Polarcus Limited

Second Quarter Report 2015

SECOND QUARTER 2015

Riding out the storm

HIGHLIGHTS Q2 2015:

- Revenues of USD 91.7 million down 33% from Q2 2014
- Gross cost of sales of USD 61.6 million down 27% from Q2 2014
- EBITDA of USD 38.4 million down 23% from Q2 2014 with increased margin to 42% from 36%
- Multi-Client prefunding ratio of 76%
- Improved liquidity position through partial divestment of Multi-Client project library

The marine seismic market remained challenging in Q2 2015. Despite an increase in tender activity compared to Q1 2015, exploration spending by oil companies continues to be low, leading to a highly competitive seismic market with fierce competition for all tenders. The current market situation together with reduced vessel capacity following the cold-stacking of *Polarcus Nadia* in April impacted revenues negatively, resulting in a 33% revenue drop for the quarter year-on-year. However, sequentially from Q1 2015 revenue was up 13%, driven by the startup in June of a new large project in ice affected waters where *Polarcus Asima* and *Polarcus Amani* are capitalizing on the unique vessel differentiating factors of leading Ice Class and environmental features.

The Company continues to successfully navigate the challenging market with strong focus on capital efficiency, geographical position and innovation. The capital efficiency focus has resulted in a USD 22.2 million reduction in gross cost of sales for the quarter compared to Q2 2014, as well as a reduction in capital expenditure. The geographical repositioning of the company's sales and marketing efforts together with service delivery innovations has led to an increased back log of USD 195 million during the quarter, providing the company with good visibility for H2 2015.

The Company improved its liquidity position following signing a Letter of Intent with TGS for the sale of its Multi-Client projects in Europe and Africa. The sale price consists of an upfront payment of USD 27.5 million and a revenue share going forward. The transaction is expected to be completed in August 2015. In Q2 2015 the Multi-Client projects were reclassified from intangible assets to assets held for sale, resulting in an impairment charge of USD 62.1 million.

KEY FINANCIALS

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Revenues	91.7	137.6	172.8	259.0	466.7
Cost of sales	(45.3)	(80.5)	(83.3)	(155.1)	(286.2)
EBITDA	38.4	49.9	73.6	89.6	150.1
EBIT (before impairments)	2.3	26.0	(5.3)	43.6	33.8
Impairments	(66.8)	(2.2)	(68.1)	(2.8)	(35.1)
EBIT (after impairments)	(64.5)	23.8	(73.3)	40.7	(1.3)
Net Financial Income/(Expenses)	(15.3)	(14.6)	(27.3)	(30.6)	(63.5)
Net profit / (loss) for the period	(78.3)	9.2	(104.7)	10.2	(78.6)
Earnings / (loss) per share (USD)	(0.117)	0.018	(0.156)	0.020	(0.145)
Net cash flows from operating activities	31.9	45.6	83.4	101.5	157.8
Total assets (period end)	1,127.3	1,297.4	1,127.3	1,297.4	1,239.2
Total liabilities (period end)	746.4	758.4	746.4	758.4	753.7
Total Equity (period end)	380.9	539.0	380.9	539.0	485.5
Equity Ratio	34%	42%	34%	42%	39%
PP&E cash investment	6.0	17.6	13.0	30.3	52.7
Multi-client projects cash investment	21.1	5.3	64.1	15.2	46.9
Total cash (period end)	47.3	92.3	47.3	92.3	73.7
Net interest bearing debt (period end)	629.2	612.8	629.2	612.8	609.4

FINANCIAL RESULTS

Operating Revenue

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Contract revenue					
- Proprietary contract revenue	53.6	114.4	83.6	213.7	354.4
- Reimbursable	2.8	4.2	3.3	8.7	11.5
- Management fees	7.9	7.3	15.5	13.4	28.0
- Bare boat charter	6.3	6.3	12.6	12.6	25.4
	70.7	132.2	115.1	248.5	419.2
Multi-client revenue					
- Prefunding	16.1	4.9	50.6	7.8	35.1
- Late sales	5.0	0.5	7.3	2.3	9.4
	21.1	5.4	57.9	10.1	44.5
Other income	-	-	(0.1)	0.4	3.0
Total	**91.7**	**137.6**	**172.8**	**259.0**	466.7

Revenues decreased by 33% to USD 91.7 million in Q2 2015 compared to USD 137.6 million in Q2 2014, mainly due to a decrease in contract revenue. Contract revenue decreased by 47% to USD 70.7 million in Q2 2015 compared to USD 132.2 million in Q2 2014 due to a decrease in proprietary contract revenues.

Proprietary contract revenue decreased by 53% to USD 53.6 million in Q2 2015 compared to USD 114.4 million in Q2 2014, excluding reimbursables. The decrease was due to a reduction in implied day rates on contract and the number of days on contract decreased by 37% as a consequence of less contract utilization in Q2 2015 compared to Q2 2014.

Multi-Client revenue was USD 21.1 million in Q2 2015 compared to USD 5.4 million in Q2 2014. The fleet allocation to Multi-Client projects increased to 19% in Q2 2015 compared to 6% in Q2 2014. Multi-Client cash investment was USD 21.1 million in Q2 2015 compared to USD 5.3 million in Q2 2014. Multi-Client prefunding revenue for the period increased to USD 16.1 million compared to USD 4.9 million in Q2 2014, giving prefunding levels of 76% and 91%, respectively.

Revenues decreased by 33% to USD 172.8 million in H1 2015 compared to USD 259.0 million in H1 2014, mainly due to a decrease in contract revenue. Contract revenue decreased by 54% to USD 115.1 million in H1 2015 compared to USD 248.5 million in H1 2014 due to a decrease in proprietary contract revenues.

Proprietary contract revenue decreased by 61% to USD 83.6 million in H1 2015 compared to USD 213.7 million in H1 2014, excluding reimbursables. The decrease was due to a reduction in implied day rates on contract and the number of days on contract decreased by 39% as a consequence of less contract utilization in H1 2015 compared to H1 2014.

Multi-Client revenue was USD 57.9 million in H1 2015 compared to USD 10.1 million in H1 2014. The fleet allocation to Multi-Client projects increased to 28% in H1 2015 compared to 8% in H1 2014. Multi-Client cash investment was USD 64.1 million in H1 2015 compared to USD 15.2 million in H1 2014. Multi-Client prefunding revenue for the period increased to USD 50.6 million compared to USD 7.8 million in H1 2014, giving prefunding levels of 79% and 51%, respectively.

Operating expenses

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Gross cost of sales (excl. reimbursable)	61.6	83.8	130.3	163.2	309.8
Capitalized to multi-client	(18.4)	(4.2)	(56.7)	(12.2)	(40.7)
Net deferred transit adjustment	(0.8)	(2.2)	3.0	(2.3)	(0.3)
Cost of sales (excl. reimbursable)	42.4	77.4	76.5	148.7	268.8
Reimbursable cost	2.0	3.1	2.4	6.4	9.6
Restructuring costs	1.0	-	4.4	-	1.2
Bad debt expense	-	-	-	-	6.6
Total	**45.3**	**80.5**	**83.3**	**155.1**	**286.2**

Cost of sales decreased by 44% to USD 45.3 million in Q2 2015 compared to USD 80.5 million in Q2 2014. The decrease is mainly due to an increase in vessel allocation to Multi-Client projects resulting in more cost of sales capitalized to Multi-Client, a reduction in operating costs of USD 8.7 million due to a reduction in fleet size following the cold stacking of *Polarcus Nadia*, as well as lower fuel price and other cost savings. Excluding reimbursable costs, gross cost of sales decreased by 27% to USD 61.6 million in Q2 2015 compared to USD 83.8 million in Q2 2014.

General and administrative costs were USD 8.1 million in Q2 2015, up from USD 7.2 million in Q2 2014.

EBITDA for the quarter decreased by 23% to USD 38.4 million compared to USD 49.9 million in the same quarter last year. EBITDA margin increased to 42% in Q2 2015 compared to 36% in Q2 2014.

Cost of sales decreased by 46% to USD 83.3 million in H1 2015 compared to USD 155.1 million in H1 2014. The decrease is mainly due to an increase in vessel allocation to Multi-Client projects resulting in more cost of sales capitalized to Multi-Client, as well as other cost savings. Excluding reimbursable costs, gross cost of sales decreased by 20% to USD 130.3 million in H1 2015 compared to USD 163.2 million in H1 2014. Excluding the savings from operating a reduced fleet following the cold-stacking of *Polarcus Nadia* and reduced fuel cost, gross cost of sales is down 10% in H1 2015 compared to H1 2014.

General and administrative costs were USD 15.8 million in H1 2015, up from USD 14.4 million in H1 2014.

EBITDA for H1 2015 decreased by 18% to USD 73.6 million compared to USD 89.6 million in the same period last year. EBITDA margin increased to 43% in H1 2015 compared to 35% in H1 2014.

Depreciation and amortization

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Depreciation of seismic vessels and eq.	22.9	20.4	45.4	40.6	83.9
Depreciation of office equipment	0.1	0.1	0.2	0.3	0.5
Amortization of multi-client data library	16.0	3.2	42.7	5.4	37.2
Amortization of other intangible assets	1.4	1.3	2.7	2.5	5.1
Depreciation capitalized to multi-client library	(4.2)	(1.0)	(12.0)	(2.9)	(10.3)
Total	**36.1**	**23.9**	**78.9**	**46.0**	**116.3**

Depreciation and amortization increased by 51% to USD 36.1 million in Q2 2015 compared to USD 23.9 million in Q2 2014. Of this, depreciation amounted to USD 23.0 million in Q2 2015 compared to USD 20.5 million in Q2 2014. The increase in depreciation is due to an accelerated depreciation of the three remaining Schottel thrusters in use by the Company, which were fully depreciated during the quarter. Amortization of the Multi-Client library was USD 16.0 million, or 76% of Multi-Client revenue for Q2 2015, compared to USD 3.2 million, or 59%, in Q2 2014.

EBIT (excluding impairments) decreased to USD 2.3 million in Q2 2015 compared to USD 26.0 million in Q2 2014 and EBIT margin decreased to 2% in Q2 2015 compared to 19% in Q2 2014.

Depreciation and amortization increased by 72% to USD 78.9 million in H1 2015 compared to USD 46.0 million in H1 2014. Of this, depreciation amounted to USD 45.6 million in H1 2015 compared to USD 40.9 million in H1 2014. The increase in depreciation is due to an accelerated depreciation of the three remaining Schottel thrusters in use by the Company, which were fully depreciated during the period. Amortization of the Multi-Client library was USD 42.7 million, or 74% of Multi-Client revenue for H1 2015, compared to USD 5.4 million, or 53%, in H1 2014.

EBIT (excluding impairments) decreased to a loss of USD 5.3 million in H1 2015 compared to a profit of USD 43.6 million in H1 2014 and EBIT margin decreased to minus 3% in H1 2015 compared to 17% in H1 2014.

Impairments

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Impairment of Multi-Client library	62.1	-	62.1	-	22.6
Impairment of damaged equipment	4.6	2.2	5.9	2.8	6.3
Impairment of Schottel thrusters	-	-	-	-	6.2
Total	**66.8**	**2.2**	**68.1**	**2.8**	**35.1**

Impairment of the Multi-Client project library was USD 62.1 million in Q2 2015. The impairment is due to the reclassification of all Multi-Client projects, except for Capreolus, to assets held for sale, following the Company entering a Letter of Intent to sell those Multi-Client projects to TGS. The impairment charge is the difference between the previous carrying values of the Multi-Client projects and the expected sales price less costs to sell. Although the Company is entitled to a share of future revenue should TGS generate sales of the Multi-Client projects it purchases over certain thresholds, no contingent revenue was included in the expected sales price used by the Company in determining the impairment in Q2 2015.

Disposal of equipment increased to USD 4.6 million in Q2 2015 compared to USD 2.2 million in Q2 2014, due to damage to in-sea equipment during a project. The equipment is damaged and the carrying value written-down. The Company has submitted an insurance claim for the replacement cost of the equipment damaged in the incident. However, as the amount and timing of receipt of the insurance claim proceeds is uncertain, no income has yet been recognized by the Company.

Finance costs

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Interest expenses on senior bonds	2.7	3.4	5.4	6.9	14.9
Interest expenses on convertible bonds	2.0	2.4	4.2	4.9	9.6
Interest expenses on lease	4.5	4.3	8.9	8.6	17.6
Interest expenses on other long-term	4.4	4.9	8.8	9.2	18.7
Net interest expenses	**13.6**	**15.0**	**27.3**	**29.5**	**60.9**
Realized currency exchange loss	1.3	0.1	1.9	1.3	13.0
Unrealized currency exchange loss	1.4	0.4	3.1	1.3	10.1
Other finance costs	0.4	0.2	0.6	0.4	1.4
Total	**16.7**	**15.8**	**32.8**	**32.6**	**85.3**

Finance costs increased by 6% to USD 16.7 million in Q2 2015 compared to USD 15.8 million in Q2 2014. The net interest expense was USD 13.6 million in Q2 2015 compared to USD 15.0 million in Q2 2014.

Realized currency exchange loss increased to USD 1.3 million in Q2 2015 from USD 0.1 million in Q2 2014, due to exchange loss on trade receivables paid in Russian Rubles. Unrealized currency exchange loss increased to USD 1.4 million in Q2 2015 compared to USD 0.4 million in Q2 2014, due to a loss in the quarter resulting from the increase in the US dollar value of the bond loan denominated in Norwegian Krone, as a result of appreciation in the currency.

Finance costs increased by 1% to USD 32.8 million in H1 2015 compared to USD 32.6 million in H1 2014. The net interest expense was USD 27.3 million in H1 2015 compared to USD 29.5 million in H1 2014.

Realized currency exchange loss increased to USD 1.9 million in H1 2015 from USD 1.3 million in H1 2014. Unrealized currency exchange loss increased to USD 3.1 million in H1 2015 compared to USD 1.3 million in H1 2014.

Finance income

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Interest income from deposit with	0.4	0.1	0.4	0.1	0.8
Realized exchange gain	0.5	0.1	1.2	0.7	1.9
Unrealized exchange gain	0.6	1.0	3.9	1.2	15.0
Gain on buyback of convertible bonds	-	-	-	-	4.1
Total	**1.5**	**1.2**	**5.6**	**2.0**	**21.8**

Finance income increased to USD 1.5 million in Q2 2015 compared to USD 1.2 million in Q2 2014.

Finance income increased to USD 5.6 million in H1 2015 compared to USD 2.0 million in H1 2014. The increase is due to a gain in Q1 2015 resulting from the reduction in the US dollar value of the bond loan denominated in Norwegian Krone, as a result of depreciation in the currency.

Changes in fair value of financial instruments

In Q2 2015 there was a positive change in fair value of financial instruments of USD 2.3 million, compared to nil in Q2 2014. The increase is due to a change in the fair value of a cross currency swap that the Company entered into in July 2014 in relation to the NOK 350 million bond. The financial instrument swaps floating rate interest in Norwegian Krone based on a NIBOR rate for a US dollar floating rate liability based on LIBOR, as well as the underlying currencies.

In H1 2015 there was a negative change in fair value of financial instruments of USD 3.2 million, compared to nil in H1 2014. The increase is due to a change in the fair value of the cross currency swap related to the NOK 350 million bond.

Tax

Corporate income tax decreased to nil in Q2 2015 from USD 0.1m in Q2 2014, and decreased to nil in H1 2015 from USD 0.1m in H1 2014.

The Norwegian vessel owning companies are taxed in accordance with the Norwegian Tonnage Tax regime for shipping companies. The scheme entails no tax on operating profits. The Company classifies tonnage tax as cost of sales. In addition, the Company is exposed to revenue taxation in several jurisdictions, such as withholding tax. Such forms of taxation are not profit taxes and, therefore, are not recorded as corporate income tax but are classified by the Company either net of revenue or as costs of sales, dependent upon whether the Company is acting as principal or agent. The Company is subject to mobile employee taxes, which it pays to the local tax authorities in numerous jurisdictions that it operates in.

Net profit

Net loss was USD 78.3 million in Q2 2015 compared to a net profit of USD 9.2 million in Q2 2014. Net loss was USD 104.7 million in H1 2015 compared to a net profit of USD 10.2 million in H1 2014.

Earnings per share

Basic and diluted EPS were negative USD 0.117 in Q2 2015 compared to positive USD 0.018 in Q2 2014. Basic and diluted EPS were negative USD 0.156 in H1 2015 compared to positive USD 0.020 in H1 2014.

Capital expenditure

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Seismic vessel and equipment	1.7	18.0	17.0	30.3	51.6
Other	-	-	-	-	0.3
Intangible assets	-	-	-	0.1	0.3
Total	**1.7**	**18.0**	**17.0**	**30.4**	**52.1**

Capital expenditure was USD 1.7 million in Q2 2015 compared to USD 18.0 million in Q2 2014. The expenditure in Q2 2014 related mainly to a propulsion upgrade for *Polarcus Naila*.

Capital expenditure was USD 17.0 million in H1 2015 compared to USD 30.4 million in H1 2014. Expenditure in the period mainly consisted of pre-fabrication and long-lead items for a propulsion upgrade for *Polarcus Nadia* and new streamer sections required.

Cash flow and liquidity

Net cash flow from operating activities was USD 31.9 million in Q2 2015 compared to USD 45.6 million in Q2 2014. An amount of USD 20 million was received in the quarter from TGS for previously deferred payments under existing contractual agreements.

Net cash flow used in investing activities was USD 27.1 million in Q2 2015 compared to USD 23.0 million in Q2 2014. Payments for property, plant and equipment totaled USD 6.0 million in Q2 2015 compared to USD 17.6 million in Q2 2014. Payments for investments in the Multi-Client library increased to USD 21.1 million in Q2 2015 compared to USD 5.3 million in Q2 2014, due to an increase in utilization on Multi-Client projects.

Net cash flow from financing activities was an outflow of USD 9.6 million in Q2 2015 compared to USD 14.7 million in Q2 2014. Interest paid was USD 13.6 million in Q2 2015 compared to USD 16.1 million in Q2 2014. Deposits previously made for cash collateral for currency swaps totaling USD 9.0 million were received back during the quarter.

Net cash flow from operating activities was USD 83.4 million in H1 2015 compared to USD 101.5 million in H1 2014.

Net cash flow used in investing activities was USD 77.2 million in H1 2015 compared to USD 45.7 million in H1 2014. Payments for property, plant and equipment totaled USD 13.0 million in H1 2015 compared to USD 30.3 million in H1 2014. Payments for investments in the Multi-Client library increased to USD 64.1 million in H1 2015 compared to USD 15.2 million in H1 2014, due to an increase in utilization on Multi-Client projects.

Net cash flow from financing activities was an outflow of USD 31.0 million in H1 2015 compared to USD 41.3 million in H1 2014. Interest paid was USD 23.0 million in H1 2015 compared to USD 25.0 million in H1 2014. Deposits previously made for cash collateral for currency swaps totaling USD 5.0 million were received back during the period.

Unrestricted cash held at 30 June 2015 was USD 38.7 million compared to USD 73.8 million at 30 June 2014. Total cash held at 30 June 2015 was USD 47.3 million compared to USD 92.3 million at 30 June 2014. In addition to the cash balances held, the Company has an undrawn working capital facility of USD 25 million at 30 June 2015.

Financing covenants

The Debt Service Ratio ("DSR") covenant requirement was 1.75 for Q2 2015, increasing to 2.0 for Q4 2015 onwards. The USD 35 million proceeds from the October 2014 private placement of equity are added to EBITDA for the purpose of calculating the DSR for the quarters through to Q3 2015. The proceeds from a sale of the Multi-Client project library to TGS will also be added to EBITDA for the purpose of calculating DSR.

Actual DSR for the purpose of the existing USD 410 million Fleet Bank Facility agreement was 2.3 for the 12 months ended 30 June 2015. Qualifying EBITDA was USD 169 million and interest and principal payments on external debt relevant for calculating the DSR totaled USD 75 million in the same 12 month period.

Other covenants of the Fleet Bank Facility require the Company to maintain minimum absolute levels of equity as well as minimum book equity ratios and a minimum liquidity reserve of USD 25 million. For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 64 million at 30 June 2015, the working capital facility of USD 25 million is included. The Company is also subject to rolling covenants regarding Multi-Client capacity allocation and pre-funding requirements, as well as the above mentioned minimum debt service levels.

Selected financial covenants – minimum requirements	30-Jun-15	30-Jun-14	31-Dec-14
Shareholders' equity – USD 200m	381m	539m	485m
Shareholders' equity to capital employed – 30%	38%	47%	43%
Book equity ratio – 25%	34%	42%	39%
Minimum liquidity reserve – USD 25m	64m	74m	65m

OPERATIONS

Vessel utilization

	Quarter ended		Six months ended		Year ended
(In millions of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Utilization	80%	81%	82%	80%	77%
By category:					
Exclusive Seismic Contract*	61%	75%	54%	72%	65%
Multi-Client Seismic Contract	19%	6%	28%	8%	12%
Transit	16%	12%	12%	13%	15%
Yard stay	2%	5%	1%	5%	3%
Standby	2%	2%	5%	2%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

* Includes the vessel V. Tikhonov which is on a Bare Boat charter

Polarcus Nadia is excluded from vessel utilization subsequent to cold-stacking on 1 April 2015

Utilization decreased to 80% in Q2 2015 from 81% in Q2 2014. Contract utilization decreased to 61% from 75% and Multi-Client utilization increased to 19% in Q2 2015 from 6% in Q2 2014.

In Q2 2015 the Company conducted work on one Multi-Client project, the Capreolus project offshore Australia.

Utilization increased to 82% in H1 2015 from 80% in H1 2014. Contract utilization decreased to 54% from 72% and Multi-Client utilization increased to 28% in H1 2015 from 8% in H1 2014.

In H1 2015 the Company conducted work on three Multi-Client projects; two projects were off Guinea Bissau and the other project was the Capreolus project.

Sales and outlook

The estimated value of backlog as at end-July 2015 was USD 195 million compared to USD 235 million on 1 June 2015.

Interim consolidated statement of comprehensive income

(In thousands of USD)	Notes	Quarter ended 30-Jun-15	Quarter ended 30-Jun-14	Six months ended 30-Jun-15	Six months ended 30-Jun-14	Year ended 31-Dec-14
Revenues						
Contract revenue		70,656	132,237	115,066	248,478	419,185
Multi-client revenue		21,089	5,372	57,865	10,132	44,535
Other income		-	-	(132)	413	2,989
Total Revenues	3	**91,745**	**137,609**	**172,799**	**259,023**	**466,709**
Operating expenses						
Cost of sales		(45,276)	(80,461)	(83,319)	(155,075)	(286,173)
General and administrative costs		(8,064)	(7,202)	(15,849)	(14,385)	(30,409)
Depreciation and amortization	14	(36,136)	(23,931)	(78,902)	(45,999)	(116,317)
Impairments	15	(66,768)	(2,215)	(68,058)	(2,819)	(35,110)
Total Operating expenses		**(156,244)**	**(113,808)**	**(246,128)**	**(218,277)**	**(468,010)**
Operating profit		**(64,499)**	**23,801**	**(73,329)**	**40,746**	**(1,301)**
Share of profit/(loss) from joint ventures	6	(847)	(10)	(897)	(14)	(280)
Finance costs	16	(16,739)	(15,776)	(32,838)	(32,598)	(85,293)
Finance income	17	1,473	1,195	5,552	2,038	21,793
Changes in fair value of financial instruments	13	2,304	-	(3,233)	-	(13,310)
Profit before tax		**(78,308)**	**9,210**	**(104,745)**	**10,172**	**(78,392)**
Income tax expense		(1)	(6)	(3)	(6)	(243)
Net profit and total comprehensive income		**(78,309)**	**9,204**	**(104,748)**	**10,166**	**(78,635)**
Earnings per share attributable to the equity holders during the period *(In USD)*						
- Basic		(0.117)	0.018	(0.156)	0.020	(0.145)
- Diluted		(0.117)	0.018	(0.156)	0.020	(0.145)

Interim consolidated statement of financial position

(In thousands of USD)	Notes	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
ASSETS				
Non-current Assets				
Property, plant and equipment	4	893,338	959,438	927,815
Multi-client project library	5	32,579	101,329	88,731
Investment in joint ventures	6	1,306	2,469	2,203
Intangible assets	7	29,388	34,414	31,969
Total Non-current Assets		**956,612**	**1,097,651**	**1,050,718**
Current Assets				
Assets held for sale	5	25,197	-	-
Other current assets		49,662	44,575	56,480
Accounts receivable		48,520	62,921	58,233
Restricted cash		8,594	18,457	8,236
Cash and bank		38,744	73,822	65,488
Total Current Assets		**170,717**	**199,775**	**188,437**
TOTAL ASSETS		**1,127,330**	**1,297,425**	**1,239,156**
EQUITY and LIABILITIES				
Equity				
Issued share capital	8	13,396	10,144	13,396
Share premium		532,222	501,843	532,222
Other reserves		33,347	36,003	33,149
Retained earnings/(loss)		(198,050)	(8,971)	(93,302)
Total Equity		**380,915**	**539,019**	**485,465**
Non-current Liabilities				
Senior bonds	9	128,045	93,431	130,407
Convertible bonds	10	95,006	112,594	96,336
Long-term finance lease	11	160,762	151,164	165,278
Other long-term debt	12	234,358	262,334	236,345
Other financial liabilities	13	16,543	-	13,310
Total Non-current Liabilities		**634,714**	**619,522**	**641,676**
Current Liabilities				
Senior bonds current portion	9	-	36,563	-
Convertible bonds current portion	10	2,500	-	-
Long-term finance lease current portion	11	8,846	6,221	8,394
Other long-term debt current portion	12	46,674	41,685	44,358
Other accruals and payables		26,672	22,423	40,206
Accounts payable		27,008	31,991	19,056
Total Current Liabilities		**111,700**	**138,883**	**112,015**
TOTAL EQUITY and LIABILITIES		**1,127,330**	**1,297,425**	**1,239,156**

Interim consolidated statement of cash flows

(In thousands of USD)	Notes	Quarter ended 30-Jun-15	Quarter ended 30-Jun-14	Six months ended 30-Jun-15	Six months ended 30-Jun-14	Year ended 31-Dec-14
Cash flows from operating activities						
Profit/(loss) for the period		(78,309)	9,204	(104,748)	10,166	(78,635)
Adjustment for:						
Depreciation and amortization	14	36,136	23,931	78,902	45,999	116,317
Impairments	15	66,768	2,215	68,058	2,819	35,110
Changes in fair value of financial instruments	13	(2,304)	-	3,233	-	13,310
Employee share option expenses		235	699	198	1,274	2,890
Interest expense	16	14,038	15,221	27,912	29,944	62,229
Interest income	17	(356)	(68)	(435)	(94)	(779)
Effect of currency (gain)/loss		1,250	(472)	(680)	34	(6,662)
Gain on buyback of convertible bonds		-	-	-	-	(4,096)
Share of (profit)/loss from joint ventures	6	847	10	897	14	280
Working capital adjustments:						
Decrease/(Increase) in current assets		2,432	14,213	11,581	25,924	25,597
Increase/(Decrease) in trade and other payables and accruals		(8,816)	(19,345)	(1,523)	(14,553)	(7,736)
Net cash flows from operating activities		**31,922**	**45,609**	**83,395**	**101,527**	**157,826**
Cash flows from investing activities						
Payments for property, plant and equipment		(5,959)	(17,582)	(13,026)	(30,281)	(52,727)
Payments for multi-client project library		(21,125)	(5,294)	(64,102)	(15,187)	(46,895)
Payments to acquire intangible assets		(45)	(81)	(91)	(202)	(13,631)
Net cash flows used in investing activities		**(27,129)**	**(22,957)**	**(77,220)**	**(45,671)**	**(113,252)**
Cash flows from financing activities						
Proceeds from the issue of ordinary shares		-	-	-	-	34,891
Transaction costs on issue of shares		-	-	-	-	(1,260)
Net proceeds from the issue of senior bonds		-	-	-	-	56,102
Repayment of bond loans		-	-	-	-	(58,734)
Receipt from sale lease-back fund		-	-	-	-	20,000
Repayment of lease liabilities	11	(2,070)	(1,449)	(4,063)	(2,845)	(6,559)
Repayment of other long-term debt		(1,184)	(4,764)	(5,226)	(15,158)	(30,287)
Interest paid		(13,599)	(16,137)	(23,033)	(24,960)	(51,411)
Other finance costs paid		(3,481)	(175)	(3,683)	(433)	(1,023)
Decrease/(Increase) in restricted cash		1,397	7,759	(358)	2,015	12,235
Security deposit related to currency swaps		9,000	-	4,950	-	(6,890)
Interest received		356	68	435	94	779
Net cash flows from financing activities		**(9,582)**	**(14,699)**	**(30,978)**	**(41,286)**	**(32,156)**
Effect of foreign currency revaluation on cash		(725)	(235)	(1,941)	(793)	(6,975)
Net increase in cash and cash equivalents		**(5,514)**	**7,718**	**(26,744)**	**13,777**	**5,443**
Cash and cash equivalents at the beginning of the period		44,258	66,103	65,488	60,045	60,045
Cash and cash equivalents at the end of the period		**38,744**	**73,822**	**38,744**	**73,822**	**65,488**

Interim consolidated statement of changes in equity

For six months ended 30 June 2015

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as of 1 January 2015	**669,813,679**	**13,396**	**532,222**	**33,149**	**(93,302)**	**485,465**
Total comprehensive income/(loss) for the period		-	-	-	(104,748)	(104,748)
Employee stock options		-	-	198	-	198
Balance as of 30 June 2015	**669,813,679**	**13,396**	**532,222**	**33,347**	**(198,050)**	**380,915**

For six months ended 30 June 2014

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as of 1 January 2014	**507,221,179**	**10,144**	**501,843**	**38,533**	**(22,942)**	**527,579**
Total comprehensive income/(loss) for the period		-	-	-	10,166	10,166
Employee share options		-	-	1,274	-	1,274
Other movements*		-	-	(3,805)	3,805	-
Balance as of 30 June 2014	**507,221,179**	**10,144**	**501,843**	**36,003**	**(8,971)**	**539,019**

For the year ended 31 December 2014

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as of 1 January 2014	**507,221,179**	**10,144**	**501,843**	**38,533**	**(22,942)**	**527,579**
Total comprehensive income/(loss) for the period		-	-	-	(78,635)	(78,635)
Employee share options		-	-	2,890	-	2,890
Other movements*		-	-	(8,275)	8,275	-
Issue of share capital						
October 2014 at NOK 1.40 (USD 0.21) per share	162,592,500	3,252	31,639	-	-	34,891
Transaction costs on issue of shares		-	(1,260)	-	-	(1,260)
Balance as at 31 December 2014	**669,813,679**	**13,396**	**532,222**	**33,149**	**(93,302)**	**485,465**

*Other movements represent the fair value of employee stock options unexercised and expired and the equity component of convertible bonds repurchased and cancelled.

Notes to the interim consolidated financial statements

1 General information

The interim consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group") for the quarter and half year ended 30 June 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 4 August 2015.

Polarcus Limited is a pure play marine geophysical company with a pioneering environmental agenda, specializing in high-end towed streamer data acquisition from Pole to Pole. The Company is incorporated in the Cayman Islands with its registered office at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. The Group has its main administration office in Dubai, United Arab Emirates, which is the domicile of the Group.

1.1 Going concern, liquidity risk and loan covenants

These interim consolidated financial statements have been prepared using the going concern assumption. However, as further described below, this assumption is subject to material uncertainty.

The recent rapid decline in oil prices and consequent cautious spending by oil companies has negatively impacted the Company's earnings in the second half 2014 and first half of 2015. This challenging market environment has led to a more uncertain outlook with pressure on day-rates and payment terms. The market continues to be weak during Q3 2015 and as yet there has not been a strong recovery in the tender activity and day rates. The directors consider these factors to create a material uncertainty which may cast doubt on the Company's ability to continue as a going concern.

On 25 March 2015 the Company took the decision to cold-stack one of its vessels, *Polarcus Nadia*, as the Company could not be certain of securing sufficient backlog at acceptable rates for the whole fleet. Although the reduction in fleet size reduces the Company's revenue generating capacity, it also reduces its cost base both for operating costs and capital expenditure for the remaining fleet.

In April 2015 the Company agreed a financing arrangement with the financing parties of the existing fleet bank facility, and agreed an amendment to the convertible bond that previously was due to mature in April 2016 (together, the "Finance Package"), improving the Company's liquidity position and reducing its exposure to breaches of existing loan covenants.

To further improve the liquidity position, during Q2 2015 the Company signed a letter of intent ("LOI") with TGS-NOPEC Geophysical Company ASA ("TGS") for the sale of its multi-client projects in Northwest Europe and West Africa ("MC Projects") in return for a cash consideration of USD 27.5 million and future revenue share on library late sales. This transaction is intended to provide Polarcus with additional liquidity to navigate through the current challenging market environment by monetizing a portion of the asset value. The sale is expected to be finalized in August 2015. Refer to Note 5.1 *Partial divestment of multi-client library* for further details.

The Company is subject to certain loan covenants. The headroom on some of the loan covenants has declined over the past 12 months as a result of the negative impact on the Company's financial position and performance due to the depressed market.

Selected financial covenants – minimum requirements	30-Jun-15	30-Jun-14	31-Dec-14
Shareholders' equity – USD 200m	381m	539m	485m
Shareholders' equity to capital employed – 30%	38%	47%	43%
Book equity ratio – 25%	34%	42%	39%
Minimum Liquidity reserve – USD 25m	64m	74m	65m

For the purpose of calculating the minimum liquidity reserve, any undrawn credit facilities with maturities of at least six months can be included as liquidity. In the Company's liquidity balance of USD 64 million at 30 June 2015, the working capital facility of USD 25 million is included.

The working capital facility matures on 31 March 2016. The Company is dependent upon securing an extension of the working capital facility by 30 September 2015 for it to continue to be calculated as minimum liquidity reserve. Even if the Company secures an extension of the working capital facility, due to the high sensitivity of future projected cash flows to minor fluctuations, there is a risk the Company breaches the covenant within the next 12 months.

The following tables show the maturity profile of the Group's financial liabilities based on contractual payments. The amounts disclosed in the table are undiscounted cash flows. For the convertible bonds it is assumed that no bond holders will exercise their conversion rights.

(In thousands of USD)	**Q3 2015**	**Q4 2015**	**Q1 2016**	**Q2 2016**	**Total**
Interest payments on senior bonds	1,119	4,556	1,132	4,543	**11,350**
Convertible bond repayments	-	-	-	2,500	**2,500**
Interest payments on Convertible bonds	1,432	1,456	1,456	1,456	**5,800**
Finance lease payments	6,587	6,579	6,516	6,524	**26,206**
Other long term debt repayments	8,478	19,526	11,634	5,796	**45,434**
Interest payments on other long term debt	4,049	3,142	4,080	2,979	**14,249**
Accounts payable	27,008	-	-	-	**27,008**
Other payables	14,458	-	1,138	-	**15,596**
Total	**63,132**	**35,258**	**25,955**	**23,798**	**148,144**

(In thousands of USD)	**Less than 1 Year**	**Between 1 - 2 Years**	**Between 2 - 5 Years**	**Over 5 Years**	**Total**
Senior bond repayments	-		142,883	-	**142,883**
Interest payments on senior bonds	11,350	11,337	16,946	-	**39,634**
Convertible bond repayments	2,500	10,000	91,500	-	**104,000**
Interest payments on Convertible bonds	5,800	5,474	4,914	-	**16,188**
Finance lease payments	26,206	26,134	184,060	-	**236,400**
Other long term debt repayments	45,434	32,953	90,862	121,653	**290,903**
Interest payments on other long term debt	14,249	12,800	28,376	14,517	**69,943**
Accounts payable	27,008	-	-	-	**27,008**
Other payables	15,596	-	-	-	**15,596**
Total	**148,144**	**98,699**	**559,542**	**136,170**	**942,555**

The Company's current assets at 30 June 2015 were USD 171 million, which are expected to be realized in less than one year and are sufficient to cover the maturity of financial instruments that fall due for payment within one year. The Company has secured backlog of USD 195 million as at end-July 2015. The Company expects to utilize this backlog within the next 12 months and the proceeds generated are expected to cover the costs necessary in order to deliver the backlog.

The Company's financial projections are based on certain assumptions, including those related to contract pricing and utilization in the future. The Company is dependent upon securing sufficient backlog in future periods. Should sufficient backlog not be forthcoming, the Company may have to consider raising new financing through new capital or debt, sale of assets, a restructuring of existing debt, or a combination.

In the event that the Company does not secure sufficient backlog or solve any resulting liquidity issues that may arise as a result of insufficient backlog, the going concern basis may not be valid. In such circumstances, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any future liabilities which may arise and to reclassify non-current assets and long term liabilities as current.

2 Basis of presentation

These interim consolidated financial statements for the quarter and half year ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

The accounting policies applied by the Group in these interim consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2014 unless otherwise stated below. Please refer to Note 2 *Summary of significant accounting policies* in the Consolidated Financial Statements in the 2014 Annual Report for information on the Company's accounting policies.

From Q2 2015 the Group recognizes write-downs of damaged or lost in-sea equipment as impairments. In earlier periods, such charges were recorded as depreciation and explained in the note on depreciation as disposal of equipment. The change in presentation has been implemented with retrospective effect, meaning figures for comparative periods have been changed to reflect the change in classification.

3 Segment information

The chief operating decision maker of the Group reviews Proprietary contracts and Multi-client as separate operating segments. As these two segments meet the aggregation criteria as prescribed under IFRS 8 *Operating segments*, they are combined into one segment called 'Marine'.

Other business activities of the Group including bareboat charter and management services are reported under the 'Other' operating segment. The Group's general administration overheads are also included under 'Other'.

	Quarter ended 30-Jun-15			Quarter ended 30-Jun-14		
(In thousands of USD)	**Marine**	**Other**	**Total**	**Marine**	**Other**	**Total**
Revenues						
Proprietary contracts*	56,432	-	56,432	118,650	-	118,650
Multi-client prefunding	16,068	-	16,068	4,872	-	4,872
Multi-client late sales	5,021	-	5,021	500	-	500
Bare boat charter (Operating leases)*	-	6,325	6,325	-	6,325	6,325
Management fees*	-	7,900	7,900	-	7,262	7,262
Total Revenues	**77,521**	**14,224**	**91,745**	**124,022**	**13,587**	**137,609**
Operating costs	(44,298)	(9,042)	(53,340)	(78,823)	(8,839)	(87,663)
EBITDA	**33,223**	**5,182**	**38,405**	**45,199**	**4,748**	**49,947**
Depreciation and amortization	(17,865)	(2,248)	(20,113)	(18,706)	(2,055)	(20,761)
Multi-client amortization	(16,023)	-	(16,023)	(3,170)	-	(3,170)
Impairments	(66,768)	-	(66,768)	(2,215)	-	(2,215)
Operating profit (EBIT)	**(67,432)**	**2,934**	**(64,499)**	**21,108**	**2,693**	**23,801**
Net financial income/(expenses)	-	(13,809)	(13,809)	-	(14,591)	(14,591)
Profit/(loss) before tax	**(66,432)**	**(10,875)**	**(78,308)**	**21,108**	**(11,898)**	**9,210**

(In thousands of USD)	Six months ended 30-Jun-15 Marine	Other	Total	Six months ended 30-Jun-14 Marine	Other	Total
Revenues						
Proprietary contracts*	86,974	-	86,974	222,518	-	222,518
Multi-client prefunding	50,604	-	50,604	7,834	-	7,834
Multi-client late sales	7,261	-	7,261	2,298	-	2,298
Bare boat charter (Operating leases)*	-	12,580	12,580	-	12,580	12,580
Management fees*	-	15,512	15,512	-	13,381	13,381
Other income	-	(132)	(132)	-	413	413
Total Revenues	**144,839**	**27,959**	**172,799**	**232,649**	**26,373**	**259,023**
Operating costs	(81,305)	(17,862)	(99,168)	(151,844)	(17,615)	(169,459)
EBITDA	**63,534**	**10,097**	**73,631**	**80,805**	**8,758**	**89,564**
Depreciation and amortization	(31,985)	(4,250)	(36,236))	(36,462)	(4,110)	(40,572)
Multi-client amortization	(42,666)	-	(42,666)	(5,427)	-	(5,427)
Impairments	(68,058))	-	(68,058)	(2,819)	-	(2,819)
Operating profit (EBIT)	**(79,176)**	**5,847**	**(73,329)**	**36,097**	**4,649**	**40,746**
Net financial income/(expenses)	-	(31,416)	(31,416)	-	(30,574)	(30,574)
Profit/(loss) before tax	**(79,176)**	**(25,570)**	**(104,745)**	**36,097**	**(25,925)**	**10,172**

(In thousands of USD)	Year ended 31-Dec-14 Marine	Other	Total
Revenues			
Proprietary contracts*	365,866	-	365,866
Multi-client prefunding	35,102	-	35,102
Multi-client late sales	9,433	-	9,433
Bare boat charter (Operating leases)*	-	25,368	25,368
Management fees*	-	27,951	27,951
Other income	-	2,989	2,989
Total Revenues	**410,401**	**56,308**	**466,709**
Operating costs	(280,905)	(35,677)	(316,582)
EBITDA	**129,497**	**20,630**	**150,127**
Depreciation and amortization	(70,940)	(8,149)	(79,089)
Multi-client amortization	(37,228)	-	(37,228)
Impairments	(35,110)	-	(35,110)
Operating profit (EBIT)	**(13,782)**	**12,481**	**(1,301)**
Net financial income/(expenses)	-	(77,091)	(77,091)
Profit/(loss) before tax	**(13,782)**	**(64,609)**	**(78,392)**

*Disclosed as ‘Contract revenue’ in the consolidated statement of comprehensive income.

4 Property, plant and equipment

(In thousands of USD)	Seismic vessels and equipment	Office equipment	Total
Costs			
Balance as of 1 January 2015	1,228,409	3,458	1,231,868
Additional capital expenditures	17,034	25	17,059
Impairment of damaged equipment	(11,169)	(83)	(11,252)
Balance as of 30 June 2015	1,234,275	3,401	1,237,675
Depreciation and impairments			
Balance as of 1 January 2015	301,274	2,779	304,053
Depreciation for the period	45,433	159	45,591
Impairment of damaged equipment	(5,252)	(55)	(5,307)
Balance as of 30 June 2015	341,454	2,883	344,337
Carrying amounts			
As of 1 January 2015	927,136	679	927,815
As of 30 June 2015	**892,820**	**518**	**893,338**
Carrying amounts held under finance lease as of 30 June 2015	164,253	-	164,253
Pledged assets as of 30 June 2015	851,877	-	851,877

4.1 Impairment assessment of vessels and seismic equipment

The Group assesses its property, plant & equipment and intangible assets for possible impairment upon the occurrence of impairment indicators. As at 30 June 2015 the market capitalization of the Company was less than the carrying value of equity, which is an impairment indicator in accordance with IAS 36 *Impairment of assets*, hence the Company performed an impairment test on the carrying value of USD 893 million of the seismic vessels and equipment and the carrying value of USD 29 million of the license for steering technology for marine seismic streamers (see Note 7), total carrying value USD 922 million. As a result of the impairment test no impairment was recorded as the recoverable amounts of the assets were higher than their carrying values. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

At 30 June 2015, the fair value less costs to sell of the vessel *Vyacheslav Tikhonov* was USD 32 million higher than its carrying value of USD 105 million, while the fair value less costs to sell of the remaining vessels and seismic equipment, including the streamer steering license, was USD 89 million higher than the carrying value of USD 816 million. The market values were obtained from two independent valuers in July 2015, with the fair value calculated as the mean of the two valuations. Costs to sell were assumed to be 4.1% of the market value, which is the rate of sales costs incurred in the sale of *Polarcus Samur* in 2013.

5 Multi-client project library

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Balance at the beginning of the period	111,094	98,157	88,731	88,704	88,704
Investments during the period	20,597	5,295	61,812	15,188	49,539
Capitalized depreciation	4,236	1,047	12,027	2,864	10,304
Amortization	(16,023)	(3,170)	(42,666)	(5,427)	(37,228)
Impairments (Note 5.1)	(62,128)	-	(62,128)	-	(22,588)
Classified as held for sale (Note 5.1)	(25,197)	-	(25,197)	-	-
Balance at the period end	**32,579**	**101,329**	**32,579**	**101,329**	**88,731**

5.1 Partial divestment of multi-client library

On 28 June 2015, the Company entered into an LOI with TGS for the sale of its Multi-Client assets in Northwest Europe and West Africa in return for a cash consideration of USD 27.5 million and future revenue share on library late sales. The transaction is expected to be completed in August 2015. The costs to sell are expected to be USD 0.8 million, giving a net consideration of USD 26.7 million, of which USD 1.5 million relates to the Group's share of multi-client assets owned by Polarcus Nigeria Limited, a joint venture owned 50% by the Company (refer to Note: 6 *Investment in joint ventures*). The carrying value of the multi-client libraries included in this transaction on the date of entering into the letter of intent was USD 87.3 million, excluding the libraries owned by the joint venture.

At the period end the multi-client assets being divested met the relevant criteria in IFRS 5 and were reclassified as "Assets held for sale" within current assets. Immediately following reclassification the carrying value was measured at the fair value less costs to sell, being lower than the carrying value. As a result of remeasurement the Company recorded an impairment of USD 62.1 million in Q2 2015.

The remaining balance reported under Multi-client project library as at 30 June 2015 represents the carrying value of Capreolus 3D survey offshore Australia that does not form part of the above mentioned sale transaction.

6 Investment in joint ventures

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Balance at the beginning of the period	2,154	2,480	2,203	2,483	2,483
Share of income/(loss)	(847)	(10)	(897)	(14)	(280)
Balance at the period end	**1,306**	**2,469**	**1,306**	**2,469**	**2,203**

The investment in joint ventures represents the Group's 50% equity investment in Polarcus Nigeria Limited ("PNL"), an entity jointly controlled by the Group. The Group's share in multi-client project libraries owned by PNL is also included in the sale transaction referred to in Note 5.1 *Partial divestment of multi-client library*. During the quarter, the carrying value of the multi-client project library owned by PNL was impaired by USD 1.6 million, with the Group's share being USD 0.8 million.

7 Intangible assets

(In thousands of USD)

	Licenses	Other	Total
Costs			
Balance as of 1 January 2015	37,411	2,336	39,747
Additions during the period	-	91	91
Balance as of 30 June 2015	37,411	2,426	39,838
Amortization and impairment losses			
Balance as of 1 January 2015	6,008	1,769	7,778
Amortization for the period	2,414	258	2,672
Balance as of 30 June 2015	8,422	2,028	10,449
Carrying amounts			
As of 1 January 2015	31,403	566	31,969
As of 30 June 2015	**28,989**	**399**	**29,388**

8 Share capital

The Company's authorized share capital is USD 18,570,000 divided into 928,500,000 shares at par value of USD 0.02 each. As of 30 June 2015 the total issued share capital of the Company is USD 13,396,274 divided into 669,813,679 shares, each with a par value USD 0.02.

8.1 Employee share options

During the half year ended 30 June 2015, the Company issued 7,450,000 new employee share options. 1,500,000 of these were issued on 10 February 2015 with an exercise price of NOK 0.62 per share and the remaining 5,950,000 options were issued on 30 April 2015 with an exercise price of NOK 0.37 per share. These options have an exercise period ranging from 10 February 2017 to 30 April 2022. As of 30 June 2015 the Company had a total of 38,435,000 employee share options outstanding, of which 15,371,800 were exercisable. None of the share options were exercised during the half year ended 30 June 2015. During the half year and quarter ended 30 June 2015, the Group expensed USD 0.2 million respectively for both periods as the cost of the share options granted (USD 1.3 million in 1H 2014 and USD 0.7 million in Q2 2014).

9 Senior bonds

(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
230M NOK Senior unsecured bonds	-	36,563	-
95M USD 8% Senior unsecured bonds	84,503	93,431	84,340
350M NOK Senior unsecured bonds	43,542	-	46,067
Total	**128,045**	**129,994**	**130,407**
Of which:			
Current liability portion (230M NOK bonds)	-	36,563	-
Non-current liability	128,045	93,431	130,407

10 Convertible bonds

(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
USD 125 million convertible bonds	97,506	112,594	96,336
Total	**97,506**	**112,594**	**96,336**
Of which:			
Current liability portion	2,500	-	-
Non-current liability	95,006	-	-

Effective 14 April 2015, the bond holders of the convertible bonds approved certain amendments to the original terms which consisted of the following:

- The maturity date of the bonds was extended until the earlier of 27 April 2018 (24 months extension), and 2 months prior to the maturity of the guarantees issued by the commercial banks securing the Fleet Bank Facility (the "Fleet Bank Guarantees"), currently June 2017. Provided that the financing parties have not committed to extend the Fleet Bank Guarantees prior to 27 April 2017, the Bond Issue shall mature on 27 April 2017.
- Increase of interest rate to 5.6% per annum (from 2.875% per annum), payable quarterly, from April 2015.
- Introduction of quarterly repayment instalments of USD 2.5 million, payable from April 2016 and quarterly thereafter.

As further consideration, a consent fee equalling 1% of the principal amount of the outstanding bonds is payable by 31 December 2015 to the bondholders registered as bondholders at the time of payment of such consent fee.

11 Long-term finance lease

Payments made under finance lease arrangements during the periods reported are as per below:

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Principal payments	2,070	1,449	4,063	2,845	6,559
Interest payments	4,454	4,283	8,905	8,558	17,632
Total	**6,524**	**5,733**	**12,968**	**11,403**	**24,190**

Outstanding liabilities under finance leases as of the period end are as per below:

(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Payable for *Polarcus Nadia*	75,443	78,568	77,035
Payable for *Polarcus Naila*	94,166	78,817	96,637
Total	**169,609**	**157,385**	**173,672**
Of which:			
Current liability portion	8,846	6,221	8,394
Non-current liability	160,762	151,164	165,278

12 Other long-term debt

(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Fleet bank facility - Tranche 1 (USD 80 million)	48,246	54,855	51,719
Fleet bank facility - Tranche 2 (USD 55 million)	37,939	40,354	38,107
Fleet bank facility - Tranche 3 (USD 114 million)	87,556	92,719	87,989
Fleet bank facility - Tranche 4 (USD 114 million)	87,206	92,356	87,641
Liability for patent rights	12,337	23,735	12,321
Liability for seismic equipment	7,747	-	2,927
Total	**281,031**	**304,019**	**280,703**
Of which:			
Current liability portion	46,674	41,685	44,358
Non-current liability	234,358	262,334	236,345

During April 2015, the Group entered into certain amendments to the Fleet bank facility agreements. The amendments included a freeze of loan principal repayments from 1 March 2015 to 1 September 2015. The total freeze amounts to USD 15 million, which will be added to the last repayment date for the loans maturing in August 2022, March 2023, March 2024, and June 2024.

13 Other financial liabilities

The Company entered into a cross currency interest rate swap agreement for its liability under the NOK 350 million bond loans (refer to Note 9 *Senior bonds*). The Group has not applied hedge accounting for this instrument and the derivative is accounted for at fair value through profit or loss. The carrying amount and fair value of the liability of this derivative instrument and the movements during the periods reported were as per below:

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Fair value at the beginning of the period (liability)	18,847	-	13,310	-	-
Change during the period	(2,304)	-	3,233	-	13,310
Fair value at the period end	**16,543**	**-**	**16,543**	**-**	**13,310**

As part of the cross currency swap agreement, when the mark-to-market value of the swap is in excess of USD 15 million negative in the Group's favour, the Group is required to pay such excess as cash collateral to the issuing bank (DNB Bank ASA). A total amount of USD 1.9 million was paid to DNB as cash collateral as at 30 June 2015. This amount is recorded under 'Other current assets' in the consolidated statement of financial position.

14 Depreciation and amortization

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Depreciation of seismic vessels and eq.	22,872	20,394	45,433	40,627	83,876
Depreciation of office equipment	77	149	159	282	450
Amortization of multi-client data library	16,023	3,170	42,666	5,427	37,228
Amortization of other intangible assets	1,399	1,265	2,672	2,527	5,067
Depreciation capitalized to multi-client library	(4,236)	(1,048)	(12,027)	(2,864)	(10,304)
Total	**36,135**	**23,930**	**78,902**	**45,999**	**116,317**

15 Impairments

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Impairment of multi-client library (refer to Note: 5.1)	62,128	-	62,128	-	22,588
Impairment of damaged equipment	4,640	2,215	5,930	2,819	6,285
Impairment of Schottel thrusters	-	-	-	-	6,237
Total	**66,768**	**2,215**	**68,058**	**2,819**	**35,110**

16 Finance costs

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Interest expenses on senior bonds	2,711	3,460	5,440	6,860	14,907
Interest expenses on convertible bonds	2,046	2,450	4,162	4,856	9,616
Interest expenses on lease arrangements	4,454	4,284	8,905	8,558	17,632
Interest expenses on other long-term debt	4,407	4,852	8,784	9,236	18,704
Net interest expenses	**13,619**	**15,046**	**27,290**	**29,511**	**60,859**
Other finance costs	419	175	622	433	1,369
Realized currency exchange loss	1,341	125	1,868	1,346	12,962
Unrealized currency exchange loss	1,360	429	3,058	1,308	10,102
Total	**16,739**	**15,776**	**32,838**	**32,598**	**85,293**

17 Finance income

	Quarter ended		Six months ended		Year ended
(In thousands of USD)	**30-Jun-15**	**30-Jun-14**	**30-Jun-15**	**30-Jun-14**	**31-Dec-14**
Interest income from deposit with banks	356	68	435	94	755
Realized exchange gain	488	125	1,219	703	1,873
Unrealized exchange gain	630	1,001	3,898	1,241	15,045
Gain on buyback of convertible bonds	-	-	-	-	4,096
Other finance income	-	-	-	-	24
Total	**1,473**	**1,195**	**5,552**	**2,038**	**21,793**

Statement pursuant to Section 5-6 of the Securities Trading Act

We confirm that, to the best of our knowledge, the condensed consolidated financial statements for the first half of 2015 which has been prepared in accordance with IAS 34 Interim Financial Reporting gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim report includes a fair review of the information under the Norwegian Securities Trading Act section 5–6 fourth paragraph.

4 August 2015

The Board of Directors and CEO of Polarcus Limited

Peter Rigg - Chairman	Tore Karlsson
Carl-Gustav Zickerman	Arnstein Wigestrand
Karen El-Tawil	Thomas Kichler
Rod Starr -CEO	

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