

**Polarcus Limited**

# **EAGE Amsterdam 2014**

*16 - 19 June, 2014*



# Agenda

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Highlights

2

Financials

3

Operations & Market update

4

Summary & Q&A

5

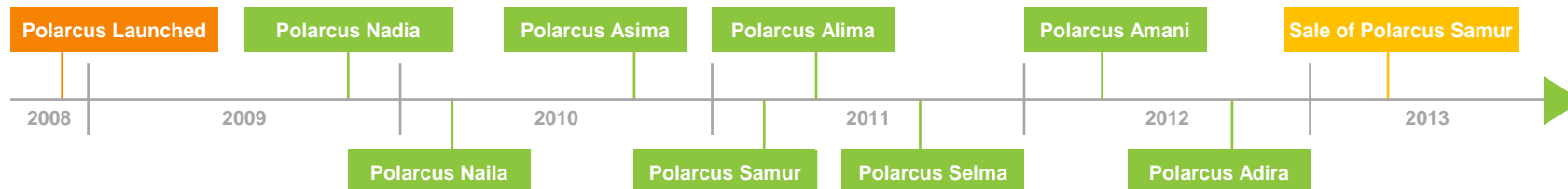
Appendices

# Polarcus today

## Polarcus Limited

- Fleet of 7 uniform seismic vessels
  - 6 vessels operate in seismic contract and multi-client market
  - 1 vessel on 5 years bareboat charter at USD 25m per year
- Seismic management of 1 vessel
  - USD 28m revenue 2014
- Multi-Client library
  - NBV USD 101m end Q1 14

Ticker – Oslo stock exchange	PLCS
Shares issued, million	507.2
Market Cap, USD million <sup>(1)</sup>	330
52 Week High/Low in NOK/share <sup>(1)</sup>	5.98/3.45
Booked Equity end Q1 14, USD million	529
Net Debt end Q1 14, USD million	629



<sup>(1)</sup> 9 June 2014

# Polarcus in brief

- Youngest and most uniform fleet in the industry
- **RIGHTBAND™** - optimized broadband offering
- Specialized Arctic offering
- Industry leading environmental focus
- Highly efficient and cost effective operations



# Key developments

- Market
  - Spill over effects from soft Q4-13
  - Confirmation of capacity reductions
  - Increased tender activity
- Polarcus
  - Rock solid operational performance
  - Highly efficient operations
  - Expanding regional presence

## Polarcus Naila upgrade

- Propulsion system conversion  
USD 12 million
- Productivity and class enhancements  
USD 11 million
- In production after 55 days in yard



- Ultra-wide 12 streamer spreads
- 20% improved fuel efficiency

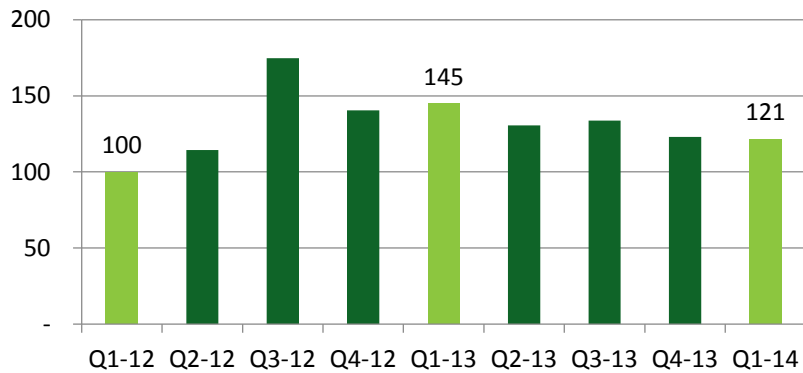
- Polarcus Nadia to be upgraded in 2015

# Agenda

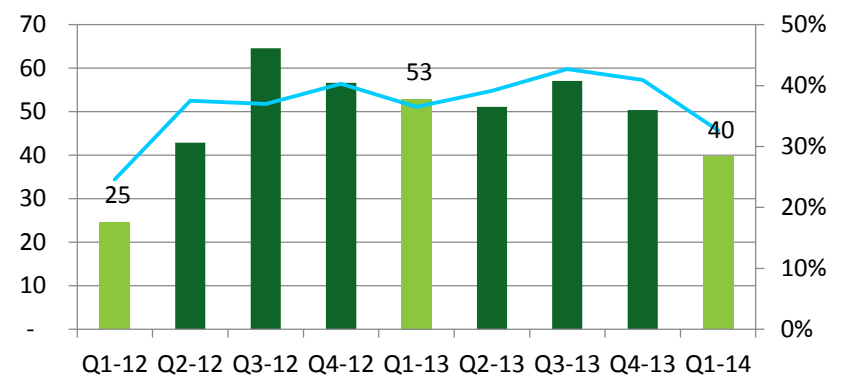
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# Key financials – historic development

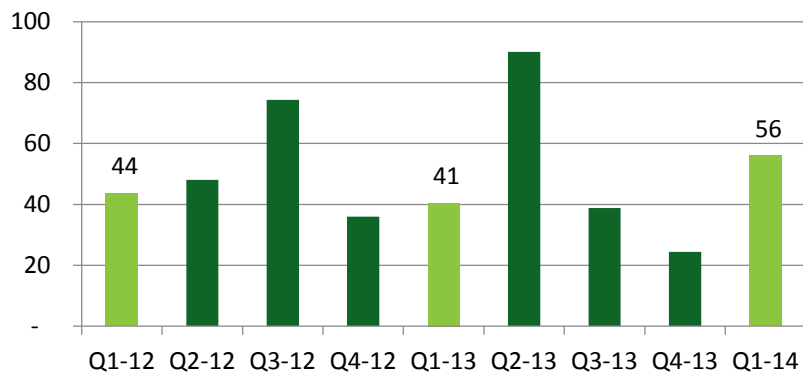
Revenues



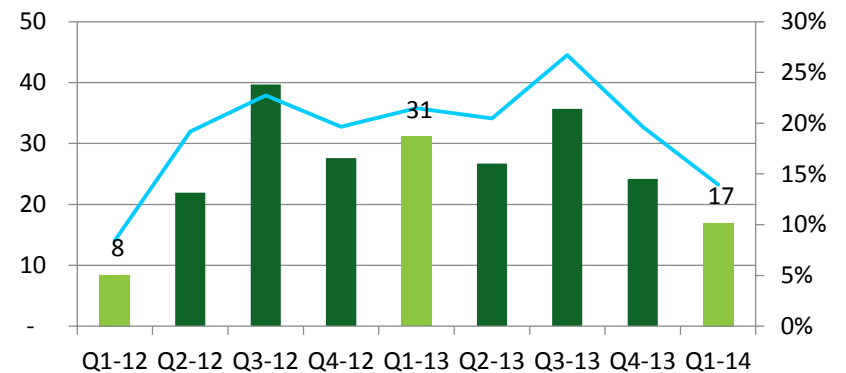
EBITDA Margin



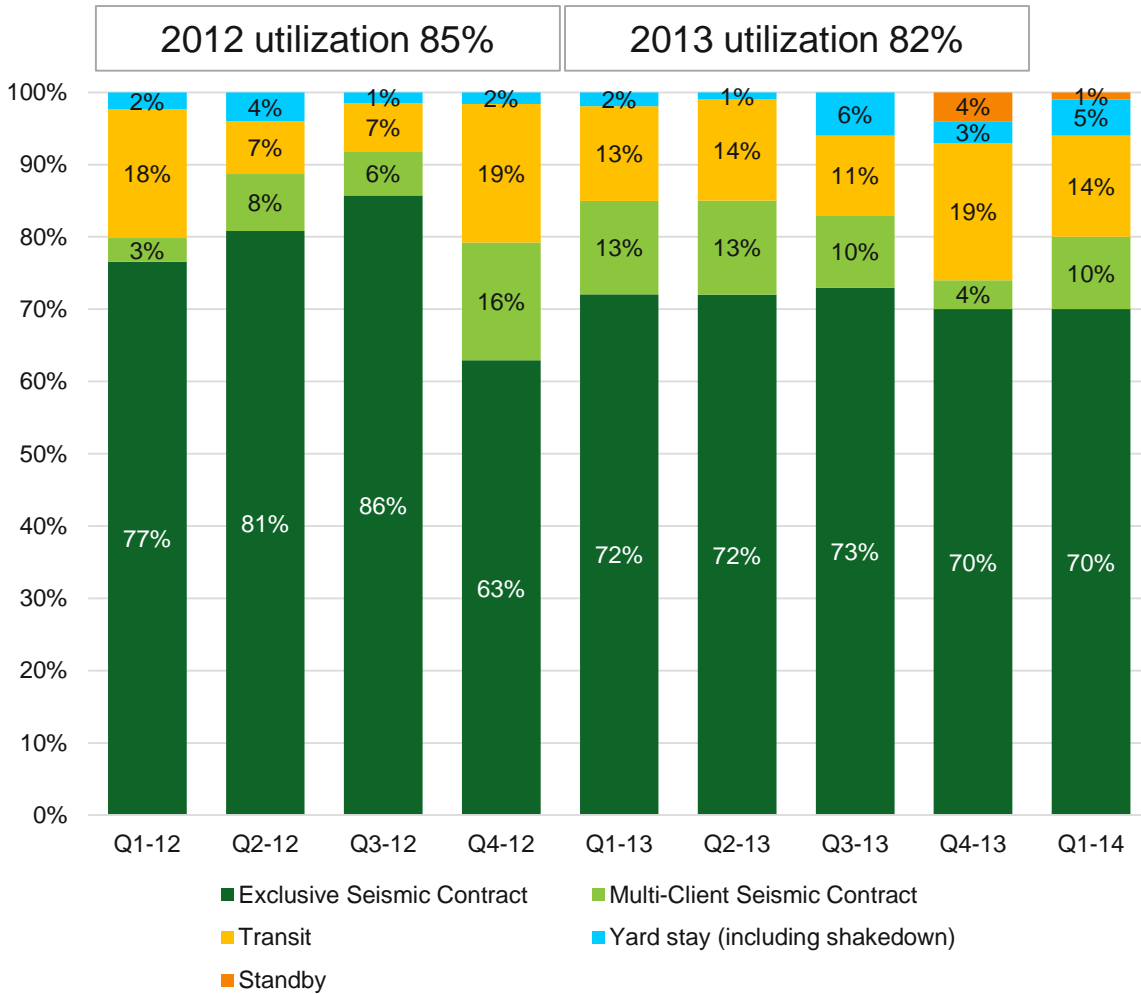
Cash from operations



EBIT Margin



# Fleet utilization



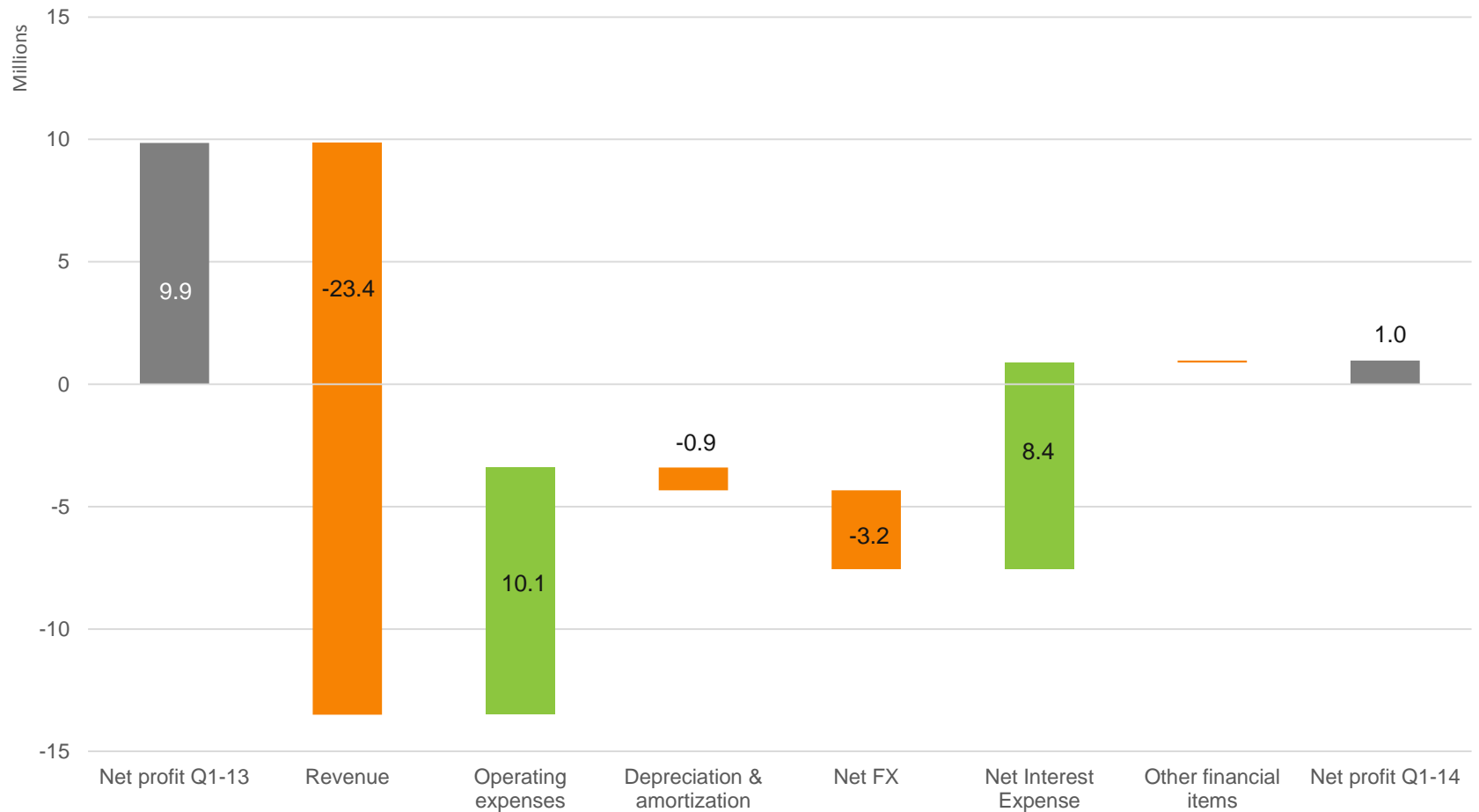
Standby time due to permit delays

Yard time for Polarcus Naila upgrade

80% utilization in Q1 14



# Operational efficiency mitigates lower revenue

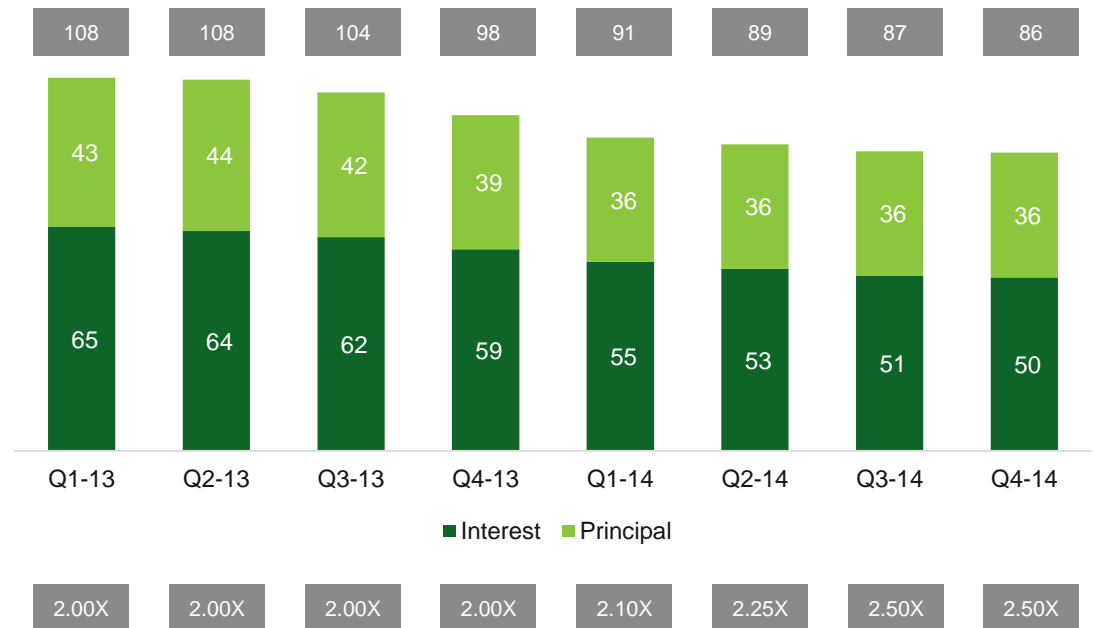


# Improved financial flexibility

- Reset of Q1-14 debt service ratio to 2.1x of bank facility
- Guarantee facility expanded from USD 10 million to USD 20 million
- Cash collateral of USD 4.7 million released by the bank in Q2 14

Rolling twelve month debt service

MUSD



# Polarcus share information

- Listed on the Oslo Stock Exchange
- Market Cap USD ~330m
- One Equity Partners largest shareholder
- ~2,000 shareholders

## Top 20 Shareholders (as per 10 June)

Shareholder	Share	%
OEP POLARCUS HOLDING	85,666,033	16.89%
ZICKERMAN HOLDING LTD	40,571,476	8.00%
SKANDINAVISKA ENSKILDA	39,473,013	7.78%
VARMA MUTUAL PENSION	23,648,025	4.66%
ZICKERMAN GROUP LTD	23,178,081	4.57%
GOLDMAN SACHS & CO E	23,109,209	4.56%
ELO MUTUAL PENSION I	22,600,000	4.46%
VERDIPAPIRFONDET DNB	15,858,781	3.13%
BNP PARIBAS SEC. SER	13,666,000	2.69%
SKANDINAVISKA ENSKIL	13,324,276	2.63%
VERDIPAPIRFONDET DNB	11,050,000	2.18%
EUROCLEAR BANK S.A./	10,917,547	2.15%
JP MORGAN CLEARING C	7,490,455	1.48%
BLKRCK GLBL SMALLCAP	7,311,791	1.44%
THE BANK OF NEW YORK	4,761,905	0.94%
CITIGROUP GLOBAL MAR	4,226,060	0.83%
THE BANK OF NEW YORK	3,934,329	0.78%
STATE STREET BANK &	3,889,227	0.77%
ABN AMRO GLOBAL CUST	3,785,829	0.75%
ULSTEIN SHIPPING AS	3,612,000	0.71%
<b>Top 20 shareholders</b>	<b>362,074,037</b>	<b>71%</b>
<b>Other shareholders</b>	<b>145,147,142</b>	<b>29%</b>
<b>Total</b>	<b>507,221,179</b>	<b>100%</b>

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# Industry leading assets

Uniform fleet with **RIGHTSIZE** and **RIGHTDESIGN**

## A-class

12 streamer vessels with the industries highest ice class



## N-class

Upgrade to 12 streamer vessels in 2014 and 2015



## S-class

8 streamer vessels with the industries highest ice class



Average fleet age of three years

# Operational performance 2014 YTD

- Technical downtime < 2.5%
- Strong presence and performance in Africa with ultra wide spreads
- High profile Australian campaign completed ahead of schedule
- Production commenced on largest Russian project awarded in 2014
- Global fleet positioned well for upcoming activity

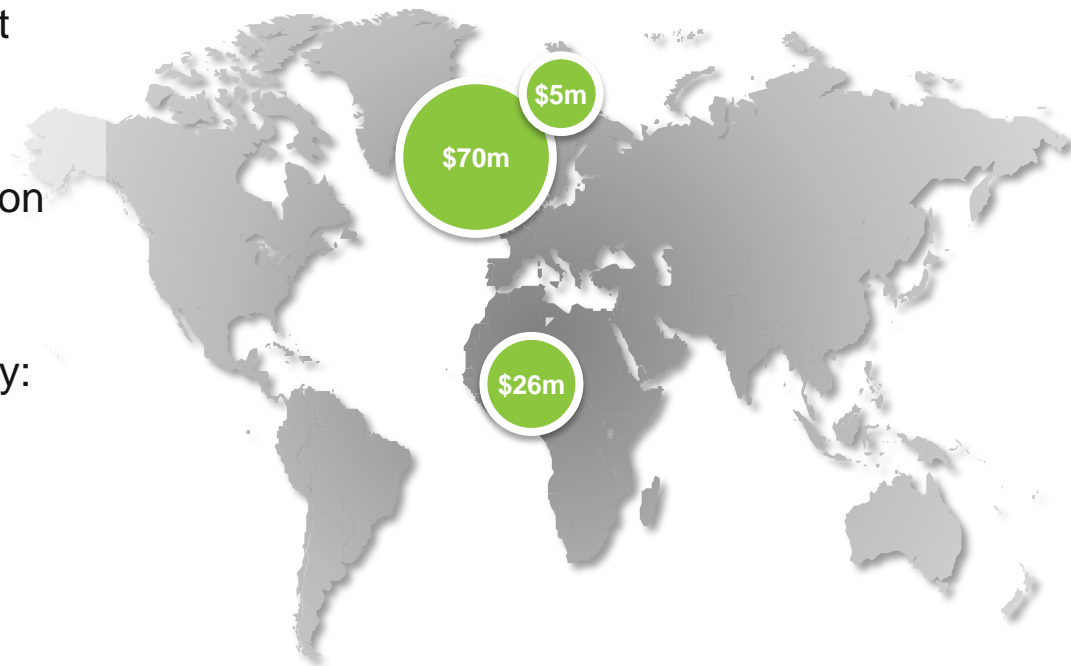
Vessel position 01 June '14



# Multi-Client library overview

- High quality broadband library centered on UK, Norway and West Africa
- Final data products now available on existing library
- Strong late sales forecast driven by:
  - Norway APA 2014 (now active)
  - UK 28<sup>th</sup> Round (Q4 2014)
  - AGC & Guinea-Bissau farm-ins

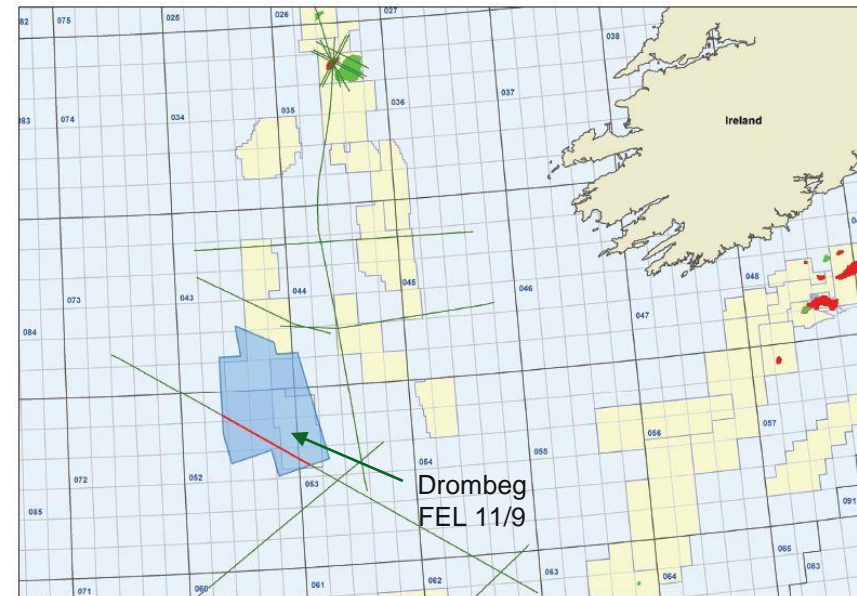
Multi Client library position 31 March '14



*The Polarcus UKCS data library has become the “go-to” reference data for UK explorers*

# Multi-client expanding into new frontiers

- Frontier 4,400 sq. km First Pass™ 3D MC in South Porcupine Basin, offshore Ireland
  - Strong prefunding from Providence Resources, operator of the Drombeg FEL 11/9 block
  - High interest due to Irish Atlantic Margins Round, closing Sept 2015
  - Polarcus Amani mobilizing end June with an ultra-wide 1,350m spread
- First project in collaboration with ION GeoVentures



*2014 South Porcupine Phase 1 multi-client project*



# Global fleet capacity stabilizing

- Net vessel growth neutral 2014 - 2016
- Effective 3D streamer increase ~2% 2014 – 2016 YOY
- Lead time for new build 24 – 36 months

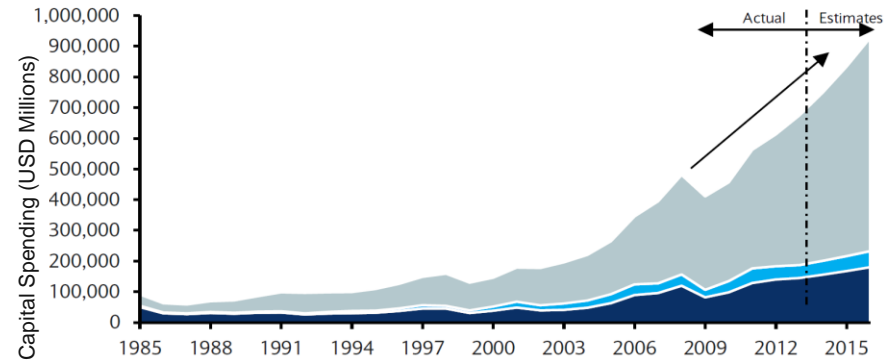
	No. Vessels	Company	Vessel	Streamer cap.
2013	1	Dolphin	Sanco Swift	12
	1	PGS	Ramform Titan	16
	-1	Reflect	Geowave Comander	-8
	-1	CGG	Geo Atlantic	-8
	-1	CGG	Veritas Vantage	-10
	-1	CGG	Geowave Voyager	-10
	-1	CGG	Geo Barents	-6
	-1	PGS	Pacific Explorer	-8
	-1	Western Geco	Western Patriot	-8
	<b>-5</b>	<b>Net depletion</b>		<b>-30</b>
2014	1	PGS	Ramform Atlas	16
	1	Dolphin	Sanco Sword	12
	1	Western Geco	Amazon Warrior	16
	1	Western Geco	Amazon Conqueror	16
	1	Dolphin	Polar Marquis	14
	-1	CGG	Symphony	-12
	-1	CGG	Viking I*	-10
	-1	Western Geco	Western Pride*	-8
	-1	Western Geco	Western Spirit*	-8
-1	Western Geco	Western Triton*	-10	
-1	PGS	Atlantic Explorer	-8	
	<b>-1</b>	<b>Net growth</b>		<b>18</b>
2015	1	PGS	Ramform TBN 1	16
	1	Dolphin	Super Duke	16
	1	COSL	HYSY 721	12
	-1	CGG	Amadeus*	-8
	-1	Western Geco	Western Regent*	-10
	-1	Dolphin	Artemis Arctic	-6
	<b>0</b>	<b>Net growth</b>		<b>20</b>
2016	1	PGS	Ramform TBN 2	16
	-1	CGG	Viking Vanquish*	-10
	<b>0</b>	<b>Net growth</b>		<b>6</b>

\* Polarcus interpretation of peer groups fleet retirement plans; Vessel name may vary and some may remain in the market as source vessels or similar.

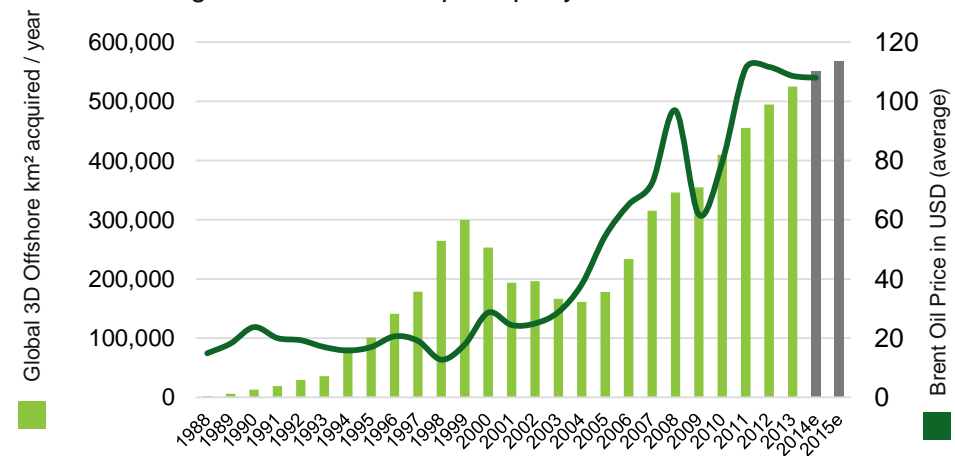
# Robust offshore 3D seismic E&P demand

- Marine seismic representing ~1.5% of Global E&P spend
- ~5% E&P growth expected in 2014
- Stable pricing environment through 2014
- Positive indications for increased activity in 2015

Barclays Research expects global E&P upstream CAPEX to further increase to 2015



Comparing Global Offshore 3D Seismic km<sup>2</sup> acquired per year vs. Average Brent Crude Oil price per year in USD



Source: Polarcus

# Global seismic outlook

**North America:** Increased focus from Supermajors and WAZ surveys in Canada and GoM.

**Central America:** Activity continues in Caribbean and northern S America (Colombia, Suriname); potential opportunities in Mexico, 2015

**South America:** New activity underway in Brazil with planned activity into Q4, and beyond; some IBAMA permitting delays.

**West Africa:** Continued high activity with further growth potentials, Namibia, CIV, Gabon and Morocco

**NW Europe:** Solid MC and contract outlook for 2014 (Ireland, Norway, UK)

**Mediterranean:** Some activity in Med and Black Sea

**East Africa:** Delays leading to quiet Q2, but potential for work in Q3,Q4

**Russian Arctic:** Rosneft & Gazprom work awarded

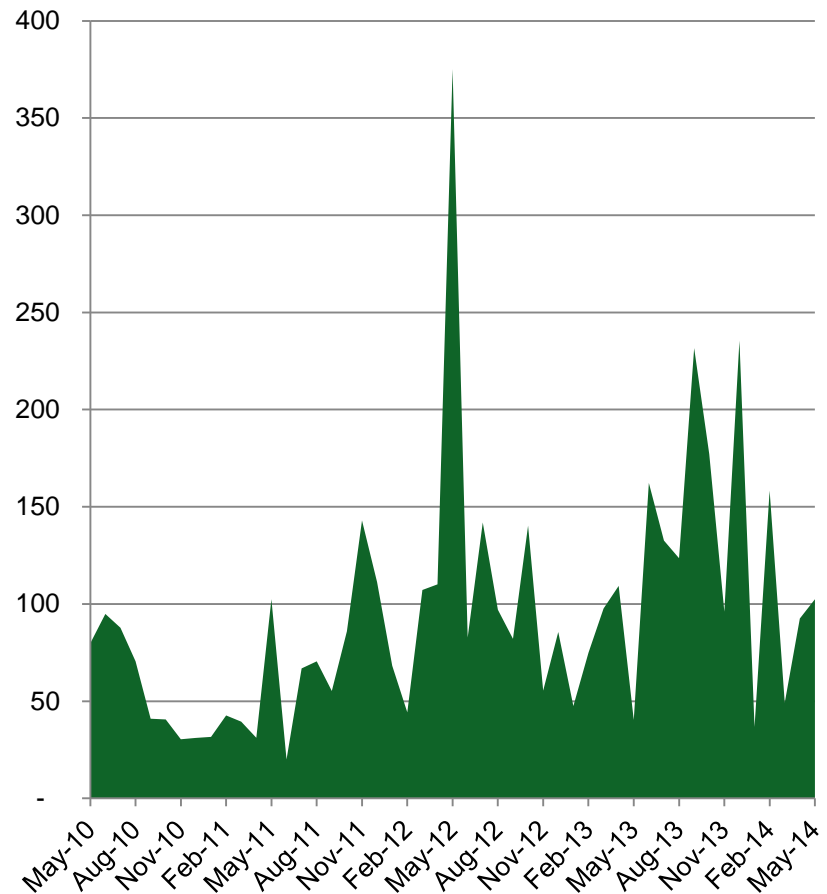
**Australasia:** Strong potential for Myanmar, NZ and pending awards in Australia

- Polarcus vessels
- Vessel under management

# Backlog

- USD ~205 million backlog\* Mid June
- Booked capacity Q2 2014 - 95%
- Booked capacity Q3 2014 - 75%
- Booked capacity Q4 2014 - 35%
- Booked capacity Q1 2015 - 20%

Received contract tenders in USD million (As of end May)



\* Inclusive of bareboat charter of Vyacheslav Tikhonov to SCF

# Polarcus guidance for 2014 reiterated

- EBITDA in the range of USD 230-250 million
- Multi-client cash investments in the range of USD 55-65 million;  
Prefunding level of 70% expected
- Vessel related capital expenditure in the range of  
USD 55-65 million

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# RIGHTSIZE, RIGHTDESIGN, RIGHTPLAN

- Industry leading assets
- Strong operational performance
- Cost leadership



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# Income statement

<i>(In thousands of USD)</i>	Quarter ended		Year ended
	31-Mar-14	31-Mar-13	31-Dec-13
<b>Revenues</b>			
Contract revenue	116,241	135,798	496,422
Multi-client revenue	4,759	9,051	33,748
Other income	413	(78)	2,075
<b>Total Revenues</b>	<b>121,413</b>	<b>144,771</b>	<b>532,245</b>
<b>Operating expenses</b>			
Cost of sales	(74,614)	(84,781)	(293,053)
General and administrative costs	(7,183)	(7,115)	(27,306)
Depreciation and amortization	(22,672)	(21,741)	(93,795)
<b>Total Operating expenses</b>	<b>(104,469)</b>	<b>(113,637)</b>	<b>(414,153)</b>
<b>Operating profit</b>	<b>16,945</b>	<b>31,134</b>	<b>118,092</b>
Share of profit/(loss) from joint ventures	(4)	(80)	(265)
Finance costs	(16,823)	(23,559)	(80,100)
Finance income	843	2,362	6,348
<b>Profit before tax</b>	<b>962</b>	<b>9,858</b>	<b>44,075</b>
Income tax expense	-	-	(609)
<b>Net profit and total comprehensive income</b>	<b>962</b>	<b>9,858</b>	<b>43,467</b>
<b>Profit per share for loss attributable to the equity holders during the period <i>(In USD)</i></b>			
- Basic	<b>0.002</b>	<b>0.019</b>	<b>0.086</b>
- Diluted	<b>0.002</b>	<b>0.019</b>	<b>0.086</b>

# Balance Sheet

(In thousands of USD)

	31-Mar-14	31-Mar-13	31-Dec-13
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	964,081	991,181	972,802
Multi-client project library	98,157	61,450	88,704
Investments in joint ventures	2,480	2,668	2,483
Intangible assets	35,599	397	36,739
<b>Total Non Current Assets</b>	<b>1,100,317</b>	<b>1,055,696</b>	<b>1,100,728</b>
<b>Current Assets</b>			
Other current assets	57,240	59,940	91,017
Accounts receivable	64,470	82,203	42,404
Restricted cash	26,216	8,827	20,471
Cash and bank	66,103	85,968	60,045
<b>Total Current Assets</b>	<b>214,029</b>	<b>236,939</b>	<b>213,937</b>
<b>TOTAL ASSETS</b>	<b>1,314,345</b>	<b>1,292,635</b>	<b>1,314,665</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	10,144	10,144	10,144
Share premium	501,843	501,843	501,843
Other reserves	39,108	41,684	38,533
Retained earnings/(loss)	(21,980)	(61,574)	(22,942)
<b>Total Equity</b>	<b>529,116</b>	<b>492,097</b>	<b>527,579</b>
<b>Non Current Liabilities</b>			
Senior bonds	93,348	96,684	93,266
Convertible bonds	111,042	105,182	109,535
Long-term finance lease	152,779	158,769	154,333
Other long-term debt	266,710	285,394	277,262
<b>Total Non Current Liabilities</b>	<b>623,878</b>	<b>646,029</b>	<b>634,397</b>
<b>Current Liabilities</b>			
Accounts payable	39,824	38,101	38,509
Current portion of interest bearing debt	84,952	69,677	84,662
Other accruals and payables	36,576	46,732	29,518
<b>Total Current Liabilities</b>	<b>161,351</b>	<b>154,510</b>	<b>152,690</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>1,314,345</b>	<b>1,292,635</b>	<b>1,314,665</b>

# Cash flow

<i>(In thousands of USD)</i>	Quarter ended		Year ended
	31-Mar-14	31-Mar-13	31-Dec-13
<b>Cash flows from operating activities</b>			
Profit for the period	962	9,858	43,466
<b>Adjustment for:</b>			
Depreciation and amortization	22,672	21,741	93,795
Employee share option expenses	575	815	2,689
Interest expense	14,722	23,162	76,080
Interest income	(26)	(5)	(204)
Effect of currency (gain)/loss	506	(3,778)	(5,306)
Share of (profit)/loss from joint ventures	4	80	265
<b>Working capital adjustments:</b>			
Decrease/(Increase) in current assets	11,711	(2,148)	6,575
Increase/(Decrease) in trade and other payables and accruals	4,791	(11,195)	(26,092)
<b>Net cash flows from operating activities</b>	<b>55,918</b>	<b>38,529</b>	<b>191,268</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(12,699)	(7,697)	(50,368)
Proceeds from assets held-for-sale	-	128,003	128,003
Payments for multi-client project library	(9,893)	(13,463)	(47,927)
Payments to acquire intangible assets	(121)	(81)	(14,130)
<b>Net cash flows used in investing activities</b>	<b>(22,714)</b>	<b>106,761</b>	<b>15,577</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary shares	-	16	16
Net proceeds from the issue of senior bonds	-	-	93,083
Repayment of bond loans	-	(20,000)	(115,653)
Repayment of lease liabilities	(1,395)	(12,665)	(17,009)
Repayment of other long-term debt	(10,394)	(55,435)	(75,329)
Interest paid	(8,822)	(12,840)	(58,777)
Other finance costs paid	(258)	(3,433)	(7,348)
Decrease/(Increase) in restricted cash	(5,744)	(721)	(12,365)
Interest received	26	5	204
<b>Net cash flows from financing activities</b>	<b>(26,587)</b>	<b>(105,072)</b>	<b>(193,179)</b>
Effect of foreign currency revaluation on cash	(558)	1,922	2,550
<b>Net increase in cash and cash equivalents</b>	<b>6,059</b>	<b>42,140</b>	<b>16,217</b>
Cash and cash equivalents at the beginning of the period	60,045	43,828	43,828
<b>Cash and cash equivalents at the end of the period</b>	<b>66,103</b>	<b>85,968</b>	<b>60,045</b>

# Debt overview as of 31 March 2014

Debt	Security	Size	Balance 31 Mar 2014	Tenure	Maturity	Interest %
Unsecured bond	Unsecured	NOK 230m	NOK 226m	3 years	Nov-14	14.00%
Unsecured bond	Unsecured	USD 95m	USD 95m	5 years	Jun-18	8.00%
Senior secured convertible bond	Selma	USD 125m	USD 125m	5 years	Apr-16	2.88%
Sale lease back	Nadia & Naila	USD 180m	USD 159m	10 years	Sep-19	~10.80%
Fleet bank facility Tranche 1	Asima	USD 80m	USD 57m	12 years	Aug-22	6.20%
Fleet bank facility Tranche 2	Alima	USD 55m	USD 41m	12 years	Mar-23	5.10%
Fleet bank facility Tranche 3	Amani	USD 114m	USD 95m	12 years	Mar-24	5.60%
Fleet bank facility Tranche 4	Adira	USD 114m	USD 100m	12 years	Jun-24	5.60%

# Awards through RIGHTDESIGN

**Triple – E™**  
Environmental &  
Energy Efficiency

DYNPOS-AUTR  
Systems redundancy  
with DP2

CLEAN DESIGN  
High specification  
exhaust catalysts

IMO Green Passport



Sentinel® solid streamers

ULSTEIN X-BOW®  
Improved efficiency and  
reduced emissions

Fuel: MGO with low  
sulfur content

Double hull – no oil contact  
with outer skin

Bilge water cleaning system to  
reduce contaminants to <5ppm

ICE-1A or 1A\* Class<sup>1</sup>

Safe Arctic operations

<sup>1</sup> POLARCUS ASIMA, ALIMA,  
SAMUR, SELMA, AMANI & ADIRA

Multiple main engines and independent  
propellers in case of failure

BWM-T<sup>2</sup>

Removal of invasive species from ballast water

<sup>2</sup> POLARCUS ASIMA, ALIMA, SAMUR, SELMA, AMANI & ADIRA

# Polarcus leads the world with Triple-E™

- Polarcus vessels are the only vessels in the world with a Triple-E™ Level 1 rating.
- The Triple-E™ Environmental & Energy Efficiency rating initiative
  - Applicable for all ships
  - A tool for environmental performance monitoring and improvement.
  - Triple-E™ has four levels with '1' as the best.
- Triple-E™ key elements:
  - Vessel design
  - Environmental management practices and procedures
  - Optimal fuel efficiency
  - Onboard energy management
  - Certifiable monitoring and reporting





# Executive Management team



**Rolf Rønningen**

*Chief Executive Officer*

Rolf (born 1957) has over 30 years of seismic industry experience and has held senior positions at GECO and PGS, most notably as the President of Marine Acquisition at PGS Geophysical AS. Most recently he held the position of CEO of Eastern Echo Ltd.



**Tom Henrik Sundby**

*Chief Financial Officer*

Tom Henrik (born 1967) has over 20 years financial management and business development experience gained from the consulting services and commodities industries. He started his career with KPMG Norway, first as an auditor and then as a management consultant. Tom then joined TINE Norway, a top 25 industrial company in Norway, where he was Head of Controlling department and Head of M&A.



**Carl-Peter Zickerman**

*Executive VP & Head of Strategic Investments*

Carl-Peter (born 1972) holds valuable experience in the seismic industry, gained from his prior start-up venture, Eastern Echo Ltd where he held the position of Executive Vice President Business Development. Prior to this he was the Managing Director and founder of GeoBird Ltd., a marine seismic service provider, later sold to SeaBird Exploration Ltd.



**Duncan Eley**

*Chief Operating Officer*

Duncan (born 1972) has over 15 years of experience in the seismic industry. He worked with WesternGeco for 10 years supporting marine seismic operations in Europe, West Africa and North America. He also held positions in technology development and support in WesternGeco prior to joining Polarcus in 2009.



**Eirin M. Inderberg**

*General Counsel*

Eirin (born 1968) has over 20 years experience as a lawyer and was formerly General Counsel of Eastern Echo Ltd. Prior to this she worked for the law firm Wikborg Rein & Co. in Oslo and London, and as a lawyer at the Oslo Stock Exchange.



**Christian Fenwick**

*Senior VP Corp. Mktg & Multi-Client*

Christian (born 1960) has over 30 years of industry experience and has held senior positions at Merlin Geophysical, Schlumberger Geo-co-Prakla, Schlumberger Information Solutions, and most recently was the Vice President Multi-Client & Business Development at Eastern Echo Ltd.



**Paul Lionel Hanna**

*Senior VP Human Resources*

Paul (born 1964) has over 25 years of industry experience and has held senior positions in various divisions of the Schlumberger group, including Connectivity Services Manager and Career Planning Manager for Schlumberger Information Solutions, London, UK; Data Services Business Manager for Data Consulting Services, Cairo, Egypt; and Area/Vessel Operations Manager for WesternGeco Gatwick, UK.



**Hans-Peter Burlid**

*VP Finance*

Hans-Peter (born 1980) has over 10 years of experience in the seismic industry and was formerly Senior Manager, Business Development and co-founder of Eastern Echo Ltd. His experience covers business development, finance and accounting. Hans-Peter holds a B.Sc. in Economics and Business Administration from Blekinge Institute of Technology, Sweden.



