

# Pareto Securities Oil & Offshore Conference

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Polarcus Limited

Oslo, Norway. 13 September 2017

*Duncan Eley, CEO*

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# Focused leader in marine acquisition

*Polarcus delivering in a challenging market*



## ***Leader in marine seismic acquisition***

- Industry leading metrics in efficiency and safety
- Focused on proprietary contract seismic with increasing market share



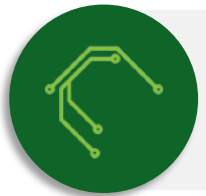
## ***Lowest OPEX and SG&A cost***

- Streamlined organization with strong cost focus
- RightSized vessels with optimum capital employed



## ***Modern, uniform fleet of high-end 3D vessels***

- Unique environmental capabilities
- High ice-class specification



## ***Innovative technology solutions***

- Improved delivery time of interpretable products - Priority Processing™
- Geophysically driven solutions optimizing data quality - XArray™



# Diversified revenue streams

*Fleet strategically positioned in contract spot market and long-term bareboat charters*

## Four vessels in global market



### Polarcus Asima

- 12 / 14 streamer
- ICE-1A and 1A\*
- Triple-E™ Level 1



### Polarcus Alima

- 12 / 14 streamer
- ICE-1A and 1A\*
- Triple-E™ Level 1



### Polarcus Adira

- 12 / 14 streamer
- ICE-1A and 1A\*
- Triple-E™ Level 1



### Polarcus Naila

- 12 / 14 streamer
- ICE-C
- Triple-E™ Level 1

## Two vessels on long term bareboat charter



### V.Tikhonov

- 8 streamer
- ICE-1A
- Triple-E™ Level 1



### Ivan Gubkin

- 12 / 14 streamer
- ICE-1A and 1A\*
- Triple-E™ Level 1

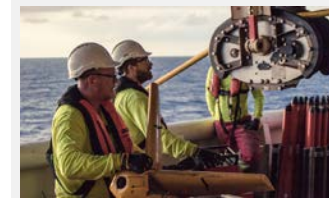
## One vessel cold-stacked with short time to market



### Polarcus Nadia

- 12 / 14 streamer
- ICE-C
- Triple-E™ Level 2

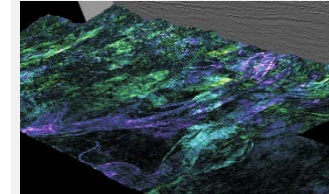
## Long term management contract



### Seismic delivery

- With Turkish Petroleum

## Geophysical Services



- Survey Design
- Onboard Priority Processing
- Multi-Client Services



# Strong performance in areas of direct control

Industry leading operational and EHSQ excellence

## Fleet Performance Q2 2017



### Technical performance

- 2.5% downtime YTD



### EHSQ performance

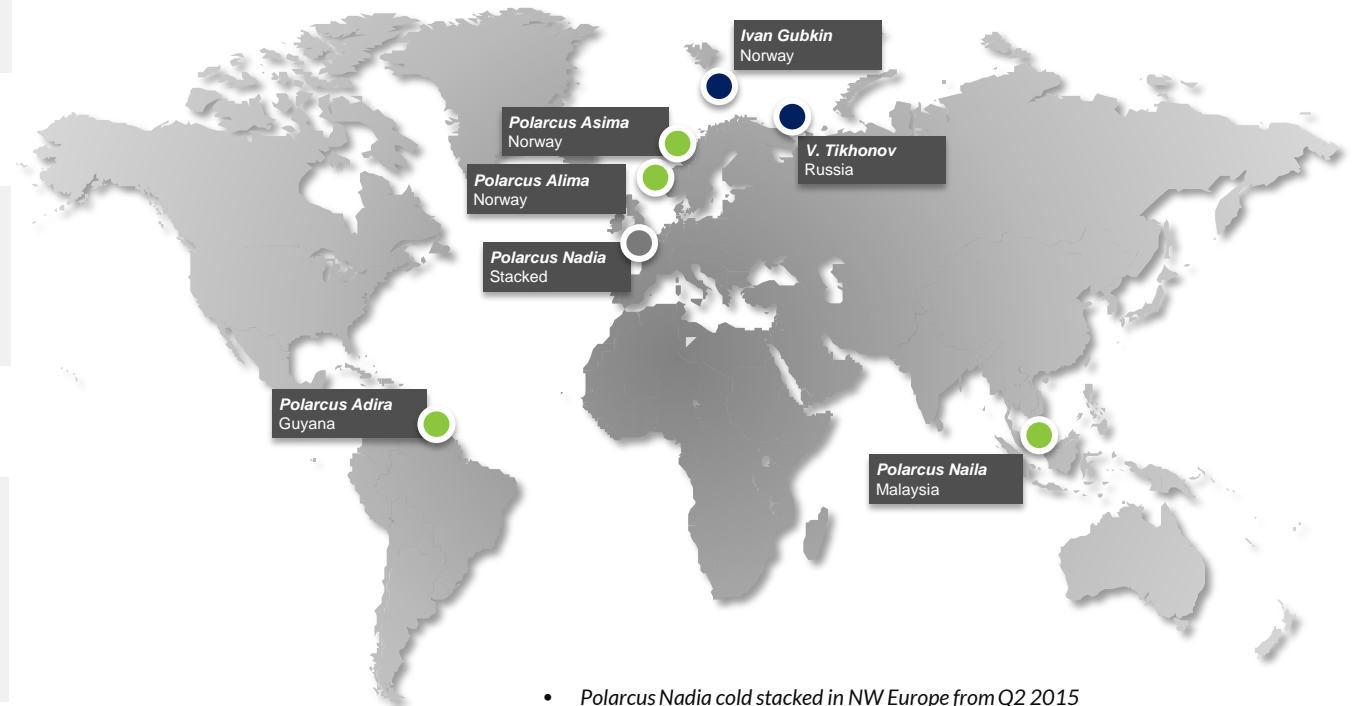
- TRCF = 0.6
- LTIF = 0.3



### Operating cost

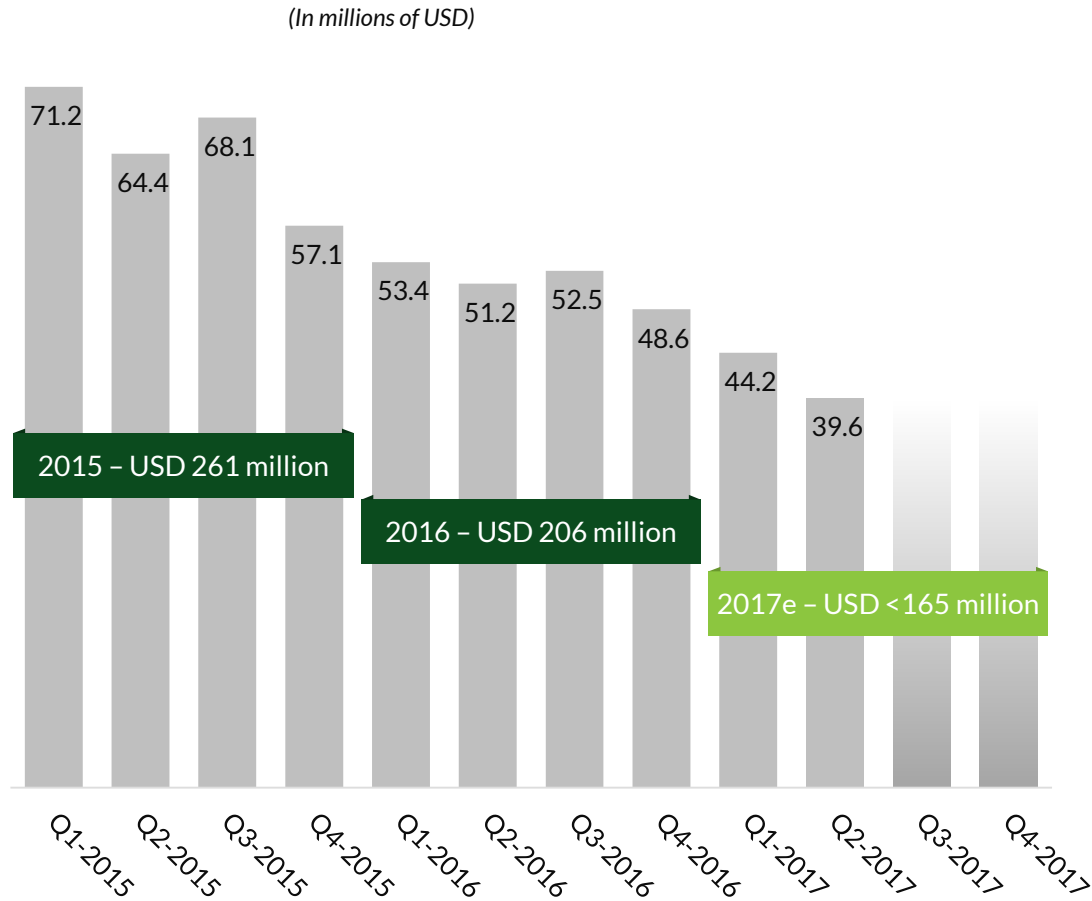
- Below USD 90k per Fleet vessel per day
- Including support vessels, geographical uplifts and onshore support

## Vessel locations as of end August 2017



# Continued delivery of cost leadership in the industry

Re-guiding full year cost at USD <165 million



- Q2 2017 gross cost of sales at all time low
  - Down 10% from Q1 2017
- Cost base established and maintained at industry leading level
- 2017 Gross cost of sales estimated to be below USD 165 million\*
  - Driven by further cost reductions and Ivan Gubkin bareboat contract

- Polarcus Nadia cold-stacked since 01 April 2015  
- \*Adjusted for USD 4 million operating lease expense per quarter in 2016 and USD 2 million from Q1 2017

# 2017 guidance – revised

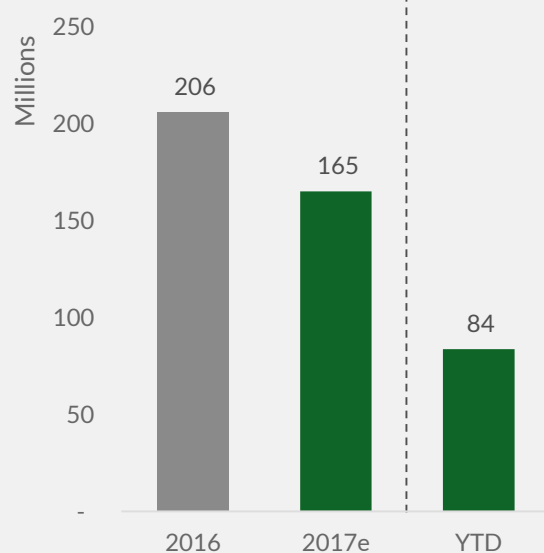
*Continued capital discipline*

## Gross Cost of Sales

2017 Gross cost of sales estimated to be below USD 165 million excluding operating lease expense

*Good start with low operating cost in H1*

**<\$165m revised down from <\$175m**

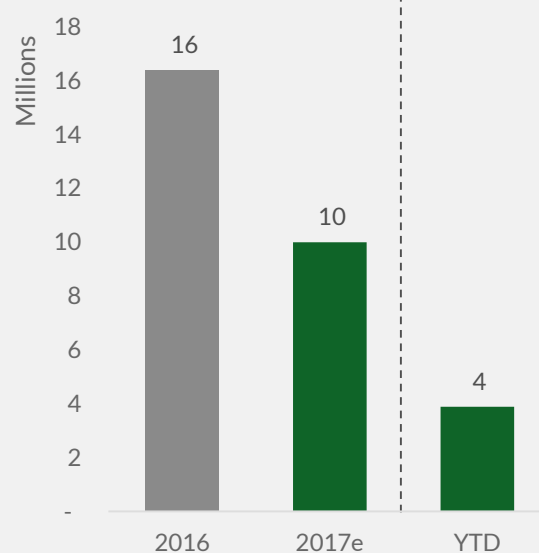


## Capital expenditures

2017 CAPEX investment estimated to be USD 10 million including two 5-year class dockings

*Low run rate H1 (AMA & ADI dockings complete)*

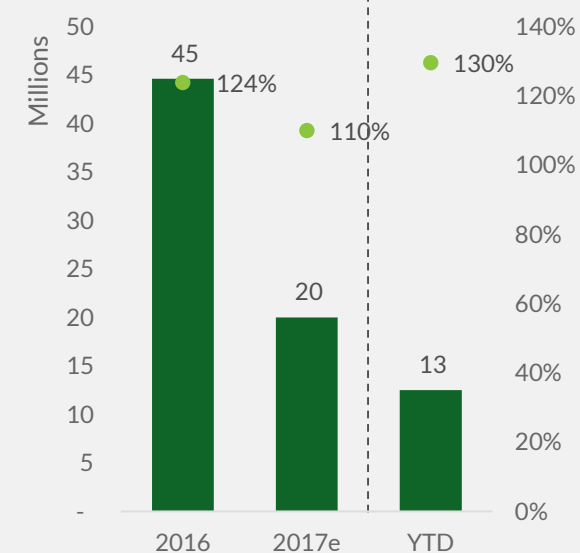
**\$10m revised down from \$15m**



## Multi-client (MC) investments

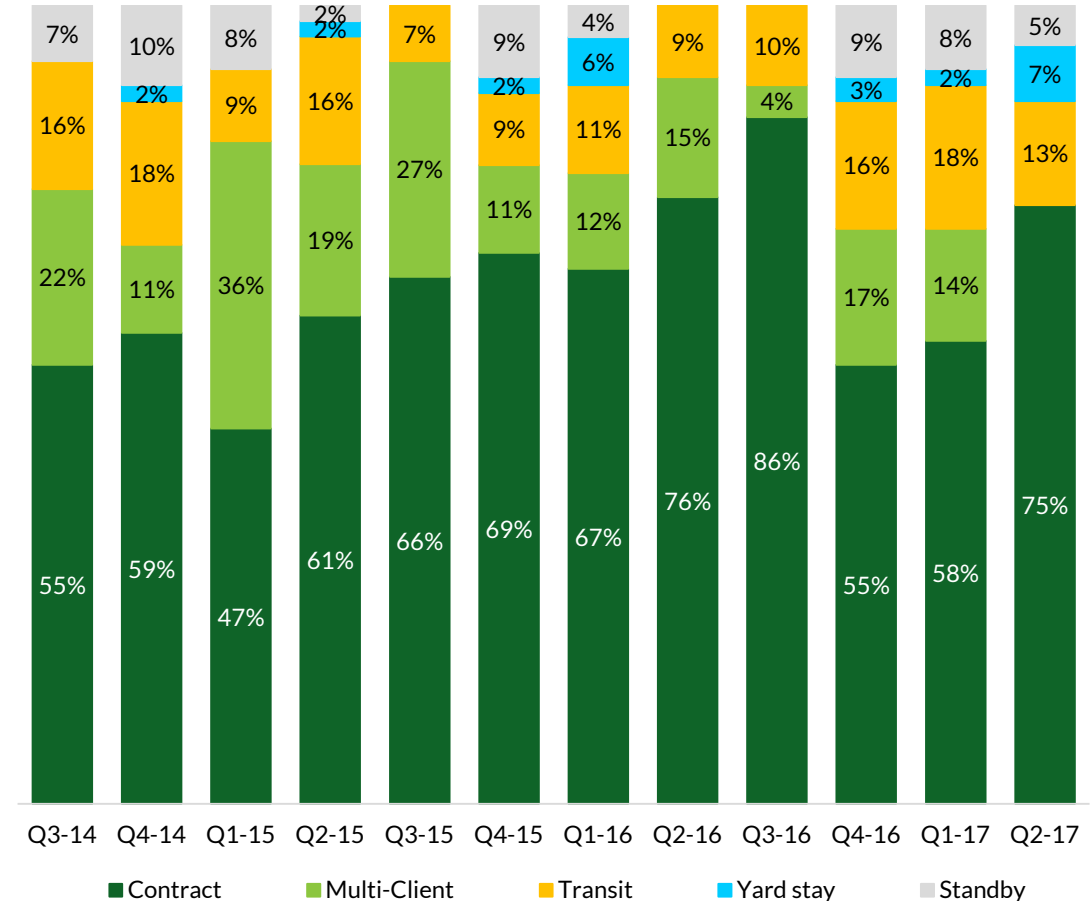
2017 MC investments estimated to USD 20 million; prefunding level >110%

*Q3 fully booked on contract projects*



# Strong utilization expected for Q3

- Q2 utilization low but in line with forecast
  - 75%, up from 72% last two quarters
  - Yard stay for Adira 5-year classing complete
  - Amani commenced SCF BBCP 13 April 2017
- Q3 utilization expected to be ~90%
- Q4 still has limited visibility with a number of awards to be announced in September
- Continued focus on high contract allocation and disciplined multi-client approach

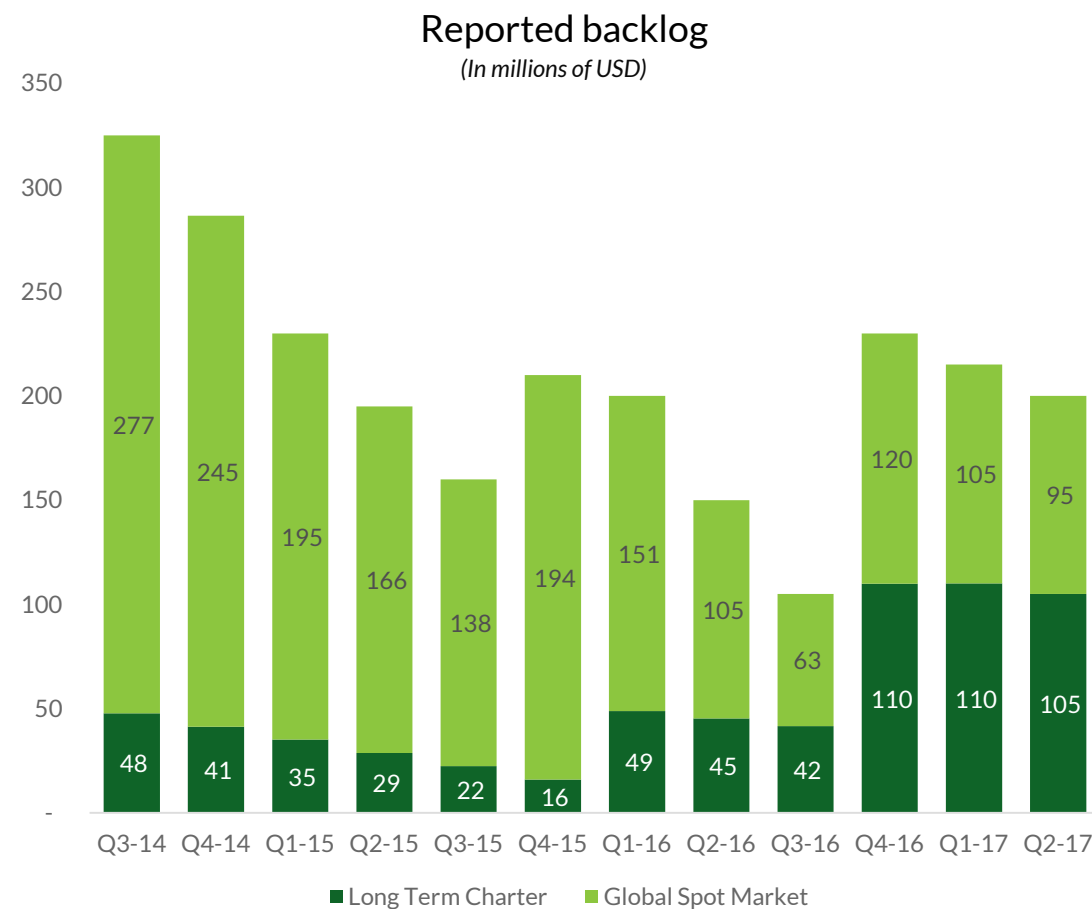


\* Polarcus Nadia cold stacked in NW Europe from Q2 2015

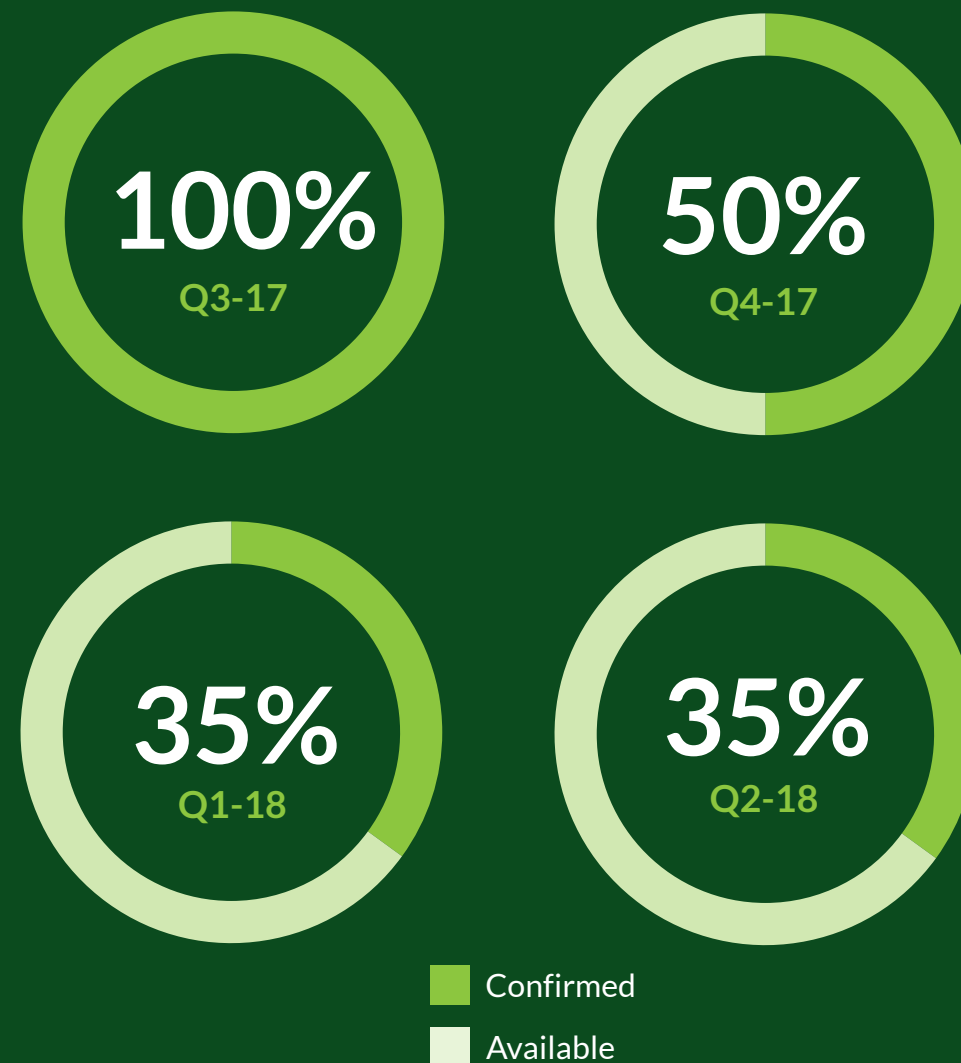


# Q3 100% booked

Limited visibility into Q4 and Q1

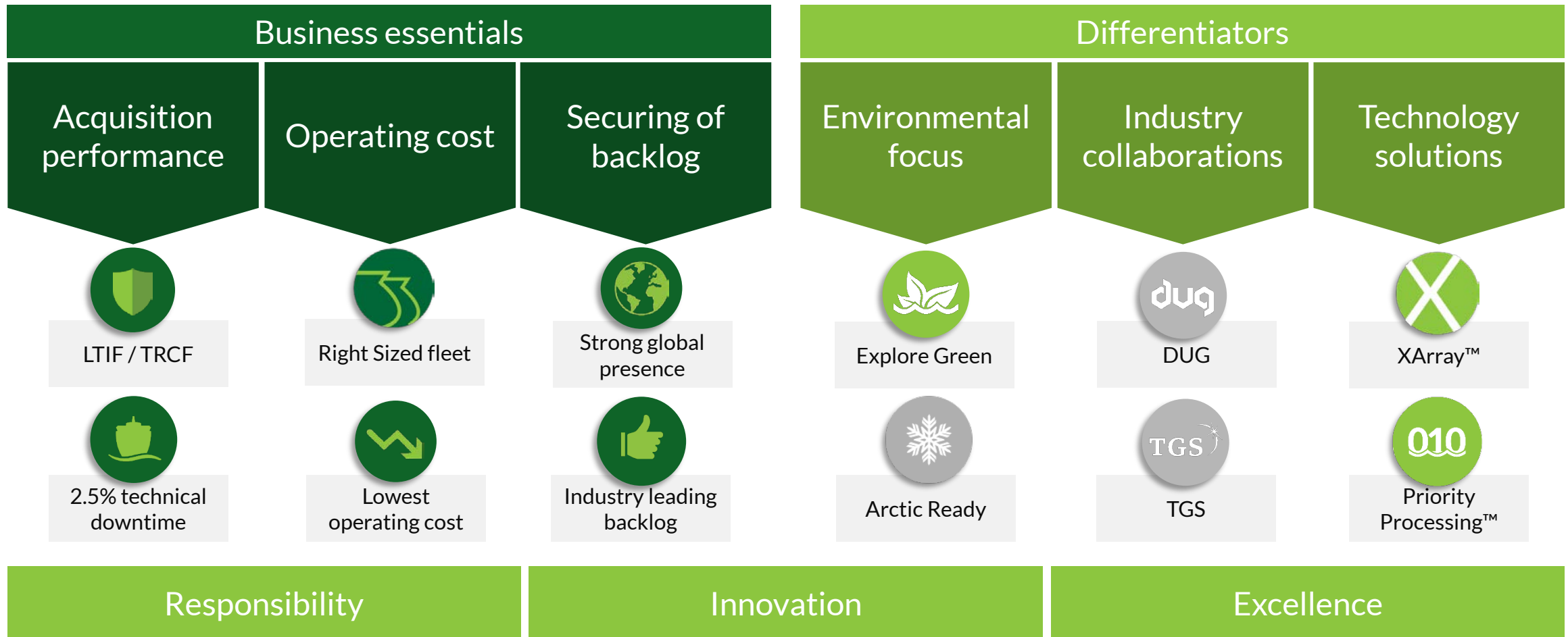


## Booked Capacity



# Business essentials in combination with key differentiators

*Underpinned by Polarcus Core Values*



# Environmental leadership

*Continuous focus on minimizing emissions*

- More data with lower emissions
  - XArray™ collecting more seismic data per sail line
  - Improved drag reduction of in-sea equipment
  - Polarcus emissions significantly reduced compared to regulations and peer group
- IMO imposes stricter environmental policies
  - New global sulfur levels of 0.5%
  - New designate ECAs\* with sulfur levels of 0.1%
  - Moving towards banning HFO\*\* in Arctic
- Clients and regulators value Polarcus commitment to the Explore Green™ agenda
  - Corporate risk reduction and access to ESSAs\*\*\*
  - Emission reduction aligned with financial savings
  - Securing sustainable backlog globally

\* Emission Control Areas

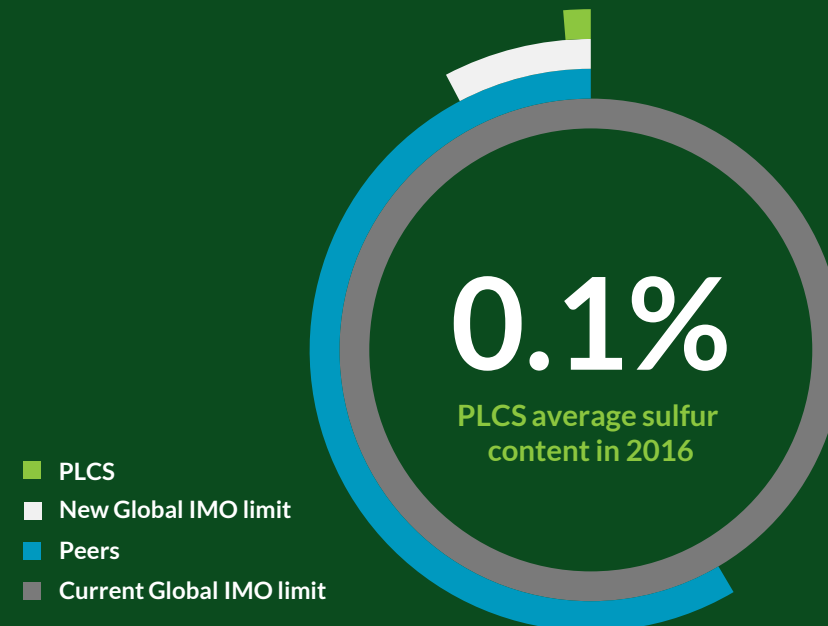
\*\* Heavy Fuel Oil

\*\*\* Environmentally Sensitive Sea Areas

## Total Fleet Emissions Report

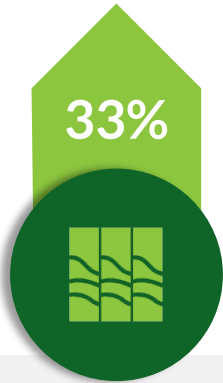
| Emission type   | Q2 2017                     | Q2 vs Q1                                | Vs. IMO regulation            |
|-----------------|-----------------------------|---|-------------------------------|
| CO <sub>2</sub> | 3.41 (ton/km <sup>2</sup> ) | Improved - XArray™                      | -                             |
| NO <sub>x</sub> | 40.3 (kg/km <sup>2</sup> )  | Stable at low levels                    | 6% Below MARPOL Global Limit  |
| SO <sub>x</sub> | 2.86 (kg/km <sup>2</sup> )  | Slight increase<br>(Brazil/Guyana fuel) | 96% Below MARPOL Global Limit |

## Fuel Sulfur Content



# Tailored solutions with XArray™

More, un-interpolated data for every sail line.



## Improved data quality

Achieve 33% improved data density with same configuration

**XArray™**

12 Streamers 150m sep.

**Conventional**

12 Streamers 150m sep.



## Improved efficiency

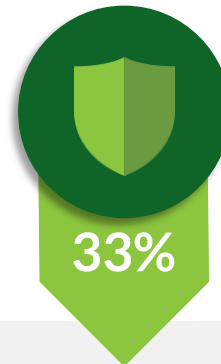
Achieve same data density with 50% improved efficiency

**XArray™**

12 Streamers 150m sep.

**Conventional**

12 Streamers 100m sep.



## Reduced in-sea equipment

Achieve same data density with 33% less streamers deployed

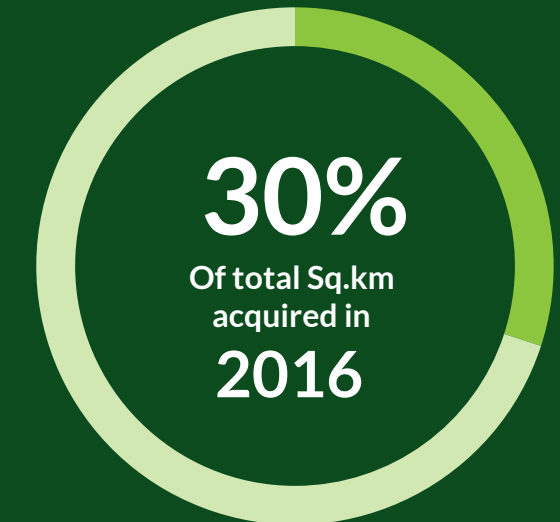
**XArray™**

12 Streamers 150m sep.

**Conventional**

18 Streamers 100m sep.

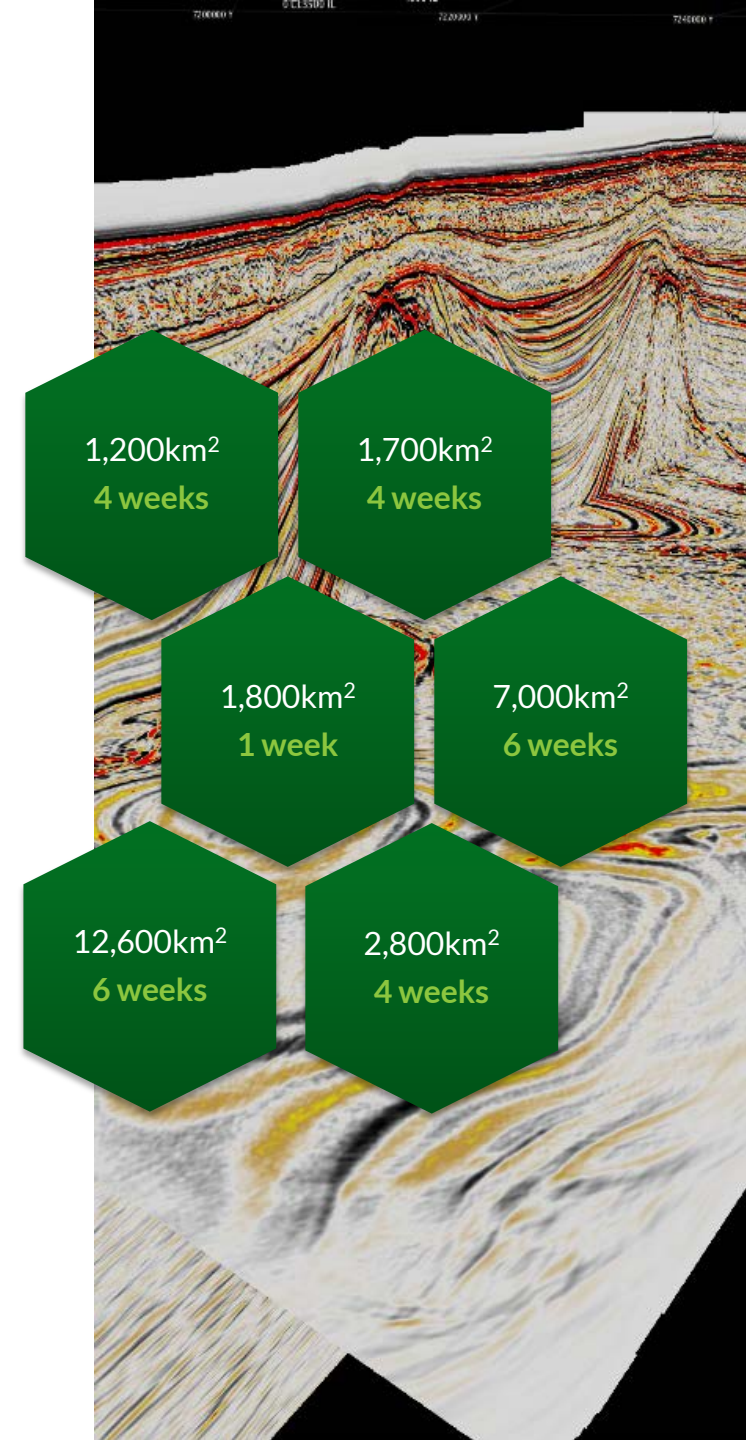
## XArray Sales (as % total sq.km)



# Priority Processing addressing industry demand

*>65,000 sq.km of Priority Processed seismic data delivered*

- Industry Leading onboard data processing solution
  - High quality deliverables faster off the vessel
  - Facilitating client decision making
- Leveraging partnership with DownUnder GeoSolutions
- Significant industry recognition continuing to grow

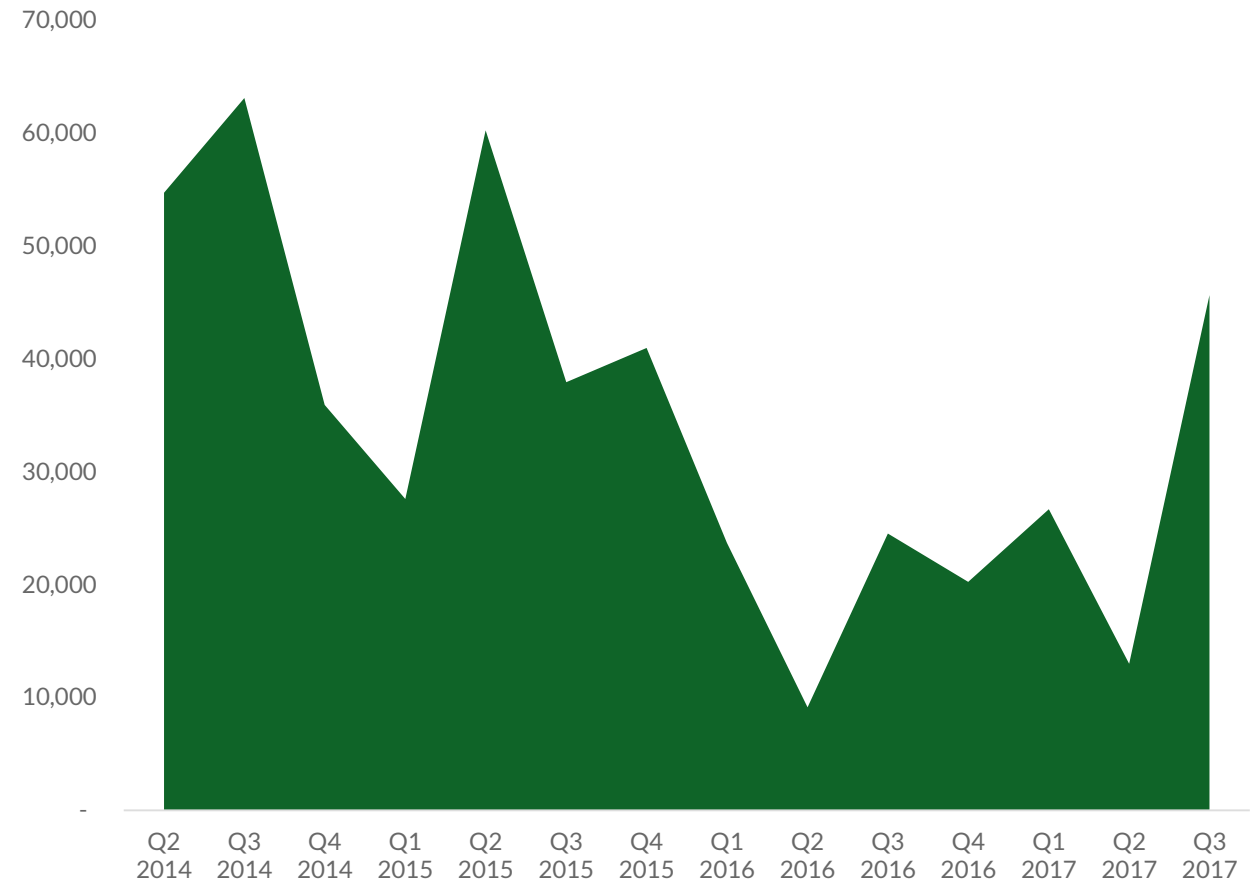


# Market outlook

*Tender activity increasing from low levels ... too early to call a trend?*

- Oil price stabilizing
  - Oil companies sanctioning projects based on their capex guidance at the beginning of 2017
  - Lead-time of projects remains short
- Tender activity increasing from low levels
  - Q3 2017 most tenders received since Q2 2015
  - 50% increase in sq. km tendered to date vs 2016
- Activity returning to new & dormant basins
  - The most West African tenders issued since 2014
  - Guyana-Suriname Basin continues to draw interest from major oil companies

Invitation to Tenders Received (sq.km)



Excluding Multi-client and direct awards.



# Well positioned moving towards a market recovery

## Market developments

- E&P companies consistently cash positive
- RRR at unsustainable levels (20% YTD 2017)
- Seismic vessel supply further reduced
- Tender activity increasing in 2017

## Polarcus position

- Diversified revenue streams
- Global reach with strong client relationships
- Lowest sustainable cost base in the industry
- Strong operational fundamentals



# Q&A





# Experienced Board and Management

## Board of directors



**Peter Rigg**

25 years experience  
in investment banking



**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



**Henrik Madsen**

Member of the United Nations  
Global Compact Board and  
principal advisor for DNV-GL



**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**

18 years of experience in the  
seismic industry



**Hans-Peter Burlid**

13 years of experience in the  
seismic industry



**Caleb Raywood**

20 years of commercial law  
experience



**Tamzin Steel**

15 years' experience working in  
global multinational companies  
in the oil & gas industry.

# Detailed debt overview

| Debt                            | Security  | Original Size | Outstanding<br>30 Jun 2017 | Maturity | Interest up to 30 Jun<br>2018              | Interest from 1 Jul<br>2018 |
|---------------------------------|-----------|---------------|----------------------------|----------|--|-----------------------------|
| Senior bond – Tranche A         | Unsecured | NOK 350m      | NOK 78m                    | Dec-22   | 0%   | 3.5% to 5.0% <sup>1</sup>   |
| Senior bond – Tranche B         | Unsecured |               | NOK 271m                   | Dec-22   | 0%   | 2.5% to 3.6% <sup>1</sup>   |
| Senior bond – Tranche A         | Unsecured | USD 95m       | USD 17m                    | Dec-22   | 0%   | 3.5% to 5.0% <sup>1</sup>   |
| Senior bond – Tranche B         | Unsecured |               | USD 69m                    | Dec-22   | 0%   | 2.5% to 3.6% <sup>1</sup>   |
| Convertible bond – Tranche A    | Selma     |               | USD 71m                    | Mar-22   | 5.60%                                      | 5.60%                       |
| Convertible bond – Tranche B1   | Unsecured | USD 125m      | USD 10m                    | Dec-22   | 0%   | 3.5% to 5.0% <sup>1</sup>   |
| Convertible bond – Tranche B2   | Unsecured |               | USD 21m                    | Dec-22   | 0%   | 2.5% to 3.6% <sup>1</sup>   |
| Fleet bank facility - Tranche 1 | Asima     | USD 80m       | USD 49m                    | Aug-22   | 6.68% (fixed) & 2.75% + LIBOR <sup>2</sup> |                             |
| Fleet bank facility - Tranche 2 | Alima     | USD 55m       | USD 36m                    | Mar-23   | 2.75% + LIBOR                              |                             |
| Fleet bank facility - Tranche 3 | Amani     | USD 114m      | USD 84m                    | Mar-24   | 5.60% (fixed)                              |                             |
| Fleet bank facility - Tranche 4 | Adira     | USD 114m      | USD 86m                    | Jun-24   | 5.60% (fixed)                              |                             |
| Bank loan for in-sea system     | Equipment | USD 8m        | USD 4m                     | Feb-18   | 5% + LIBOR                                 |                             |



# Income statement

| (In thousands of USD)                          | Quarter ended   |                 | Six months ended |                  | Year ended       |
|--|-----------------|-----------------|------------------|------------------|------------------|
|  | 30-Jun-17       | 30-Jun-16       | 30-Jun-17        | 30-Jun-16        | 31-Dec-16        |
| <b>Revenues</b>                                |                 |                 |                  |                  |                  |
| Contract revenue                               | 33,451          | 41,418          | 65,388           | 95,019           | 185,095          |
| Multi-client revenue                           | 1,963           | 26,480          | 16,854           | 34,821           | 56,569           |
| Other income                                   | 664             | -               | 992              | 1,752            | 1,752            |
| <b>Total Revenues</b>                          | <b>36,078</b>   | <b>67,898</b>   | <b>83,234</b>    | <b>131,592</b>   | <b>243,416</b>   |
| <b>Operating expenses</b>                      |                 |                 |                  |                  |                  |
| Cost of sales                                  | (40,938)        | (41,103)        | (74,258)         | (83,355)         | (176,850)        |
| General and administrative costs               | (4,021)         | (3,822)         | (8,953)          | (10,754)         | (19,359)         |
| Onerous contracts                              | -               | -               | -                | (20,000)         | (46,356)         |
| Depreciation and amortization                  | (11,873)        | (11,769)        | (22,279)         | (24,424)         | (48,672)         |
| Multi-client amortization                      | (7,257)         | (15,823)        | (25,278)         | (23,326)         | (56,807)         |
| Impairments                                    | (520)           | -               | (1,336)          | (1,885)          | (26,658)         |
| <b>Total Operating expenses</b>                | <b>(64,609)</b> | <b>(72,516)</b> | <b>(132,104)</b> | <b>(163,743)</b> | <b>(374,702)</b> |
| <b>Operating profit/(loss)</b>                 | <b>(28,531)</b> | <b>(4,618)</b>  | <b>(48,870)</b>  | <b>(32,152)</b>  | <b>(131,286)</b> |
| Profit/(loss) from joint ventures              | -               | (3)             | -                | (48)             | (1,220)          |
| Finance costs                                  | (10,078)        | (9,914)         | (20,781)         | (18,463)         | (37,041)         |
| Finance income                                 | 124             | 374             | 599              | 821              | 1,961            |
| Changes in fair value of financial instruments | 3,733           | 4,475           | (2,343)          | 8,176            | 13,315           |
| Gain on financial restructuring                | -               | -               | -                | 177,787          | 177,787          |
|  | <b>(6,222)</b>  | <b>(5,068)</b>  | <b>(22,525)</b>  | <b>168,273</b>   | <b>154,803</b>   |
| <b>Profit/(loss) before tax</b>                | <b>(34,752)</b> | <b>(9,686)</b>  | <b>(71,394)</b>  | <b>136,122</b>   | <b>23,517</b>    |
| Income tax expense                             | 1,096           | (1,563)         | (304)            | (1,458)          | (3,243)          |
| <b>Net profit/(loss)</b>                       | <b>(33,657)</b> | <b>(11,249)</b> | <b>(71,698)</b>  | <b>134,664</b>   | <b>20,274</b>    |



# Balance Sheet

| <i>(In thousands of USD)</i>         | <b>30-Jun-17</b> | <b>30-Jun-16</b> | <b>31-Dec-16</b> |
|--------------------------------------|------------------|------------------|------------------|
| <b>Non-current Assets</b>            |                  |                  |                  |
| Property, plant and equipment        | 422,776          | 493,408          | 443,377          |
| Multi-client project library         | 33,587           | 56,082           | 45,107           |
| Investment in joint ventures         | -                | 1,172            | -                |
| Intangible assets                    | -                | 144              | -                |
| <b>Total Non-current Assets</b>      | <b>456,363</b>   | <b>550,806</b>   | <b>488,484</b>   |
| <b>Current Assets</b>                |                  |                  |                  |
| Receivable from customers            | 29,163           | 59,554           | 47,595           |
| Other current assets                 | 16,534           | 18,117           | 21,337           |
| Restricted cash                      | 6,740            | 7,031            | 731              |
| Cash and bank                        | 29,498           | 26,666           | 13,731           |
| <b>Total Current Assets</b>          | <b>81,936</b>    | <b>111,368</b>   | <b>83,394</b>    |
| <b>Total Assets</b>                  | <b>538,299</b>   | <b>662,173</b>   | <b>571,878</b>   |
| <b>Equity</b>                        |                  |                  |                  |
| Issued share capital                 | 15,344           | 106,095          | 5,305            |
| Share premium                        | 614,192          | 485,611          | 586,401          |
| Other reserves                       | 30,138           | 32,849           | 29,865           |
| Retained earnings/(loss)             | (514,462)        | (331,646)        | (442,764)        |
| <b>Total Equity</b>                  | <b>145,212</b>   | <b>292,909</b>   | <b>178,807</b>   |
| <b>Non-current Liabilities</b>       |                  |                  |                  |
| Bond loans                           | 42,819           | 34,040           | 34,582           |
| Other interest bearing debt          | 244,804          | 246,223          | 858              |
| Long-term provisions                 | 35,852           | 16,000           | 37,320           |
| Other financial liabilities          | 9,834            | 18,958           | 10,511           |
| <b>Total Non-current Liabilities</b> | <b>333,310</b>   | <b>315,221</b>   | <b>83,271</b>    |
| <b>Current Liabilities</b>           |                  |                  |                  |
| Bond loans                           | 2,853            | -                | -                |
| Other interest bearing debt          | 3,550            | 7,053            | 249,649          |
| Provisions                           | 2,920            | -                | 6,820            |
| Accounts payable                     | 18,894           | 11,543           | 18,929           |
| Other accruals and payables          | 31,560           | 35,447           | 34,401           |
| <b>Total Current Liabilities</b>     | <b>59,777</b>    | <b>54,044</b>    | <b>309,800</b>   |
| <b>Total Equity and Liabilities</b>  | <b>538,299</b>   | <b>662,173</b>   | <b>571,878</b>   |

# Cash flow

| (In thousands of USD)                                     | Quarter ended   |                 | Six months ended |                 | Year ended      |
|---|-----------------|-----------------|------------------|-----------------|-----------------|
|   | 30-Jun-17       | 30-Jun-16       | 30-Jun-17        | 30-Jun-16       | 31-Dec-16       |
| <b>Cash flows from operating activities</b>               |                 |                 |                  |                 |                 |
| Profit/(loss) for the period                              | (33,657)        | (11,249)        | (71,698)         | 134,664         | 20,274          |
| <b>Adjustment for:</b>                                    |                 |                 |                  |                 |                 |
| Depreciation and amortization                             | 11,873          | 11,769          | 22,279           | 24,424          | 48,672          |
| Multi-client amortization                                 | 7,257           | 15,823          | 25,278           | 23,326          | 56,807          |
| Impairments   | 520             | -               | 1,336            | 1,885           | 26,658          |
| Changes in fair value of financial instruments            | (3,733)         | (4,475)         | 2,343            | (8,176)         | (13,315)        |
| Employee share option expenses                            | 132             | 144             | 273              | 293             | 581             |
| Interest expense  | 9,258           | 8,091           | 19,212           | 15,339          | 32,659          |
| Interest income   | (57)            | (19)            | (95)             | (62)            | (93)            |
| Gain on financial restructuring                           | -               | -               | -                | (177,787)       | (177,787)       |
| Effect of currency (gain)/loss                            | 454             | 805             | 687              | 1,544           | (620)           |
| Net movements in provisions                               | -               | (4,543)         | (3,920)          | 7,197           | 30,553          |
| Loss from joint ventures                                  | -               | 3               | -                | 48              | 1,220           |
| <b>Working capital adjustments:</b>                       |                 |                 |                  |                 |                 |
| Decrease/(Increase) in current assets                     | 6,691           | 1,933           | 22,305           | 13,149          | 19,727          |
| Increase/(Decrease) in trade payables and accruals        | (91)            | (7,100)         | (4,968)          | (10,473)        | 2,745           |
| <b>Net cash flows from operating activities</b>           | <b>(1,354)</b>  | <b>11,182</b>   | <b>13,031</b>    | <b>25,370</b>   | <b>48,082</b>   |
| <b>Cash flows from investing activities</b>               |                 |                 |                  |                 |                 |
| Payments for property, plant and equipment                | (2,162)         | (2,628)         | (3,893)          | (13,371)        | (16,387)        |
| Payments for multi-client project library                 | (1,365)         | (12,851)        | (12,503)         | (24,346)        | (44,649)        |
| Payments for intangible assets                            | -               | -               | -                | -               | (7)             |
| <b>Net cash flows used in investing activities</b>        | <b>(3,527)</b>  | <b>(15,480)</b> | <b>(16,396)</b>  | <b>(37,717)</b> | <b>(61,042)</b> |
| <b>Cash flows from financing activities</b>               |                 |                 |                  |                 |                 |
| Proceeds from the issue of ordinary shares                | 150             | -               | 39,003           | -               | -               |
| Transaction costs on issue of shares                      | (4)             | -               | (1,173)          | -               | -               |
| Net receipt from bank loans                               | -               | -               | -                | 7,900           | 7,900           |
| Repayment of other interest bearing debt                  | (1,500)         | (1,047)         | (3,337)          | (10,673)        | (14,386)        |
| Interest paid   | (4,366)         | (3,774)         | (9,459)          | (14,996)        | (24,413)        |
| Financial restructuring fees paid                         | -               | (1,357)         | -                | (6,231)         | (6,231)         |
| Other finance costs paid                                  | -               | (291)           | (427)            | (336)           | (959)           |
| Decrease/(Increase) in restricted cash                    | (5)             | (334)           | (6,010)          | 7,488           | 13,788          |
| Security deposit related to currency swaps                | 190             | 50              | 930              | 2,120           | 4,280           |
| Paid towards liability under currency swaps               | -               | -               | -                | -               | (8,228)         |
| Interest received   | 57              | 20              | 95               | 62              | 93              |
| <b>Net cash flows used in financing activities</b>        | <b>(5,478)</b>  | <b>(6,733)</b>  | <b>19,623</b>    | <b>(14,666)</b> | <b>(28,156)</b> |
| Effect of foreign currency revaluation on cash            | (326)           | (45)            | (491)            | (296)           | 872             |
| <b>Net increase in cash and cash equivalents</b>          | <b>(10,685)</b> | <b>(11,077)</b> | <b>15,767</b>    | <b>(27,310)</b> | <b>(40,245)</b> |
| Cash and cash equivalents at the beginning of the period  | 40,183          | 37,743          | 13,731           | 53,976          | 53,976          |
| <b>Cash and cash equivalents at the end of the period</b> | <b>29,498</b>   | <b>26,666</b>   | <b>29,498</b>    | <b>26,666</b>   | <b>13,731</b>   |