

Polarcus Second Quarter 2020

Effective cost management in a challenging market

22 July 2020

Duncan Eley, CEO
Hans-Peter Burlid, CFO

Cautionary Statement

This Presentation of Polarcus Limited (the “Company”) has been prepared solely for information purposes. This Presentation may not be distributed, reproduced or used without the consent of the Company.

The information contained herein does not purport to contain all information concerning the Company. No party has made any kind of independent verification of any of the information set forth herein, including any statements with respect to projections or prospects of the business or the assumptions on which such statements are based. Neither the Company nor any of its subsidiaries make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of this Presentation or of the information contained herein and shall have no liability for the information contained in, or any omission from, this Presentation. No reliance may be placed for any purpose whatsoever on the information contained in this presentation, or any other material discussed verbally, or on its completeness, accuracy or fairness.

Included in this Presentation are various “forward-looking statements”, including statements regarding the intent, opinion, belief or current expectations of the Company or its management. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and outcomes to be materially different from any future results, performance or outcomes expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company’s business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, fluctuations in currency exchange rates and interest rates and other factors, including lack of operating history. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document.

No information contained herein constitutes, or shall be relied upon as constituting, any advice relating to the future performance of the Company. The Company undertakes no obligation to publicly update or revise any forward-looking statements included in this Presentation.

Agenda

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

Q2 2020 Headlines

Effective cost management in a challenging market

REDUCED REVENUE DRIVEN BY GLOBAL SLOW-DOWN

- Revenue 65% reduced compared to Q2 2019
- Vessel utilization at 50% due to cancellations and terminations
- Effective cost management mitigated year-on-year EBITDA* impact
- Strong operational performance with low technical downtime

INDUSTRY OUTLOOK

- Low levels of tender activity as E&P companies defer investments
- Oil price developments indicate improving stability; however a challenging H2 2020 is expected for the marine seismic segment
- Indications that 2021 activity is expected to build with a number of projects and tenders rescheduled to next year

Segment Revenues* of USD 22.8m

Segment EBITDA* of negative
USD 2.5m

Total cash balance**
USD 44.8m

Backlog of USD 141m

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

***Includes USD 25m drawn from the working capital facility in March 2020.*

Adapting to unprecedented market changes

Additional measures implemented to manage COVID-19 restrictions and near-term uncertainty

FOCUS ON HEALTH AND SAFETY

- Remote-working model maintained for all onshore employees
- Continued health screening & stringent travel protocols for the offshore population

ENSURING CONTINUITY OF OPERATIONAL EXCELLENCE

- Pandemic risk assessment and response plan developed for each project
- High technical uptime and safety performance maintained

DECISIVE IMPLEMENTATION OF FINANCIAL MITIGATIONS

- Secured increased flexibility on the WCF and covenant amendments through 2020
- Executed a cost reduction plan of USD 15 million in Q1 2020 in addition to initiatives for low-cost vessel standby
- Implemented a significant organizational reshape during the quarter estimated to realize additional annualized cost savings of USD 7 million while embedding flexibility



Polarcus 2020 action plan

Repositioning to respond to near-term market challenges

Mitigating the impact of COVID-19

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

Reinforcing cost control and capital discipline

Efficient organizational model with additional cost reduction measures introduced

Further optimized streamer inventory

Improved repair cycle provides flexibility and a gradual investment profile from 2022

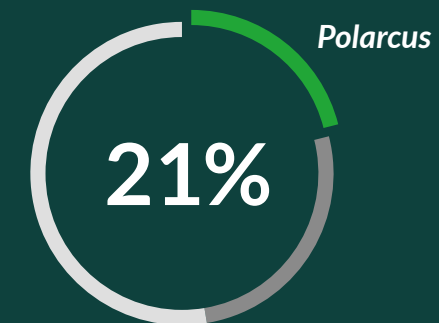
Uniform fleet delivering to high standards

Scalable operational platforms providing innovative geophysical services

VESSEL LOCATIONS AS OF JULY 2020



SHARE OF ACTIVE GLOBAL FLEET*



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

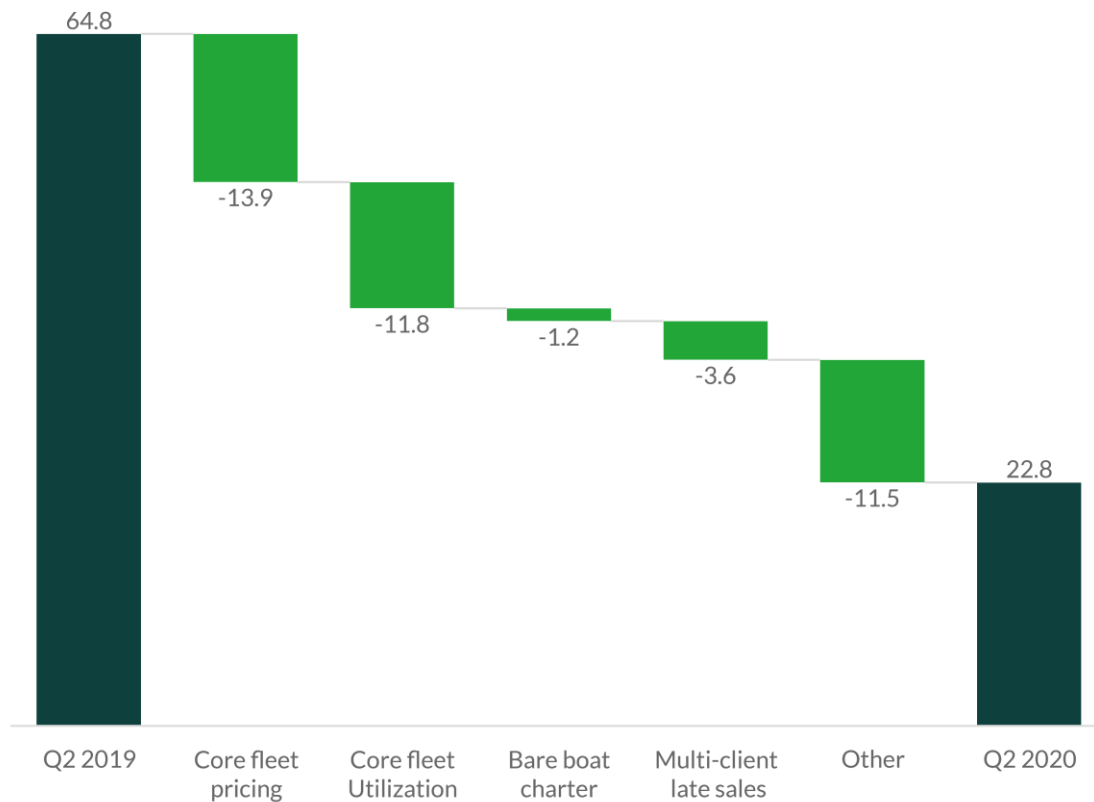
Agenda

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

Reduced revenue driven by global slow-down

Segment revenues Q2 2020 vs Q2 2019

(USD millions)



- Significant decline in core fleet revenue year-on-year driven by both utilization and pricing
- Reduction in bareboat charter revenue for Vyacheslav Tikhonov in Q2 2020
- No multi-client late sales in the quarter
- Reduction in other revenue relates to hybrid streamer-node project and insurance revenue in Q2 2019

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

Q2 2020 Profit & loss

Segment Profit & loss

(USD millions)	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Revenues	22.8	64.8	89.1	131.9	290.6
Cost of sales	22.6	45.1	63.9	99.1	213.9
General and administrative costs	2.7	3.8	5.5	6.7	13.3
EBITDA	(2.5)	16.0	19.7	26.2	63.4
Depreciation & amortization	6.7	6.5	12.4	12.9	25.9
Multi-client amortization	0.5	0.9	8.5	1.7	9.5
EBIT	(9.7)	8.7	(1.2)	11.5	28.0
Net financial items	8.2	8.1	16.6	16.1	33.2
Net profit/(loss) before tax	(17.9)	0.6	(17.8)	(4.6)	(5.2)

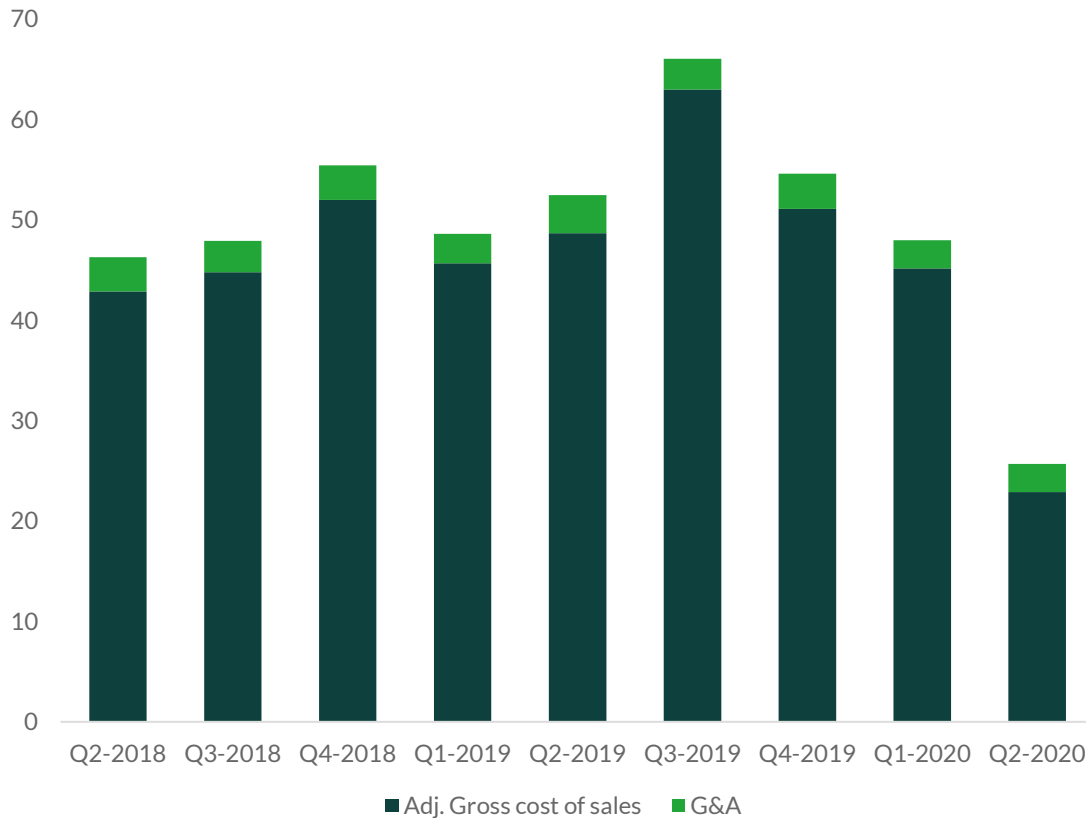
- Reduced revenue driven by global slow-down due to COVID-19 and oil price volatility
- Sharp drop in cost of sales in Q2 2020 driven by flexible cost base and reduced activity
- Effective cost management partly mitigated the revenue decline delivering EBITDA of negative USD 2.5 million

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

Disciplined cost management delivers immediate impact

Cash operating cost*

(USD millions)



- Q2 2020 cash operating cost demonstrates a significant reduction
- Cost reduction initiatives have lowered the cost base
- Flexibility in the cost base has been embedded to manage fluctuating activity
- Q3 2020 cost level expected to be in line with Q2 2020

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

Q2 2020 Cash flow

Segment Cash flow

(USD millions)	Q2 2020	Q2 2019	H1 2020	H1 2019	2019
Cash from operations before changes in working capital	(4.2)	16.0	18.4	25.2	61.5
Net working capital movement	16.9	(11.1)	(1.2)	(14.5)	(0.6)
Cash from operating activities	12.7	4.9	17.2	10.7	60.9
PP&E investment	4.0	1.8	7.3	2.2	16.7
Multi-client investment	0.4	-	7.9	-	6.1
Total cash*	44.8	23.8	44.8	23.8	36.5
Net interest bearing debt	317.9	314.6	317.9	314.6	301.5

- Strong cash flow from operations driven by positive working capital movement
- No significant multi-client investments during the quarter – in line with strategy
- Total cash balance at quarter end of USD 44.8 million compared to USD 46.7 million at the start of the quarter

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

*Including restricted cash balance of USD 10.4 million.

Agenda

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

Strong operational delivery

Q2 2020 highlights

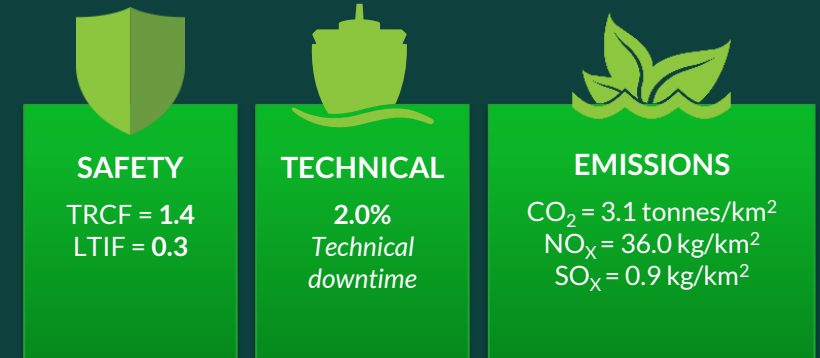
- Excellent operational performance metrics maintained throughout the quarter
- Industry-leading environmental and safety performance remain key differentiators
- Highly efficient fleet that has been compliant with IMO 2020 regulations since 2009

Largest clients in recent years

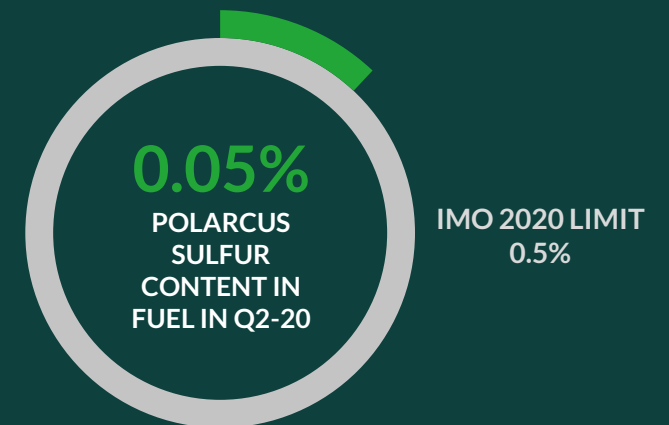


FLEET PERFORMANCE

Q2 2020



IMO 2020 SULFUR CONTENT COMPLIANT

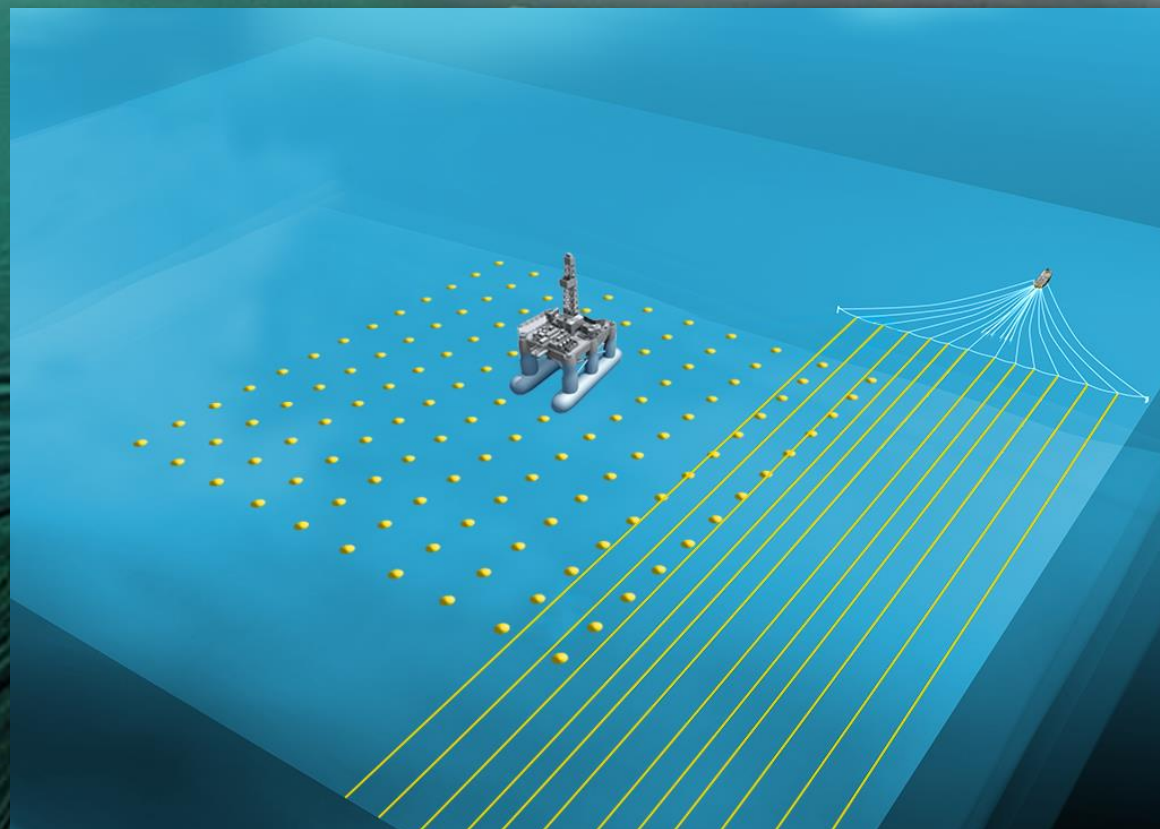


Leaders in imaging innovation

Hybrid projects optimizing producing fields



- Combined towed streamer and OBN datasets (hybrid) is a niche area of growth that Polarcus is targeting
- Polarcus continues to work closely with OBN operators and equipment suppliers
- Currently testing an innovative, self-recovering node technology on an ongoing towed streamer project

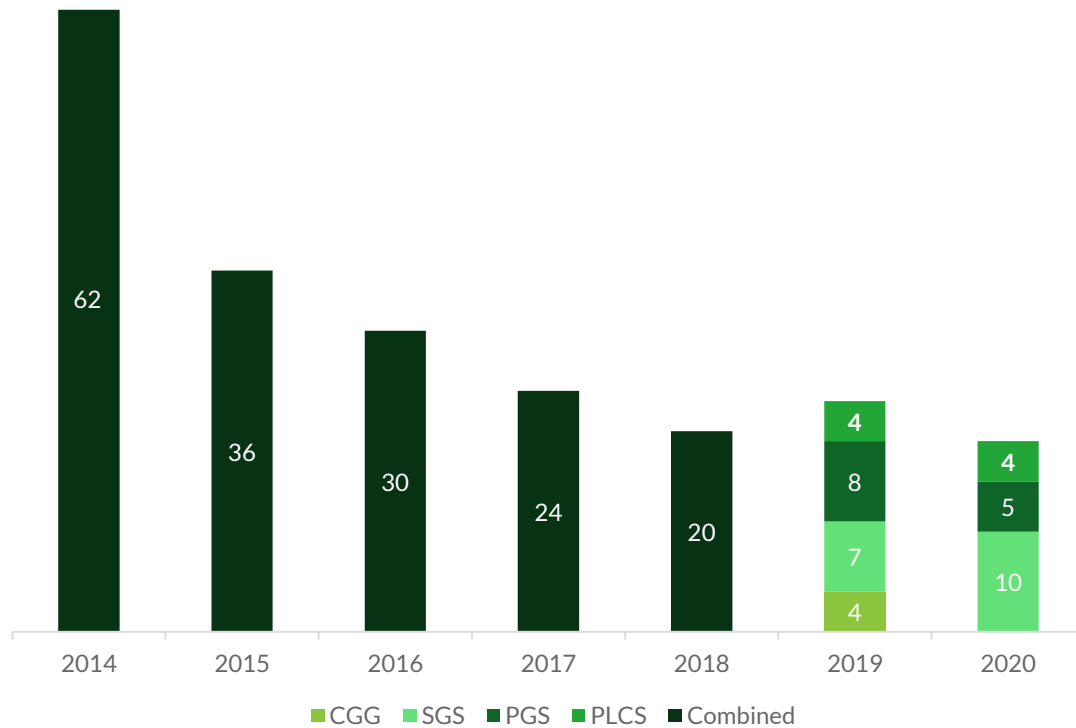


Marine acquisition supply remains disciplined

Four vessels removed from the global vessel count to date in 2020

Global high-end marine seismic fleet

(#Vessels)



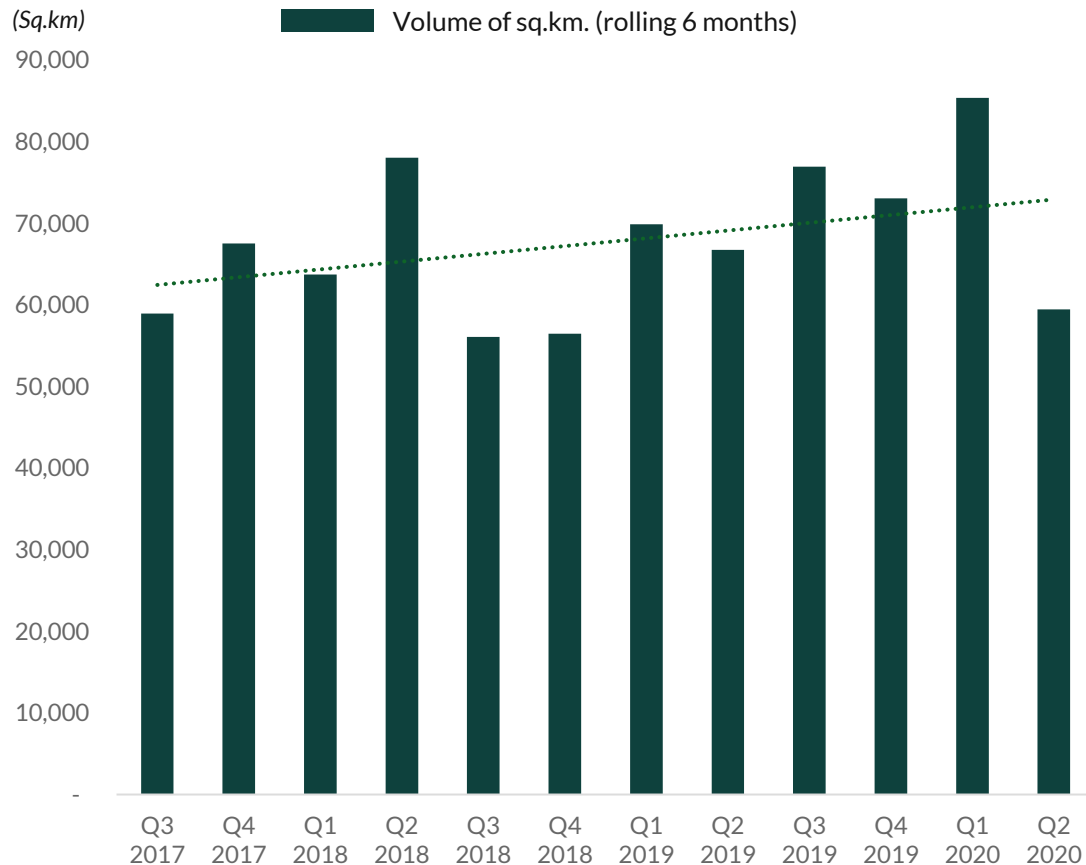
Source: Company research

- Acknowledgement of general increased levels of standby time by industry peers
- Measures implemented in H1 2020 to reduce vessel cost during anticipated idle time
- Further reductions to the global seismic fleet expected in H2 2020

Marine acquisition demand

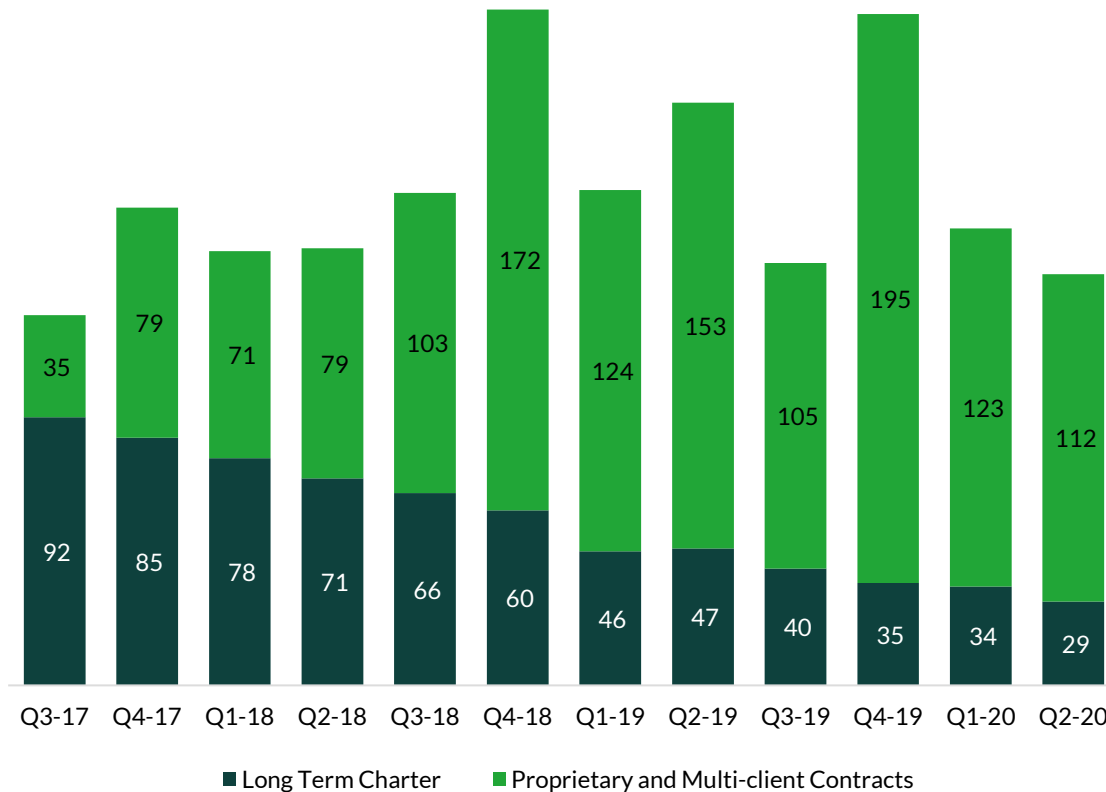
Low tender demand observed in Q2 2020

PROPRIETARY INVITATION TO TENDERS ONLY



- Significant decrease in global proprietary tender activity in Q2 2020
- Deferral of tender processes and decisions while E&P companies review investment portfolios
- Polarcus fleet utilization expected to remain at similarly low levels in Q3 2020
- Tender activity shows signs of increasing in Q3, primarily for projects to be acquired in 2021

Backlog

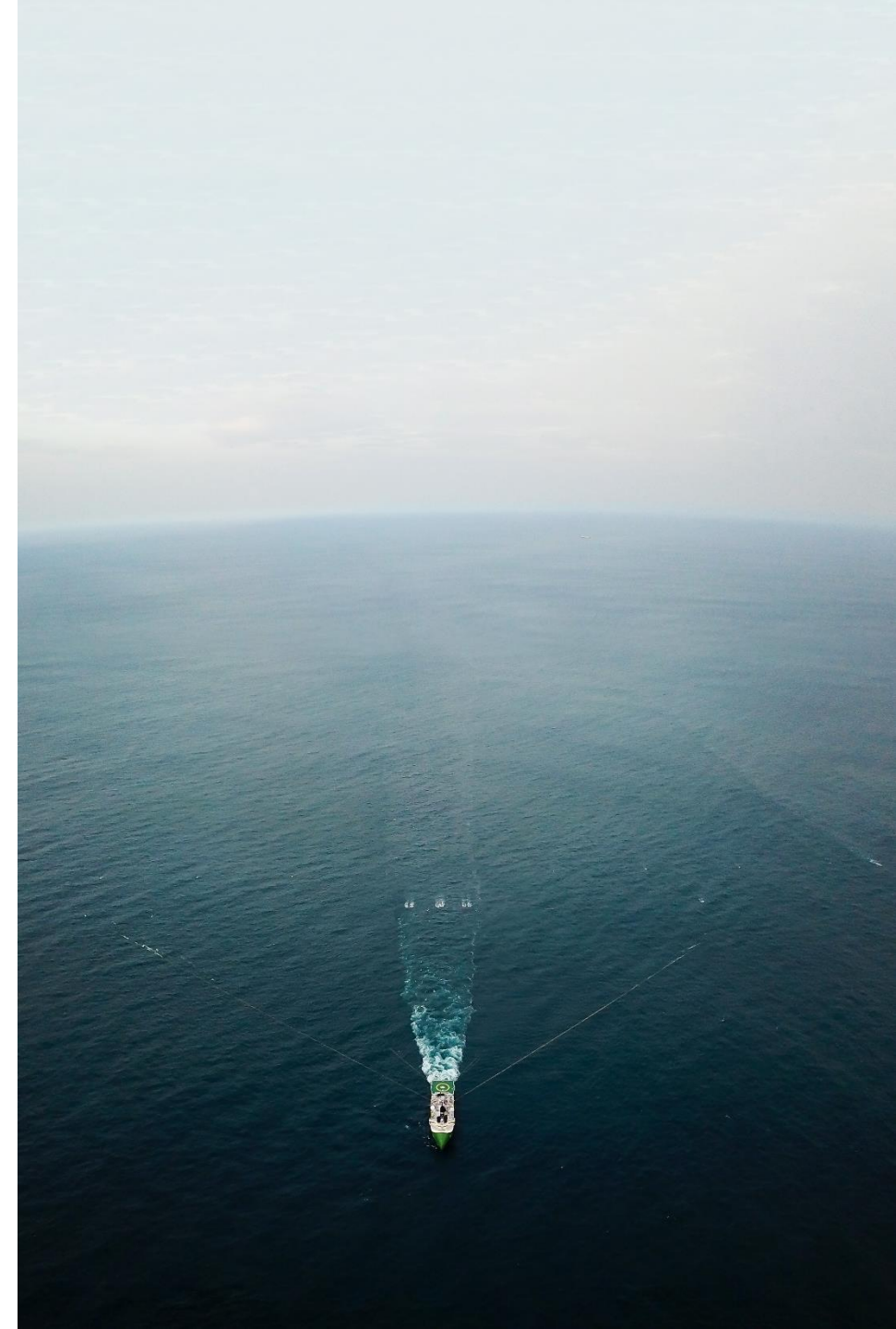


- Backlog at USD 141 million
 - Including 3D project in Asia Pacific awarded, scheduled for Q1 2021
 - Reduction of 29% in backlog value compared to Q2 2019
- Fleet ~40% booked for remainder of 2020
 - Core fleet 25% booked
 - V. Tikhonov on standby since 31st May with SCF pursuing project opportunities
 - I. Gubkin chartered to Q4 2022

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

Closing remarks

- Q2 2020 earnings negatively impacted by sharp decline in oil price since March and uncertainty due to COVID-19 related restrictions
- Effective cost management mitigated year-on-year EBITDA impact
- Onshore and offshore organization reshape in Q2 2020 will generate additional cost savings and greater flexibility
- Operational excellence and low technical downtime maintained for ongoing projects, despite challenges related to COVID-19
- Activity is expected to increase in 2021 based on client discussions, with a number of tenders and projects rescheduled to next year
- Backlog of USD 141 million including the Polarcus fleet 40% booked for remainder of 2020



Q&A



EXPLORE SMARTER™

Appendices

First Quarter 2020



IFRS Income statement

(In thousands of USD)	Quarter ended		Quarter ended		Year ended
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	31-Dec-19
Revenues					
Contract revenue	22,124	57,529	76,945	124,056	268,825
Multi-client revenue	26	3,603	87	11,765	14,054
Other income	-	3,712	400	4,233	5,712
Total Revenues	22,150	64,845	77,433	140,054	288,591
Operating expenses					
Cost of sales	(24,478)	(45,075)	(65,762)	(99,063)	(213,904)
General and administrative costs	(2,818)	(3,792)	(5,610)	(6,720)	(13,318)
Onerous contracts	-	-	-	-	-
Depreciation and amortization	(6,749)	(6,432)	(12,424)	(12,946)	(25,886)
Multi-client amortization	-	(856)	(644)	(9,874)	(11,233)
Total Operating expenses	(34,044)	(56,155)	(84,440)	(128,603)	(264,341)
Operating profit/(loss)	(11,895)	8,690	(7,008)	11,450	24,250
Finance costs	(8,897)	(8,289)	(17,741)	(16,617)	(34,217)
Finance income	719	234	1,087	481	1,013
	(8,177)	(8,055)	(16,653)	(16,136)	(33,204)
Profit/(loss) before tax	(20,072)	635	(23,661)	(4,685)	(8,954)
Income tax expense	(675)	-	(1,333)	(13)	(1,080)
Net profit/(loss) and total comprehensive income/(loss)	(20,747)	635	(24,994)	(4,698)	(10,034)
Earnings per share attributable to the equity holders during the period (In USD)					
- Basic	(0.040)	0.001	(0.049)	(0.009)	(0.020)
- Diluted	(0.040)	0.001	(0.049)	(0.009)	(0.020)
EBITDA	(5,146)	15,978	6,061	34,270	61,369

IFRS Balance Sheet

(In thousands of USD)

	30-Jun-20	30-Jun-19	31-Dec-19
Assets			
Non-current Assets			
Property, plant and equipment	357,416	363,419	363,335
Multi-client project library	14,726	2,287	7,030
Right-of-use assets	3,485	2,056	1,572
Intangible assets	618	-	290
Total Non-current Assets	376,245	367,761	372,227
Current Assets			
Receivable from customers	20,791	52,057	32,078
Other current assets	14,081	26,806	17,926
Restricted cash	10,408	1,183	1,235
Cash and bank	34,436	22,594	35,234
Total Current Assets	79,716	102,641	86,473
Total Assets	455,961	470,402	458,700
Equity and Liabilities			
Equity			
Issued share capital	51,379	51,379	51,379
Share premium	635,906	635,906	635,906
Other reserves	25,608	26,008	25,369
Retained earnings/(loss)	(669,091)	(639,653)	(644,097)
Total Equity	43,803	73,640	68,557
Non-current Liabilities			
Interest bearing debt	329,520	326,651	326,244
Lease liabilities	2,210	1,010	532
Total Non-current Liabilities	331,730	327,661	326,776
Current Liabilities			
Interest bearing debt	32,102	10,600	10,600
Lease liabilities	1,266	940	860
Provisions	-	117	-
Accounts payable	9,958	31,443	14,771
Other accruals and payables	37,102	26,000	37,136
Total Current Liabilities	80,428	69,101	63,367
Total Equity and Liabilities	455,961	470,402	458,700

IFRS Cash flow statement

(In thousands of USD)	Quarter ended		Six months ended		Year ended
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19	31-Dec-19
Cash flows from operating activities					
Profit/(loss) for the period before income tax	(20,072)	635	(23,661)	(4,685)	(8,954)
Adjustment for:					
Depreciation and amortization	6,749	6,432	12,424	12,946	25,886
Multi-client amortization	-	856	644	9,874	11,233
Gain on sale of assets	-	-	-	-	(1,117)
Employee share based incentives	105	(81)	239	47	300
Interest expense	8,433	8,188	16,920	16,363	33,542
Interest income	(0)	(102)	(79)	(224)	(370)
Income tax paid	-	-	-	(13)	(30)
Effect of currency (gain)/loss	(77)	68	297	100	133
Net movements in provisions	-	-	-	(1,043)	(1,160)
Net working capital movements	17,542	(11,074)	10,416	(22,616)	1,440
Net cash flows from operating activities	12,680	4,923	17,202	10,748	60,903
Cash flows from investing activities					
Payments for property, plant and equipment	(3,958)	(1,802)	(7,258)	(2,203)	(16,727)
Payments for multi-client library	(435)	-	(7,894)	-	(6,071)
Payments for intangible assets	(109)	-	(327)	-	(290)
Proceeds from sale of multi-client library	-	-	-	-	1,400
Net cash flows used in investing activities	(4,502)	(1,802)	(15,479)	(2,203)	(21,688)
Cash flows from financing activities					
Net receipt from bank loans	-	-	25,000	-	-
Repayment of interest bearing debt	(5,150)	(4,150)	(7,300)	(6,300)	(14,000)
Lease liabilities paid	(296)	(189)	(566)	(372)	(930)
Interest paid	(4,308)	(3,836)	(9,816)	(8,946)	(18,311)
Other finance costs paid	(74)	(196)	(250)	(450)	(970)
Decrease/(Increase) in restricted cash	(9,171)	84	(9,174)	(30)	(82)
Interest received	0	102	79	224	370
Net cash flows from/(used in) financing activities	(18,999)	(8,185)	(2,027)	(15,874)	(33,923)
Effect of foreign currency revaluation on cash	(163)	(55)	(494)	(82)	(63)
Net increase in cash and cash equivalents	(10,984)	(5,119)	(798)	(7,411)	5,229
Cash and cash equivalents at the beginning of the period	45,420	27,713	35,234	30,005	30,005
Cash and cash equivalents at the end of the period	34,436	22,594	34,436	22,594	35,234

Detailed debt overview

Debt	Outstanding 30 Jun 20	Total credit line	Maturity	Interest
USD Unsecured Bond – PLCS02	USD 14.1m		Jan-25	5% PIK
NOK Unsecured Bond – PLCS03	USD 5.4m		Jan-25	5% PIK
Convertible bond – Tranche A	USD 59.8m		Jul-22	5.60%
Convertible bond – Tranche B	USD 3.8m		Jan-25	5% PIK
Fleet Bank Facility	USD 234.0m		Aug-22 to Jun-24	
New Fleet Facility	USD 74.9m		Dec-24	
Swap Facility	USD 2.7m		Jun-21	LIBOR + 4%
Working Capital Facility	USD 25.0m	USD 40m	Jun-22	LIBOR + 4%
Gross debt	USD 419.9m			
<i>Own PLCS02 bonds held</i>	<i>USD 3.5m</i>			
Outstanding debt	USD 416.3m			

Experienced Management and Board of Directors

Executive management



Duncan Eley
CEO
20 years of experience in the seismic industry



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



Caleb Raywood
General Counsel
20 years of commercial law experience



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



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

Board of Directors



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



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



Peter Zickerman
20 years experience in the seismic industry



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



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



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

