572
Additional capital expenditures	18,889	55	18,944
Balance as at 31 December 2019	<u>1,076,884</u>	<u>3,632</u>	<u>1,080,516</u>
<b>Depreciation and impairments</b>			
Balance as at 1 January 2019	688,835	3,108	691,943
Depreciation for the period	25,065	173	25,238
Balance as at 31 December 2019	<u>713,900</u>	<u>3,281</u>	<u>717,181</u>
<b>Carrying amounts</b>			
As at 1 January 2019	369,160	469	369,629
<b>As at 31 December 2019</b>	<b>362,984</b>	<b>351</b>	<b>363,335</b>
Pledged assets as at 31 December 2019	358,888	-	358,888
<b>Year ended 31 December 2018</b>			
<b>Costs</b>			
Balance as at 1 January 2018	979,734	3,063	982,796
Additional capital expenditures	78,725	514	79,239
Disposals	(463)	-	(463)
Balance as at 31 December 2018	<u>1,057,995</u>	<u>3,577</u>	<u>1,061,572</u>
<b>Depreciation and impairments</b>			
Balance as at 1 January 2018	655,701	2,974	658,675
Depreciation for the year	27,369	134	27,503
Impairments	6,000	-	6,000
Disposals	(235)	-	(235)
Balance as at 31 December 2018	<u>688,835</u>	<u>3,108</u>	<u>691,943</u>
<b>Carrying amounts</b>			
As at 1 January 2018	324,032	89	324,122
<b>As at 31 December 2018</b>	<b>369,160</b>	<b>469</b>	<b>369,629</b>
Pledged assets as at 31 December 2018	365,347	-	365,347

Refer to Note 4.1.1 *Impairment assessment of vessels and seismic equipment* for sensitivities relating to impairment testing of property, plant and equipment.

USD 5.3 million of the additional capital expenditure during the year ended 31 December 2019 was related to the periodic docking of two of the Group's core vessels and USD 3.7 million was related to the acquisition of new streamers. The remaining USD 9.9 million of capital expenditure during 2019 was mainly related to purchase of other in-sea equipment.

## 17 Other current assets

(In thousands of USD)	31-Dec-19	31-Dec-18
VAT and other indirect taxes receivable	1,172	335
Advance to employees	764	559
Deposits	232	226
Insurance claims receivable	376	214
Other receivables	871	387
<b>Total other current financial assets measured at amortized cost</b>	<b>3,415</b>	<b>1,722</b>
Inventories onboard the vessels	8,087	9,317
Deferred transit costs	4,764	-
Prepaid expenses	1,660	2,084
Other investments	-	9
<b>Total</b>	<b>17,926</b>	<b>13,132</b>

Deferred transit costs and prepaid expenses are measured at cost. Inventories on-board the vessels are measured at the lower of cost and net realisable value and are expensed on a FIFO (first in, first out) basis.

## 18 Restricted cash

(In thousands of USD)	31-Dec-19	31-Dec-18
Payment guarantee escrow accounts	1,134	1,128
Debt service retention accounts	101	26
<b>Total</b>	<b>1,235</b>	<b>1,153</b>

## 19 Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, deposits held at call with banks, and other short-term highly liquid investments.

(In thousands of equivalent USD)	31-Dec-19	31-Dec-18
USD	33,788	28,195
BRL	344	566
NOK	90	172
GBP	202	204
EUR	169	197
Other currencies - total of 10 different currencies (2018: 6 different currencies)	641	671
<b>Total</b>	<b>35,234</b>	<b>30,005</b>

## 20 Share capital, share based incentives and warrants

### 20.1 Changes in authorized share capital

The Company's authorized share capital as at 31 December 2019 was USD 59,108,916, divided into 591,089,157 shares of a nominal or par value of USD 0.10 each (same as at 31 December 2018).

### 20.2 Movements in the issued share capital

The Company's issued share capital as at 31 December 2019 is USD 51,378,671 divided into 513,786,713 shares at par value of USD 0.10 each (same as at 31 December 2018).

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Total
<b>Balance as at 1 January 2018</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>629,536</b>
<b>Movements during 2018</b>				
<b>Issue of share capital</b>				
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231	3,077	2,065	5,142
Transaction costs on issue of shares		-	(1,719)	(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>687,285</b>
<b>Balance as at 31 December 2019</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>687,285</b>

All shares have equal rights in all respects, including for voting and dividends.

Assuming full conversion of convertible bond loans (Note 22), employee share options and incentive plans (refer to Note 20.3) and warrants (refer to Note 20.4) the total number of shares issued would increase by 17,583,420 shares.

Potential shares as at 31 December 2019	Number of equivalent shares
Shares associated with convertible bonds (Note 22)	523,276
Shares associated with employee share units (Note 20.3.1)	3,050,000
Shares associated with employee share options (Note 20.3.2)	1,164,000
Warrants (Note 20.4)	12,846,144
<b>Total</b>	<b>17,583,420</b>

Apart from potential shares that could be issued under the terms of the employee share options and incentive plans, convertible bonds and warrants, the Board of Directors has no restrictions on issuing remaining authorized share capital. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

### 20.3 Employee share options and incentive plans

During the year ended 31 December 2019 the Group recognized an expense of USD 0.3 million for the below-mentioned employee share based compensation plans (USD 0.6 million during year 2018).

#### 20.3.1 2018 Long Term Incentive Plan

In 2018, following AGM approval, the Company implemented a long term incentive plan ("2018 LTIP") under which a maximum of 5,600,000 shares could be granted to eligible participants in the form of Performance Stock Units ("PSUs", representing 70% of the total) and Restricted Stock Units ("RSUs", representing 30% of the total). The PSUs vest equally, based on time, continued employment and performance criteria, at the first and second anniversary from the date of the PSU award. The RSUs vest equally, based on time and continued employment of the participant, at the first and second anniversary from the date of the RSU award.

The movement of number of share units under this plan during the years reported are as per below:

	Year ended			
	31-Dec-19		31-Dec-18	
	PSUs	RSUs	PSUs	RSUs
Outstanding at 01 January	3,570,000	1,530,000	-	-
Granted during the year	350,000	150,000	3,850,000	1,650,000
Settled in cash	(892,500)	(765,000)	-	-
Expired During the year	(892,500)	-	-	-
Forfeited during the year	-	-	(280,000)	(120,000)
<b>Outstanding as of 31 December</b>	<b>2,135,000</b>	<b>915,000</b>	<b>3,570,000</b>	<b>1,530,000</b>

Of the 2,135,000 PSUs outstanding as at 31 December 2019, 2,092,300 units will vest in Q2 2020 and remaining units will expire. All of the remaining 915,000 RSUs outstanding as at 31 December 2019 will vest in Q2 2020 subject to continued employment of the participants. The weighted average share price used to estimate the fair value of this share based incentive plan at the grant date during 2019 was NOK 1.02, i.e. USD 0.12 (weighted average share price used for units granted during 2018 was NOK 1.95, i.e. USD 0.23).

The 892,500 PSUs and 765,000 RSUs vested during 2019 were settled by a cash payment of USD 0.2 million.

### 20.3.2 Employee share options

The Group has the following employee share option plans outstanding at the year end:

#### 2012 Share option plan

On 26 April 2012 the Board of Directors of the Company approved an employee share option plan ("2012 plan") under which a maximum number of 140,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The options vest three years after grant date and can be exercised up to five years after the grant date. The exercise of the options is conditional on the employee completing three years of service (the vesting period) and being an employee of the Group at the exercise date.

	Year ended 31-Dec-19		Year ended 31-Dec-18	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	16,000	237.5	39,700	396.1
Granted during the year	-		-	
Expired during the year	(8,000)		(17,200)	
Forfeited during the year	(1,000)		(6,500)	
Outstanding as at 31 December	<b>7,000</b>	<b>37.0</b>	<b>16,000</b>	<b>237.5</b>
Exercisable as at 31 December	7,000	37.0	16,000	237.5
Exercised during the year	-		-	

The weighted average remaining contractual life as of 31 December 2019 is approximately 4 months.

#### 2014 Share option plan

On 13 May 2014 the Board of Directors of the Company approved another employee share option plan ("2014 plan") under which a maximum number of 150,000 may be granted to employees of the Group. The exercise price of options is based on the weighted average price of the shares for the 30 days prior to the date of award of the options. The plan has a 7 years duration with part exercise possibility at the second, third and fourth anniversary after the grant of the options. The options under this plan can be exercised only if the price for which the Shares are traded (calculated as the volume weighted average price for which the Company's shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) is at least 30% above the exercise price at one time during the option period.

	Year ended 31-Dec-19		Year ended 31-Dec-18	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	101,000	287.1	107,000	309.2
Granted during the year	-		-	
Forfeited during the year	(1,500)		(6,000)	
Outstanding as at 31 December	<b>99,500</b>	<b>284.8</b>	<b>101,000</b>	<b>287.1</b>
Exercisable as at 31 December	99,500	284.8	88,333	323.0
Exercised during the year	-		-	

The weighted average remaining contractual life of options outstanding under 2014 plan as of 31 December 2019 is 1.7 years.

#### 2016 Share option plan

In the 2016 annual general meeting, the Company implemented a new share option plan ("2016 plan") under which a maximum of 1,600,000 options could be granted to employees of the Group. The exercise price for each option is based on the weighted average price for which the shares have been traded at Oslo Stock Exchange in the period of 30 trading days immediately prior to the date the options were granted. The 2016 plan has a seven-year duration from the grant of the options, with part exercise possibility at the second, third and fourth anniversary after the grant of the options. The exercise of the options is conditional upon the market price of the shares (defined as the weighted average price for which the shares have been traded at Oslo Stock Exchange in the previous period of 30 trading days) exceeding the exercise price by at least 30% at one time during the exercise period. The options are exercisable upon a change of control event (above 50%).

	Year ended 31-Dec-19		Year ended 31-Dec-18	
	Number	WAEP (NOK)	Number	WAEP (NOK)
Outstanding at 1 January	1,117,500	7.3	1,317,500	7.4
Granted during the year	-		-	
Forfeited during the year	(60,000)		(200,000)	
Outstanding as at 31 December	<b>1,057,500</b>	<b>7.2</b>	<b>1,117,500</b>	<b>7.3</b>
Exercisable as at 31 December	865,000	7.6	329,167	7.9
Exercised during the year	-		-	

The weighted average remaining contractual life of options outstanding under 2016 plan as of 31 December 2019 is 3.5 years.

The fair value of the share options under all of the above plans are estimated by a tree implementation of the Black Scholes formula for the pricing of equity call options. The inputs to the valuation model include expected dividend yield for the Company's shares, expected volatility, risk-free market interest rate and expected life of the options. No new share options were granted under any of the above plans during the year ended 31 December 2019.

## 20.4 Warrants

As at 31 December 2019 the Company has issued 12,846,144 warrants (same as at 31 December 2018). These warrants were issued to GSH2 Seismic Carrier I AS during 2018 as part of the consideration for the purchase of the Group's N-Class vessels. The exercise price for the warrants is set at NOK 3.90 and the warrants are exercisable at any time until 30 November 2022. The warrants are recorded at the fair value of USD 1.0 million on the issue date. As the warrants are an equity instrument, they will not be remeasured in future accounting periods.

## 21 Other reserves

(In thousands of USD)	31-Dec-19	31-Dec-18
Balance as at 01 January	25,961	24,411
Employee share options and share-based incentive plans (refer to Note 20.3)	300	589
Warrants issued (refer to Note 20.4)	-	960
<i>Other movements (transfer to Retained earnings)</i>		
Fair value of employee stock options unexercised and expired	(892)	-
<b>Balance as at the year end</b>	<b>25,369</b>	<b>25,961</b>

## 22 Interest bearing debt

(In thousands of USD)	Nominal outstanding value		Carrying value	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
<b>Bond loans</b>				
125M USD convertible bonds - Tranche A	62,130	66,730	21,821	20,047
125M USD convertible bonds - Tranche B	3,735	3,555	1,394	730
95M USD unsecured bonds	10,325	9,827	4,626	2,916
350M NOK unsecured bonds*	6,384	6,131	3,019	1,877
<b>Total bond loans</b>	<b>82,574</b>	<b>86,243</b>	<b>30,860</b>	<b>25,570</b>
<b>Other interest bearing debt</b>				
Fleet bank facility - Tranche 1	41,324	41,724	40,105	39,290
Fleet bank facility - Tranche 2	32,773	35,773	33,157	36,085
Fleet bank facility - Tranche 3	75,865	79,865	74,612	78,003
Fleet bank facility - Tranche 4	86,045	86,045	80,284	78,282
New Fleet Facility for N-Class vessels	74,945	74,945	72,160	71,210
DNB loan facility	5,672	7,672	5,666	7,660
<b>Total other interest bearing debt</b>	<b>316,624</b>	<b>326,024</b>	<b>305,984</b>	<b>310,529</b>
<b>Total Interest bearing debt</b>	<b>399,197</b>	<b>412,267</b>	<b>336,844</b>	<b>336,100</b>
<i>Of which:</i>				
Current liability portion			10,600	10,600
Non-current liability			326,244	325,500

\*Nominal outstanding value of 350M NOK unsecured bonds was NOK 56.2 million as at 31 December 2019 (NOK 53.5 million at 31 December 2018).

The carrying value of the bond loans is substantially lower than the nominal value as at the reporting date due to the accounting impact of the financial restructuring carried out in 2018.

Also refer to the interest rate risk and maturity information under Note 3.1 *Financial risk management*.

### 22.1 Bond loans

The movements in bond loans during the periods reported are summarized below:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at 1 January	25,570	48,647
Unpaid accrued interest at 1 January	630	666
Amortized interest and fees (non-cash items)	9,822	6,945
Principal repayments	(4,600)	(4,600)
Interest payable accrued	3,590	3,854
Interest paid	(3,640)	(3,889)
Unpaid accrued interest at 31 December	(580)	(630)
Unrealized foreign exchange (gain)/loss	69	(5)
Converted into equity shares	-	(16,449)
Gain in restructuring	-	(9,442)
Net movements in fair value	-	473
<b>Balance at 31 December</b>	<b>30,861</b>	<b>25,570</b>

## 22.2 Other interest bearing debt

Movements in the Group's debt to financial institutions are summarized below:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at 1 January	310,530	245,646
Additions	-	78,577
Unpaid accrued interest at 1 January	2,311	1,606
Amortized interest and fees (non-cash items)	4,863	2,259
Principal repayments	(9,400)	(10,875)
Interest payable accrued	14,263	14,137
Interest paid	(14,637)	(13,434)
Unpaid accrued interest at 31 December	(1,946)	(2,311)
Gain in restructuring	-	(5,075)
<b>Balance at 31 December</b>	<b>305,984</b>	<b>310,530</b>

## 22.3 Undrawn working capital facility

As at 31 December 2019, the Group had an undrawn working capital facility ("WCF") of USD 40 million (2018: USD 40 million) with a maturity date of 30 June 2022.

## 23 Other accruals and payables

(In thousands of USD)	31-Dec-19	31-Dec-18
Accrued operating expenses	10,398	10,296
Deferred multi-client revenue (refer to Note 6)	11,683	8,340
Deferred contract revenue (refer to Note 6)	56	778
Deferred bareboat revenue (refer to Note 25.2)	1,370	1,367
Accrued taxes payable	4,110	3,160
Accrued interest (refer to Note 22)	2,526	2,941
Employee accruals and payable	4,984	1,608
Accrued multi-client processing costs	1,736	156
Payable to joint operations partners	273	48
<b>Total</b>	<b>37,136</b>	<b>28,694</b>

The deferred multi-client revenue of USD 11.7 million included in the *Other accruals and payables* represent the pre-funding revenue collected from the customers as at 31 December 2019 for the one multi-client project that was not completed as at the year end. Also refer to Note 2.6.2 *Revenue from Multi-client projects library* and Note 11 *Multi-client projects library*.

## 24 Financial assets and liabilities

### 24.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-19	31-Dec-18
Receivable from customers	32,079	39,583
Other current financial assets (refer to Note 17)	3,415	1,722
<b>Total assets measured at amortized cost</b>	<b>35,494</b>	<b>41,305</b>

Financial liabilities measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-19	31-Dec-18
125M USD convertible bonds – Tranche A	21,821	20,047
125M USD convertible bonds – Tranche B	1,394	730
95M USD unsecured bonds	4,626	2,916
NOK 350 million unsecured bonds	3,019	1,877
Fleet Bank Facility	228,158	231,659
New Fleet Facility	72,160	71,210
Swap facility	5,666	7,660
Accounts payable	14,771	21,417
<b>Total financial liabilities measured at amortized cost</b>	<b>351,615</b>	<b>357,516</b>

As at 31 December 2019, all of the Group's interest bearing debt are accounted using the amortised cost method (same as at 31 December 2018).

Also refer to Note 3.1.3 *Liquidity risk* and Note 22 *Interest bearing debt*.

## 24.2 Fair values

(in thousands of USD)	Fair value hierarchy	31-Dec-19		31-Dec-18	
		Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>					
Cash and deposits		36,469	36,469	31,158	31,158
Receivable from customers		32,079	32,079	39,583	39,583
Other current financial assets		3,415	3,415	1,722	1,722
<b>Total</b>		<b>71,963</b>	<b>71,963</b>	<b>72,463</b>	<b>72,463</b>
<b>Financial liabilities</b>					
Accounts payable		14,771	14,771	21,417	21,417
125M USD convertible bonds – Tranche A	Level-1	21,821	52,214	20,047	45,437
125M USD convertible bonds – Tranche B	Level-1	1,394	1,241	730	430
8% unsecured bonds	Level-1	4,626	4,117	2,916	1,720
NOK 350 million unsecured bonds	Level-1	3,019	2,745	1,877	1,033
Fleet Bank Facility	Level-2	228,158	202,258	231,659	223,922
New Fleet Facility	Level-2	72,160	59,164	71,210	55,297
Swap facility	Level-2	5,666	5,594	7,660	7,367
<b>Total</b>		<b>351,615</b>	<b>342,103</b>	<b>357,516</b>	<b>356,623</b>

Cash and deposits, accounts receivables and payables, and other current financial assets approximate their carrying amounts largely due to the short-term maturities of these instruments.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The Group has used net present value of the future cashflows as the fair value for the financial liabilities under this category.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During 2019 there has not been any transfer of financial instruments between above different levels.

## 24.3 Financial guarantees

The Group has a guarantee facility from DNB Bank ASA under which the bank issues payment and performance guarantees on behalf of the Group in relation to the Group's operating activities. As at 31 December 2019 the total value of guarantees issued under this facility is USD 3.4 million and the average remaining lifetime of the guarantees is four months (USD 12.3 million as of 31 December 2018 with average lifetime of five months).

## 25 Leases

### 25.1 Group as a lessee

The Group adopted IFRS 16 *Leases* using the modified retrospective method with the date of initial application of 1 January 2019. The Right-of-use asset recognized on the date of initial application includes the amount of lease liabilities recognized, initial direct costs incurred and prepaid lease amounts. The lease liabilities are measured at the present value of lease payments to be made over the lease term. The prior year figures have not been adjusted.

#### 25.1.1 Right-of-use assets

(In thousands of USD)	Equipment onboard the vessels	Office premises	Total
<b>Initial measurement</b>			
Net present value of lease liabilities	1,869	453	2,323
Initial direct costs	27	-	27
Prepaid leases	-	186	186
<b>Balance as at 1 January 2019</b>	<b>1,896</b>	<b>639</b>	<b>2,535</b>
Additions	-	-	-
Depreciation expense	(722)	(241)	(963)
<b>Balance as at 31 December 2019</b>	<b>1,174</b>	<b>398</b>	<b>1,572</b>

### 25.1.2 Lease liabilities

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the period	2,322	-
Lease payments during the period	(930)	-
Interest expense on leases	34	-
Interest on leases paid	(34)	-
<b>Balance at the year end</b>	<b>1,392</b>	<b>-</b>
Of which:		
Current liability portion	860	-
Non-current liability	532	-

### 25.1.3 Short term lease expenses

During the year ended 31 December 2019, the Group recognized rental expenses of USD 16.5 million towards short-term leases, of which USD 16.2 million was related to short-term charter hire of support vessels by the Group.

### 25.2 Group as a lessor

As at 31 December 2019 the Group had two vessels, *Vyacheslav Tikhonov* and *Ivan Gubkin*, chartered out under two separate BBCPs. Subject to options to extend, the lease period for *Vyacheslav Tikhonov* will expire in May 2020 and the lease period for *Ivan Gubkin* will expire in October 2022.

The future minimum rental receivables (undiscounted) under non-cancellable operating leases as at 31 December are as follows:

(In thousands of USD)	31-Dec-19	31-Dec-18
Within one year	18,184	13,927
After one year but not more than five years	25,329	38,127
<b>Total</b>	<b>43,513</b>	<b>52,054</b>

Revenue from the above BBCPs is recognized in line with the contractual day rate for charter party hire for each vessel. Below is a summary of the day rates collected in advance by the Group for the years reported:

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance at the beginning of the year	(1,367)	(1,363)
Deferred revenue recognized during the year	1,367	1,363
Revenue deferred to future periods	(1,370)	(1,367)
<b>Balance at the year end</b>	<b>(1,370)</b>	<b>(1,367)</b>

The above bareboat revenue collected in advance is recognized as a liability and is included under Other accruals and payables in the Group's consolidated statement of financial position (refer to Note 23 *Other accruals and payables*).

## 26 Related parties

### 26.1 Subsidiaries

This set of consolidated financial statements includes the financial statements of Polarcus Limited and the following subsidiaries:

Name of the subsidiary	Country of Incorporation	Equity interest as at 31-Dec-2019	Equity interest as at 31-Dec-2018
Polarcus DMCC	UAE	100%	100%
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Norway AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus MC Limited	Cayman Islands	100%	100%
Polarcus Mexico S.A. de C.V (incorporated during 2019)	Mexico	100%	-
Polarcus Seismic Limited	Cayman Islands	100%	100%
Polarcus Selma Limited	Cayman Islands	100%	100%
Polarcus Group Services Limited	Cayman Islands	100%	100%
Polarcus do Brasil Ltda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus UK Limited	United Kingdom	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc.-Colombia branch	Colombia	100%	100%
Polarcus Multi-client (CY) Ltd.	Cyprus	100%	100%
Polarcus Asia Pacific Pte. Ltd	Singapore	100%	100%
Polarcus Asia Pacific Pte. Ltd Myanmar Branch	Myanmar	100%	100%
Polarcus France SAS (liquidated during 2019)	France	-	100%
Polarcus Nigeria Limited*	Nigeria	49%	49%
Polarcus Ghana Limited	Ghana	90%	90%

\*The Company's investment in Polarcus Nigeria Limited is accounted for as a joint venture using the equity method. Refer to Note 2.4.2 *Joint arrangements* and Note 26.2 *Investment in joint ventures*.

### 26.2 Investment in joint ventures

#### 26.2.1 Investment in Polarcus Nigeria Ltd ("PNL")

The Group owns 49% of equity in PNL, an entity jointly controlled by the Group and Ashbert Limited ("Ashbert"). The principal activity of PNL is to develop a marine 3D multi-client seismic business in Nigeria including the brokerage of certain existing 3D seismic data sets. The principal place of business of PNL is Nigeria, which is also its country of registration. PNL did not have any major business activity in 2019 and 2018.

#### 26.2.2 Investment in Polarcus Ghana Ltd

The Group owns 90% of equity in Polarcus Ghana Ltd, a joint venture incorporated in Ghana together with Lysam Limited. As at 31 December 2019, the Group has made an investment of USD 0.2 million in this joint venture (USD 0.2 million as at 31 December 2018). The principal activity of Polarcus Ghana Ltd is to provide marine seismic data acquisition and processing services to the Ghanaian and international oil and gas industry. Polarcus Ghana Ltd was incorporated in 2016 and had no major business activities since incorporation until 31 December 2019.

### 26.3 Transactions with related parties

Zickerman Group DMCC, a company wholly owned by a board member Mr. Peter Zickerman, has been engaged by the Group to perform strategic consultancy services. During 2019, the Group has paid USD 0.7 million to Zickerman Group DMCC for consultancy services (2018 - USD 0.4 million).

The Group had no other major transactions with related parties during the year ended 31 December 2019.

## 26.4 Key management compensation

The salaries and other benefits of the key management personnel for the years reported are shown below:

(In thousands of USD)

	Paid in year 2019				Paid to pension plan	Share based incentives*
	Salaries	Bonus	Other Allowances	Total paid salary and benefits		
Duncan Eley CEO	500	-	181	681	50	90
Hans-Peter Burlid CFO	370	-	157	527	37	69
Lars Oestergaard COO	320	-	145	465	32	43
Other members of executive management	530	-	343	873	48	74
<b>Total</b>	<b>1,720</b>	<b>-</b>	<b>826</b>	<b>2,546</b>	<b>167</b>	<b>276</b>

\*During 2019 a payment of USD 0.1 million was made to the key management personnel towards cash settlement of PSUs and RSUs vested during the year. Also refer to Note 20.3.1 2018 Long Term Incentive Plan.

(In thousands of USD)

	Paid in year 2018				Paid to pension plan	Share based incentives
	Salaries	Bonus	Other Allowances	Total paid salary and benefits		
Duncan Eley CEO	500	100	185	785	50	84
Hans-Peter Burlid CFO	370	200	158	728	37	67
Lars Oestergaard COO (employed since 3-Jun-18)	185	-	77	262	15	34
Other members of executive management	530	300	329	1,159	48	60
<b>Total</b>	<b>1,585</b>	<b>600</b>	<b>750</b>	<b>2,935</b>	<b>150</b>	<b>245</b>

Other members of executive management include Caleb Raywood (General Counsel & Company Secretary) and Tamzin Steel (SVP People & Business Services).

Upon termination by the Group of the employment of any member of the management (other than for cases of gross misconduct), the member is entitled to a severance payment of between 6 to 12 months base salary plus expected benefits (i.e. cash remuneration including any anticipated bonuses, all allowances, and all other benefits currently provided to the employee).

## 26.5 Board remuneration

The total remuneration paid by the Company to its Board of Directors was as follows:

	Director since	Director until	Paid in year 2019	Paid in year 2018
Mike Mannerling, Chairman	10-May-18		129	72
Karen El-Tawil	13-Feb-14		65	63
Peter Zickerman	12-May-16		50	50
Tom Henning Sletthei	12-May-16		59	63
Erik Mathiesen	12-May-16		60	57
Nicholas Smith	06-Mar-17		60	57
Monish Sahni	29-Apr-19		44	-
Peter M. Rigg	20-Jun-08	10-May-18	-	53
<b>Total</b>			<b>467</b>	<b>415</b>

## 27 Contingent assets and liabilities

During 2015 the Group submitted a claim at the Regional Court of Koblenz, Germany, against the supplier of malfunctioning thruster units, claiming approximately USD 70 million in damages for the costs and loss of revenue related to various thruster damage incidents. The claim remains pending before the Koblenz court. During 2018 the Koblenz court confirmed its appointment of a legal expert at the Max Planck Institute to report on certain issues of Norwegian law. The claim remains a contingent asset and no income has been recognized in the current or prior periods.

On 7 December 2018 and 22 February 2019, the Group received notices of claims for alleged patent infringement filed by PGS Australia Pty Ltd ("PGS") relating to the acquisition of seismic data on certain surveys in Australia and the processing of that data. The Group has defended the claims and challenged the validity of all relevant aspects of PGS' patents. The Group has not recognized any liability related to PGS' claims in the financial statements.

## 28 Subsequent events

### 28.1 Polarcus Long Term Incentive Plan (LTIP)

In 2019, following approval at the Company's Annual General Meeting, the Company implemented the Polarcus LTIP to provide long term incentive opportunity to eligible participants by granting awards in the form of PSUs and RSUs.

PSUs vest based on time, continued employment and performance; RSUs vest based on time and continued employment. Upon a change of control event (being a change of control of more than 50% of the Company's issued share capital or voting rights), all PSU and RSU awards will automatically vest in full. The Board will determine, at the time of vesting, if PSUs and RSUs are to be paid in cash or shares. Delivery of shares, if applicable, will be executed from the Company's authorised but unissued share capital.

The 2019 AGM approved a maximum of 9,900,000 shares to be granted to eligible participants in line with the Polarcus LTIP. Of the total allocation of shares, no more than 30% (2,970,000 shares) will be available for RSUs. Of the total awarded units, subject to vesting conditions: up to 25% will vest in Q1 2021, up to 25% will vest in Q2 2022 and the remaining maximum 50% will vest in Q2 2023.

On 10 January 2020, the Company awarded 8,151,250 PSUs and 1,588,750 RSUs to certain key employees pursuant to the Company's LTIP. For the first tranche of awards vesting in Q1 2021, the performance criteria for the PSUs are based on absolute Total Shareholder Return (30% weighting) and EBITDA margin (70% weighting) targets.

### 28.1 Market conditions

After the balance sheet date, macro-economic uncertainty has been observed with regards to prices and demand for oil as a result of the COVID-19 pandemic and excess market supply. The Company's expected 2020 earnings have been negatively impacted by the rapid decline in the oil price in March 2020.

### 28.2 Drawdown from USD 40 million working capital facility

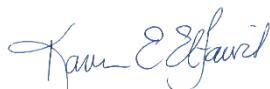
The Company drew down USD 25 million from its USD 40 million working capital facility on 25 March 2020. The working capital facility is repayable within nine months following the date of drawdown.

## 29 Authorization of financial statements

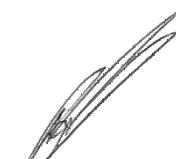
The consolidated financial statements for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Directors on 30 March 2020.



Mike Mannerin  
Chairman



Karen El-Tawil  
Board Member



Peter Zickerman  
Board Member



Nicholas Smith  
Board Member



Tom Henning Slethei  
Board Member



Erik Mathiesen  
Board Member



Monish Sahni  
Board member



Duncan Eley  
CEO

## 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	<p>The aggregate estimated value of future projects for which the Group has a signed contract or letter of award with a client.</p> <p>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.</p>
CAPEX	<p>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.</p> <p>The Group uses CAPEX to indicate the level of its investments in enhancing its capital assets.</p>
EBIT	<p>Profit/(loss) before interest and tax.</p> <p>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.</p>
EBIT (before non-recurring items)	Profit/(loss) before interest and tax, excluding non-recurring items (see definition below).
EBITDA	<p>Operating profit/(loss) after adding back depreciation, impairments and amortization.</p> <p>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.</p> <p>The EBITDA margin presented is defined as EBITDA divided by net revenues.</p>
EBITDA (before non-recurring items)	Operating profit/(loss) after adding back depreciation, impairments and amortization, excluding non-recurring items.
IFRS-15 adjustments	<p>The effect of adopting IFRS 15 effective 1 January 2018 on the Group's consolidated financial statements.</p> <p>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.</p>
Net interest bearing debt	<p>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.</p> <p>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.</p>
Non-recurring items	<p>Impairment charges, the cost of onerous contract provisions, restructuring costs and other non-operational costs.</p> <p>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.</p>
Prefunding Level	<p>The prefunding level is calculated by dividing the multi-client prefunding revenues by the cash investments in the multi-client library.</p> <p>The Prefunding Level is considered as an important measure as it indicates how the Group's financial risk is reduced on multi-client investments.</p>

Segment EBITDA	<p>Operating profit/(loss) using Segment revenue (see below) after adding back depreciation, impairments, amortization and non-recurring items.</p> <p>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.</p> <p>The Segment EBITDA margin presented is defined as Segment EBITDA divided by Segment revenue.</p>
Segment revenue	<p>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.</p> <p>The Group uses Segment revenue to allow consistency between 2019 and prior accounting periods, which increases the comparability of the financial performance across periods.</p>
Total cash	<p>The total of restricted and unrestricted cash held by the Group at the reporting date.</p> <p>The Group uses total cash as it provides an indication of the Group's complete cash position.</p>

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.

The following table reconciles EBITDA with Segment EBITDA:

(In millions of USD)	Year ended	
	31-Dec-19	31-Dec-18
EBITDA	61.4	67.5
<i>IFRS-15 adjustments:</i>		
Prefunding revenue	2.0	(26.7)
<i>Non-recurring items adjusted:</i>		
Restructuring cost	-	1.0
Gain on termination of vessel operating lease	-	(13.9)
Onerous contract provision	-	1.2
<b>Segment EBITDA</b>	<b>63.4</b>	<b>29.1</b>

POLARCUS LIMITED

## **PARENT COMPANY FINANCIAL STATEMENTS**

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2019

# Statement of Comprehensive Income

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended	
		31-Dec-19	31-Dec-18
<b>Revenues</b>			
Operating revenues	2	3,218	12,433
Other income		-	200
<b>Total revenues</b>		<b>3,218</b>	<b>12,633</b>
<b>Operating expenses</b>			
Cost of sales	6	(5,936)	(13,248)
General and administrative costs		(5,044)	(5,028)
Depreciation and amortization	7	(668)	(69)
Impairments	8	(111)	(110,910)
<b>Total Operating expenses</b>		<b>(11,759)</b>	<b>(129,255)</b>
<b>Operating loss</b>		<b>(8,541)</b>	<b>(116,621)</b>
<b>Financial expenses</b>			
Finance costs	9	(14,736)	(13,192)
Finance income	10	4,268	4,970
Changes in fair value of financial instruments		-	479
Gain on financial restructuring		-	9,442
<b>Net financial expenses</b>		<b>(10,468)</b>	<b>1,698</b>
<b>Loss for the period before tax</b>		<b>(19,009)</b>	<b>(114,923)</b>
Income tax expense		-	-
<b>Loss for the period/Comprehensive loss after tax</b>		<b>(19,009)</b>	<b>(114,923)</b>

# Statement of Financial Position

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	31-Dec-19	31-Dec-18
<b>ASSETS</b>			
<b>Non current assets</b>			
Property, plant and equipment	7	3,754	3,433
Investment in subsidiaries	3	3,703	3,703
<b>Total non current assets</b>		<b>7,457</b>	<b>7,136</b>
<b>Current assets</b>			
Short-term loan to subsidiaries	11	12,000	16,337
Receivable from subsidiaries	4	95,268	81,750
Other current assets		85	1,457
Accounts Receivable	4	14,979	39,178
Restricted cash		6	16
Cash and bank		596	596
<b>Total current assets</b>		<b>122,934</b>	<b>139,334</b>
<b>TOTAL ASSETS</b>		<b>130,391</b>	<b>146,470</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	1	51,379	51,379
Share Premium	1	635,906	635,906
Other reserves	1	25,369	25,961
Retained earnings/(loss)		(674,525)	(656,408)
<b>Total equity</b>		<b>38,129</b>	<b>56,838</b>
<b>Non current liabilities</b>			
Interest bearing debt	1, 4	29,926	26,631
<b>Total non current liabilities</b>		<b>29,926</b>	<b>26,631</b>
<b>Current liabilities</b>			
Interest bearing debt	1, 4	6,600	6,600
Payable to subsidiaries	4	49,802	50,667
Accounts payable		4,809	3,730
Other accruals and payables	5	1,125	2,004
<b>Total Current Liabilities</b>		<b>62,336</b>	<b>63,001</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>130,391</b>	<b>146,470</b>

# Statement of Cash Flows

(Unconsolidated Parent Company)

(In thousands of USD)	Notes	Year ended	
		31-Dec-19	31-Dec-18
<b>Cash flows from operating activities</b>			
Loss for the year		(19,009)	(114,923)
<b>Adjustment for:</b>			
Depreciation and amortization	7	668	69
Impairments	8	-	110,910
Changes in fair value of financial instruments		-	(479)
Employee share option expenses		300	459
Effect of currency (gain)/loss		69	(5)
Interest expense	9	14,547	12,739
Interest income	10	(4,192)	(4,768)
Gain on financial restructuring		-	(9,442)
Net working capital movements		25,822	17,753
<b>Net cash flows used in operating activities</b>		<b>18,205</b>	<b>12,314</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	7	(989)	(3,502)
Decrease/(increase) in intercompany receivables		(10,037)	(49,222)
<b>Net cash flows (used in) from investing activities</b>		<b>(11,026)</b>	<b>(52,724)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares		-	43,021
Transaction costs on issue of shares		-	(1,719)
Net receipt from bank loans		-	7,672
Repayment of interest bearing debt	1	(6,600)	(4,600)
Interest paid		(4,771)	(4,985)
Financial restructuring fees paid		-	(856)
Interest income	10	4,192	4,768
Decrease/(Increase) in restricted cash		-	1,720
Net payments related to currency swaps		-	(6,303)
<b>Net cash flows from (used in) financing activities</b>		<b>(7,179)</b>	<b>38,718</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>(1,692)</b>
Cash and cash equivalents at the beginning of the year		596	2,287
<b>Cash and cash equivalents at the end of the year</b>		<b>596</b>	<b>596</b>

# Statement of Changes in Equity

(Unconsolidated Parent Company)

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
<b>Balance as at 1 January 2019</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(656,408)</b>	<b>56,838</b>
Total comprehensive income for the period	-	-	-	-	(19,009)	(19,009)
Employee share based incentives	-	-	-	300	-	300
Other movements*	-	-	-	(892)	892	-
<b>Balance as at 31 December 2019</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,369</b>	<b>(674,525)</b>	<b>38,129</b>

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

For the year ended 31 December 2018

(In thousands of USD except for number of shares)	Number of Shares	Issued Share capital	Share Premium	Other Reserves	Retained Earnings/(Loss)	Total Equity
<b>Balance as at 1 January 2018</b>	<b>153,438,539</b>	<b>15,344</b>	<b>614,192</b>	<b>24,411</b>	<b>(541,485)</b>	<b>112,462</b>
Total comprehensive income/(loss) for the period	-	-	-	-	(114,923)	(114,923)
Employee share based incentives	-	-	-	589	-	589
Warrants issued	-	-	-	960	-	960
<b>Issue of share capital</b>						
01 March 2018 at NOK 1.30 per share	230,769,231	23,077	14,802	-	-	37,879
13 March 2018 at NOK 1.30 per share (bond conversions)	98,809,712	9,881	6,566	-	-	16,447
12 April 2018 at NOK 1.30 per share ("Repair issue")	30,769,231	3,077	2,065	-	-	5,142
Transaction costs on issue of shares	-	-	(1,719)	-	-	(1,719)
<b>Balance as at 31 December 2018</b>	<b>513,786,713</b>	<b>51,379</b>	<b>635,906</b>	<b>25,961</b>	<b>(656,408)</b>	<b>56,838</b>

# Notes to the financial statements

(Unconsolidated Parent Company)

## 1 General information and significant accounting principles

Polarcus Limited (the "Company") is a holding company and the parent company of the Polarcus Group (the "Group") comprising Polarcus Limited and its underlying subsidiaries. In addition to owning the subsidiaries, the Company conducts a part of the external debt financing of the Group and provides loans to other Group companies. The consolidated group accounts are publicly available.

The Company's accounting principles are consistent with the accounting principles of the Group, as described in Note 2 of the Group's consolidated financial statements for the year ended 31 December 2019. These accounting principles have been consistently applied to all the years presented, unless otherwise stated. Note disclosures for the Company that are similar to the information available in the consolidated financial statements are not repeated in these financial statements. This relates in particular to the notes in the consolidated financial statements on *Share capital and share premium* (both Note 20), *Other reserves* (Note 21), *Interest bearing debt* (Note 22) and *Going concern* (Note 1.1).

Shares in the subsidiaries, investment in joint ventures and receivables from and loans provided to the subsidiaries are valued at the lower of cost and fair value. When the value of estimated future cash flows is lower than the carrying value of the investment in the subsidiaries and joint ventures, the Company recognizes impairment charges on investments in subsidiaries and joint ventures. If and when estimated recoverable amounts increase, impairment charges are reversed. There is no fixed plan for repayment of long-term intercompany receivables.

## 2 Revenues

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Operating expenses reimbursed from Group companies	3,218	6,952
Crewing services provided to Group companies	-	5,481
Other income	-	200
<b>Total</b>	<b>3,218</b>	<b>12,633</b>

## 3 Investment in subsidiaries and joint ventures

(In thousands of USD)	31-Dec-19		31-Dec-18	
	Unquoted equity shares in subsidiaries at cost	228,411	Unquoted equity shares in joint ventures at cost	228,411
<b>Total</b>	<b>231,211</b>	<b>231,211</b>		
Impairments	(227,508)	(227,508)		
<b>Carrying value at the year end</b>	<b>3,703</b>	<b>3,703</b>		

The Company's direct investment in different subsidiaries as at 31 December 2019 is as follows:

(In thousands of USD)

Name of the Subsidiary	Country of Incorporation	Equity interest as at		Equity investments at cost	
		31-Dec-19*	31-Dec-19	31-Dec-19	31-Dec-18
Polarcus DMCC	UAE	100%		54	54
Polarcus Selma Limited	Cayman Islands	100%		3,649	3,649
Polarcus MC Limited	Cayman Islands	100%		9,400	9,400
Polarcus Seismic Limited	Cayman Islands	100%		-	-
Polarcus Group Services Limited	Cayman Islands	100%		-	-
Polarcus UK Limited	United Kingdom	100%		208,296	208,296
Polarcus Norway AS	Norway	100%		7,012	7,012
Polarcus Multi-Client (CY) Limited	Cyprus	100%		-	-
Polarcus Asia Pacific Pte. Limited	Singapore	100%		-	-
Polarcus Nigeria Limited	Nigeria	49%		2,800	2,800
<b>Total</b>			<b>231,211</b>	<b>231,211</b>	
Accumulated impairments			(227,508)	(227,508)	
<b>Carrying value at the year end</b>			<b>3,703</b>	<b>3,703</b>	

\* Voting rights are equivalent to shareholding for all companies.

The Company is the ultimate parent company for the subsidiaries of directly owned subsidiaries. The non-direct subsidiaries as of 31 December 2019 is as per below:

Name of the subsidiary	Country of incorporation	Equity interest as at 31-Dec-19	Equity interest as at 31-Dec-18
Polarcus Adira AS	Norway	100%	100%
Polarcus Alima AS	Norway	100%	100%
Polarcus Amani AS	Norway	100%	100%
Polarcus Asima AS	Norway	100%	100%
Polarcus Mexico S.A. ce C.V (incorporated during 2019)	Mexico	100%	-
Polarcus Nadia AS	Norway	100%	100%
Polarcus Naila AS	Norway	100%	100%
Polarcus Shipholding AS	Norway	100%	100%
Polarcus do Brasil Limiteda	Brazil	100%	100%
Polarcus Egypt Limited	Egypt	100%	100%
Polarcus US Inc.	USA	100%	100%
Polarcus US Inc. Colombia Branch	Colombia	100%	100%
Polarcus France SAS (liquidated during 2019)	France	-	100%
Polarcus Asia Pacific Pte. Ltd Myanmar Branch	Myanmar	100%	100%
Polarcus Ghana Limited	Ghana	90%	90%

For details of transactions and balances with subsidiaries see Note 11 *Related parties*.

## 4 Other financial assets and liabilities

### 4.1 Financial assets and liabilities at fair value and amortized cost

Financial assets measured at amortized cost are as follows:

(in thousands of USD)	31-Dec-19	31-Dec-18
Trade receivables from subsidiaries	14,979	39,178
Other receivable from subsidiaries	95,268	81,750
Loans to subsidiaries	12,000	16,337
Other current financial assets	5	12
<b>Total financial assets measured at amortized cost</b>	<b>122,252</b>	<b>137,277</b>

Financial liabilities measured at amortized cost are as per below:

(in thousands of USD)	31-Dec-19	31-Dec-18
Interest bearing debt (refer to Note 22 in the consolidated financial statements)	36,526	33,231
Payable to subsidiaries	49,802	50,667
Accounts payable	4,809	3,731
<b>Total financial liabilities measured at amortized cost</b>	<b>91,137</b>	<b>87,629</b>

### 4.2 Fair values

(in thousands of USD)	31-Dec-19		31-Dec-18	
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial assets</b>				
Cash and deposits	602	602	612	612
Trade receivables from subsidiaries	14,979	14,979	39,178	39,178
Receivable from subsidiaries	95,268	95,268	81,750	81,750
Short-term loan to subsidiaries	12,000	12,000	16,337	16,337
<b>Total</b>	<b>122,849</b>	<b>122,849</b>	<b>137,877</b>	<b>137,877</b>
<b>Financial liabilities</b>				
125M USD convertible bonds – Tranche A	21,821	52,214	20,047	45,437
125M USD convertible bonds – Tranche B	1,394	1,241	730	430
95M USD unsecured bonds	4,626	4,117	2,916	1,720
NOK 350 million unsecured bond	3,019	2,745	1,877	1,033
Payable to subsidiaries	49,802	49,802	50,667	50,667
Accounts payable	4,809	4,809	3,731	3,731
<b>Total</b>	<b>85,471</b>	<b>114,928</b>	<b>79,968</b>	<b>103,017</b>

Cash and deposits, accounts receivables and payable, and short-term payables, receivables and loans to subsidiaries approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of long-term loans to subsidiaries approximate their carrying amounts as the interest rates charged on the loans are at floating rates based on the prevailing market rate.

#### Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

## 5 Other accruals and payables

(In thousands of USD)	31-Dec-19	31-Dec-18
Accrued interest	580	631
Accrued legal and consulting expenses	-	852
Other expenses accrued	545	520
<b>Total</b>	<b>1,125</b>	<b>2,004</b>

## 6 General and administrative costs

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Board of Directors' remuneration	527	461
Other general and administrative expenses	4,517	4,567
<b>Total</b>	<b>5,044</b>	<b>5,028</b>

## 7 Property, plant and equipment

(In thousands of USD)	In-sea equipment
<b>Year ended 31 December 2019</b>	
<b>Costs</b>	
Balance at 1 January 2019	94,207
Additional capital expenditures	989
Balance as of 31 December 2019	<u>95,196</u>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2019	90,774
Depreciation for the period	668
Balance as of 31 December 2019	<u>91,442</u>
<b>Carrying amounts</b>	
As of 1 January 2019	3,433
<b>As of 31 December 2019</b>	<b>3,754</b>
<b>Year ended 31 December 2018</b>	
<b>Costs</b>	
Balance at 1 January 2018	90,705
Additional capital expenditures	3,502
Balance as of 31 December 2018	<u>94,207</u>
<b>Depreciation and impairment losses</b>	
Balance at 1 January 2018	90,705
Depreciation for the period	69
Balance as of 31 December 2018	<u>90,774</u>
<b>Carrying amounts</b>	
As of 1 January 2018	-
<b>As of 31 December 2018</b>	<b>3,433</b>

## 8 Impairments

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Impairment of receivable from subsidiaries	111	610
Impairment of loans provided to subsidiaries	-	110,300
<b>Total</b>	<b>111</b>	<b>110,910</b>

## 9 Finance costs

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Interest expenses on bond loans	13,412	11,639
Interest expenses on other debt	476	369
Other finance costs	659	731
Foreign currency exchange losses	189	453
<b>Total</b>	<b>14,736</b>	<b>13,192</b>

## 10 Finance income

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Interest income from loans to subsidiaries	4,168	4,683
Interest income from deposit with banks	23	85
Foreign currency exchange gains	77	202
<b>Total</b>	<b>4,268</b>	<b>4,970</b>

## 11 Related parties

### 11.1 Transactions with subsidiaries

Below is a summary of the Company's transactions with its subsidiaries during the year ended 31 December 2019 and balances due to and from other Group companies in the ordinary course of Company's business as at the year end.

(In thousands of USD)	31-Dec-19	31-Dec-18
Services received from subsidiaries	1,652	578
Services provided to subsidiaries	3,218	12,433
Payable to subsidiaries	49,802	50,667
Receivable from subsidiaries	95,268	120,928

Services received from subsidiaries represent the management services provided by Polarcus DMCC, one of the Company's 100% directly owned subsidiaries.

Services provided to subsidiaries during 2019 represent the expenses incurred on behalf of the subsidiaries that were reimbursed at cost. Also refer to Note 2 Revenues for details.

The amounts payable to and receivable from the subsidiaries are non-interest bearing and are expected to be settled within 12 months from the reporting date.

### 11.2 Loans to subsidiaries

(In thousands of USD)	Year ended	
	31-Dec-19	31-Dec-18
Balance as at 1 January	16,337	80,397
New loans provided to subsidiaries	-	59,000
Repayments received	(4,337)	(12,760)
Impairments	-	(110,300)
<b>Balance as at the year end</b>	<b>12,000</b>	<b>16,337</b>

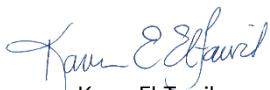
## 12 Authorization of financial statements

The unconsolidated financial statements of the Parent company Polarcus Limited for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Directors on 30 March 2020.



Mike Mannering

Chairman



Karen El-Tawil

Board Member



Peter Zickerman

Board Member



Nicholas Smith

Board Member



Tom Henning Slethei

Board Member



Erik Mathiesen

Board Member



Monish Sahni

Board Member



Duncan Eley

CEO

## Statement pursuant to Section 5-5 of the Securities Trading Act

We confirm that, to the best of our knowledge, the separate financial statements for the Parent company and the consolidated financial statements for the Group for the year ended 31 December 2019 have been prepared in accordance with IFRS and give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations, and that the Board of Director's report gives a true and fair review of the development, performance and financial position of the Company and the Group and includes a description of the principal risks and uncertainties that they face.

30 March 2020

The Board of Directors of Polarcus Limited



Mike Mannering

Chairman



Karen El-Tawil

Board Member



Peter Zickerman

Board Member



Nicholas Smith

Board Member

Tom Henning Slethei

Board Member



Erik Mathiesen

Board Member



Monish Sahni

Board Member



Duncan Eley

CEO



Building a better  
working world

Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den norske revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Polarcus Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Polarcus Limited, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2019, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1.1 – “Going concern” of the consolidated financial statements, which indicates that the Company's ability to continue as a going concern is dependent upon it securing suitable backlog for 2020. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

#### Impairment assessment of vessels

The challenging market conditions in 2019 and existence of impairment indicators triggered an impairment assessment of vessels. The impairment evaluation is dependent on a range of assumptions such as utilization, day rates, operating expenses and weighted average cost of capital,

all affected by future market developments and economic conditions and future operational costs and maintenance expenses. The impairment valuation of the vessels is a key audit matter due to the judgments involved in establishing the assumptions. It was concluded that no impairment is required in the 2019 consolidated financial statements.

Our audit procedures included an evaluation of key assumptions in the cash flows projected by management through comparing the estimated revenues to data from comparative companies and external analyst reports for the industry. We compared operating expenditures to approved budgets, to historical data and to the long-term expectations. Furthermore, we compared the risk premiums in the weighted average cost of capital with market data and considered management's adjustments for company specific factors. We considered the accuracy of prior years' forecasts, evaluated the level of consistency applied in the valuation methodology from previous years and tested the mathematical accuracy of the valuation model. We have also compared the value in use calculations with third party valuation reports and analysts' reports obtained by Polarcus.

Refer to note 4.1.1 "Impairment assessment of vessels and seismic equipment" to the consolidated financial statements for the disclosures regarding the assumptions applied, valuation model and sensitivity to key assumptions.

### **Other information**

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 30 March 2020  
ERNST & YOUNG AS



Finn Ole Edstrøm  
State Authorised Public Accountant (Norway)

# Addresses

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