

Polarcus Q3 2019

Exceptional performance in an improving market

Third Quarter Results

05 November 2019

Duncan Eley, CEO
Hans-Peter Burlid, CFO

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Agenda

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

Q3 2019 Headlines

Exceptional performance in an improving market

SIGNIFICANTLY IMPROVED PERFORMANCE YEAR-ON-YEAR

- Segment revenue increased 87%
- Segment EBITDA increased to USD 29.6m (USD 7.3m)
- USD 29.7m cash from operations before working capital movements (USD 9.6m)

STRONG OPERATIONAL DELIVERY

- Solid operational performance and very high technical uptime
- Successful completion of industry's largest 4D project in 2019
- Strong production on multi-vessel wide azimuth project in Mexico

INCREASED MARKET ACTIVITY

- Tender activity continues to build
- Solid 2020 opportunity pipeline for both MC and contract tenders

Segment Revenues* of USD 103.4m

Segment EBITDA* of USD 29.6m

Total cash balance**
USD 35.4m

Fleet backlog of USD 145m

*Segment results and IFRS results are consistent in Q3 2019

**Excludes undrawn USD 40m working capital facility

Well positioned for 2020

The year of change

Preferred partner in a consolidating market

Strong client relationships with recognition of Polarcus operational capabilities

Uniform fleet delivering to high standards

Scalable operational platforms providing innovative geophysical services

Optimized streamer inventory

Provides flexibility and more gradual investment profile

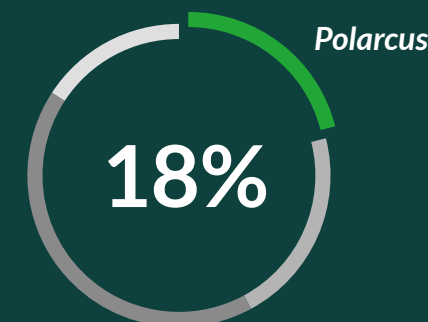
Improving financial performance

Profitability and cash flow showing significant improvement year-on-year

VESSEL LOCATIONS AS OF NOVEMBER 2019



SHARE OF ACTIVE GLOBAL FLEET*



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

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Significantly improved profitability

Segment profit & loss Q3 2019

(USD millions)

	Quarter ended		Nine months ended		Year ended
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	31-Dec-18
Revenues	103.4	55.2	235.4	143.8	202.2
EBITDA	29.6	7.3	55.7	26.6	29.1
Depreciation & amortization	6.7	7.0	19.7	19.3	26.6
Multi-client amortization	0.7	1.2	2.4	21.3	22.3
EBIT	22.1	(0.9)	33.6	(14.0)	(19.8)
Net financial items	(8.5)	(7.3)	(24.6)	(23.7)	31.2
Net profit / (loss)	13.7	(8.2)	9.0	(37.5)	(50.8)

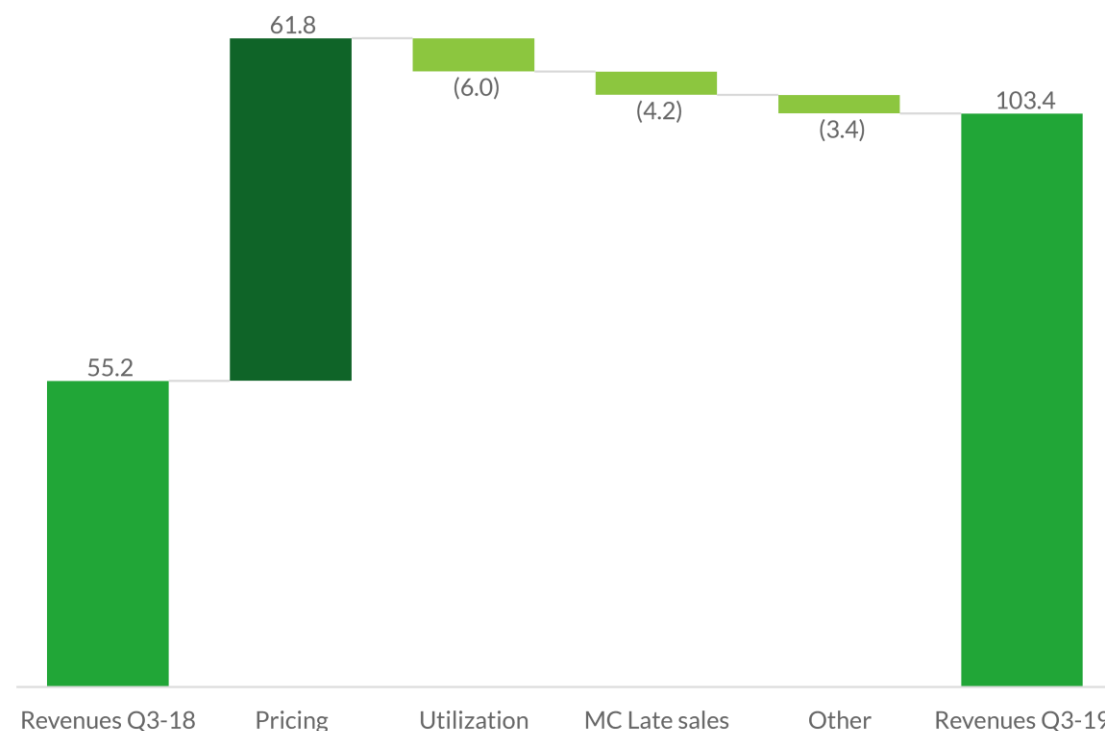
- Revenues of USD 103.4 million
 - Up 87% year-on-year driven by improved pricing and operational performance
- EBITDA of USD 29.6 million
 - Significantly improved margin of 29% on a growing top line
- EBIT of USD 22.1 million
 - 21% margin

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

Solid revenue increase driven by pricing

Segment revenues Q3 2019, year-on-year

(USD millions)



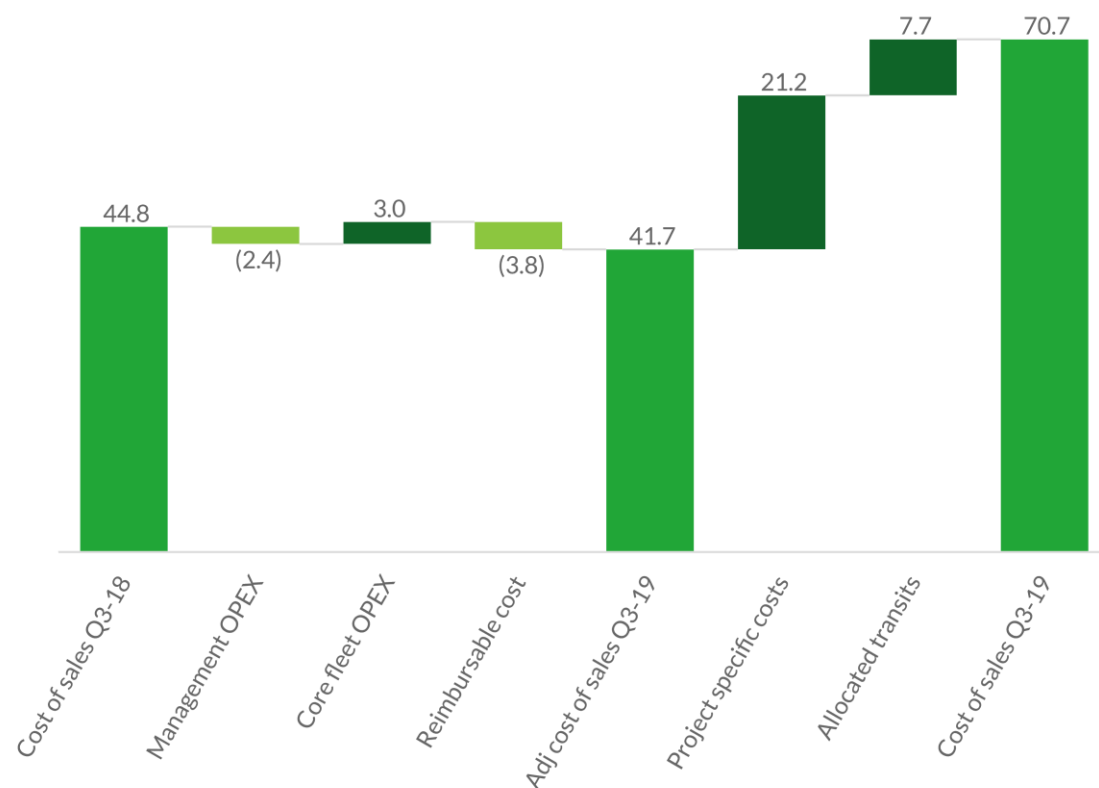
- Segment revenues up 87% year-on-year
- Pricing up 155% year-on-year
 - Differentiators delivering improved pricing
 - Strong operational performance driving rates
 - Accompanied by high project specific costs
- Realised day rates up ~50% year to date compared to 2018 adjusted for change in cost

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.

Stable underlying cost base with high project specific costs

Cost of sales Q3 2019, year-on-year

(USD millions)



- Adjusted cost of sales reduced year-on-year
 - Core fleet OPEX increased slightly driven by crew and fuel
 - Discontinuation of the vessel management agreement and reduced reimbursables
- High project specific costs on 4D and wide azimuth projects
 - Source and support vessels
 - Higher fuel consumption and unit price
- Expensing of deferred transit and mobilization costs

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.

Strong cash generation

Segment cash flow Q3 2019

(USD millions)

	Quarter ended		Nine months ended		Year ended
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	31-Dec-18
Cash from operations before changes in working capital*	29.7	9.6	54.9	22.4	23.2
Net working capital movements*	(1.4)	(9.2)	(15.9)	(22.6)	(11.9)
Cash from operating activities	28.3	0.4	39.0	(0.2)	11.3
PP&E investment	(8.6)	(2.9)	(10.8)	(80.5)	82.2
Multi-client investment	-	(2.3)	-	(18.1)	18.7
Total cash**	35.4	28.4	35.4	28.4	31.2
Net interest-bearing debt	304.0	315.5	304.0	315.5	306.1

* Net working capital movement as per Segment reporting

** Excluding undrawn USD 40 million working capital facility. Including restricted cash balance of USD 1.2 million in 2019.

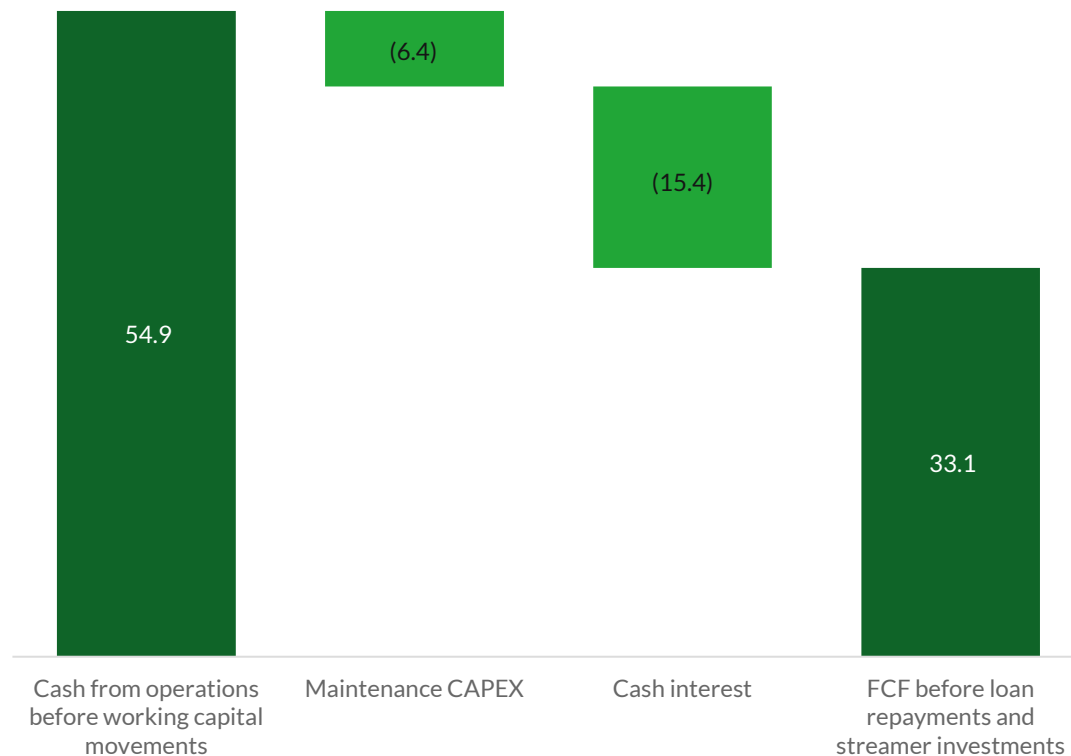
- USD 29.7 million cash from operations before working capital movements
 - Increase from USD 9.6 million in Q3 2018
- PP&E investments of USD 8.6 million
 - Including USD 4 million acquisition of new streamers on attractive terms
- Total cash at quarter end of USD 35.4 million
 - Up from USD 23.8 million at end Q2 2019

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

Strong cash from operations

Segment cash flow – Nine months ended 30-Sep-19

(USD millions)



- USD 54.9 million cash from operations before working capital movements
- Strong cost focus and capital discipline delivered USD 33 million free cash flow
 - Excluding USD 4 million streamer investments
- Healthy streamer pool with excess capacity
 - New streamers secured on attractive terms
 - Increased output from in-house repair facility
 - Flexibility and more gradual investment profile post 2021

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

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Strong operational delivery

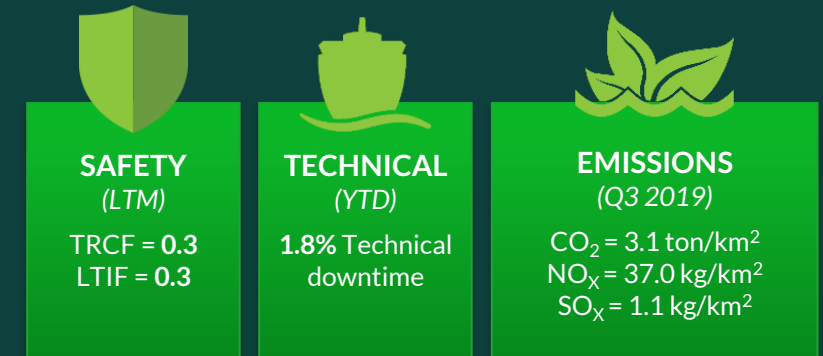
Q3 2019 highlights

- Solid operational performance and very high technical uptime were key to Q3 2019 result
- Industry-leading safety and environmental performance remain key differentiators
- Compliance with IMO 2020 regulations since 2009

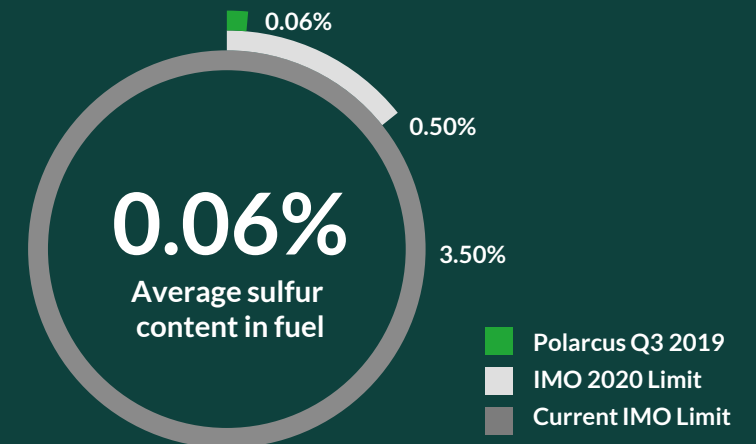
Largest clients since inception



FLEET PERFORMANCE



IMO 2020 SULFUR CONTENT COMPLIANT



Superior project execution

Beating the model on complex projects drives strong financials

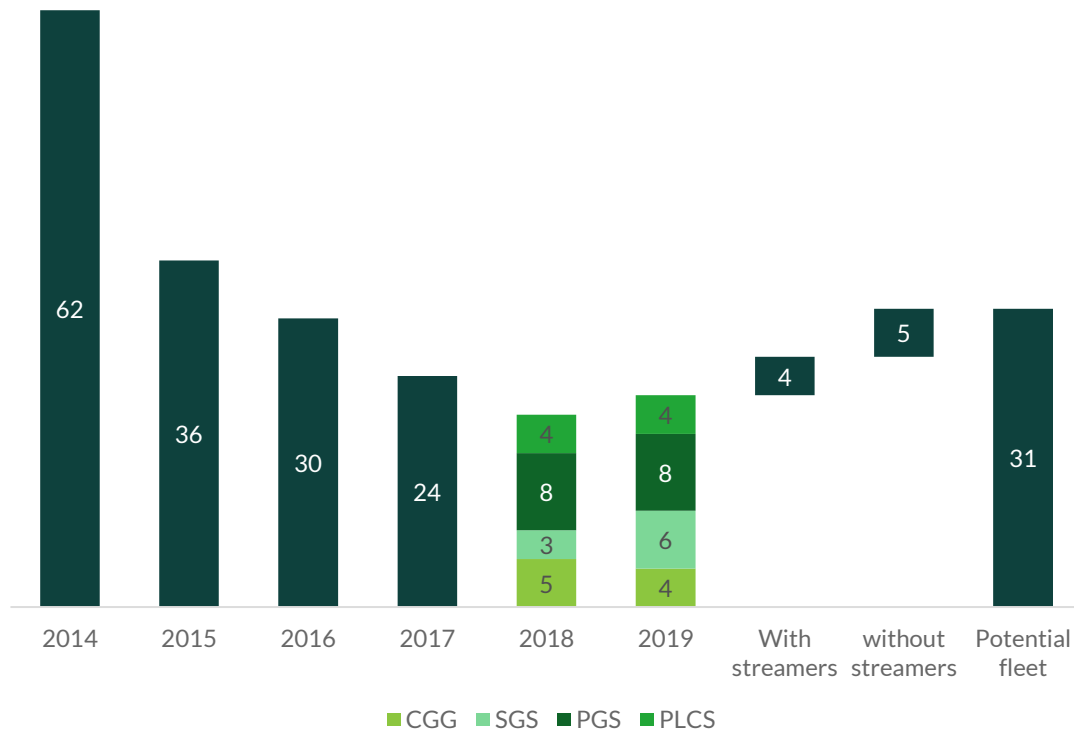
- Largest 2019 4D project
 - Remote location, sea ice, oil field infrastructure, and an environmentally sensitive area
 - Complex multi-vessel operations
- Wide azimuth project for WesternGeco
 - First project for asset light multi-client company
 - Cirrus™ providing client near real-time access to seismic data
- Alaskan arctic project
 - Environmentally sensitive area
 - Remote operations



Marine acquisition supply remains disciplined

Global 3D fleet

(#Vessels)



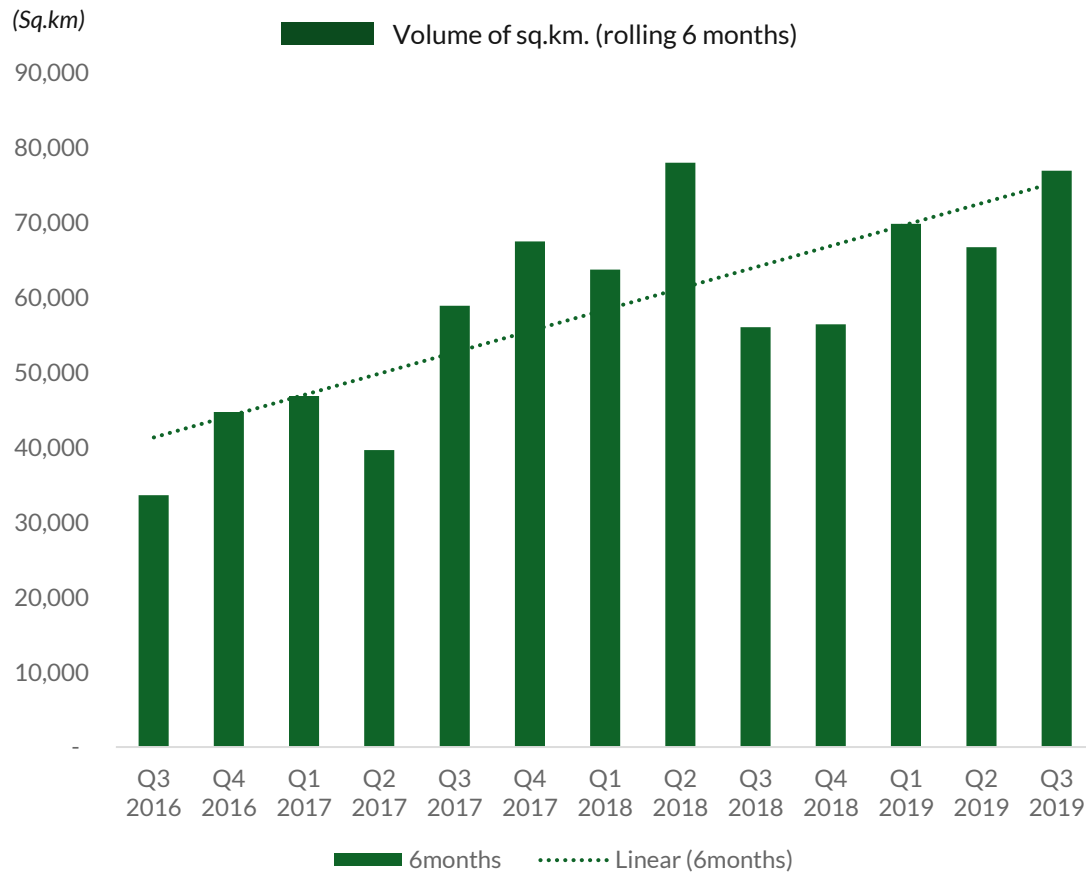
Source: Company research

- 22 active vessels throughout 2019 compared to >60 prior to the downturn
- Highly consolidated supply picture
- Limited additional capacity readily available with streamers (~4 vessels)
- Limited additional vessels with attractive age & capacity profiles: stacked and no streamers (~5 vessels)

Marine acquisition demand improving

Solid demand despite lower oil price since Q4 2018

PROPRIETARY INVITATION TO TENDERS ONLY



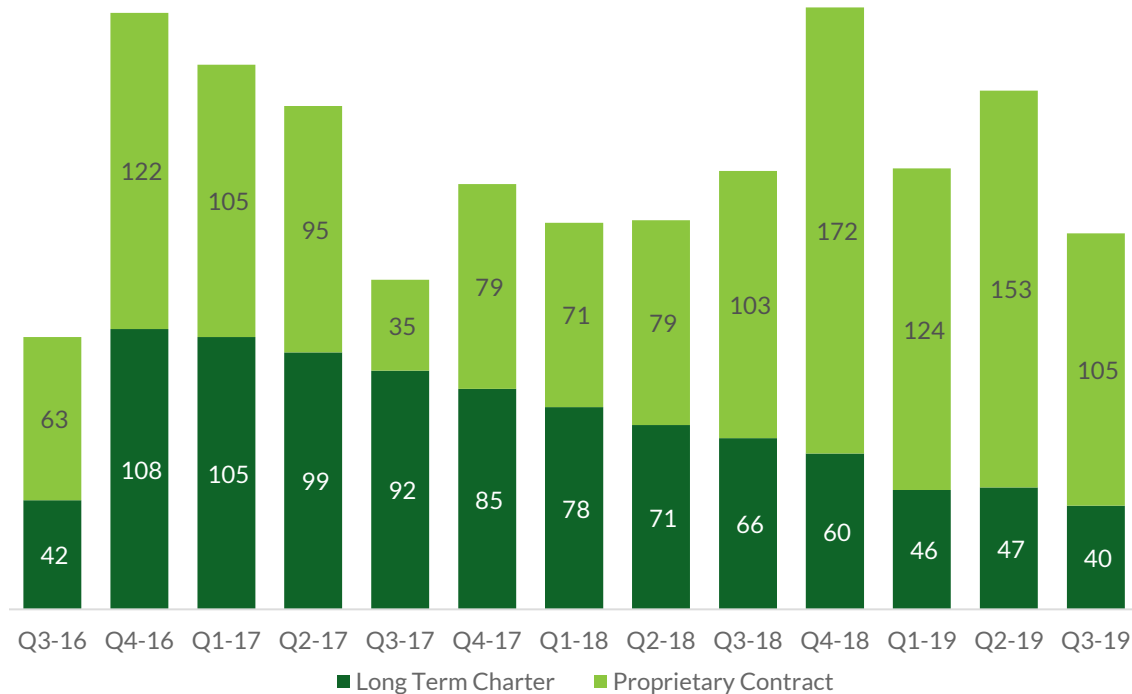
- Solid proprietary tender demand
- Healthy opportunity pipeline for H1 2020
- Larger exploration surveys by E&P companies driving proprietary tenders
- In addition, large scale multi-client activity particularly in southern hemisphere

Healthy backlog maintained

Current backlog at improved margins year-on-year

Reported Backlog

(USD millions)

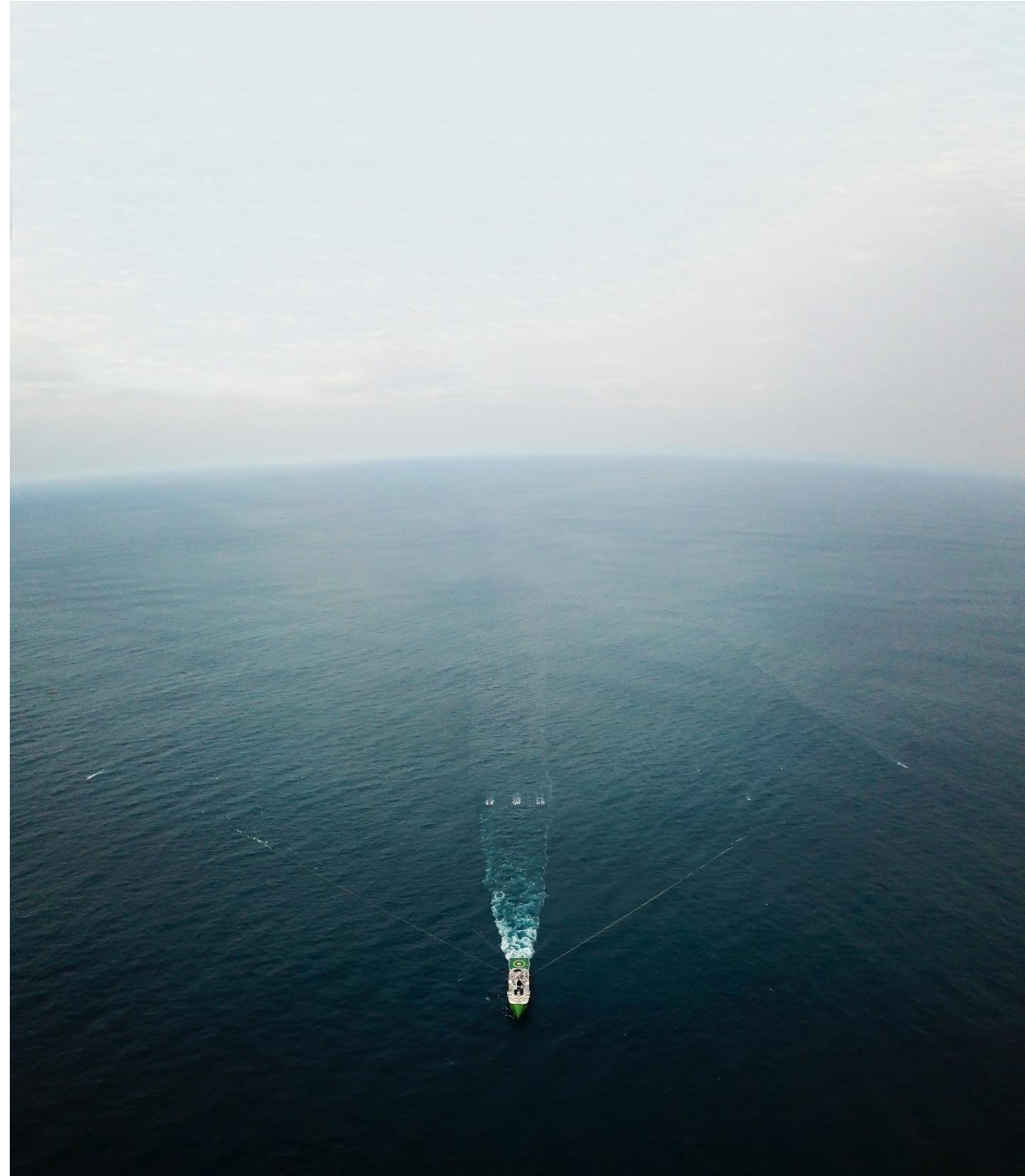


- Backlog at USD 145 million
- Core fleet is ~85% booked through Q1 2020
 - Three vessels booked to Q2 2020
 - One vessel with some open time in Q4 2019
- Q4 2019 utilization impacted by class docking and fleet repositioning post Q3

Closing remarks

Exceptional performance in an improving market

- A solid quarter driven by operational excellence on complex projects
- Realised day rates up ~50% year to date compared to 2018 adjusted for change in cost
- Strong cash generation
- Optimized streamer inventory providing flexibility and a more gradual investment profile beyond 2021
- Tender levels, multi-client activity and pricing all continue to improve



Q&A



EXPLORE SMARTER™

Appendices

Third Quarter 2019



Income statement

(In thousands of USD)	Quarter ended		Nine months ended		Year ended
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	31-Dec-18
Revenues					
Contract revenue	103,267	50,506	227,323	124,867	182,746
Multi-client revenue	19	4,698	3,678	18,103	18,615
Other income	117	-	4,351	798	798
Total Revenues	103,403	55,205	235,351	143,768	202,159
Operating expenses					
Cost of sales	(70,744)	(44,825)	(169,807)	(107,488)	(159,934)
General and administrative costs	(3,082)	(3,119)	(9,802)	(9,654)	(13,115)
Depreciation and amortization	(6,727)	(6,963)	(19,673)	(19,277)	(26,647)
Multi-client amortization	(715)	(1,189)	(2,428)	(21,329)	(22,268)
Total Operating expenses	(81,267)	(56,096)	(201,709)	(157,748)	(221,964)
Operating profit/(loss)	22,136	(892)	33,642	(13,981)	(19,805)
Finance costs	(8,695)	(7,917)	(25,311)	(25,694)	(33,478)
Finance income	228	573	709	1,494	1,842
Changes in fair value of financial instruments	-	-	-	479	479
	(8,466)	(7,344)	(24,602)	(23,721)	(31,157)
Profit/(loss) before tax	13,670	(8,237)	9,040	(37,702)	(50,963)
Income tax expense	-	-	(13)	191	191
Net profit/(loss) and total comprehensive income/(loss)	13,670	(8,237)	9,027	(37,511)	(50,772)

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

Balance Sheet

(In thousands of USD)	30-Sep-19	30-Sep-18	31-Dec-18
Assets			
Non-current Assets			
Property, plant and equipment	362,573	382,013	369,629
Multi-client project library	1,289	26,893	12,160
Right-of-use assets	1,814	-	-
Total Non-current Assets	365,677	408,906	381,789
Current Assets			
Receivable from customers	64,859	34,029	39,583
Other current assets	14,891	15,704	13,132
Restricted cash	1,207	2,311	1,153
Cash and bank	34,147	26,071	30,005
Total Current Assets	115,105	78,114	83,873
Total Assets	480,782	487,020	465,662
Equity and Liabilities			
Equity			
Issued share capital	51,379	51,379	51,379
Share premium	635,906	635,906	635,906
Other reserves	26,132	25,774	25,961
Retained earnings/(loss)	(625,983)	(616,875)	(634,955)
Total Equity	87,434	96,184	78,291
Non-current Liabilities			
Interest bearing debt	324,623	334,116	325,500
Lease liabilities	727	-	-
Total Non-current Liabilities	325,349	334,116	325,500
Current Liabilities			
Interest bearing	13,600	8,600	10,600
Lease liabilities	1,034	-	-
Provisions	117	-	1,160
Accounts payable	18,484	14,057	21,417
Other accruals and payables	34,762	34,063	28,694
Total Current Liabilities	67,998	56,720	61,871
Total Equity and Liabilities	480,782	487,020	465,662

Cash flow statement

(In thousands of USD)	Quarter ended		Nine months ended		Year ended
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18	31-Dec-18
Cash flows from operating activities					
Profit/(loss) for the period	13,670	(8,373)	8,972	(13,708)	(31,788)
Adjustment for:					
Depreciation and amortization	6,727	6,963	19,673	19,277	26,647
Multi-client amortization	715	33,140	10,589	36,637	51,358
Impairments	-	-	-	(1,351)	4,878
Gain on sale of assets	(117)	-	(117)	-	-
Changes in fair value of financial instruments	-	-	-	(479)	(479)
Employee share option expenses	125	115	172	403	589
Interest expense	8,510	7,624	24,873	24,106	31,660
Interest income	(70)	(83)	(294)	(289)	(397)
Gain on financial restructuring	-	-	-	(6,398)	(14,517)
Gain on termination of vessel operating lease	-	-	-	(13,907)	(13,907)
Effect of currency (gain)/loss	103	179	203	263	281
Net movements in provisions	-	-	(1,043)	(5,489)	(4,329)
Net working capital movements	(1,402)	(39,117)	(24,018)	(39,216)	(38,671)
Net cash flows from operating activities	28,260	449	39,009	(151)	11,327
Cash flows from investing activities					
Payments for property, plant and equipment	(8,623)	(2,948)	(10,826)	(80,511)	(82,184)
Payments for multi-client library	-	(2,308)	-	(18,126)	(18,667)
Proceeds from sale of multi-client library	400	6,500	400	6,500	6,500
Net cash flows from/(used in) investing activities	(8,223)	1,244	(10,426)	(92,137)	(94,351)
Cash flows from financing activities					
Proceeds from the issue of ordinary shares	-	-	-	43,021	43,021
Transaction costs on issue of shares	-	-	-	(1,719)	(1,719)
Net receipt from bank loans	-	-	-	82,672	82,672
Repayment of interest bearing debt	(2,550)	(2,978)	(8,850)	(13,325)	(15,475)
Lease liabilities paid	(189)	-	(562)	-	-
Interest paid	(5,400)	(4,633)	(14,346)	(12,701)	(16,785)
Financial restructuring fees paid	-	-	-	(3,856)	(3,856)
Other finance costs paid	(310)	(339)	(761)	(793)	(1,149)
Decrease/(Increase) in restricted cash	(24)	(2,204)	(54)	5,506	6,664
Security deposit related to currency swaps	-	-	-	1,370	1,370
Paid towards liability under currency swaps	-	-	-	(7,672)	(7,672)
Interest received	70	83	294	289	397
Net cash flows from/(used in) financing activities	(8,404)	(10,072)	(24,279)	92,793	87,469
Effect of foreign currency revaluation on cash	(80)	(179)	(162)	(280)	(286)
Net increase in cash and cash equivalents	11,553	(8,557)	4,142	225	4,159
Cash and cash equivalents at the beginning of the period	22,594	34,628	30,005	25,846	25,846
Cash and cash equivalents at the end of the period	34,147	26,071	34,147	26,071	30,005

Detailed debt overview

Debt	Outstanding 30 September 2019	Total credit line	Maturity	Interest
USD Unsecured Bond – PLCS02	USD 13.1m		Jan-25	5% PIK
NOK Unsecured Bond – PLCS03	NOK 53.5m	USD 5.9m	Jan-25	5% PIK
Convertible bond – Tranche A	USD 63.3m		Jul-22	5.60%
Convertible bond – Tranche B	USD 3.5m		Jan-25	5% PIK
Fleet Bank Facility	USD 240.0m		Aug-22 to Jun-24	
New Fleet Facility	USD 75.0m		Dec-24	
Swap Facility	USD 5.7m		Jun-21	LIBOR + 4%
Working Capital Facility	-	USD 40m	Jun-22	LIBOR + 4%
Gross debt	USD 406.5m			
<i>Own PLCS02 bonds held</i>	<i>USD 3.3m</i>			
Outstanding debt	USD 403.2m			

Experienced Board and Management

Board of directors



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



Nicholas Smith
7 years as Chairman of Ophir Energy plc



Peter Zickerman
20 years experience in the seismic industry



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



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



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



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

Executive management



Duncan Eley
CEO
20 years of experience in the seismic industry



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



Caleb Raywood
General Counsel
20 years of commercial law experience



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



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

