

Polarcus Limited
Second Quarter 2015

05 August 2015

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Q2 Headlines

- Revenues USD 91.7 million, down 33% YOY
 - Up 13% from Q1 '15
- Continued focus on cost efficiency
 - EBITDA margin increased to 42% from 36% in Q2 '14
- Improved liquidity position
 - Partial divestment of multi-client project library
- Selectively investing in attractive multi-client opportunities
 - Prefunding ratio of 76% in Q2 '15
- Increased backlog
 - 100% booked in Q3, 80% booked H2 '15



Market environment

- Oil company exploration spend reduced
 - Seismic spend typically discretionary expense
- Increased bidding activity from low levels in Q1 '15
 - Overall bidding activity remains low across all regions
- Vessel capacity drop in 2015
 - Possibly more needed to balance market at current demand
- Highly competitive landscape for 2015
 - Ongoing pressure on industry margins



1 2015 Agenda update

2 Q2 Financials

3 Operations & market outlook

4 Conclusion / Q&A

The 2015 Agenda – Q2 update

Riding out the storm

Revenue Generation

Regionalize sales resources. Penetrate new markets

Cost Management

Execute & expand cost reduction plans

Balance Sheet Management

Manage debt. Enhance stakeholder value



Positioning for the next phase of growth

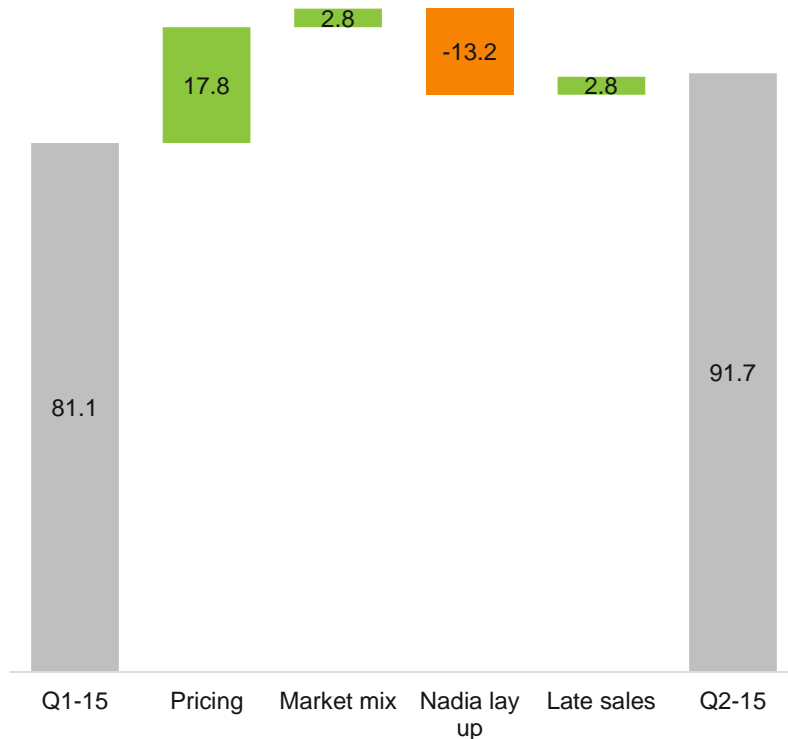


Imaging tomorrow's energy™

1. Revenue Generation: Q2 '15 versus Q1 '15

Refocused sales efforts and improved market mix

(In millions of USD)

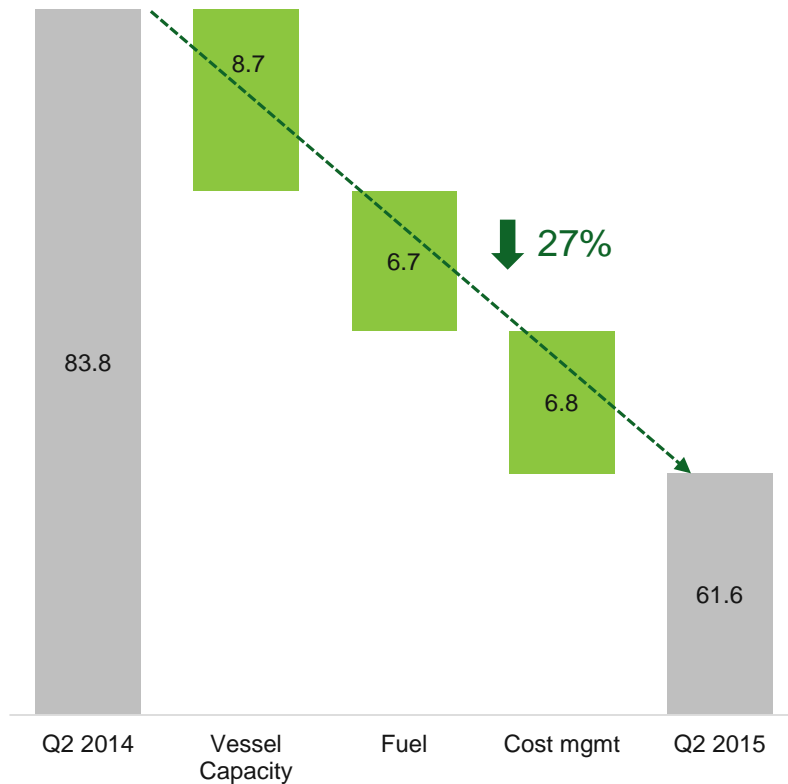


- **Pricing:**
 - Realized day rates improved significantly
 - Driven by unique PLCS vessel capabilities
- **Market Mix:**
 - Higher allocation to contract market
 - Near-term revenue and cash benefits
- **Polarcus Nadia lay up:**
 - Nadia cold stacked in April
 - Capacity reduced in multi-client
- **Late Sales:**
 - Increased Late Sales of USD 5 million

2. Cost Management: Q2 '15 versus Q2 '14

Strong cost focus and disciplined CAPEX spending

(In millions of USD)



- **Gross cost of sales:**
 - Down USD 22.2 million, 27%
 - USD 6.8 million due to targeted cost management initiatives
- **CAPEX reduction:**
 - Reduced by USD 16.3 million

3. Balance Sheet Management: Improving liquidity

Partial divestment of multi-client library

- Divestment of Europe and Africa library to TGS
 - Excludes Polarcus Capreolus MC, Australia
- USD 20 million cash payments received in Q2
 - For earlier executed work with deferred payment terms
- USD 27.5 million cash payment in Q3 with future revenue share
 - Transaction expected to close early August
- USD 62.1 million Impairment charge in Q2

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Key financials: Profit & Loss

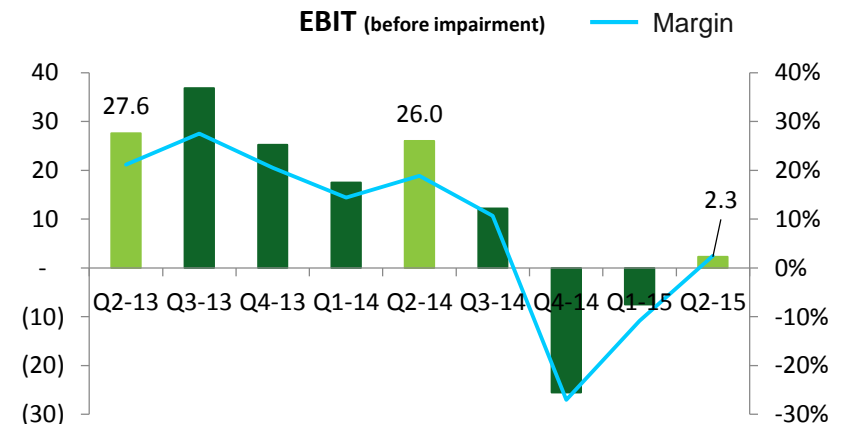
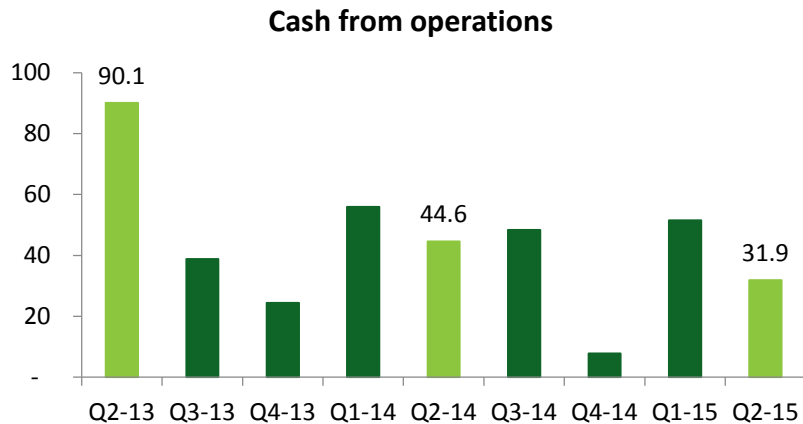
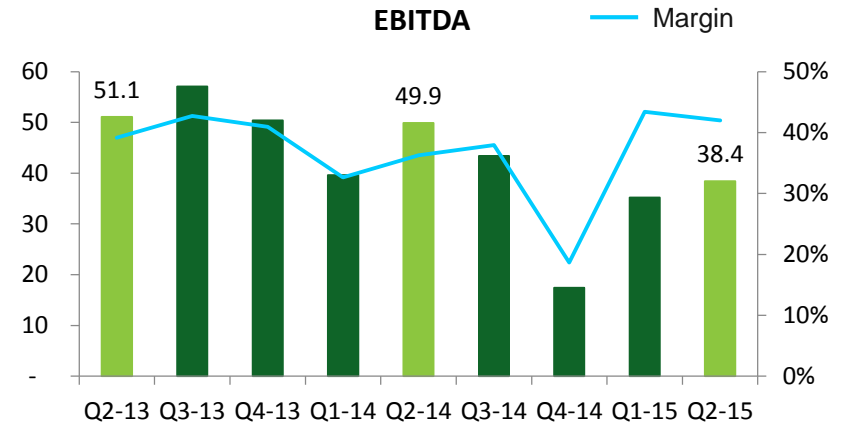
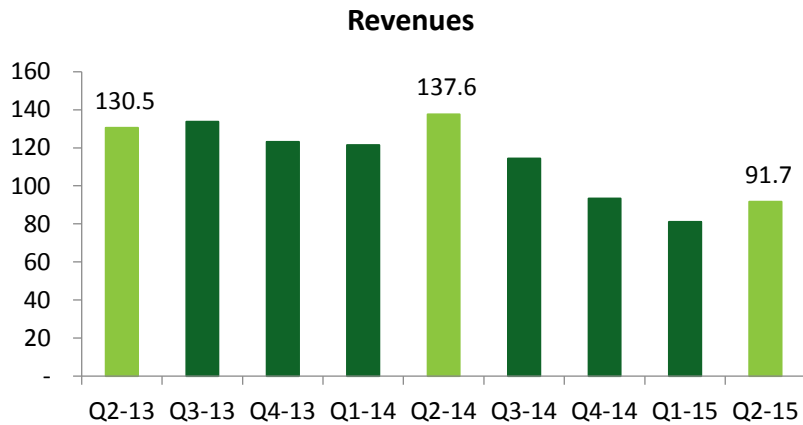
(In millions of USD)

- Revenue USD 91.7 million, down 33% YOY
 - 13% sequential increase from Q1 '15
- Gross cost of sales down USD 22.2 million, 27% YOY
 - USD 8.7 million reduction due to Nadia cold-stack
- EBITDA margin increased to 42% from 36% YOY
 - Driven by cost efficiency
- Depreciation & amortization up 51% YOY
 - High MC amortization rate of 76%
- USD 66.8 million Impairment charge
 - USD 62.1 million charge on MC divestment
 - USD 4.7 million damaged in-sea equipment

	Q2 2015	Q2 2014	FY 2014
Revenues	91.7	137.6	466.7
Cost of sales	(45.3)	(80.5)	(286.2)
EBITDA	38.4	49.9	150.1
Depreciation & amortization	(36.1)	(23.9)	(116.3)
EBIT <i>(before impairment)</i>	2.3	26.0	33.8
Impairments	(66.8)	(2.2)	(35.1)
Net financial expense	(15.3)	(14.6)	(63.5)
Net profit / (loss)	(78.3)	9.2	(78.6)

► Focus on cost efficiencies

Key financials: Historical perspective



Key financials: Balance Sheet & Cash Flow

(In millions of USD)

- Cash from operations USD 31.9 million
- Multi-Client investments of USD 21.1 million
 - Driven by highly prefunded Capreolus project
- PP&E payments of USD 6.0 million
 - Reduction from USD 17.6 million in Q2 '14
- Multi-Client library NBV of USD 32.6 million
 - Australia Capreolus after divestment
- Undrawn working capital facility of USD 25 million
 - Considered when calculating the minimum liquidity reserve covenant

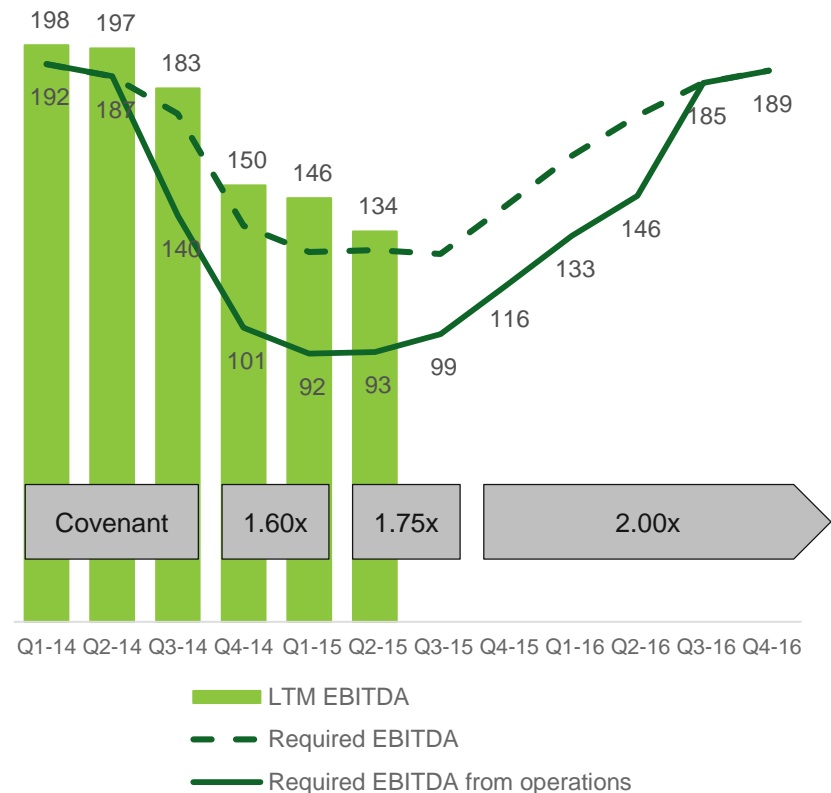
	Q2 2015	Q2 2014	FY 2014
Total assets	1,127.3	1,297.4	1,239.2
Total liabilities	746.4	758.4	753.7
Total Equity	380.9	539.0	485.5
Equity Ratio	34%	42%	39%
Net cash flows from operating activities	31.9	45.6	157.8
Property, plant & equipment cash investment	6.0	17.6	52.7
Multi-client projects cash investment	21.1	5.3	46.9
Total cash	47.3	92.3	73.7
Net interest bearing debt	629.2	612.8	609.4

► *Focus on cash management*

Increased debt service covenant headroom

(In millions of USD)

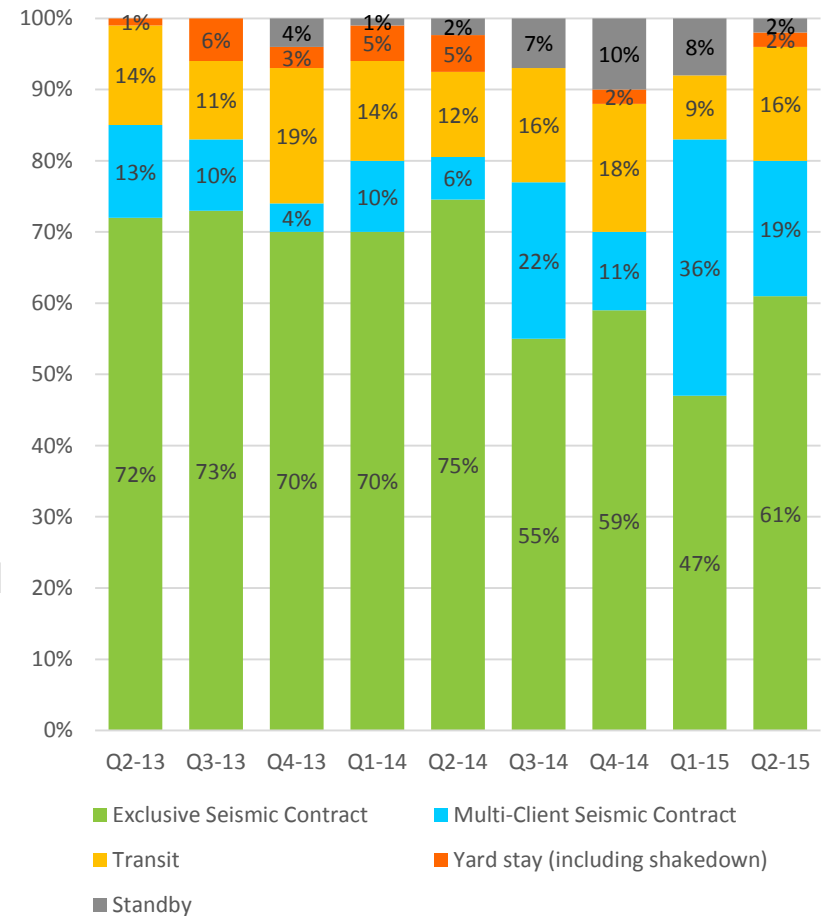
- USD 15 million installment freeze provides additional headroom
- EBITDA adjustments for DSR
 - USD 35 million equity raised October '14
 - USD 27.5 million proceeds from library sale in August '15
- Debt Service Ratio (“DSR”) covenant
 - >1.60x from Q4 '14
 - >1.75x from Q2 '15
 - >2.00x from Q4 '15



► *Managing covenants*

Increased contract utilization

- Fleet well positioned for Q3 '15
 - 100% booked with improved utilization
- Increased contract allocation
 - Up from low levels last three quarters
- High prefunding ratio on MC allocation
 - Reduced allocation from high levels in Q1 '15
- Polarcus Nadia cold stacked from 01 April
 - Excluded from utilization numbers



► *Focus on improving utilization*

1 2015 Agenda update

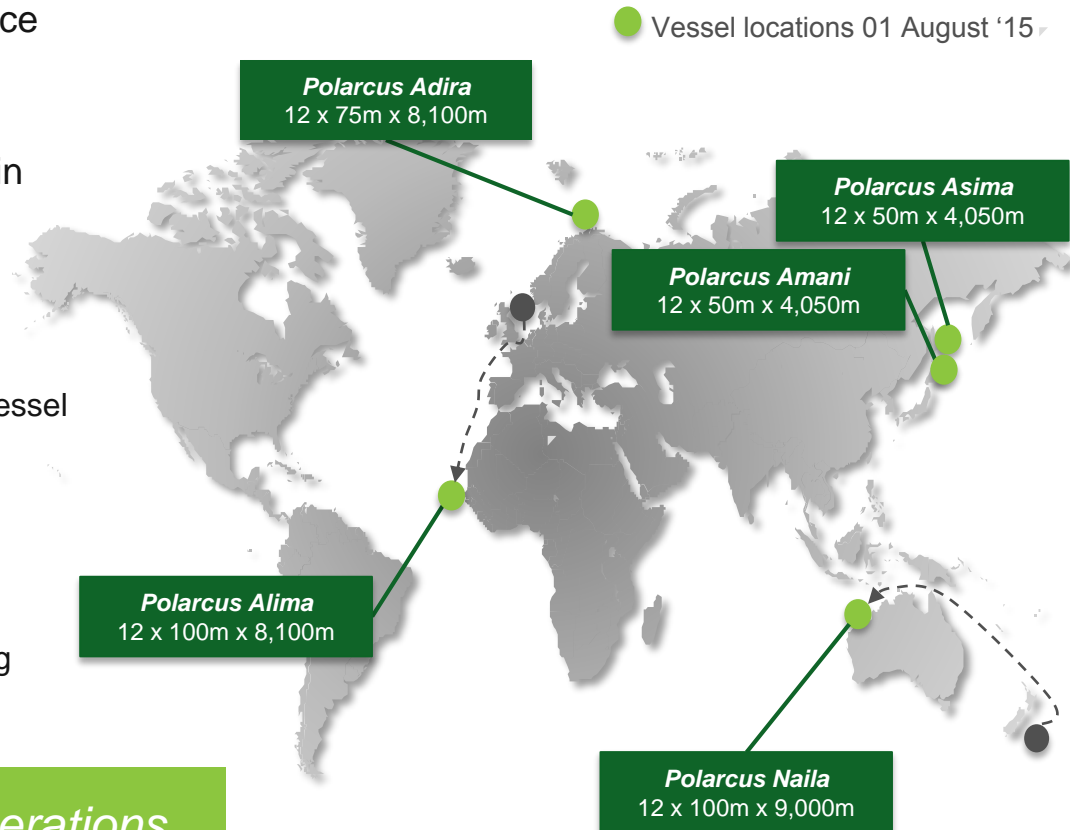
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Marine acquisition – outstanding delivery

- Continued solid operational performance world wide
- Two Polarcus vessels offshore Sakhalin
 - Geographically remote operation with fleet of 9 vessels
 - 2 x PLCS 3D vessels, 1 x DMNG 3D vessel and 6 x support vessels
 - Extended season with high ICE class vessels
 - Full PLCS onboard PreSTM processing



► *Focus on safe and efficient operations*

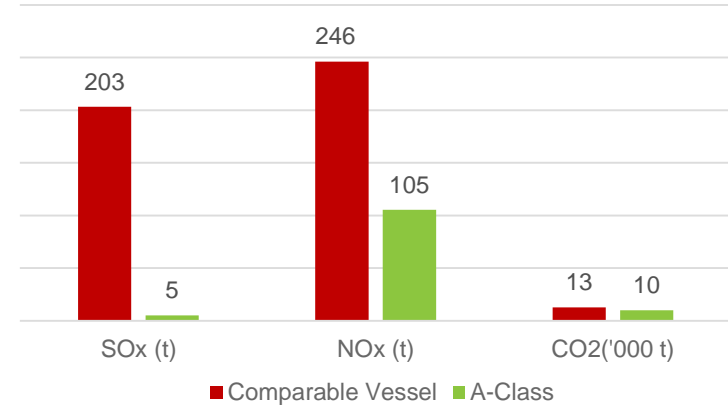
Polarcus Nadia cold stacked in NW Europe from 01 April 2015

Unique environmental leadership

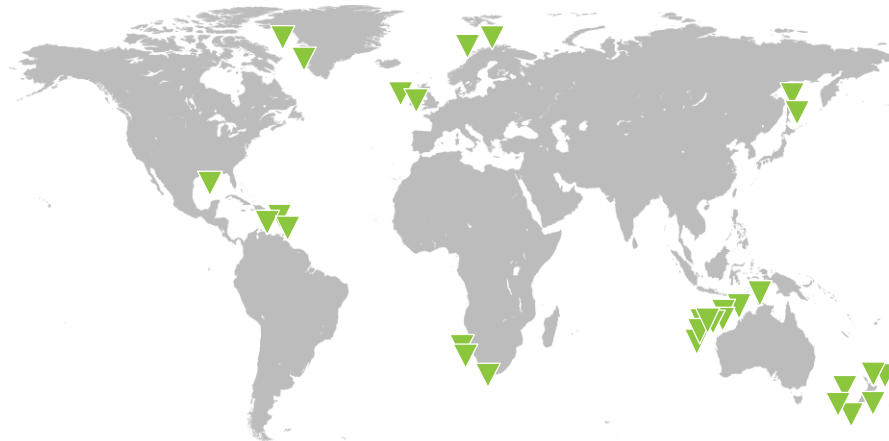
- Accredited with 5 new qualifications for emissions monitoring and reporting by DNV GL
- Industry recognized commitment to Explore Green™ agenda
- Fleet gaseous emissions well below IMO regulation

Quarterly emissions report – Q2

Comparable vessel using HFO



Explore Green™ Awards



Leveraging innovation - Polarcus XArray™

Productivity without compromising quality



Better Cross-Line sampling

By using multiple sources to increase cross-line sampling density for any selected streamer separation.



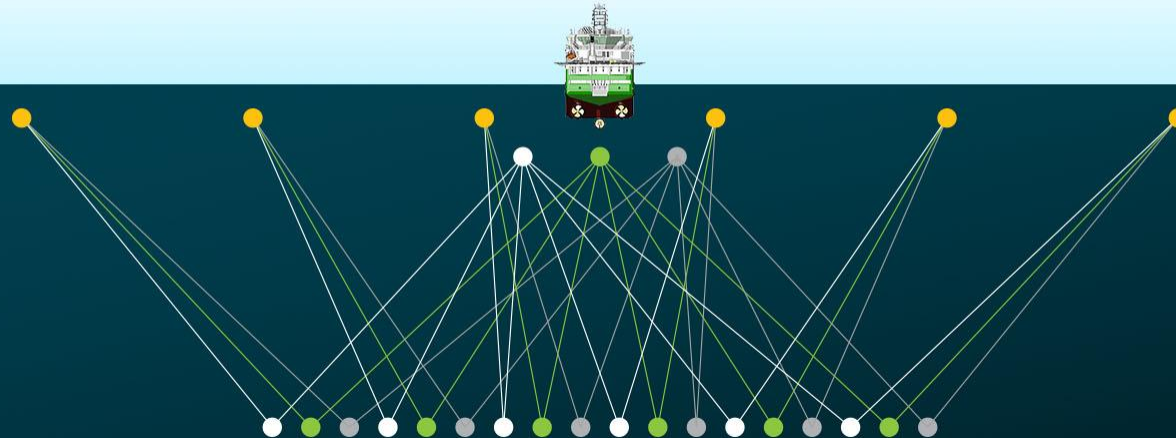
Improved In-Line sampling

By acquiring overlapping shot interval data that can be de-blended in processing to produce clean shot records of any desired record length.



Significantly improved productivity

XArray™ paired with larger streamer separations saves our clients both time and money without compromising seismic data quality.



Multi-client – disciplined investments

- Focus on building a profitable MC library
 - High prefunding
 - Strong late sales profiles
- Core focus arenas for new MC projects
 - New proven plays
 - Producing fairways
 - License Rounds
- NW Australia Capreolus MC (22,130 sq. km)
 - Project at ~75% completion
 - *Polarcus Naila* on prospect
 - High resolution data illuminating new features

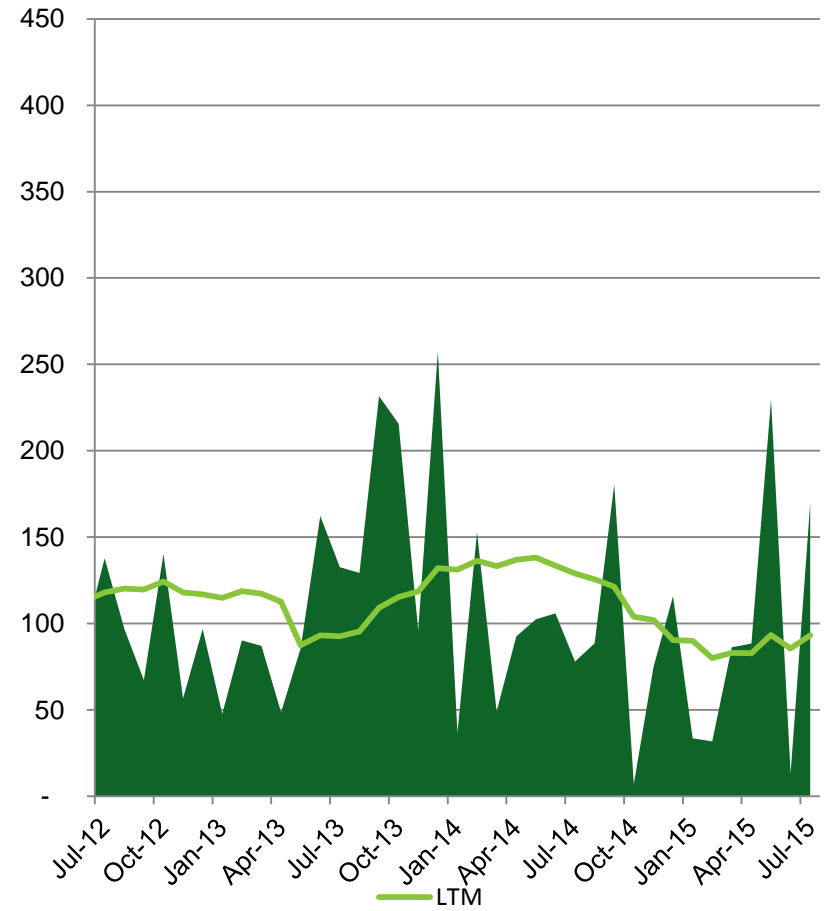


▶ *Focus on disciplined multi-client strategy*

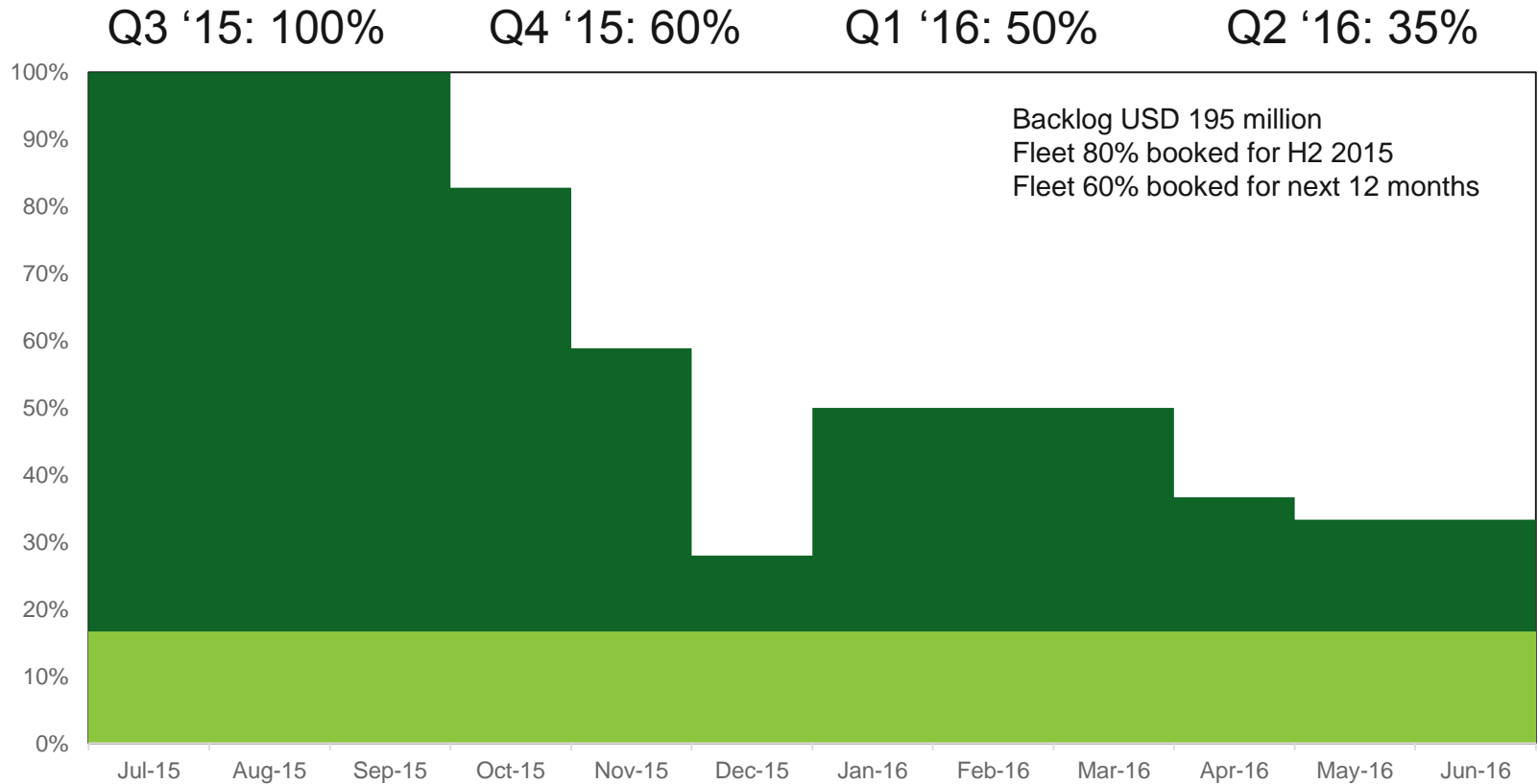
Industry tendering activity

- Tender activity volatile
- Activity down YOY and up sequentially from Q1 '15
- Large spikes driven by recent APAC opportunities
- Projects continue to be competitively contested in all markets worldwide

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



Improved backlog



* *Polarcus Nadia* cold stacked 01 April '15 and removed from capacity booked calculations from Q2 '15 onwards

■ Bareboat ■ Booked ■ Yard ■ Standby

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The 2015 Agenda: Building solid foundations

Positioning for the next phase of growth

Position

Geographical expansion

Regionalize sales resources

Look beyond traditional markets



Innovation

Industry leading solutions

Service delivery innovation through XArray™ and RightFLOW™

Business model innovation



Efficiency

Capital efficiency

Operational excellence

Disciplined approach to multi-client investments

Focus on working capital reduction



Sustainability

Viable business model and capital structure

Reducing risk across the company - disciplined capital spending and debt reduction



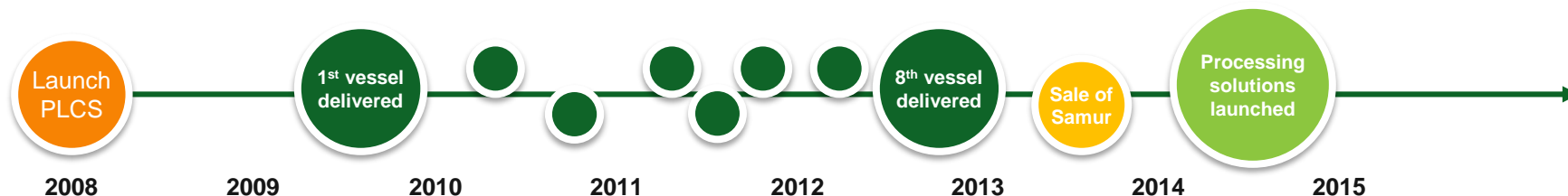
Appendices

Polarcus in brief

Polarcus Limited

- Fleet of 7 high-end 3D seismic vessels
 - 5 vessels operating globally in Contract and Multi-Client markets
 - 1 vessel on 5 year bareboat charter at USD 25m per year
 - 1 vessel cold stacked in NW Europe
- Seismic management of 1 more vessel
 - USD 30m revenue in 2015
- Multi-Client projects library
 - NBV USD 33m at end Q2 2015

Ticker – Oslo stock exchange	PLCS
Shares issued, million	669,8
Market Cap, USD million	~25
52 Week High/Low in NOK/share	3.34/0.26
Booked Equity end Q2 '15, USD million	380.9
Net Debt end Q2 '15, USD million	629.2



Industry leading assets

Youngest and most uniform 3D fleet with unique environmental capabilities

A-Class

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



N-Class

- 14 streamer
- ICE-C
- Triple-E™ Level 1 / 2



Polarcus Naila with 14 streamer capability post 2014 conversion

Polarcus Nadia cold stacked from 01 Apr '15

S-Class

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

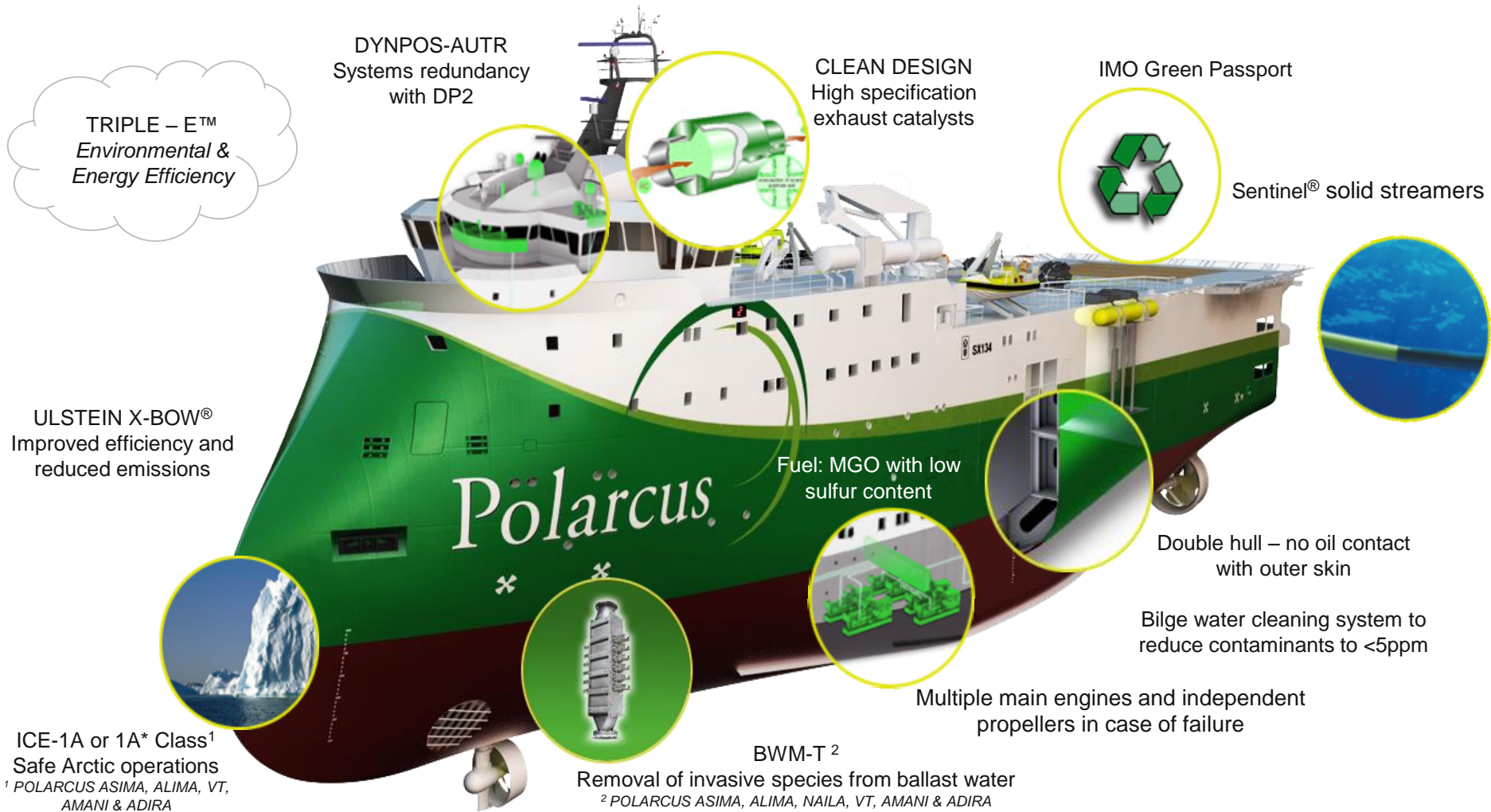


On bareboat charter to SCF

The ONLY maritime fleet worldwide awarded DNV GL Triple-E™ rating*

* DNV GL environmental & energy efficiency rating scheme for ships

Awards through RIGHTDESIGN



Income statement

<i>(In thousands of USD)</i>	Quarter ended		Six months ended		Year ended
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	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	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	(36,136)	(23,931)	(78,902)	(45,999)	(116,317)
Impairments	(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	(847)	(10)	(897)	(14)	(280)
Finance costs	(16,739)	(15,776)	(32,838)	(32,598)	(85,293)
Finance income	1,473	1,195	5,552	2,038	21,793
Changes in fair value of financial instruments	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)

Balance Sheet

(In thousands of USD)

	30-Jun-15	30-Jun-14	31-Dec-14
Non-current Assets			
Property, plant and equipment	893,338	959,438	927,815
Multi-client project library	32,579	101,329	88,731
Investment in joint ventures	1,306	2,469	2,203
Intangible assets	29,388	34,414	31,969
Total Non-current Assets	956,612	1,097,651	1,050,718
Current Assets			
Assets held for sale	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			
Issued share capital	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	128,045	93,431	130,407
Convertible bonds	95,006	112,594	96,336
Long-term finance lease	160,762	151,164	165,278
Other long-term debt	234,358	262,334	236,345
Other financial liabilities	16,543	-	13,310
Total Non-current Liabilities	634,714	619,522	641,676
Current Liabilities			
Long-term debt current portion	58,020	84,469	57,752
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

Cash flow

<i>(In thousands of USD)</i>	Quarter ended		Six months ended		Year ended
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14	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	36,136	23,931	78,902	45,999	116,317
Impairments	66,768	2,215	68,058	2,819	35,110
Changes in fair value of financial instruments	(2,304)	-	3,233	-	13,310
Employee share option expenses	235	699	198	1,274	2,890
Interest expense	14,038	15,221	27,912	29,944	62,229
Interest income	(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	847	10	897	14	280
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	(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

Debt overview as of 30 June 2015

Debt	Security	Size	Balance 30 Jun 2015	Tenure	Maturity	Interest %
Unsecured bond	Unsecured	NOK 350m	NOK 350m	5 years	Jul-19	7.73%
Unsecured bond	Unsecured	USD 95m	USD 86m	5 years	Jun-18	8.00%
Senior secured convertible bond	Selma	USD 125m	USD 104m	7 years	Apr-18	5.60%
Sale lease back	Nadia & Naila	USD 200m	USD 170m	10 years	Sep-19	~10.80%
Fleet bank facility Tranche 1	Asima	USD 80m	USD 50m	12 years	Aug-22	6.20%
Fleet bank facility Tranche 2	Alima	USD 55m	USD 39m	12 years	Mar-23	3.95%
Fleet bank facility Tranche 3	Amani	USD 114m	USD 90m	12 years	Mar-24	5.60%
Fleet bank facility Tranche 4	Adira	USD 114m	USD 90m	12 years	Jun-24	5.60%

Cost Management: Plan delivering results

(In USD)

Focus area	Tactics	Initial	Revised
Human capital cost	<ul style="list-style-type: none"> Streamlined support structure Adjustment to compensation & benefits Additional: reduction of crew buffer 	17m	21m
Operating cost	<ul style="list-style-type: none"> Insourcing of onboard geophysicists Field crew handling and rotation Additional: G&A reductions in global offices 	7m	8m
Operating efficiency	<ul style="list-style-type: none"> Triple E™ efficiency initiatives Accelerated roll out of drag reduction plan 	6m	4m
Supply chain	<ul style="list-style-type: none"> Improved supply chain balance Working closely with key suppliers (support vessels, fuel, equipment) 	5m	7m
Estimated 2015 bottom line impact		35m	40m

The Polarcus share

- Listed on the Oslo Stock Exchange
- Market Cap USD ~25m
- ~2,500 shareholders

Top 20 Shareholders (as per 24 July 2015)

Shareholder	Share	%
OEP PARENT LLC	135,707,031	20.26
DNB NOR MARKETS, AKS	52,270,000	7.80
ZICKERMAN HOLDING LT	49,862,476	7.44
ZICKERMAN GROUP	30,494,744	4.55
NORDNET BANK AB	23,505,134	3.51
SABARO INVESTMENT LT	18,972,976	2.83
GOLDMAN SACHS & CO E	17,475,000	2.61
SEB PRIVATE BANK S.A	15,491,575	2.31
SKANDINAVISKA ENSKIL	7,908,858	1.18
KAS BANK NV	7,484,006	1.12
TELINET ENERGI AS NI	7,460,274	1.11
KBC SECURITIES NV	7,282,925	1.09
PETER TROGEN AS	7,000,000	1.05
OEP II PARTNERS CO-I	6,659,002	0.99
BNP PARIBAS SEC. SER	6,262,077	0.93
NORTON ROBERT FRANCI	5,557,705	0.83
TFR INVEST AS	5,000,000	0.75
PERSHING LLC	4,916,199	0.73
DANSKE BANK A/S	4,259,412	0.64
NORDNET LIVSFORSIKRI	4,236,379	0.63
Top 20 shareholders	417,805,773	62%
Other shareholders	252,007,906	38%
Total	669,813,679	100%

