

# Polarcus Fourth Quarter and Preliminary Full Year 2019

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***Strong increase in full year earnings***

27 February 2020

Duncan Eley, CEO  
Hans-Peter Burlid, CFO

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# Agenda

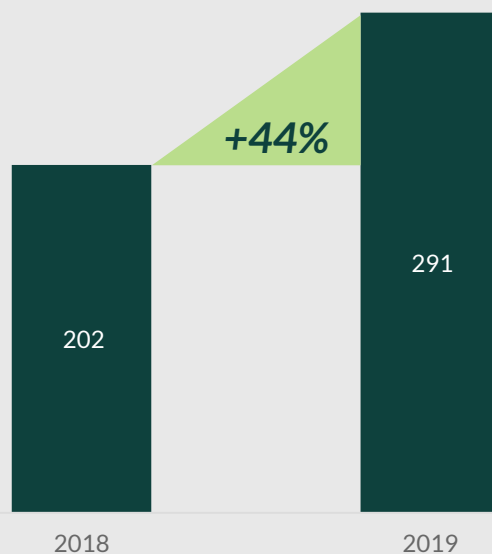
- 1 Headlines
- 2 Financials
- 3 Operational update and outlook
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# Significantly improved full year performance

Growth in margins driven by pricing improvements and excellent operational performance

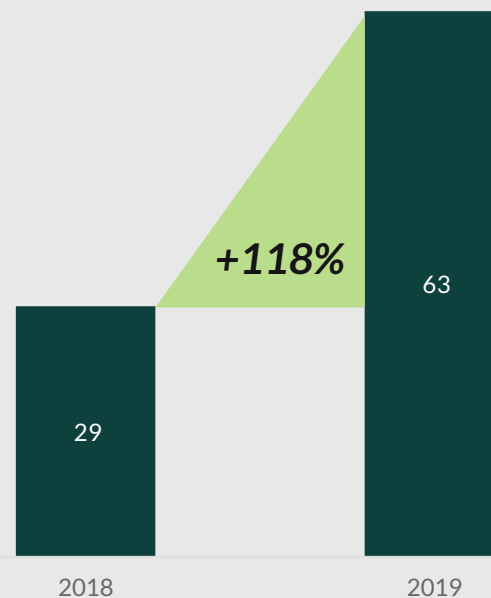
## STRONG REVENUE GROWTH

Segment revenue



## ROBUST EARNINGS INCREASE

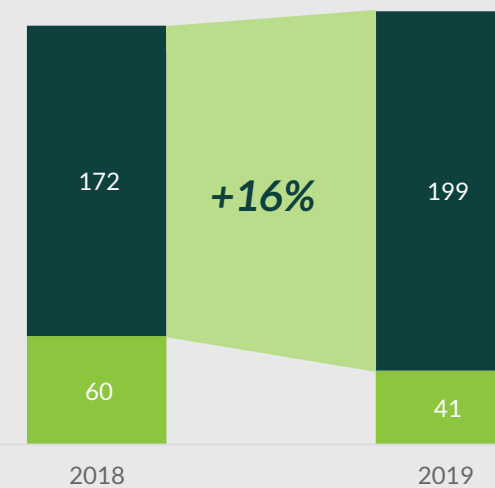
Segment EBITDA



## INCREASED BACKLOG

Fleet backlog

Long term charter Core fleet



References to "Core fleet" excludes vessels on bareboat charters and Polarcus Nadia.

# Q4 2019 headlines

*Improved profitability year-on-year*

## INCREASED MARGINS YEAR-ON-YEAR

- Segment Revenues decreased 5% compared to Q4 2018
- EBITDA\* increased to USD 7.6m, up from USD 2.5m in Q4 2018
- USD 21.9m cash from operations, up from USD 11.5m in Q4 2018
- USD 6.1m multi-client investments with 167% prefunding

## POSITIVE OUTLOOK FOR 2020

- Fleet backlog built strongly and improved 66% from end Q3 2019
- Robust utilization expected in H1 2020
- Healthy levels of tender activity continue into Q1 2020
- New digital offering (Cirrus™) expected to build momentum

Segment Revenues\* of USD 55.3m

Segment EBITDA\* of USD 7.6m

Total cash balance\*\*  
USD 36.5m

Improved backlog of USD 240m

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

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

# Well positioned for 2020

*Polarcus performing strongly in a developing market*

## Preferred partner in a consolidated 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 from 2022*

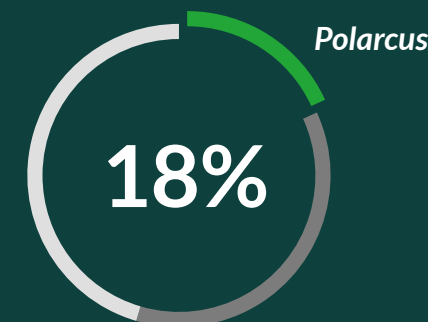
## Improving financial performance

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

## VESSEL LOCATIONS AS OF FEBRUARY 2020



## SHARE OF ACTIVE GLOBAL FLEET\*



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

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# Improved profitability

## Segment profit & loss Q4 2019

(USD millions)	Quarter ended		Year ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Revenues	55.3	58.4	290.6	202.2
EBITDA	7.6	2.5	63.4	29.1
Depreciation & amortization	6.2	7.4	25.9	26.6
Multi-client amortization	7.0	0.9	9.5	22.3
EBIT	(5.6)	(5.8)	28.0	(19.8)
Net financial items	(8.6)	(7.4)	(33.2)	(31.2)
Net profit / (loss)	(15.3)	(13.3)	(6.2)	(50.8)

- Revenues of USD 55.3 million
  - Down marginally year-on-year driven by reduced utilization partly offset by improved pricing
- Cost of sales of USD 44.1 million
  - Reduced due to multi-client costs capitalised
  - Gross cost of sales remained flat year-on-year
- EBITDA of USD 7.6 million
  - Up year-on-year driven by higher multi-client late sales and multi-client costs capitalised

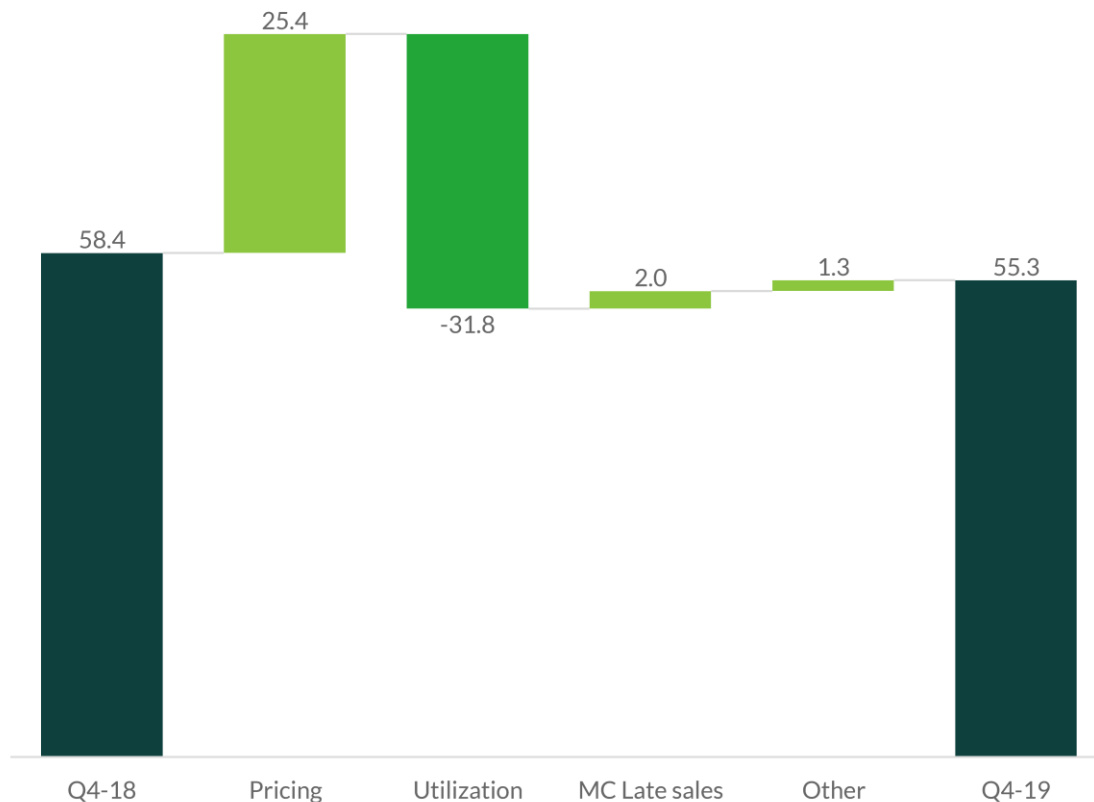
References to "Segment" and "Segment reporting" represent segment results, which have been adjusted for IFRS 15 effects and non-recurring items.



# Revenue - higher pricing offsetting lower utilization in Q4

## Segment revenues Q4 2019, year-on-year

(USD millions)



- Pricing up 50% year-on-year
  - Higher contract prices
  - Strong multi-client prefunding level of 168%
- Lower utilization of core fleet
  - 55% compared to 95% last year
  - Driven by fleet repositioning and delays on a planned yard stay and one contract award
- Stronger multi-client late sales

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 Q4 2019

(USD millions)	Quarter ended		Year ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Cash from operating activities	21.9	11.5	60.9	11.3
PP&E investment	(5.9)	(1.7)	(16.7)	(82.2)
Multi-client investment	(6.1)	(0.5)	(6.1)	(18.7)
Total cash*	36.5	31.2	36.5	31.2
Net interest bearing debt	301.5	306.1	301.5	306.1

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

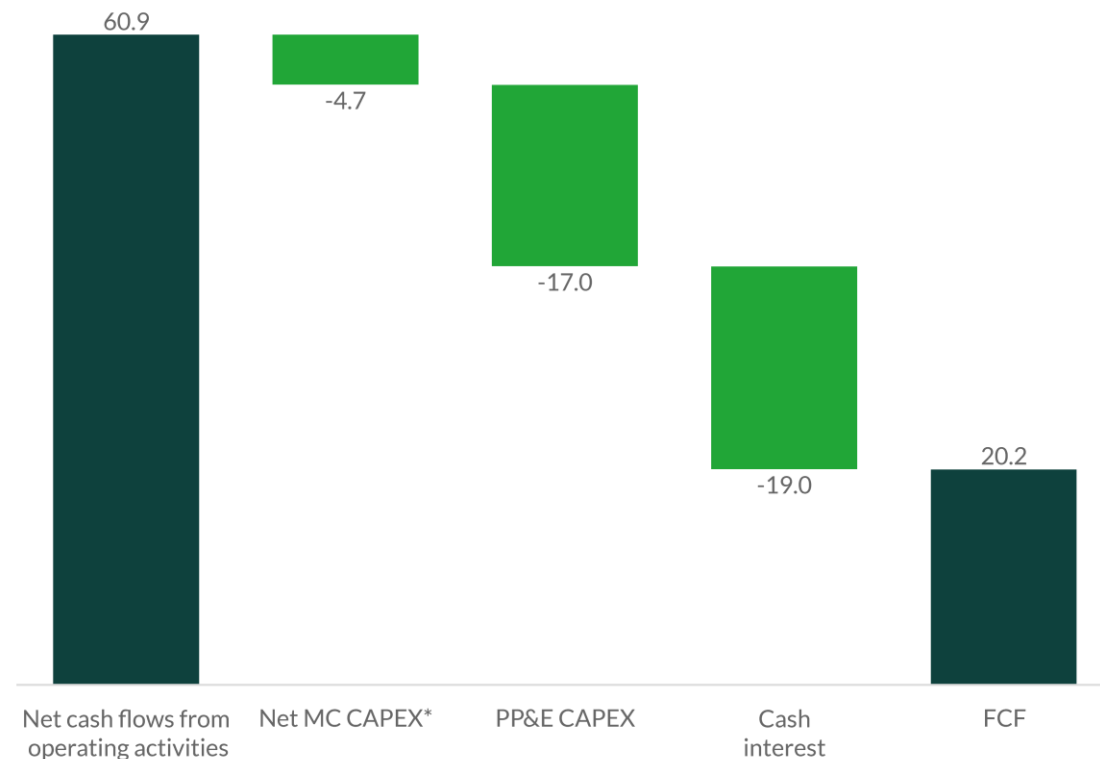
- USD 21.9 million cash from operations
  - Increase from USD 11.5 million in Q4 2018
- PP&E investments of USD 5.9 million
  - Driven by two class dockings in the quarter
- Multi-client investments of USD 6.1 million with USD 10.1 million prefunding
- Total cash USD 36.5 million at quarter end
  - Increase from USD 31.2 million at end Q4 2018

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

## Cash flow for year ended 31 December 2019

(USD millions)



\*Net MC CAPEX is net of USD 1.4 million proceeds from sale of multi-client library.

- USD 60.9 million net cash flows from operating activities
- Strong cost focus and capital discipline delivered USD 20.2 million free cash flow
  - including USD 3.7 million streamer investments
- Healthy streamer pool with excess capacity
  - New sections at attractive terms secured in 2019
  - Increased output from in-house repair facility
  - Flexibility and more gradual investment profile from 2022

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# Strong operational delivery

2019 highlights

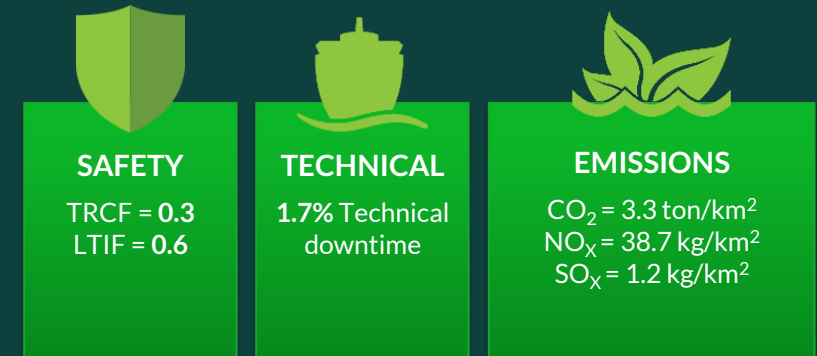
- Excellent operational performance and safety record maintained throughout the year
- Industry-leading safety and environmental performance remain key differentiators
- Compliant with IMO 2020 regulations since 2009

## Largest clients since inception

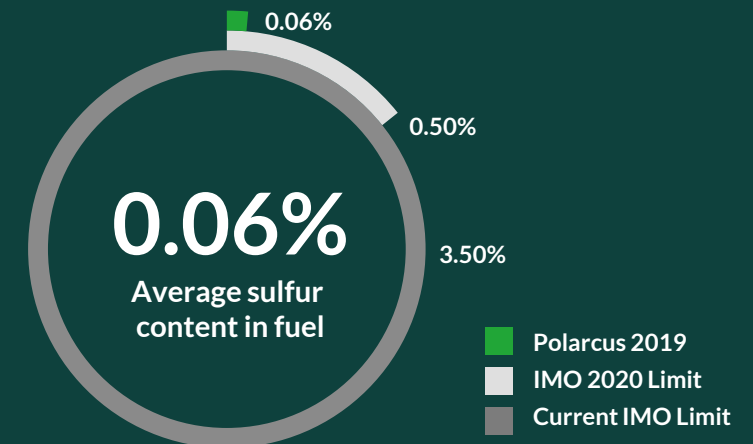


## FLEET PERFORMANCE

Full year 2019



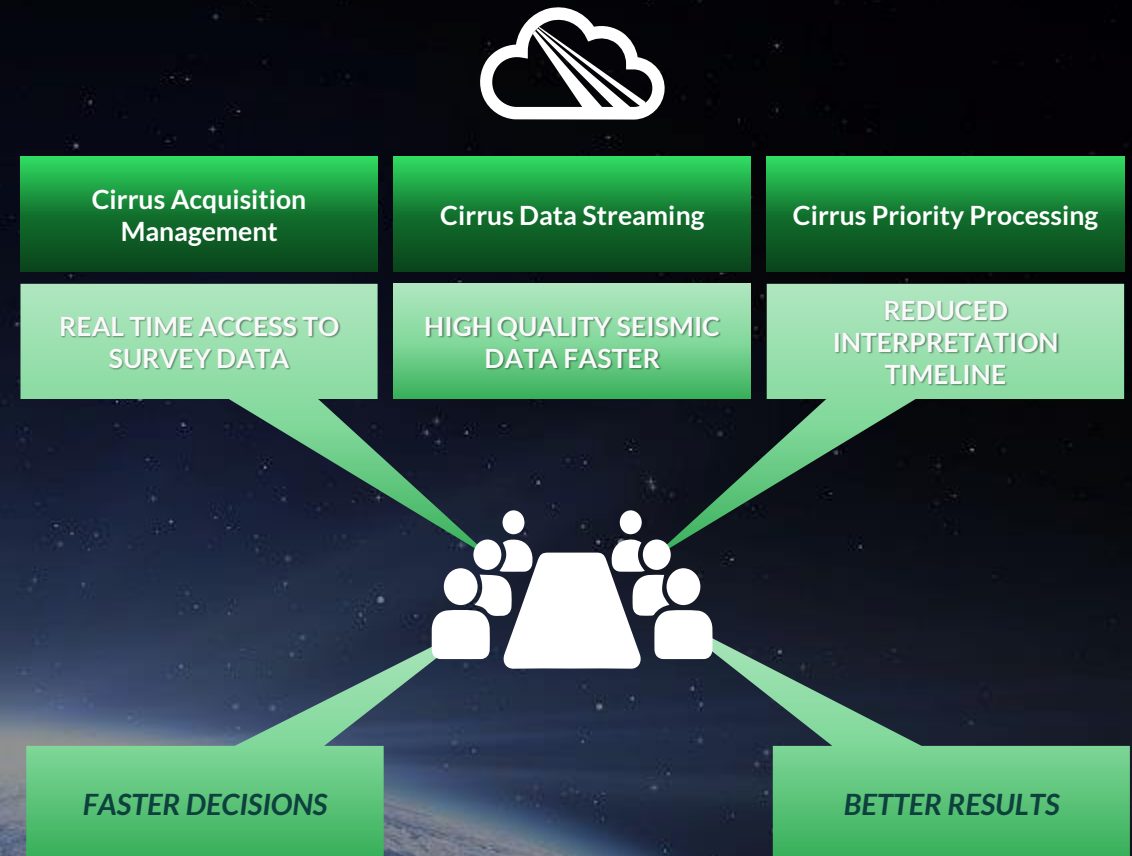
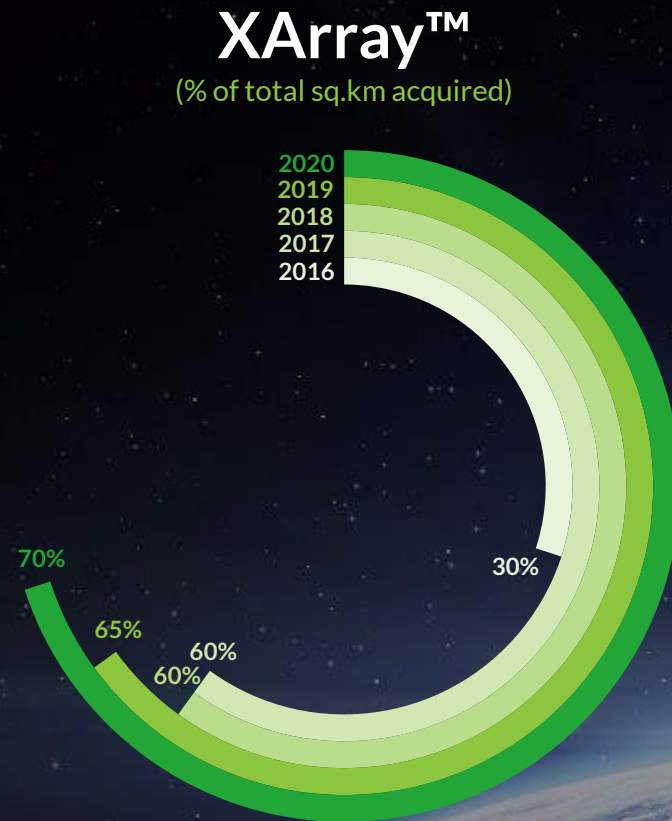
## IMO 2020 SULFUR CONTENT COMPLIANT



# Better Data Faster – driven by XArray™ and Cirrus™

XArray™ revolutionizing the acquisition industry since 2016

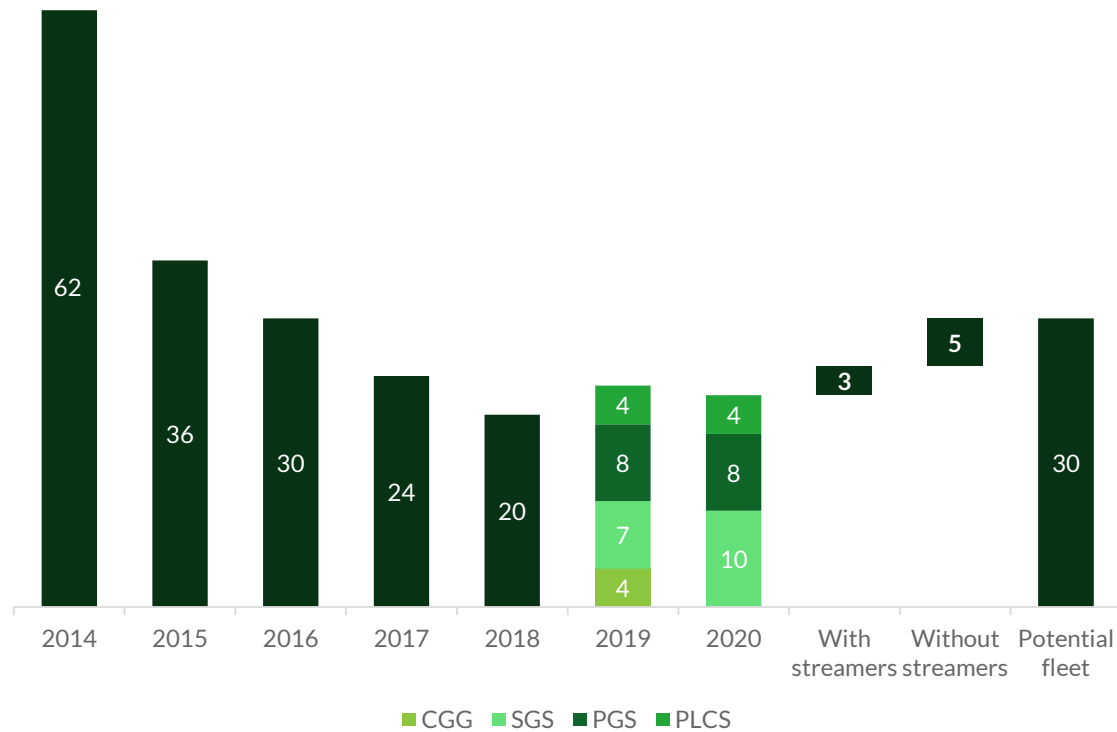
Explore live with Polarcus Cirrus™ in 2020



# Marine acquisition supply remains disciplined

## Global 3D fleet

(#Vessels)



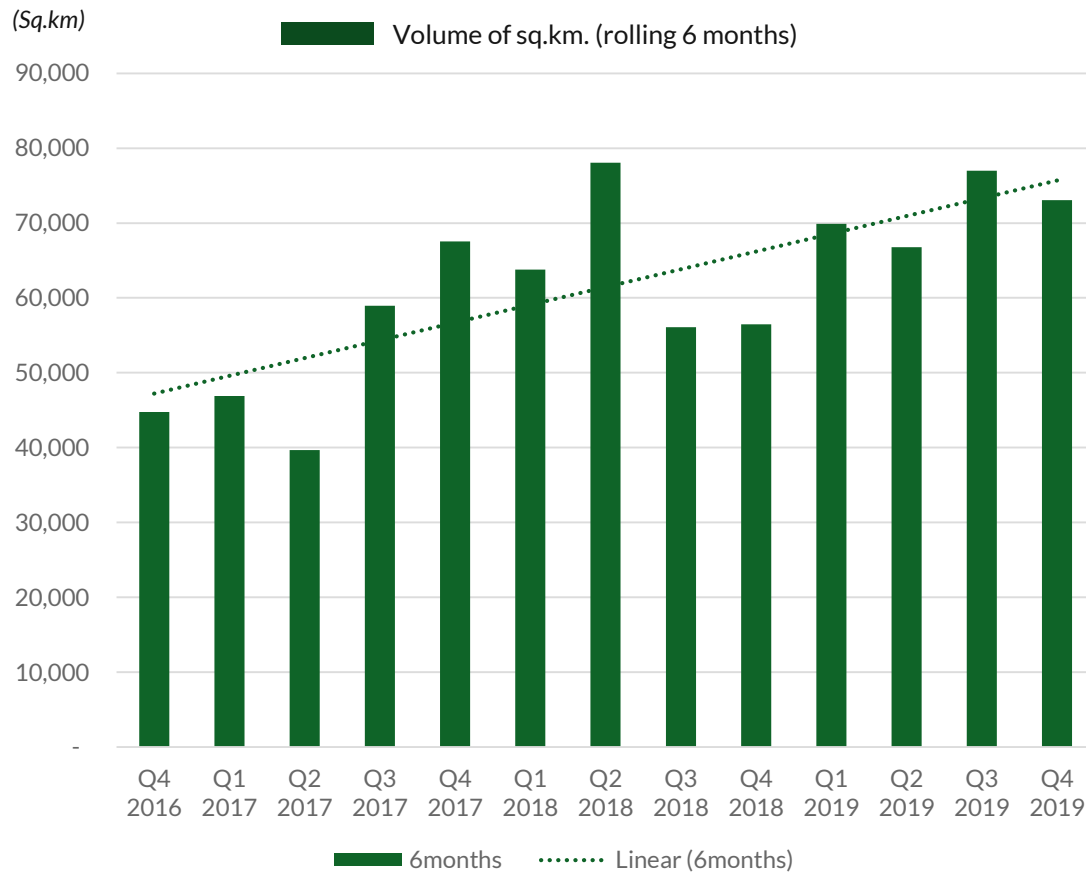
Source: Company research

- 22 active vessels in 2020 compared to >60 prior to the downturn
- Limited additional capacity readily available with streamers (~3 vessels)
- Limited additional vessels with attractive age & capacity profiles without streamers (~5 vessels)

# Marine acquisition demand improving

*Solid demand despite lower oil price since Q4 2018*

## PROPRIETARY INVITATION TO TENDERS ONLY



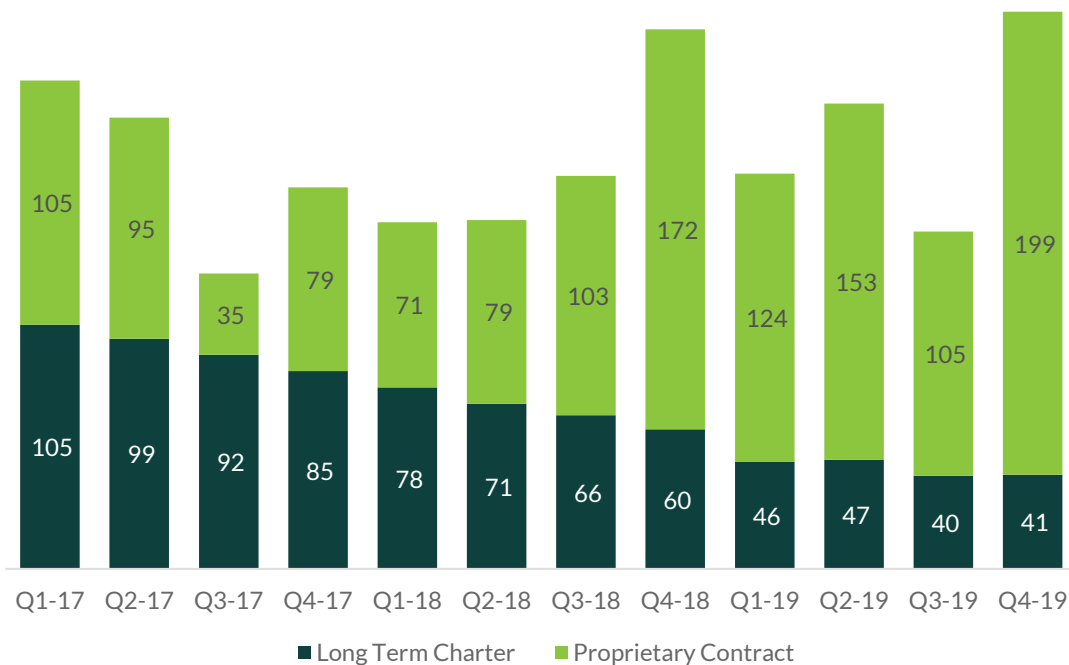
- Solid proprietary tender demand continues
- In the 5 -month period to end February 2020 the tender volume is 75,000 sq.km
- Larger exploration surveys by E&P companies driving proprietary tenders in addition to a solid number of 4D programs
- In addition there is large scale multi-client activity particularly in southern hemisphere



# Healthy backlog

Current backlog at improved margins year-on-year

**Reported Backlog**  
(in million USD)



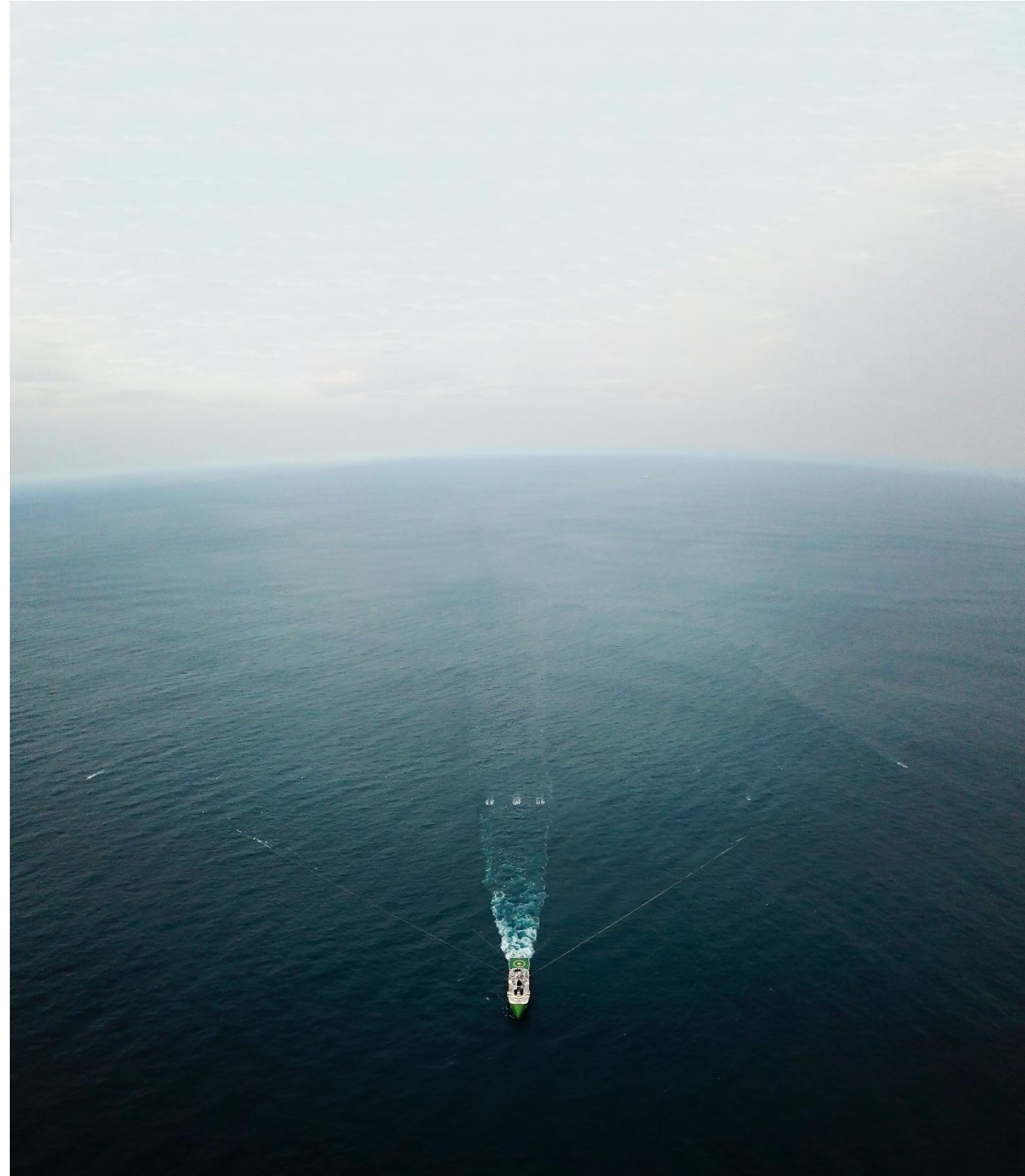
- Backlog at USD 240 million
  - Seven new contracts secured in Q4 2019
  - Core fleet backlog up 16% year-on-year
  - Strongest backlog since 2014
- Polarcus fleet booked 65% in 2020
  - Core fleet booked 100% into May 2020
  - V.Tikhonov booked into May 2020
  - I.Gubkin booked into Q4 2022
- Robust utilization expected in H1 2020

*Backlog includes awards received in 2020 to date. References to "Core fleet" excludes vessels on bareboat charters and Polarcus Nadia. Proprietary Contract shows total backlog for Core fleet including multi-client prefunding. Long Term Charter shows backlog for V.Tikhonov and I.Gubkin.*

# Closing remarks

*Strong increase in full year earnings*

- Higher contract pricing delivered improved profitability in Q4 2019 despite lower utilization
- 2019 EBITDA doubled year-on-year driven by higher revenue and continued cost management
- Optimized streamer inventory provides flexibility and a gradual investment profile from 2022
- Tender levels, multi-client activity and pricing all continue to develop positively
- Strongest backlog since 2014 with Polarcus fleet 65% booked in 2020



# Q&A



EXPLORE SMARTER™



# Appendices

Fourth Quarter 2019



# Income statement

(In thousands of USD)	Quarter ended		Year ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
<b>Revenues</b>				
Contract revenue	41,501	57,879	268,824	182,746
Multi-client revenue	2,271	8,746	14,054	45,358
Other income	1,362	-	5,712	798
<b>Total Revenues</b>	<b>45,134</b>	<b>66,625</b>	<b>288,591</b>	<b>228,901</b>
<b>Operating expenses</b>				
Cost of sales	(44,096)	(52,446)	(213,904)	(146,027)
General and administrative costs	(3,517)	(3,461)	(13,318)	(14,169)
Onerous contracts	-	(1,160)	-	(1,160)
Depreciation and amortization	(6,213)	(7,371)	(25,886)	(26,647)
Multi-client amortization	(644)	(14,720)	(11,233)	(51,358)
Impairments	-	(6,229)	-	(4,878)
<b>Total Operating expenses</b>	<b>(54,470)</b>	<b>(85,387)</b>	<b>(264,341)</b>	<b>(244,240)</b>
<b>Operating profit/(loss)</b>	<b>(9,336)</b>	<b>(18,762)</b>	<b>24,250</b>	<b>(15,338)</b>
Finance costs	(8,905)	(7,784)	(34,217)	(33,478)
Finance income	303	348	1,013	1,842
Changes in fair value of financial instruments	-	-	-	479
Gain on financial restructuring	-	8,118	-	14,517
	<b>(8,602)</b>	<b>682</b>	<b>(33,204)</b>	<b>(16,641)</b>
<b>Profit/(loss) before tax</b>	<b>(17,938)</b>	<b>(18,080)</b>	<b>(8,954)</b>	<b>(31,979)</b>
Income tax expense	(1,067)	-	(1,080)	191
<b>Net profit/(loss) and total comprehensive income/(loss)</b>	<b>(19,005)</b>	<b>(18,080)</b>	<b>(10,034)</b>	<b>(31,788)</b>

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

# Balance Sheet

(In thousands of USD)	31-Dec-19	31-Dec-18
<b>Assets</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	363,335	369,629
Multi-client project library	7,030	12,160
Right-of-use assets	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	32,078	39,583
Other current assets	17,926	13,132
Restricted cash	1,235	1,153
Cash and bank	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	51,379	51,379
Share premium	635,906	635,906
Other reserves	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	326,244	325,500
Lease liabilities	532	-
<b>Total Non-current Liabilities</b>	<b>326,776</b>	<b>325,500</b>
<b>Current Liabilities</b>		
Interest bearing debt	10,600	10,600
Lease liabilities	860	-
Provisions	-	1,160
Accounts payable	14,771	21,417
Other accruals and payables	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>

# Cash flow statement

(In thousands of USD)	Quarter ended		Year ended	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
<b>Cash flows from operating activities</b>				
Profit/(loss) for the period before income tax	(17,938)	(18,080)	(8,954)	(31,979)
<b>Adjustment for:</b>				
Depreciation and amortization	6,213	7,371	25,886	26,647
Multi-client amortization	644	14,720	11,233	51,358
Impairments	-	6,229	-	4,878
Gain on sale of assets	(1,000)	-	(1,117)	-
Changes in fair value of financial instruments	-	-	-	(479)
Employee share option expenses	128	186	300	589
Interest expense	8,670	7,554	33,542	31,660
Interest income	(76)	(108)	(370)	(397)
Income tax paid	(17)	-	(30)	191
Gain on financial restructuring	-	(8,118)	-	(14,517)
Gain on termination of vessel operating lease	-	-	-	(13,907)
Effect of currency (gain)/loss	(72)	18	131	281
Net movements in provisions	(117)	1,160	(1,160)	(4,329)
Net working capital movements	25,458	546	1,440	(38,671)
<b>Net cash flows from operating activities</b>	<b>21,893</b>	<b>11,478</b>	<b>60,903</b>	<b>11,328</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(5,901)	(1,673)	(16,727)	(82,184)
Payments for multi-client library	(6,071)	(541)	(6,071)	(18,667)
Payments for intangible assets	(290)	-	(290)	-
Proceeds from sale of multi-client library	1,000	-	1,400	6,500
<b>Net cash flows from/(used in) investing activities</b>	<b>(11,262)</b>	<b>(2,214)</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	(5,150)	(2,150)	(14,000)	(15,475)
Lease liabilities paid	(369)	-	(930)	-
Interest paid	(3,965)	(4,084)	(18,311)	(16,785)
Financial restructuring fees paid	-	-	-	(3,856)
Other finance costs paid	(210)	(356)	(970)	(1,149)
Decrease/(Increase) in restricted cash	(28)	1,158	(82)	6,664
Security deposit related to currency swaps	-	-	-	1,370
Paid towards liability under currency swaps	-	-	-	(7,672)
Interest received	76	108	370	397
<b>Net cash flows from/(used in) financing activities</b>	<b>(9,644)</b>	<b>(5,323)</b>	<b>(33,923)</b>	<b>87,468</b>
Effect of foreign currency revaluation on cash	100	(6)	(62)	(286)
<b>Net increase in cash and cash equivalents</b>	<b>1,087</b>	<b>3,934</b>	<b>5,229</b>	<b>4,159</b>
Cash and cash equivalents at the beginning of the period	34,147	26,071	30,005	25,846
<b>Cash and cash equivalents at the end of the period</b>	<b>35,234</b>	<b>30,005</b>	<b>35,234</b>	<b>30,005</b>

# Detailed debt overview

Debt	Outstanding 31 Dec 2019	Total credit line	Maturity	Interest
USD Unsecured Bond – PLCS02	USD 13.8m		Jan-25	5% PIK
NOK Unsecured Bond – PLCS03	NOK 56.2m	USD 6.4m	Jan-25	5% PIK
Convertible bond – Tranche A	USD 62.1m		Jul-22	5.60%
Convertible bond – Tranche B	USD 3.7m		Jan-25	5% PIK
Fleet Bank Facility	USD 236.0m		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%
<b>Gross debt</b>	<b>USD 402.7m</b>			
<i>Own PLCS02 bonds held</i>	<i>USD 3.5m</i>			
<b>Outstanding debt</b>	<b>USD 399.2m</b>			



# Experienced Board and Management

## 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



**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

