# Dolphin enters the 4D production seismic market and successfully launch the Sanco Swift

Corporate Presentation 21st August 2013
Unaudited 2nd quarter and half year – 2013 Financial Result
By Atle Jacobsen (CEO) & Erik Hokholt (CFO)

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# Table of contents



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# Atle Jacobsen, Dolphin Group CEO, commented for Q2

*"Dolphin's current fleet of four vessels delivered revenues of USD 68 million, a respective operating margin of 20% and a pre-tax profit of USD 10.5 million for second quarter of 2013. Our actual and pre-announced quarterly numbers, were below expectations primarily due to field specific simultaneously operations on the producing fields where Dolphin acquired seismic"*

*"The successful completion of complex 4D seismic surveys over the producing fields, Gullfaks, Troll, Grane and Greater York fields, has secured Dolphin a valuable track record with large clients for these types of strategically important production seismic contracts "*

# HIGHLIGHTS

## QUARTERLY HIGHLIGHTS – Q2 2013

- Revenues of USD 68.4 million, compared to USD 50.0 million in Q2 2012
- EBITDA of USD 23.3 million (34,1%), compared to USD 23.0 million in Q2 2012
- EBIT of USD 13.7 million (20,1%), compared to USD 10.6 million in Q2 2012
- Net Income before tax of USD 10.5 million, compared to USD 9.5 million in Q2 2012
- Improved working capital by USD 33 million

- Entire fleet was re-located to the North Sea and has successfully completed several complex 4D seismic surveys over the following producing fields; Gullfaks, Troll, Grane and the Greater York fields

- Entering the 4D production seismic market is strategically important for Dolphin, though high simultaneous field operations outside Dolphin's control had a negative margin impact for the quarter

## Q2 SUBSEQUENT EVENTS:

- The new high-capacity seismic vessel, Sanco Swift, delivered on time and in full production

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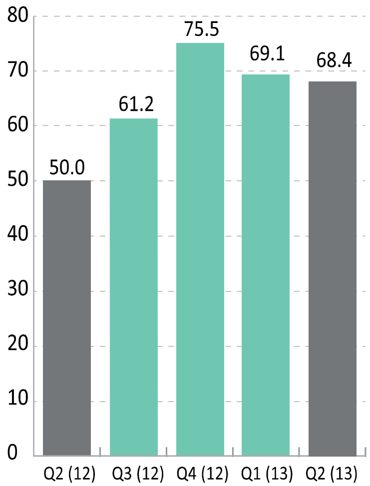
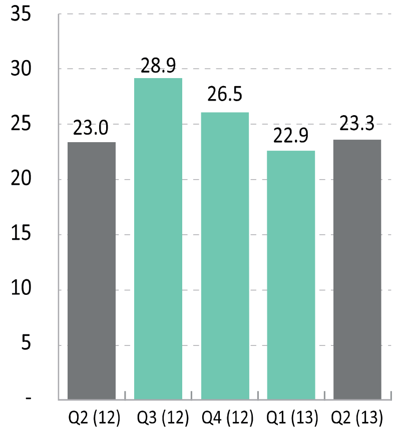
# Dolphin financials - quarterly developments (USD million)

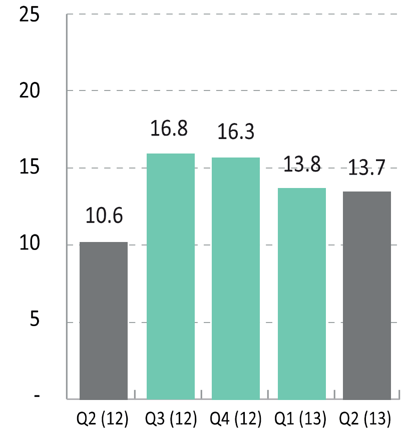
**Net operating revenues**
(in USD million)



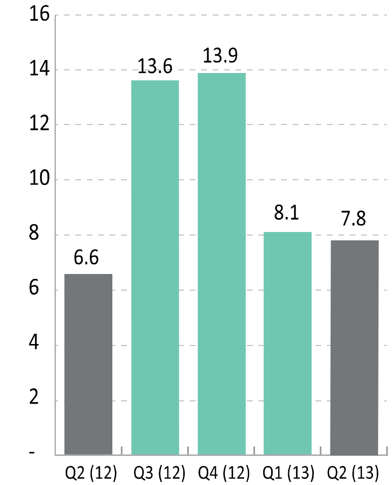

**EBITDA**
(in USD million)




**EBIT**
(in USD million)




**Net income**
(in USD million)




Q2 - Revenues of USD 68.4 million, compared to USD 50.0 million in Q2 2012
Q2 - EBITDA of USD 23.3 million (34,1%), compared to USD 23.0 million in Q2 2012
Q2 - EBIT of USD 13.7 million (20,1%), compared to USD 10.6 million in Q2 2012
Q2 - Net Income before tax of USD 10.5 million, compared to USD 9.5 million in Q2 2012

Trend development:

- Polar Explorer (2D) re-delivered in January 2013, less capacity Q1/Q2 2013 vs Q3/Q4 2012
- Expected top-line and margin growth in Q3 with Sanco Swift entering the market
- Change of revenue mix in coming quarter, Multi-Client revenues to increase

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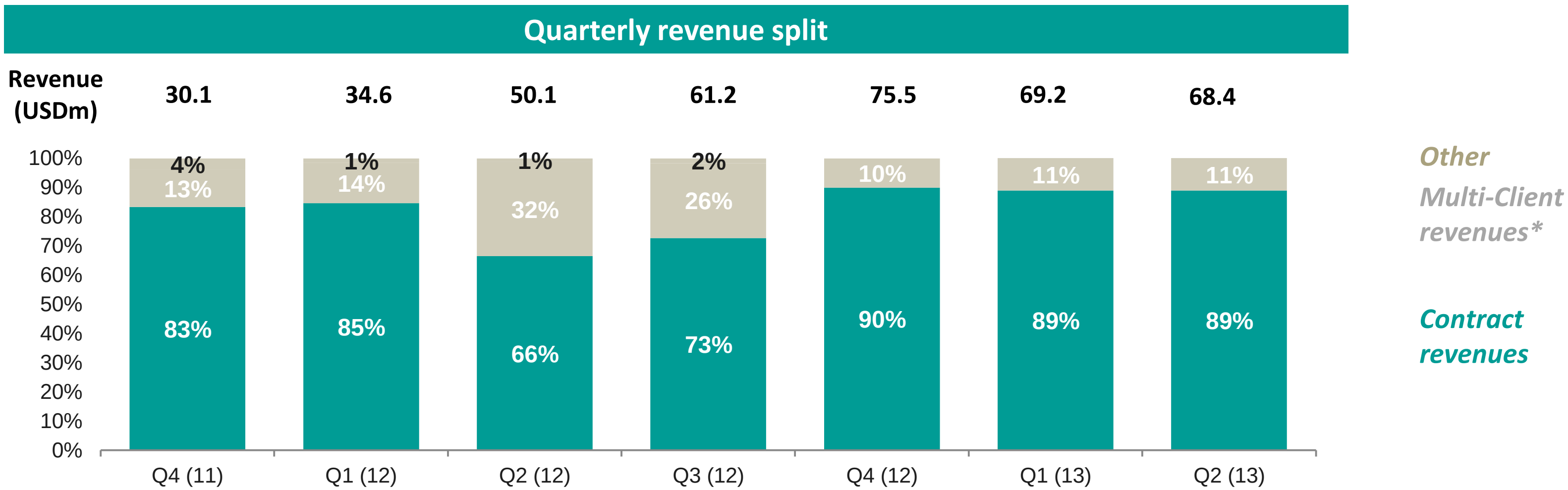
# Continued high contract revenues and low Multi-Client investments for Q2 2013




**Includes MCS pre-funding and MCS late sale*

- Continued high contract seismic activity and less Multi-Client for the last 3 quarters
- Low pre-funded Multi-Client surveys «sacrificed» for exclusive contracts
- High-prefunding on the Multi-Client projects started (81% in Q2)
- Multi-Client projects typically provide higher operating margins, but longer term cash generation
- The revenue mix will change in Q3, due to higher MCS project activity

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# Significant growth in Revenues and profit YoY

## Key Financials Figures Q2 and half year 2013 results

| | Q2 2013 | Q2 2012 | YTD 2013 | YTD 2012 | Year 2012 |
|---|---|---|---|---|---|
| Amount in USD million | | | | | |
| **Net operating revenues** | 68.4 | 50.0 | 137.6 | 84.6 | 221.3 |
| EBITDA | 23.3 | 23.0 | 46.2 | 25.6 | 81.0 |
| EBIT - Operational result | 13.7 | 10.6 | 27.6 | 7.5 | 40.6 |
| Net Financial result | -3.2 | -1.1 | -6.4 | 0.6 | -1.7 |
| Profit (loss) before tax | 10.5 | 9.5 | 21.1 | 8.1 | 38.9 |
| Tax expense | 2.7 | 2.9 | 5.3 | 2.9 | 6.2 |
| Net income | 7.8 | 6.6 | 15.8 | 5.3 | 32.7 |
| Basic earings per share ($ per share) | 0.03 | 0.01 | 0.05 | 0.02 | 0.11 |
| Diluted earnings per share ($ per share) | 0.03 | 0.01 | 0.05 | 0.02 | 0.11 |
| **Net cashflow from operating activities** | 50.3 | 0.5 | 32.6 | -9.0 | 39.8 |
| **Cash and cash equivalents ( period end)** | 69.7 | 23.0 | 69.7 | 23.0 | 77.5 |
| Total Assets (period end) | 420.1 | 266.7 | 420.1 | 266.7 | 376.1 |
| Total Equity (period end) | 247.2 | 161.8 | 247.2 | 161.8 | 189.2 |
| Equity ratio | 58.9% | 60.7% | 58.9% | 60.7% | 50.3% |

- Significant growth YoY
- Q2 Net expense of transit cost, USD 3 million
- Q2 additional bonus expense of USD 1 million
- Q2 FX loss of USD 1.2 million included in net financial
- Improved working capital of USD 33 million
- Polar Duke loan of USD 25.5 million re-drawn under the new loan facility
- Balance sheet well structured and with solid equity position to meet planned expansion

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# Distribution of revenues and Multi-Client library performance

| Revenues<br>In millions of USD | Q2 2013<br>Unaudited | Q2 2012<br>Unaudited | YTD 2013<br>Unaudited | YTD 2012<br>Unaudited | Year 2012<br>Audited |
|---|---|---|---|---|---|
| *Geophysical* | | | | | |
| Contract | 58.4 | 33.3 | 118.4 | 63.0 | 171.7 |
| MCS pre-funding | 6.6 | 11.6 | 9.8 | 16.4 | 34.1 |
| MCS late sales | 1.1 | 4.6 | 4.3 | 5.2 | 11.0 |
| Processing | 1.6 | 0.1 | 3.5 | - | 1.4 |
| Other | 0.0 | -0.1 | 0.0 | -0.9 | 0.8 |
| *Other (Interconnect)* | | | | | |
| Contract | 0.8 | 0.5 | 1.7 | 0.9 | 2.3 |
| Net operating revenues | 68.4 | 50.0 | 137.6 | 84.6 | 221.3 |
| MCS cash investment | 8.2 | 14.4 | 12.4 | 21.0 | 47.6 |
| Pre-funding % * | 81,0% | 80,6% | 78,8% | 78,1% | 71,7% |

* Pre-funding reveues as percentage of MCS cash investment

- Q2 stable and disciplined MCS pre-funding at 81%
- Q2 late sales – low, due to late announced 22 round in Norway and delay of potential Lebanon sales
- Dolphin processing - continues to grow

**Multi-Client investment and library**

| In thousands of USD | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 | Year 2012 Audited | Year 2011 Audited |
|---|---|---|---|---|---|---|---|---|
| Beginning net book value | 40,711 | 38,864 | 36,801 | 21,171 | 12,721 | 8,529 | 8,529 | - |
| Multi-Client investment | 8,879 | 4,783 | 5,695 | 23,472 | 16,771 | 6,623 | 52,561 | 10,470 |
| Amortisation | -3,523 | -2,936 | -3,632 | -7,843 | -8,321 | -2,431 | -22,226 | -1,941 |
| Amortisation % | 46% | 46% | 46% | 50% | 50% | 50% | 49% | 50% |
| Ending net book value | 46,066 | 40,711 | 38,864 | 36,801 | 21,171 | 12,721 | 38,864 | 8,529 |

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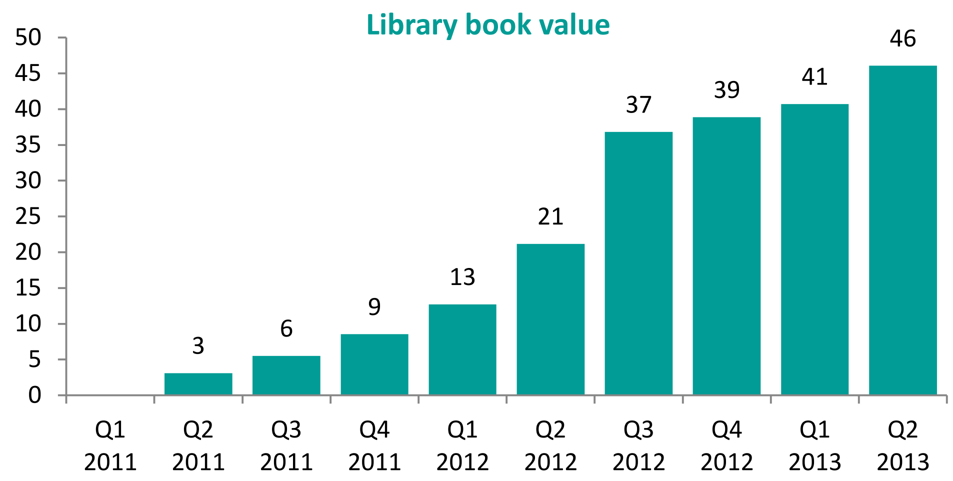
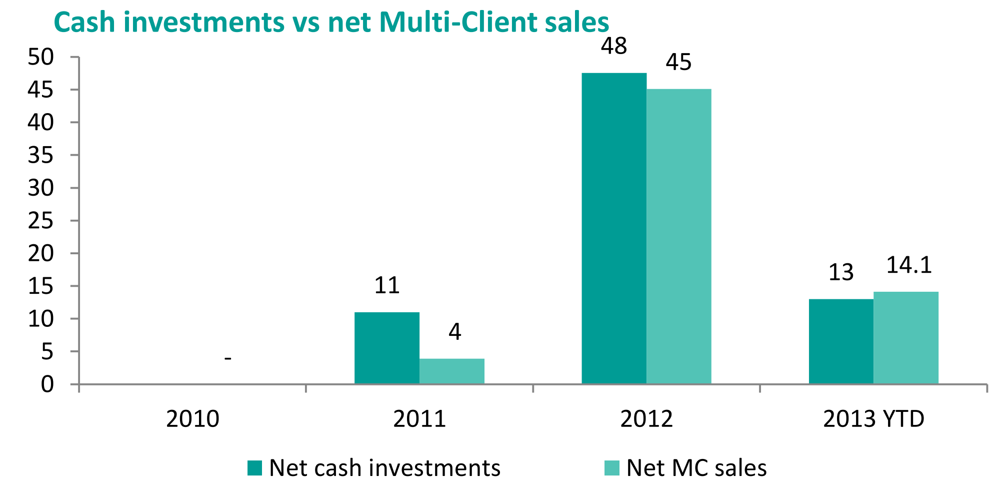
# Dolphin Multi-Client seismic data assets - BV of USD 46 million




- Attractive Multi-Client library, built on limited cash-investments
- Healthy balance between historical total USD 72 million cash invested and net sales of USD 63 million
- Sales potential of Multi-Client library > 2x
- Dolphin guides 2013 Multi-Client investments of USD 50-70 million

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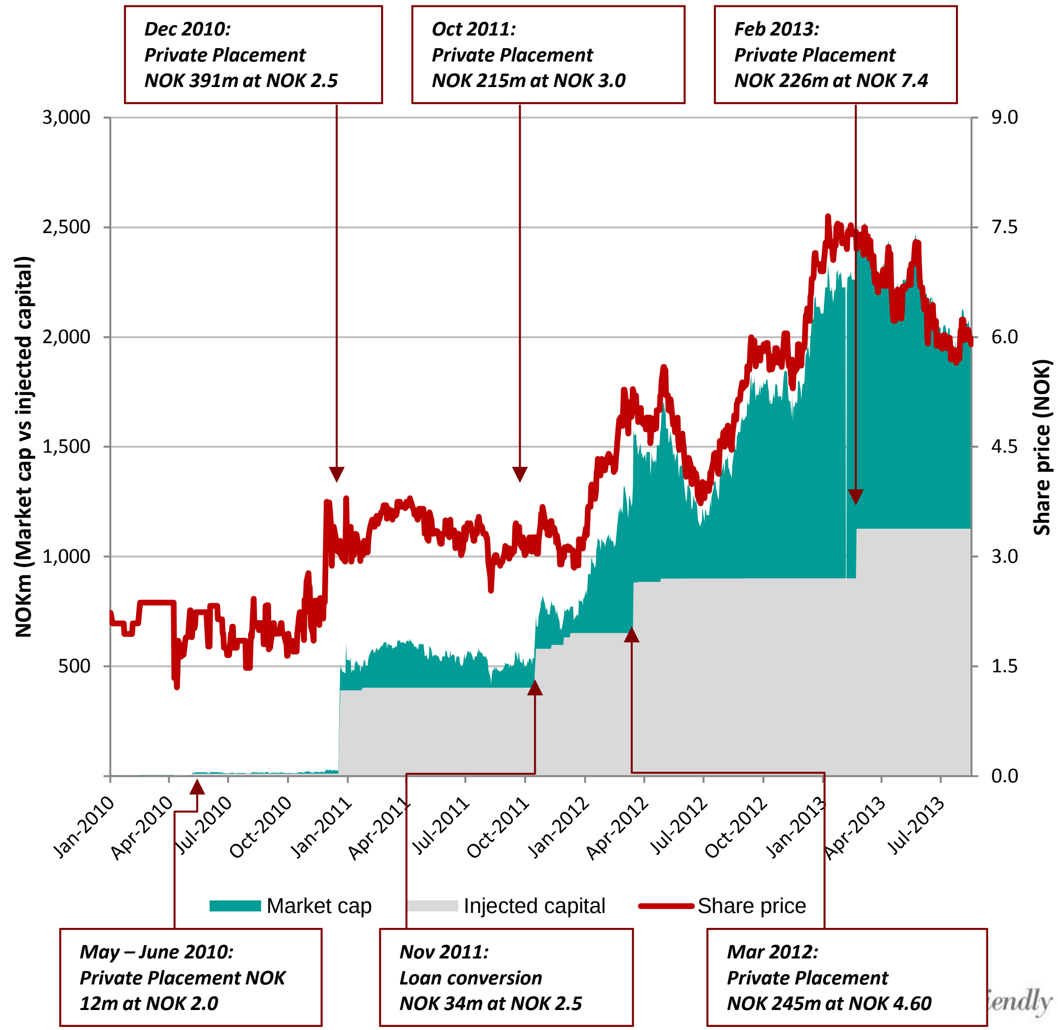
# Dolphin has a history of strong value creation

- Strong value creation, executing on Dolphin Geophysical strategy
- Shareholders' value delivered through strong share performance
- 2 539 supporting shareholders at main list Oslo Stock Exchange
- Dolphin has raised new equity of NOK 1,127 million since December 2010
- Current market capitalisation of Dolphin of NOK 2.00 bn (USD 340 million)




Source: Factset

# Table of contents



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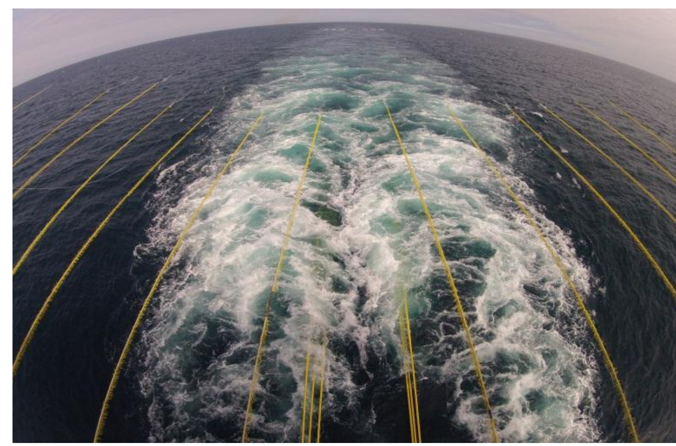
# Dolphin Group at a glance

- A full service marine geophysical company providing high quality:
  - Contract seismic
  - Multi-Client
  - Processing
- Long term charter of a fleet of eight seismic vessels:
  - Long term charter of seven modern 3D high-end vessels, of which four are to be delivered in 2013, 2014 and 2015
  - One ice-class 2D vessel
- Industry recognised management team with extensive experience and successful track record for listed companies
- Listed on Oslo Stock Exchange under the ticker DOLP
- Presence in Norway, UK, Singapore, Brazil and Houston
- Established as a marine geophysical company in 2010



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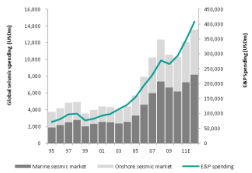
# Focus on operational efficiency and shareholder value

## Business Strategy

**Pure play seismic market exposure**



- Position Dolphin as a pure play exposure to the seismic market through contract seismic, Multi-Client and seismic data processing
- Focus on high-end vessels that meet client expectations

**Low cost and high-end vessel base**

- Long term TC agreements with vessel owning companies
- Strong relative cash cost efficiency per streamer per day
- High utilisation and OPEX savings due to proven vessel design

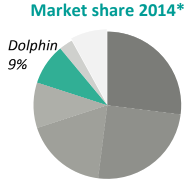
**Build a strong Multi-Client database**

- Create attractive short and long term returns through building a strong Multi-Client database with industry support
- Initial focus on the North Sea, West Africa and Brazil

**Focus on operational efficiency and attractive returns**

- Capitalise on fleet specifications and operational experience
- Healthy balance between contract seismic and Multi-Client
- Generate strong, stable and healthy cash flow

**Strong strategic position**




- Fleet expansion represents an opportunity for profitable growth
- Flexible and attractive structure to reach critical mass based on sound investment decisions

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*Source: SEB Enskilda CF, companies

# Dolphin Group – Business segments

## MARINE

**EXPANDING MODERN FLEET**

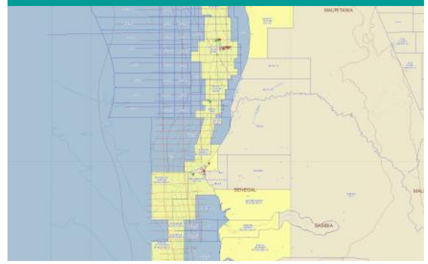
**In production**

- 2x High-End 3D vessels
- 1x Mid size 3D vessel
- 1x Ice-class 2D vessels

**Under construction**

- 4x High-End 3D vessels with delivery in Q2 2013, Q4 2013, Q1 2014 and Q1 2015

## MULTI-CLIENT



**GROWING MULTI-CLIENT DATA LIBRARY**

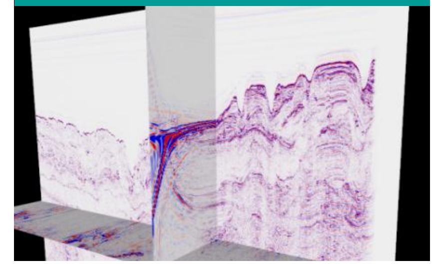
**Library of modern 2D and 3D data**

**Areas of focus:**

- North Sea
- West Africa
- Brazil

USD 72 million already invested. Totally 11,000 sq.km of 3D and 47,000 km of 2D successfully completed

## PROCESSING



**FULL ONSHORE AND OFFSHORE PROCESSING SERVICE**

**In house software development and R&D**

Processing centre in UK

On-board processing on all vessels

Developed – advanced seismic broadband solution (SHarp)

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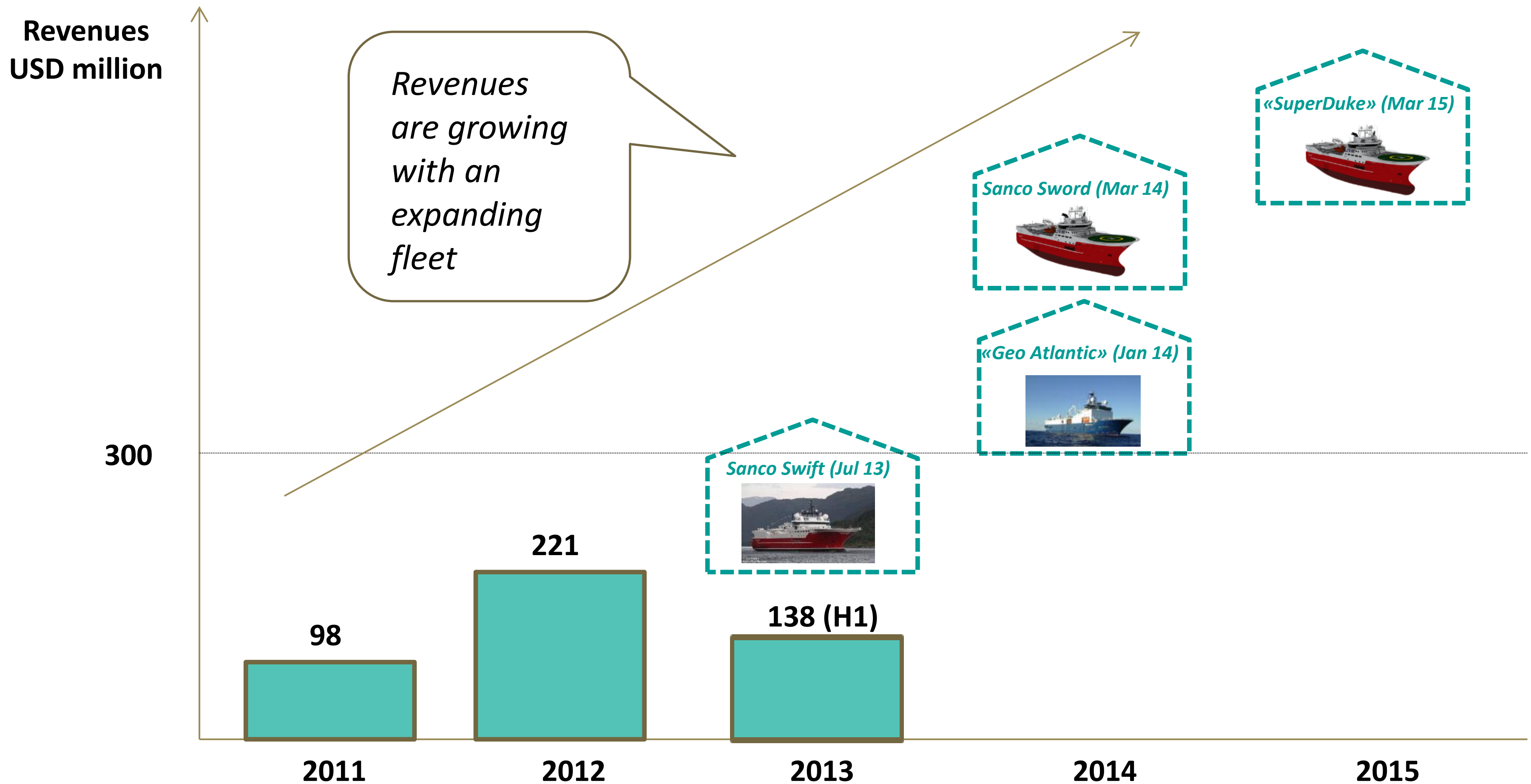
*PCIe= Peripheral Component Interconnect express

# Our high-end 3D capacity more than doubles within 12 months

*ILLUSTRATIVE*

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# Four high-end 3D seismic vessels to be delivered in 2013-2015 complementing one of the industry's most modern fleets

**Artemis Atlantic (2D)**

- Delivered May 2011

**Polar Duchess (3D, 12-14 str)**

- Delivered April 2012

**Sanco Swift (3D, 16 str)**

- Delivered July 2013

**Sanco Sword (3D, 16 str)**

- Delivery Mar 2014

Jan '11 · May '11 · Q1 '12 · Q3 '13

***Delivery of current fleet***

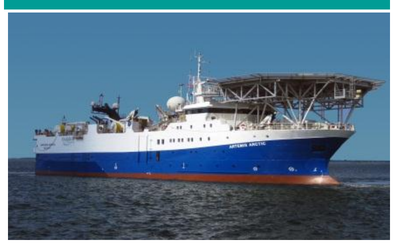
***Vessels to be delivered***

Q1 '14 · Q1 '15

**Polar Duke (3D, 12-14 str)**

- Delivered May 2011

**Artemis Arctic (3D -6/8str)**



- Delivered May 2011

**Geo Atlantic (3D , 14 str)**

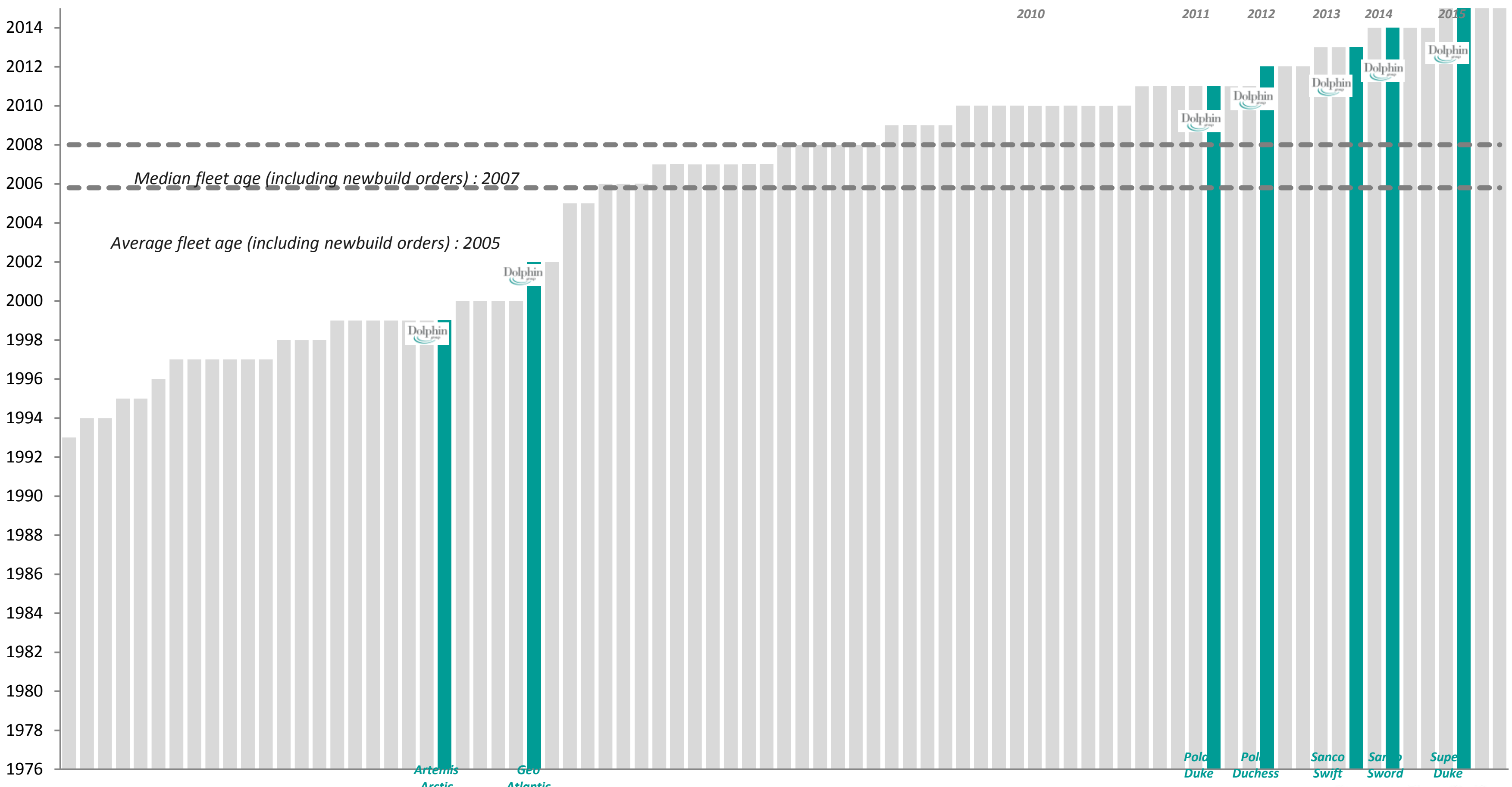
- Delivery Jan 2014

**Super Duke (3D, 22 str)**

- Delivery Mar 2015

# One of the most modern fleets in the seismic industry

## Age distribution of marine seismic 3D fleet (including newbuild orders)

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Source: SEB Enskilda CF

# Swiftly into operation

- Sanco Swift delivered to owners Sanco Shipping from Kleven Yard  end July 2013
- Entered 5 year firm CP period with Dolphin Geophysical end July 2013
- Entered into production for client West of Shetland 7th August. Less than 2 weeks from yard delivery to owner (including deployment)
- First deployment 12 x 100m x 8km
- Measured bollard pull at 216 tons
- Sanco Sword on schedule for delivery end March 2014

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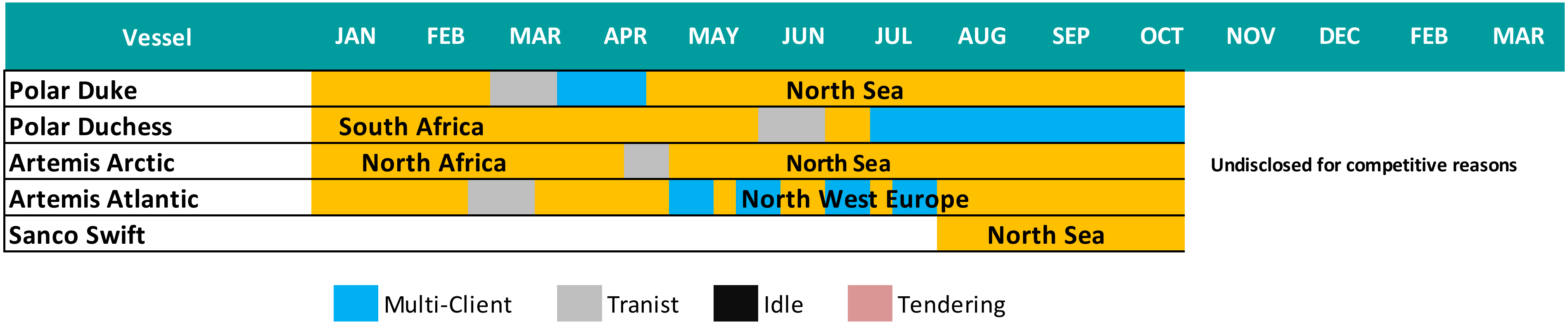
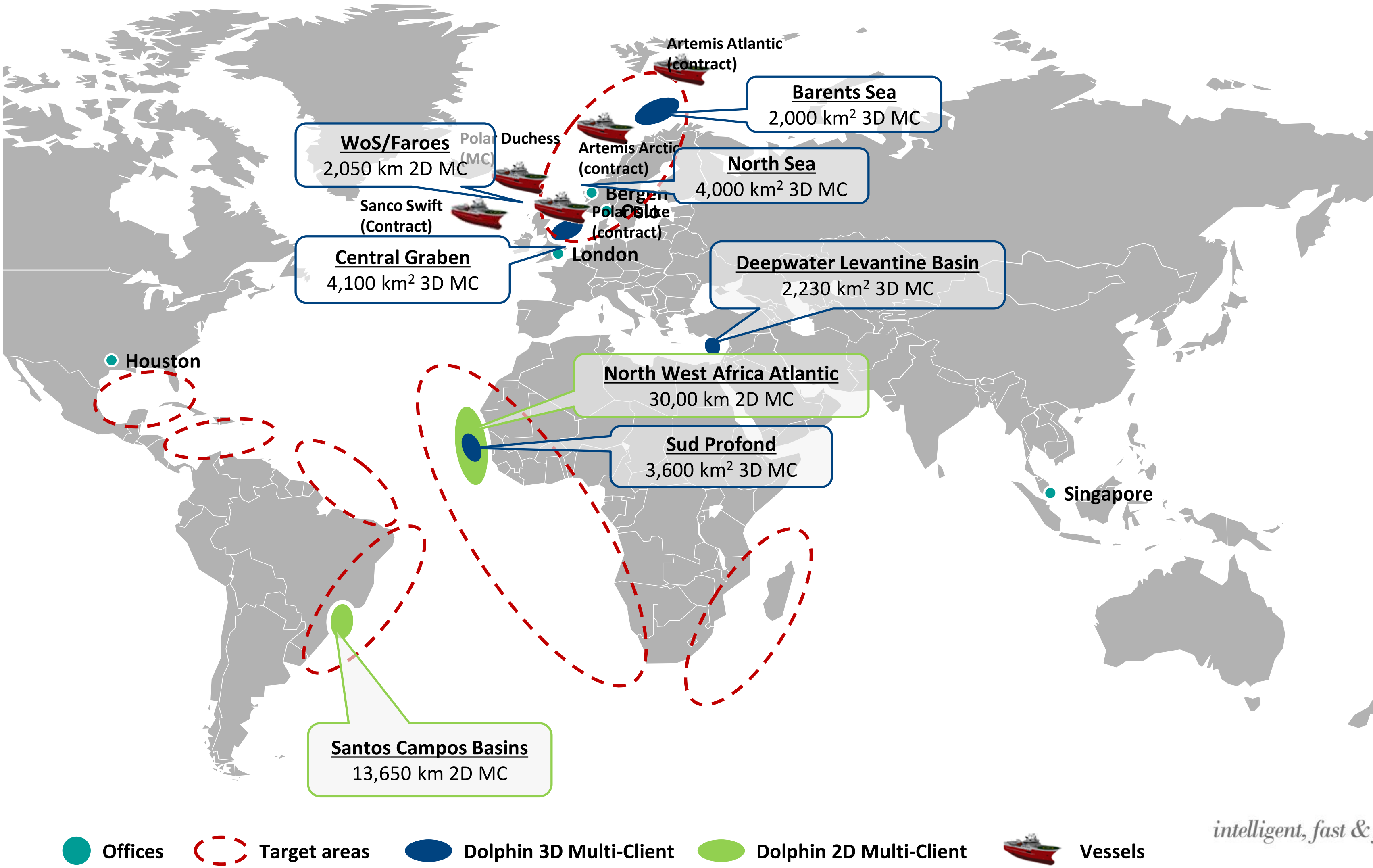
# Q2 Vessel schedule (for illustration purposes)




## Schedule comments:

- Total backlog including Multi-Client prefunding of USD 108 million as per 1st August , 100% in Q3 and 40% in Q4
- High tender activity for Q4-Q1 but significant amounts of tender awards are still pending. Outstanding tender volume is more then USD 800 million
- First proprietary 3D survey awarded for SHarp acquisition broadband technology
- Successfully start-up for Sanco Swift
- All vessel have been producing in-line with expectations so far in Q3

# Current Geographic presence – all positioned in the North Sea

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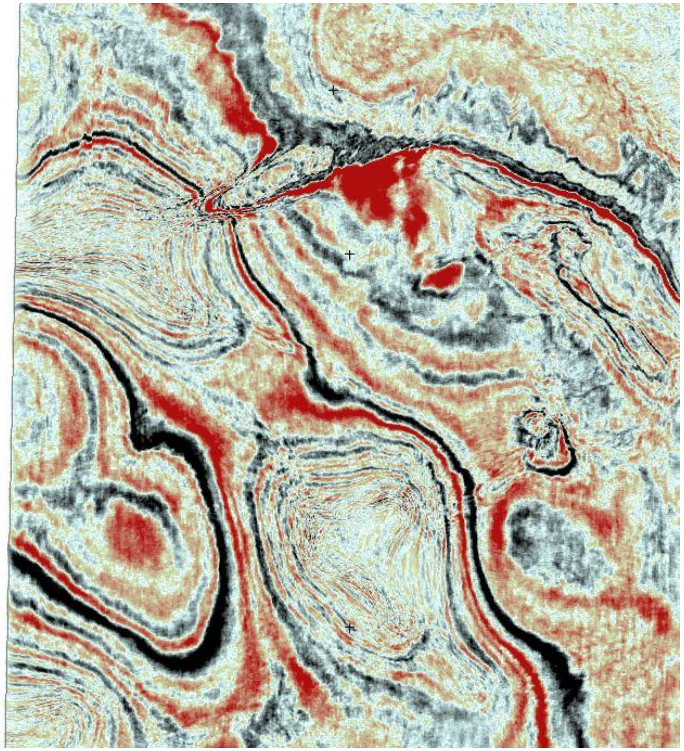
# Multi-Client status

- Commenced UtStord MC 3D in Norwegian North Sea with high level of pre-funding. Survey to over 4,550km² and Covers APA Round acreage
- Acquired first 2D SHarp BroadBand MC Regional Well-Tie survey WoS/FaroesCovers 27th and 28th UK Round acreage
- Barents Sea Gulspurv 3D Block Awards . More than 85% coverage over 22nd Round acreage. Further late sales expected in H2
- Lebanon 1st Offshore License round opened. MC 3D covers blocks on offer. Uncertainty due to political unrest in the region
- Brazil pre-salt round in Santos-Campos Basins opened and MC dataset covers area offered by government



Dolphin SHarp ™ technology, Multi-Client CNS

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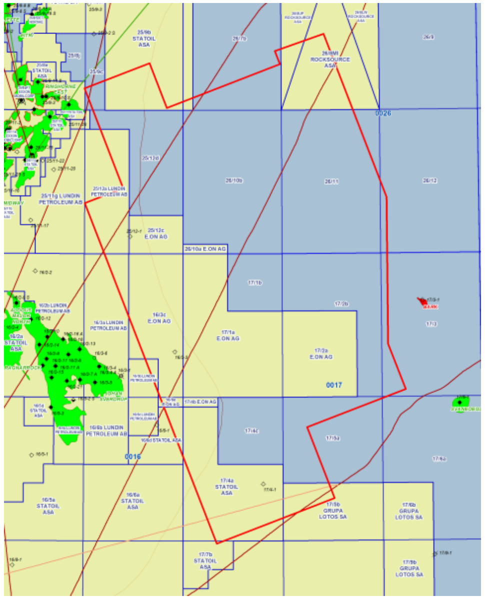
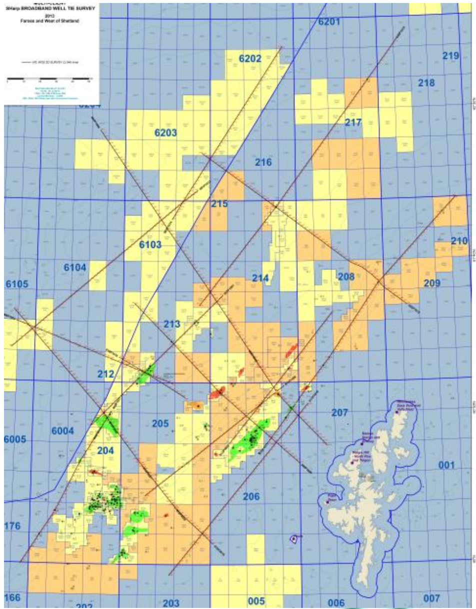
# Multi-Client - new projects started in Q2

- UtStord MC 3D Norwegian North Sea
  - Conformable 3D coverage of 4,550 km²
  - Fast-Track delivered over APA blocks prior to application deadline
  - Multiple geological targets
  - The Johan Sverdrup field (Utsira High Lundin/Statoil) to the west proves that long migration pathways from the Viking Graben works
  - To test the migration of HC further to the east into the Stord Basin than previously expected



- WoS/Faroes MC 2D SHarp BroadBand
  - Conformable dataset of 2,050 km
  - Ties existing wells, discoveries, fields and planned wells with SHarp BroadBand data
  - Covers New exploration plays around Clair Field area
  - Tests SHarp BroadBand imaging Sub-Basalt areas (very encouraging early results)



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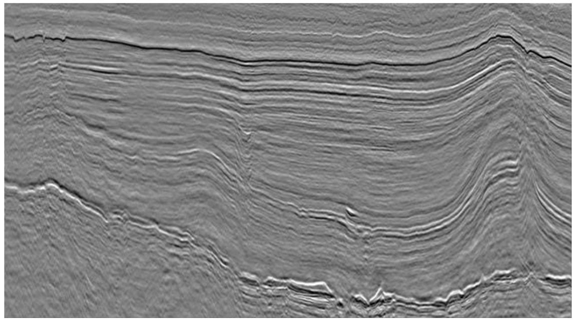
# Processing status

- Financials
  - External revenue inline with Q1
  - Revenue shift towards Multi-Client (internal) and this will continue in Q3
  - Q3 and Q4 backlog secured
- Software sales
  - 2 new customers for v3.0 of OpenCPS
- Processing activities
  - Completed Genel fast track cube
  - Statoil 6500 km² fast track & PSTM complete
  - First proprietary 3D processing contract awarded for SHarp Broadband Processing
- Increased processing staff to 46 (office and onboard)

UK processing centre



Sharp data

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# Table of contents



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# Streamer steering litigation

- WesternGeco v.s. Ion & Fugro – August 2012
  - U.S. jury award of USD 106 million for infringement based on design and operation of DigiFIN
  - Fugro settlement/license

- WesternGeco v.s. Polarcus – August 2013
  - Suit filed for infringement over use of DigiFIN

- Dolphin Geophysical
  - No use of DigiFIN; no correspondence from WesternGeco on streamer steering
  - Nautilus sole streamer steering system
  - IP infringement indemnity granted by Sercel


Digifin, Ion


eBird, Kongsberg


Nautilus , Sercel

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# 2013 - 2014 Global market outlook

- Dolphin are registered with all oil companies and tender backlog is twice the volume last year - more than USD 800 million
- India - market showing slight increase y-o-y
- East Africa - same market as last season but later bid requests than last year
- South Africa - some 3D tenders out plus some 2D opportunities so flat y-o-y
- West Africa - increasing 3D activity in Gulf of Guinea and continued high activity level in the adjacent areas
- South America - expect significant upturn in Brazil, in both MCS and proprietary with activity starting end Q4
- North America – GoM remains flat, activity increase in Canada and increased activity expected in Mexico
- Far East – continued slow market but some early indications of activity level improving going forward
- Tender activity for next years North Sea season, Russian arctic and Canada started. Early indications of a very strong demand!

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Questions and Answer Session

# Dolphin - assumptions and guidance for 2013 (unchanged from release 8th January)

- **New Vessel capacity to be delivered on time and budget**
  - Sanco Swift (3D, 14-16 str.) expected on TC, end July 2013
  - "Geo Atlantic" (3D, 12-14 str.) expected on TC, January 2014
  - Sanco Sword (3D, 14-16 str.) expected on TC, mid April 2014
  - Potential short term hire of 2D and 3D capacity for Multi-Client projects, alternatively further consolidation of high-end 3D vessel capacity
- **Pricing, costs, utilisation**
  - Expected day-rate increased from ~220'-280' USD/day in 2012 to ~ 280-330 USD/day in 2013 for 3D high-end seismic vessels
  - Overall revenues expected to increase by 40-50% with targeted revenues above USD 300 million for 2013
  - Further improved year on-year operating margins
  - Utilisation high-end 3D vessels, 84-90%
  - Cash Opex high-end vessel of ~125'-130' USD/day
  - External third party costs and revenues, 6-8% of revenues for 3D vessels
  - Estimated SG&A costs USD 4.5 – 5.0 million per quarter in 2013
- **Multi-Client activities**
  - MCS 2D,10-12 vessel months and MCS 3D, 8-10 vessel months
  - Total Gross MC-investments USD 50-70 million
  - Pre-funding targets of 2D > 50% and 3D>85%
  - Sales ratio's 1.8 – 2.4 times MCS investment costs
  - Opportunistic, additional non-organic growth considered
- **Capex**
  - Sanco Swift, total approximately USD 60 million, whereas approximately USD 45 million paid by Q2 2013 (taken on Charter end of July)
  - Capacity upgrade USD 8 million, dependent on client configuration request
  - Processing 2013, USD 3-5 million

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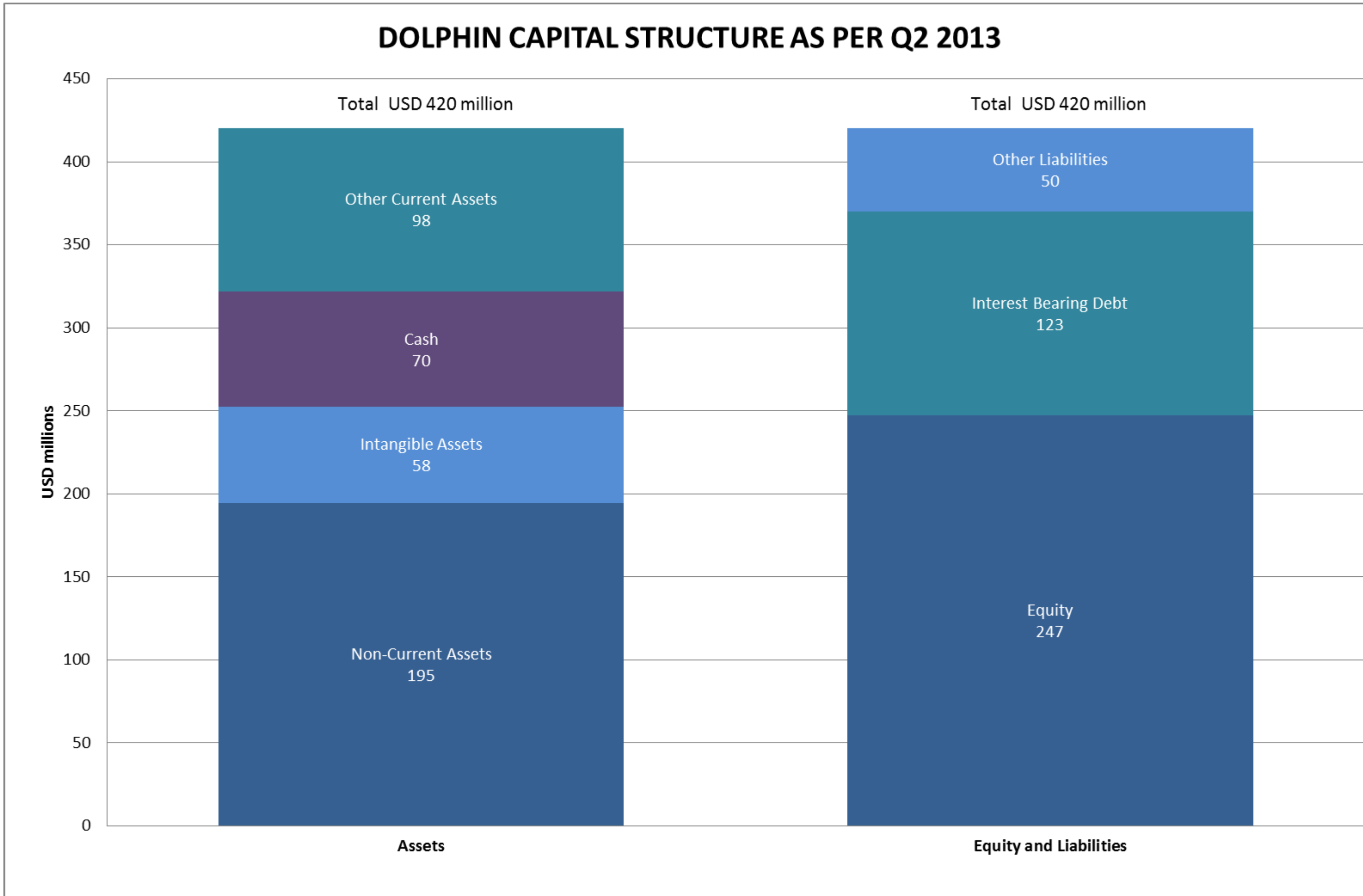


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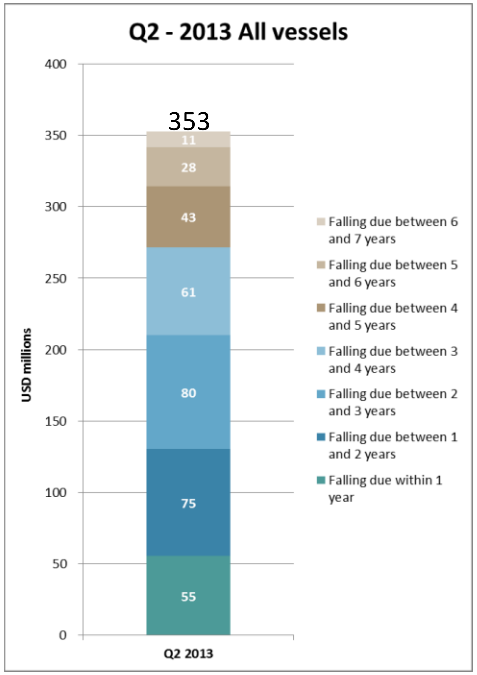
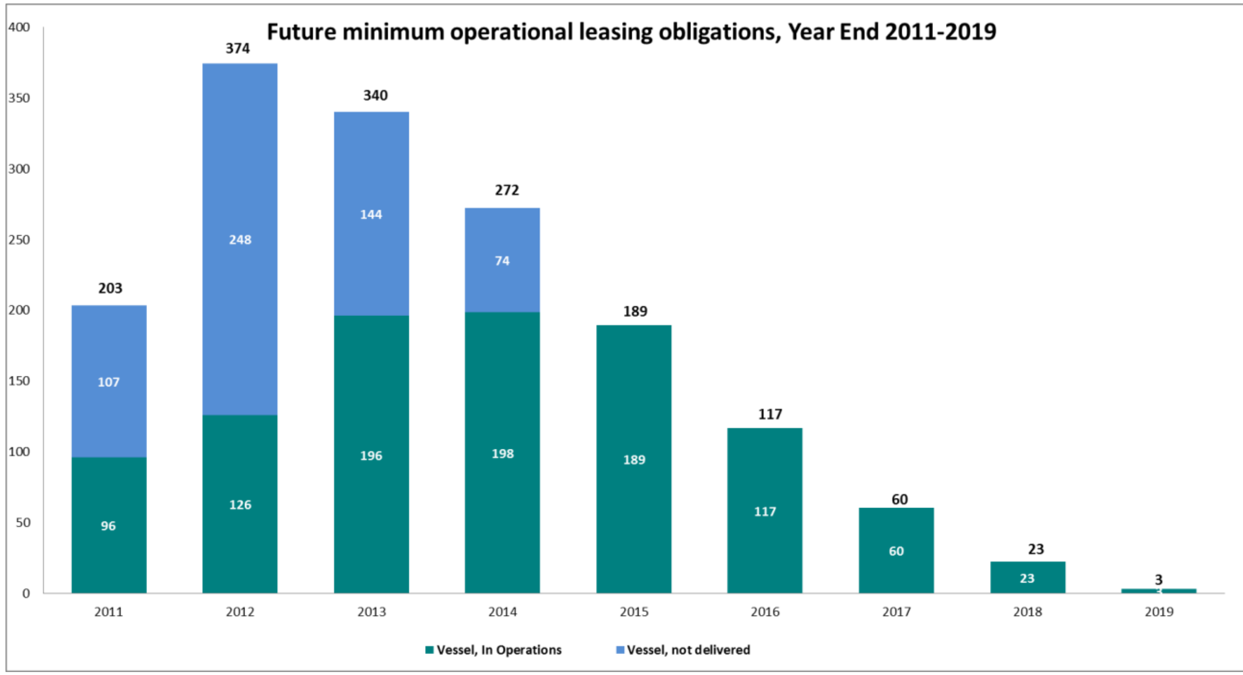
# Dolphin time-charter commitments culminated in 2012

## Minimum operational leasing obligations *)




*) Including all operating seismic vessels and the new committed vessels; Geo Atlantic, Sanco Sword and Super Duke

*intelligent, fast & friendly*

Figures on top of bar chart illustrates total minimum operational leasing obligations.
Source: Dolphin Group