



# Dolphin Group ASA

Presentation of unaudited Q3 2015 results

28 October 2015

Atle Jacobsen (CEO) & Erik Hokholt (CFO)

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## Atle Jacobsen, CEO, commented for Q3

“Dolphin is operating one of the most efficient high-capacity seismic fleets in the industry. However, based on the very weak market fundamentals, fierce competition and low seismic market rates, we are not able to deliver profitable figures for third quarter.

The seismic market, which is highly correlated with the oil price development and our clients’ E&P spending, seems not to recover in the short term.

Consequently, Dolphin will continue the substantial cost and activity reductions to meet the lower demand for seismic services.

Based on our improved cost competitiveness, Dolphin has recently succeeded in improving our visibility for the winter season.”

**Determined approach to meet weak market fundamentals**

# Highlights Q3

## Q3 2015 vs. (Q3 2014)

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### Financial

- Revenues of USD 78.7 million (USD 128.5 million)
- Multi-Client revenues of USD 22.0 million (USD 6.0 million)
- EBITDA of USD 18.4 million (23,4%) (USD 38.2 million)
- EBIT before restructuring charge of USD – 13.8 million (-17,5%) (USD 21.1 million )
- Restructuring charge of USD 16.3 million

### Operational

- Successful completion of Kara Sea contract with Q-Marine seismic equipment
- Increased Multi-Client due to conversion of proprietary work

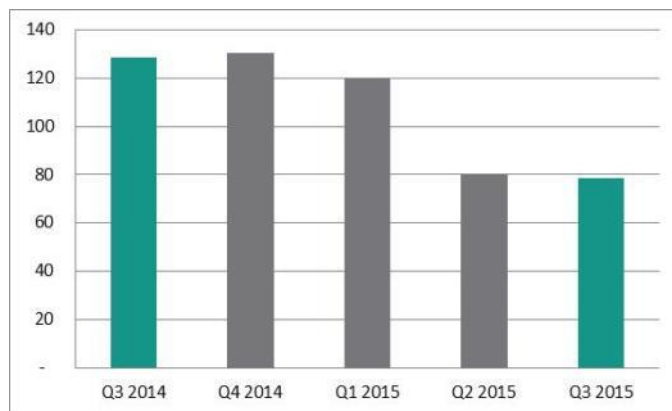
### Subsequent events

- Dolphin improved competitiveness through a significant reduction in the cost base and strengthened liquidity
- Dolphin secured USD 15 million short-term bank facility
- Dolphin has received a notice of time charter termination for the two vessels Sanco Swift and Sanco Sword. Dolphin has reserved the right to have the cancellation reviewed

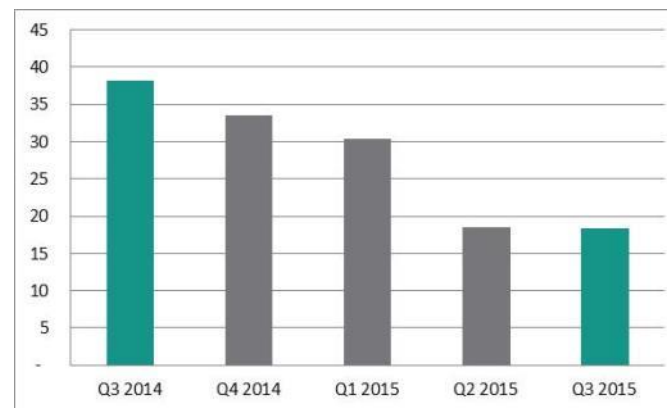
# Quarterly developments reflect weak market fundamentals

(USD Million)

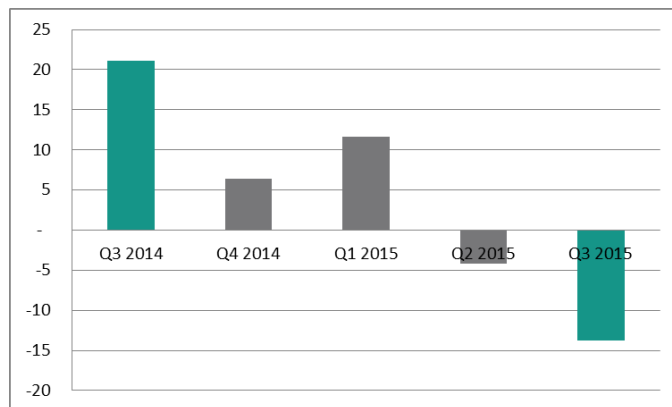
### Net operating revenues



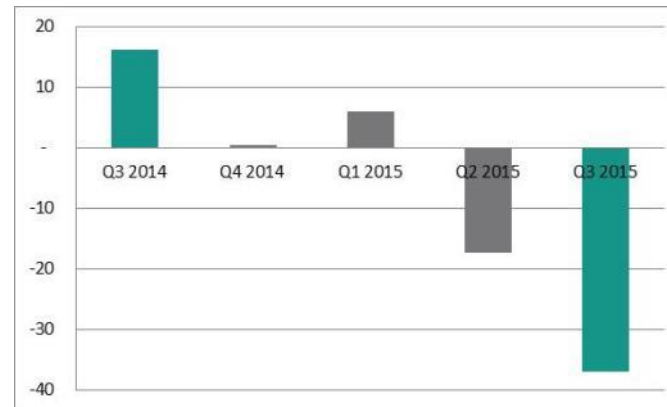
### EBITDA\*



### EBIT\*\*



### Profit Before Tax

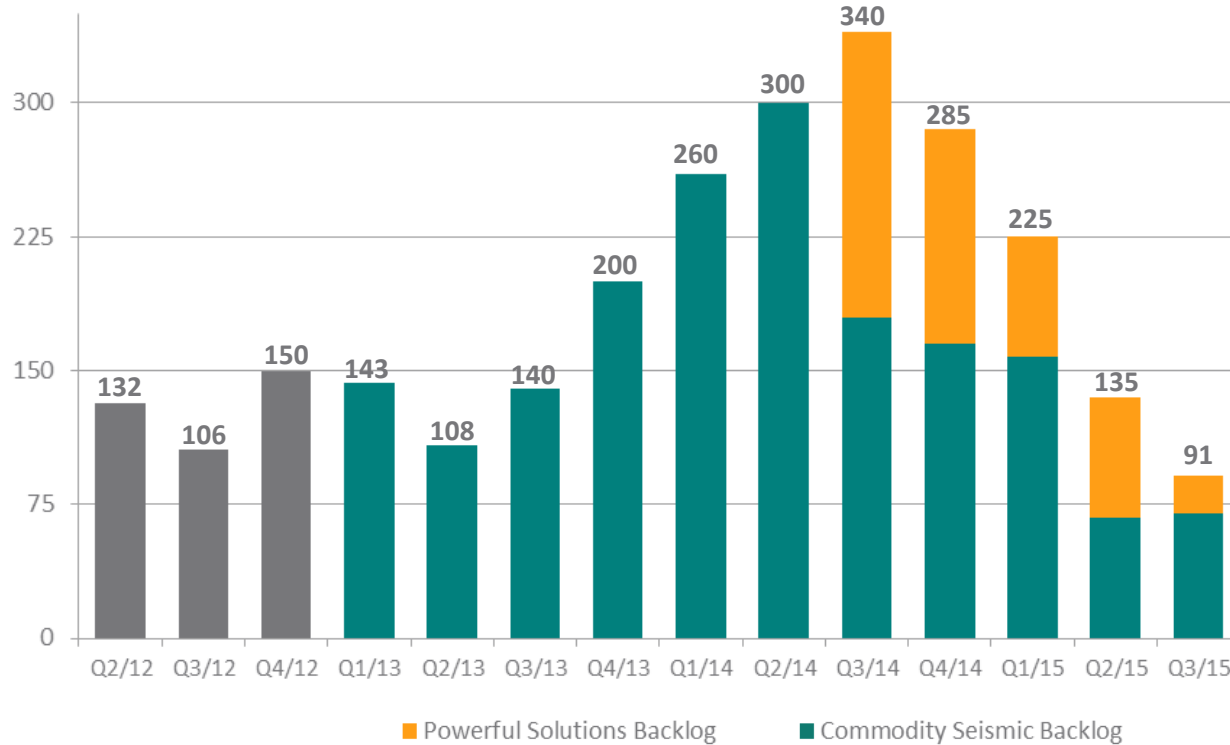


\* EBITDA, when used by the Company, means EBIT excluding other charges, depreciation, amortisation and write-down

\*\* EBIT; excluding other charges (restructuring) of USD 16.3 million in Q3 2015 and USD 6.2 million in Q2

# Backlog

## Quarterly development (USD Million)



- Backlog of USD 91 million as of 1 October 2015
- Positive impact from improved competitiveness
- Vessel coverage for the next quarters
  - ~ 70% covered for Q4 15
  - ~ 50% covered for Q1 16
  - ~ 30% covered for Q2 16

Quarterly developments for 2015 reflect weak market fundamentals

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# Comprehensive income statement

(USD Million)

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
<b>Net Operating Revenues</b>	<b>78.7</b>	<b>128.5</b>	<b>278.9</b>	<b>309.7</b>
<i>Operating Expenses</i>				
Cost of sales	54.7	84.7	194.4	201.6
Amort/write-down Multi-Client library	19.9	2.7	34.4	10.4
Selling, general and administrative cost	5.1	5.3	16.0	15.7
Share-based compensation	0.5	0.4	1.2	1.2
Depreciation /amort /write-down	12.2	14.4	39.3	32.6
Other charges (restructuring)	16.3	-	22.5	-
<b>Total Operating Expenses</b>	<b>108.8</b>	<b>107.5</b>	<b>307.8</b>	<b>261.4</b>
<b>Operating Profit (EBIT)</b>	<b>-30.1</b>	<b>21.1</b>	<b>-28.9</b>	<b>48.3</b>
Total financial income	0.2	0.3	0.6	1.0
Total financial expenses	-8.4	-5.1	-21.4	-15.1
<b>Net Financial Items</b>	<b>-8.1</b>	<b>-4.8</b>	<b>-20.7</b>	<b>-14.1</b>
<b>Profit Before Taxes</b>	<b>-38.2</b>	<b>16.2</b>	<b>-49.6</b>	<b>34.2</b>
Tax expense	-7.1	4.1	-8.1	8.3
<b>Net Income</b>	<b>-31.1</b>	<b>12.2</b>	<b>-41.6</b>	<b>25.9</b>

- 10% revenue decrease Y-o-Y
- Q3 revenues impacted by:
  - less exclusive contracts
  - further price drop
  - relocation / awaiting awards
- Reduction in Cost of Sales\*
  - cost savings programme
  - lower fuel cost
- 91% Multi-Client amortisation
  - surveys over partly licenced area
  - USD 3.8 minimum amortisation
- Restructuring charge of USD 16.3 million

# Revenue distribution

(USD Million)

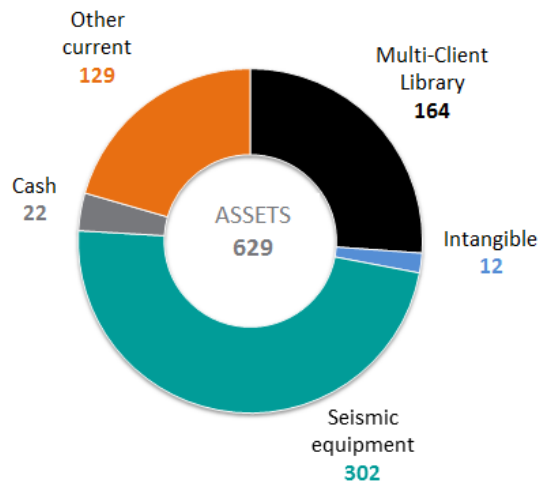
	Q3 2015	Q3 2014	YTD 2015	YTD 2014
<i>Geophysical:</i>				
Marine Exclusive contracts	52.3	118.8	221.3	277.3
Multi-Client prefunding	20.1	5.9	32.5	21.1
Multi-Client late sales	1.9	0.1	10.9	1.5
Processing	3.6	2.9	12.0	7.1
Other	-	0.2	-	0.2
<i>Dolphin Interconnect:</i>				
Contract	0.9	0.7	2.2	2.5
<b>Net Operating Revenues</b>	<b>78.7</b>	<b>128.5</b>	<b>278.9</b>	<b>309.7</b>

- 66% of contract revenues, significantly impacted by market downturn
- 28% of Multi-Client revenues, positive development Y-o-Y
- 5% of Processing & Imaging, growing as planned

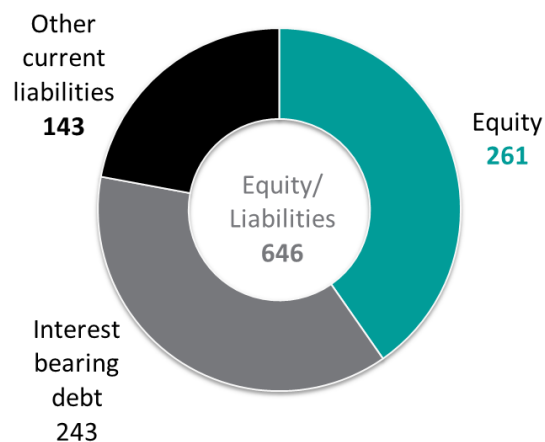
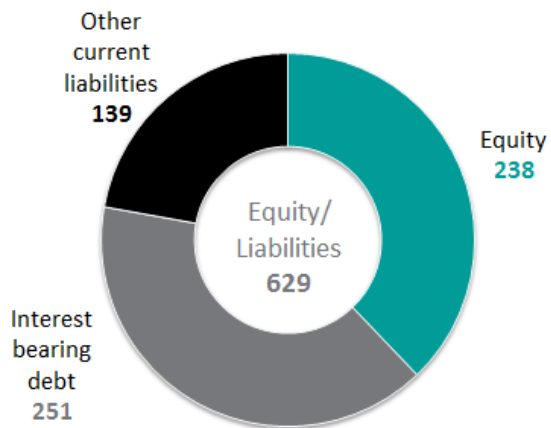
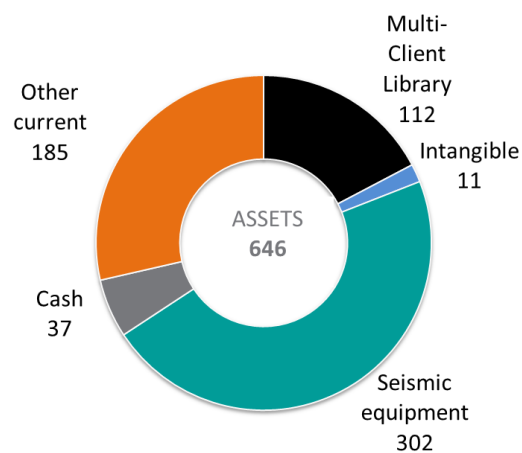
# Asset-light balance sheet

(USD Million)

**Q3 2015**



**YE 2014**



## Comments on assets:

- Asset-light balance sheet
- Low cash balance, USD 15 million new short-term bank facility (Oct)
- Equipment purchase for Polar Empress

## Comments on equity and debt:

- Equity ratio at 37.9%
- Interest bearing debt increase relates to new equipment lease for Polar Empress
- See appendix for covenants and detailed interest bearing debt

# Cash flow – detailed

(USD Million)

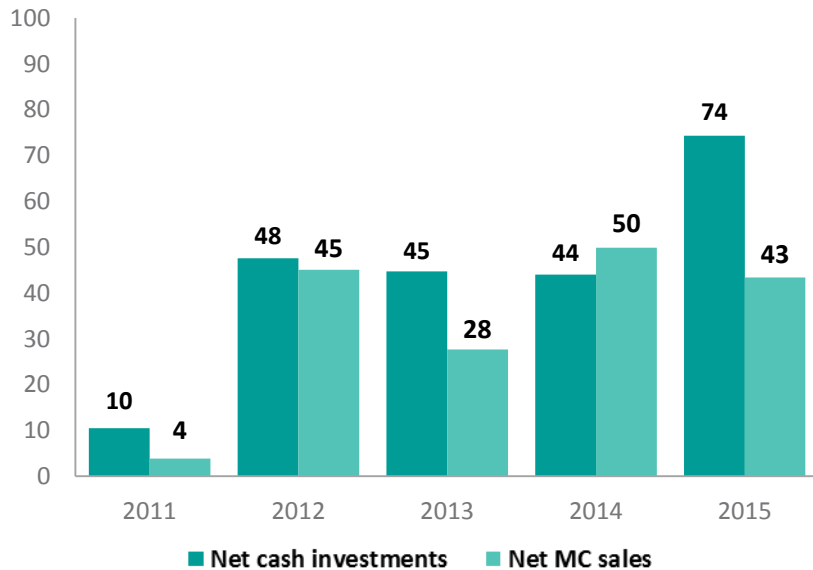
	Q3 2015	Q3 2014	YTD 2015	YTD 2014
<b>Operating Activities</b>				
Profit before tax	-38.2	16.2	-49.6	34.2
Depreciation and write-down	12.2	14.4	39.3	32.6
Amortisation/write-down Multi-Client library	19.9	2.7	34.4	10.4
Share-based payment expense	0.5	0.4	1.2	1.2
Interest expense	5.1	5.3	15.3	12.7
Changes in current assets/liabilities	16.3	-10.3	67.5	-0.6
<b>Net Cash Flow From Operating Activities</b>	<b>15.9</b>	<b>28.7</b>	<b>108.0</b>	<b>90.5</b>
<b>Investing Activities</b>				
Purchase property, plant and equipment	-4.4	-7.8	-11.6	-10.8
Prepaid seismic equipment	-0.4	-2.4	-9.1	-114.7
Net investment in Multi-Client	-38.5	-9.9	-74.4	-36.0
Intangible asset/ops equipment / acquisition	-	-1.2	-0.8	-3.9
<b>Net Cash Flow From Investing Activities</b>	<b>-43.3</b>	<b>-21.2</b>	<b>-95.9</b>	<b>-165.3</b>
<b>Financing Activities</b>				
Net proceeds from issue of new equity	-	-	17.7	1.5
Net purchase/disposal treasury shares/bond	-4.3	-	-4.3	-
Proceeds from borrowing	-	30.2	2.8	86.9
Interest paid	-4.4	-3.8	-12.4	-11.4
Repayment of interest bearing debt	-7.0	-9.5	-30.3	-21.6
<b>Net Cash Flow From Financing Activities</b>	<b>-15.7</b>	<b>16.9</b>	<b>-26.6</b>	<b>55.4</b>
<b>Net Change In Cash and Cash Equivalents</b>	<b>-43.1</b>	<b>24.4</b>	<b>-14.4</b>	<b>-19.4</b>
Cash and cash equivalents opening balance	65.4	31.7	36.7	75.4
<b>Cash and Cash Equivalents Closing Balance</b>	<b>22.3</b>	<b>56.1</b>	<b>22.2</b>	<b>56.1</b>

- Cash flow from operations reflects weak market
- Positive working capital, due to increased payables offset by increased receivables
- Multi-Client investment reflects conversion from exclusive contracts
- Repayment terms for IBD from the banks improved and strengthened liquidity going forward
- Ongoing initiatives to improve cash balance\*

# Multi-Client developments

(USD Million)

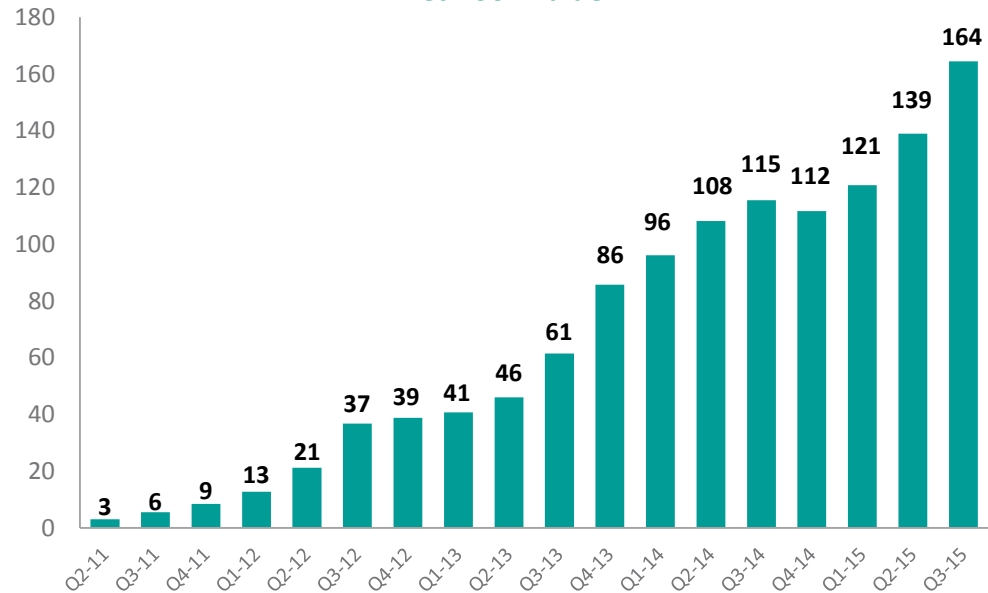
Net cash investment vs. Multi-Client net sales



**Comments:**

- Target Multi-Client net sales > net cash investment
- Q3 net cash investment of USD 38.4 million
- 52% pre-funding (USD 20.1 million), total sales of USD 22 million

Net Book Value



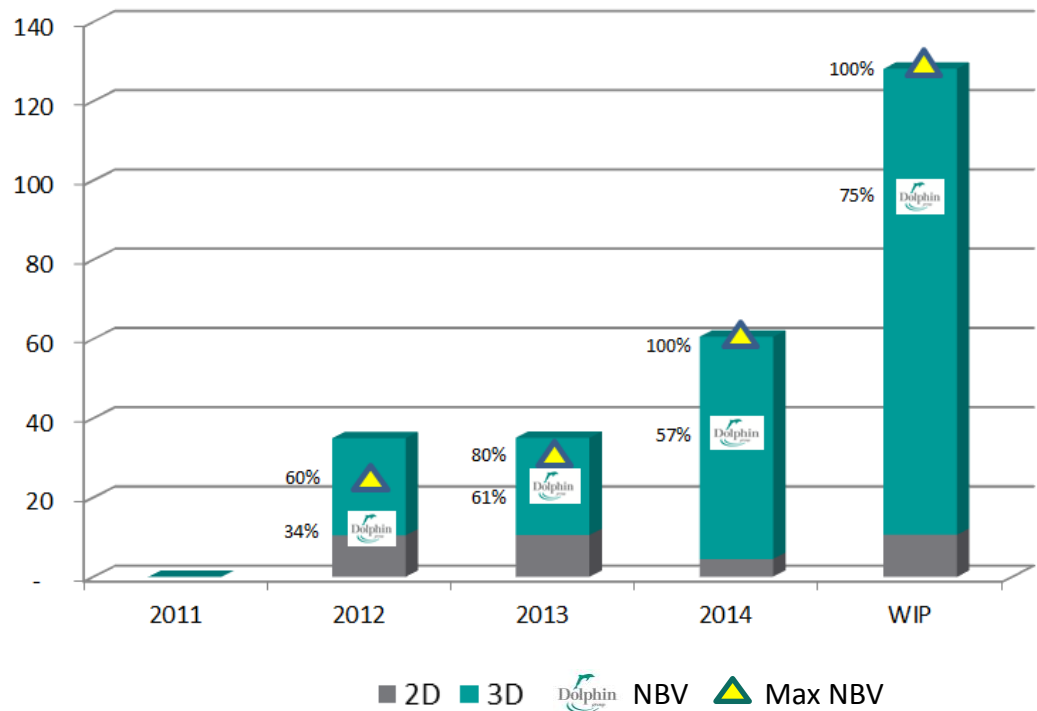
**Comments:**

- Net Book Value at USD 164 million
- 91% amortisation rate, inclusive of USD 3.8 minimum amortisation
- Converted exclusive contracts, surveys over partly licensed area

# Multi-Client investments and Net Book Value per vintage

- Total gross invested USD 259 million with Net Book Value (NBV) of USD 164 million
- Work in Progress of USD 96 million (59%)
- USD 68 million (41%) of library ready for sale
- NBV of all vintages are below max NBV

Gross investment and net book value per vintage (USD million)



# Initiatives to improve liquidity and reduce cost

Aspects	Initiatives	Impact 9-12 months (est.)
Pro-active strengthening balance sheet	<ul style="list-style-type: none"> <li>Finalised extension of bond maturities</li> <li>Revised amortisation profile of main bank facility</li> <li>Increased share capital by 20% at market price</li> </ul>	} USD 18 million (new equity)
Cost savings programme (from Q2 2015)	<ul style="list-style-type: none"> <li>Redelivered Artemis Atlantic, de-rigged Artemis Arctic</li> <li>Headcount reductions aligned with fleet adjustments</li> <li>Improved terms for support vessels</li> <li>No 2014 bonus paid / 2015 salary freeze/cuts</li> </ul>	} USD 20 - 25 million
Further measures (from 3 Sep '15)	<ul style="list-style-type: none"> <li>Cold-stack Polar Duke</li> <li>Reduced charter hire for 9 months</li> <li>Credit facility with ship owners</li> <li>Amendment to Term Loan repayment schedules</li> <li>Further headcount reductions</li> <li>Additional cost and CAPEX reductions</li> </ul>	} USD 50 - 65 million
Multi-Client Library (from 3 Sep '15)	<ul style="list-style-type: none"> <li>Potential financing partner finalising due diligence</li> </ul>	} USD 40 – 60 million

Reducing cost to meet lower revenues

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# Business lines

## Marine Contract

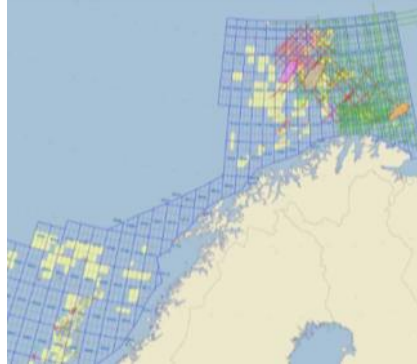


### High-end modern fleet

#### Operating fleet

- 5x High-End 3D vessels
- 1x 2D vessel

## Multi-Client



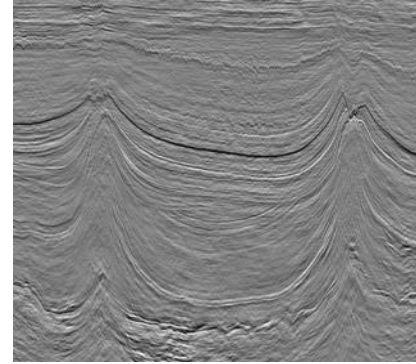
### Growing Multi-Client data library

#### Library of modern 2D & 3D data

- North Sea UK and Norway
- Norwegian Barents Sea
- West Africa
- Brazil
- Australia
- Mexico

50,061 km<sup>2</sup> of 3D and 57,767 km<sup>2</sup> of 2D successfully acquired

## Processing & Imaging



### Full onshore & offshore processing & imaging

#### In-house Processing and R&D

- Processing centres in UK, Houston and Singapore
- On-board Processing on all vessels
- Fast track data delivery
- AVO Friendly Broadband solution (SHarp)

## Processing Software



### Land & marine seismic processing software

#### Software for the 21<sup>st</sup> Century

- QC, Time & Depth Processing
- Interactive user interface
- Advanced 2D and 3D visualisation
- Parallel processing and job management

# Dolphin fleet

Polar Duke (3D, 12-14 str)



Delivered May 2011  
Cold-stacked in Q3

May '11

Polar Duchess (3D, 12-14 str)



Delivered April 2012

Q1 '12

Sanco Swift (3D, 16 str)



Delivered July 2013

Q2 '13

Polar Marquis (3D, 14 str)



Delivered May 2014

Q2 '14

Q2 '15

Fully operational fleet

Artemis Arctic (3Dm, 6/8str)



Delivered May 2011  
De-rigged for 2D

Sanco Sword (3D, 16 str)



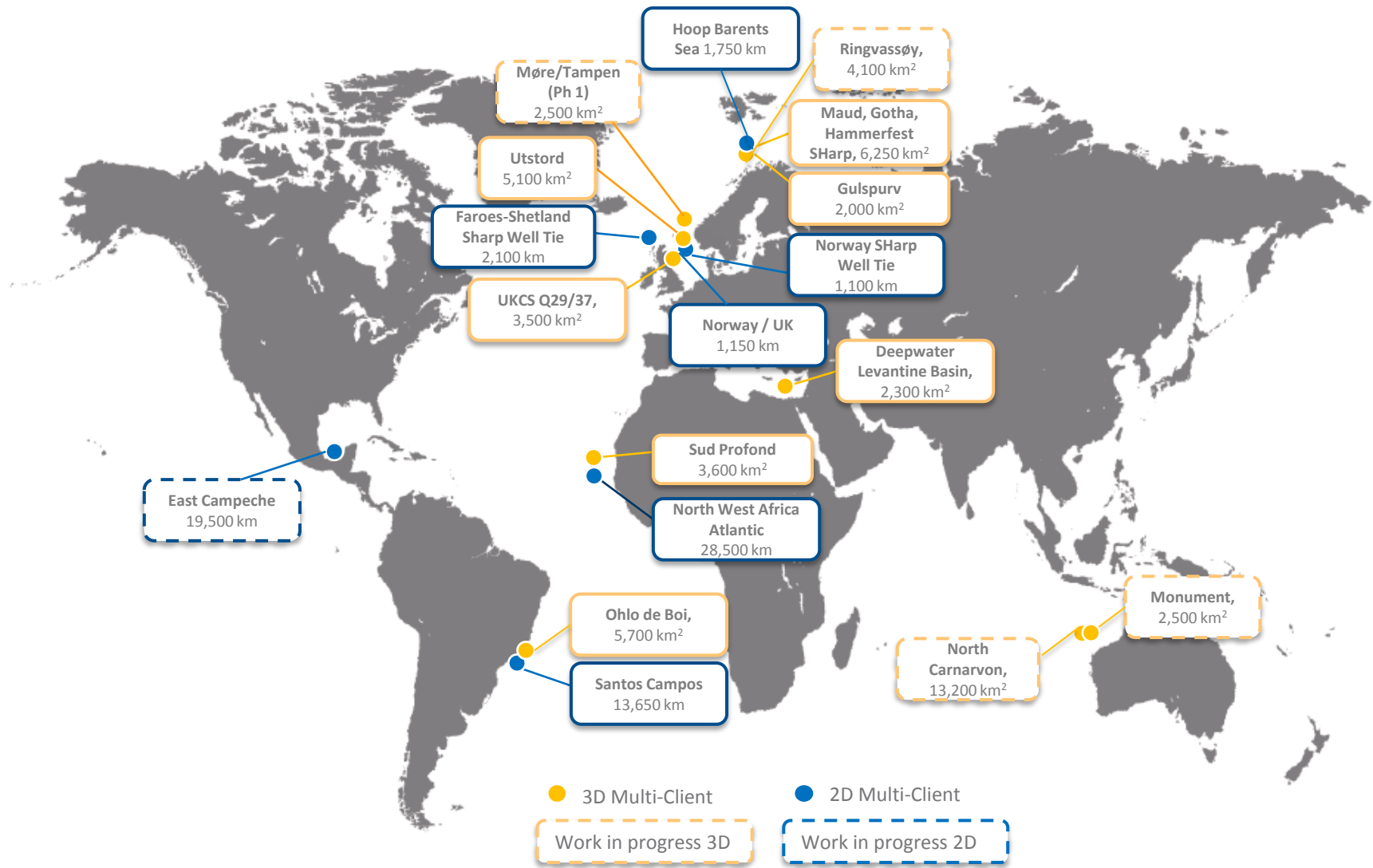
Delivered April 2014

Polar Empress (3D, 22 str)



Delivered June 2015

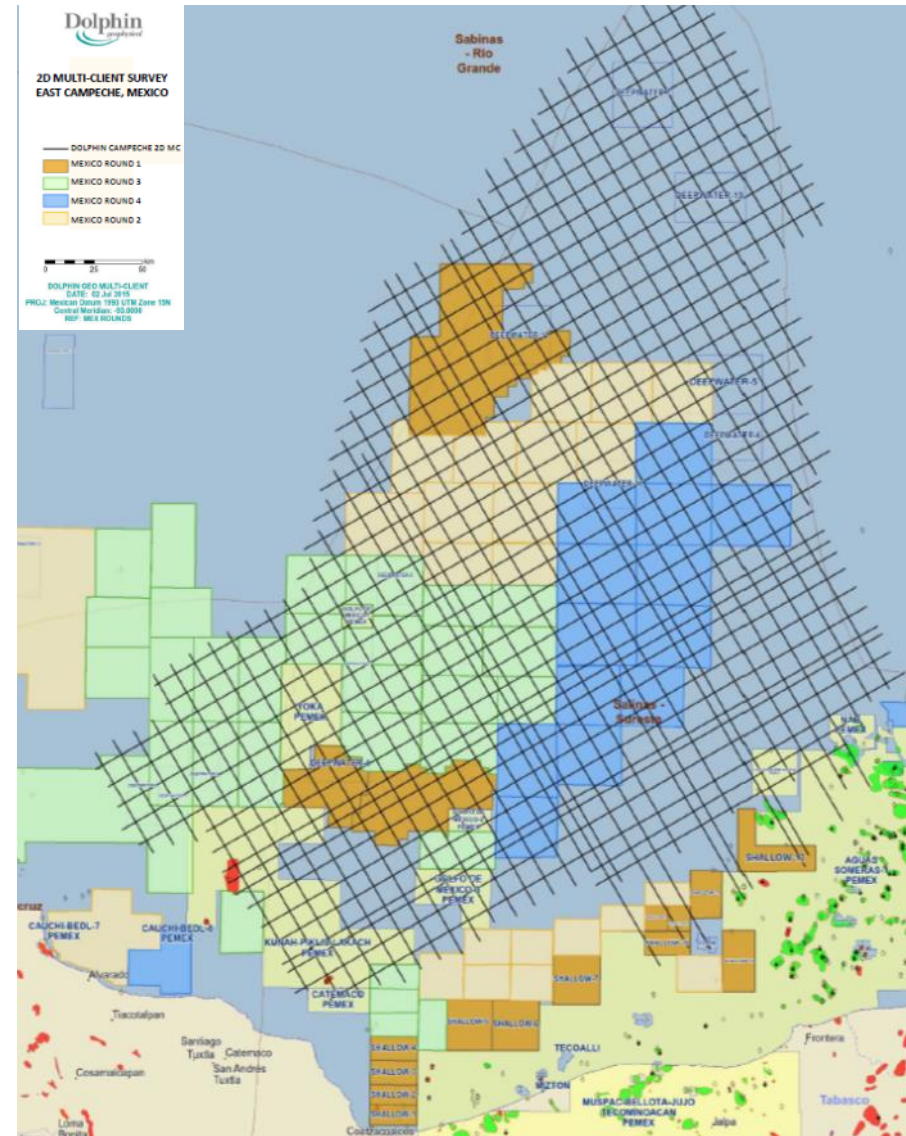
# Geographical overview of Dolphin Multi-Client library



# Well positioned for upcoming licencing rounds in Mexico

## East Campeche

- 2D long offset SHarp survey
- Supported by industry funding
- 19,597 2D line km planned
- Survey started second half of July 2015
- Close to 50% completed per Q3
- Est. completion in December
- PreSTM expected end of Q1 2016
- PreSDM expected early Q4 2016





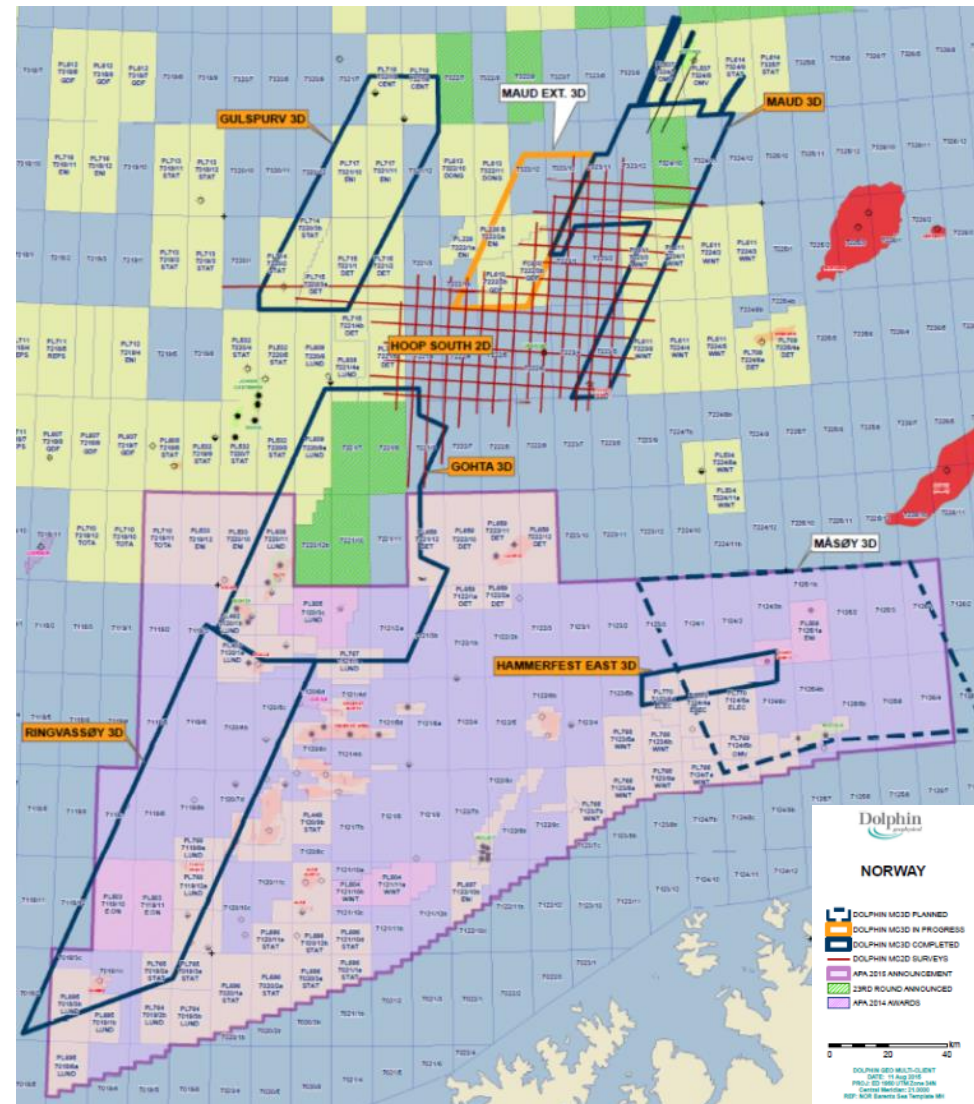
# Building a strong presence in Barents Sea (Norway) covering 23rd round blocks and APA acreage

## Existing library

- Gulspurv MC3D (2013)
- Maud MC3D (2013-2014)
- Gotha MC3D (2014)

## 2015 programme: *Ringvassøy*

- 4.100 sq. km
- 50/50 with TGS
- Large open APA acreage

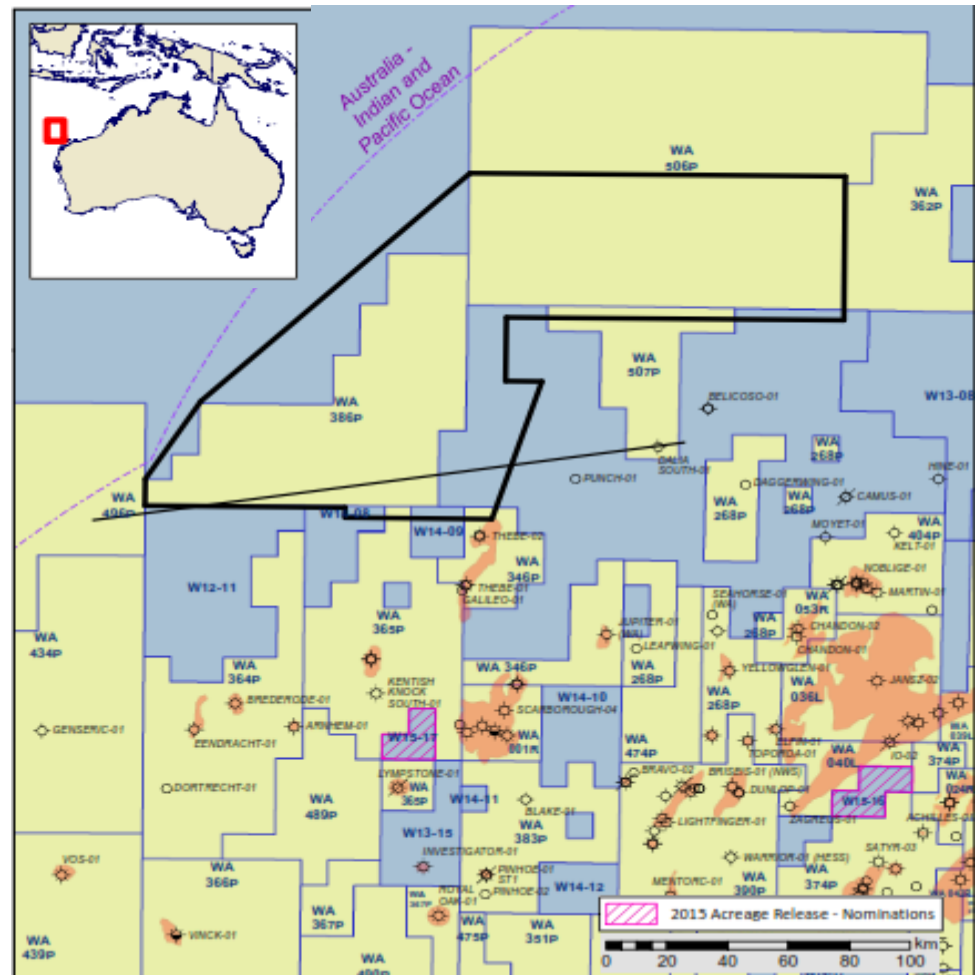




# North Carnarvon Basin survey (Australia) soon to be completed

## North Carnarvon Basin

- Originally a proprietary contract converted to Multi-Client terms
- 13,200 km<sup>2</sup> SHarp Broadband 3D
- Statoil and Shell prefunding
- Covering Licenced and Open acreage
- Wide Tow up to 12 x 150 x 8100m
- Survey 92% completed per Q3



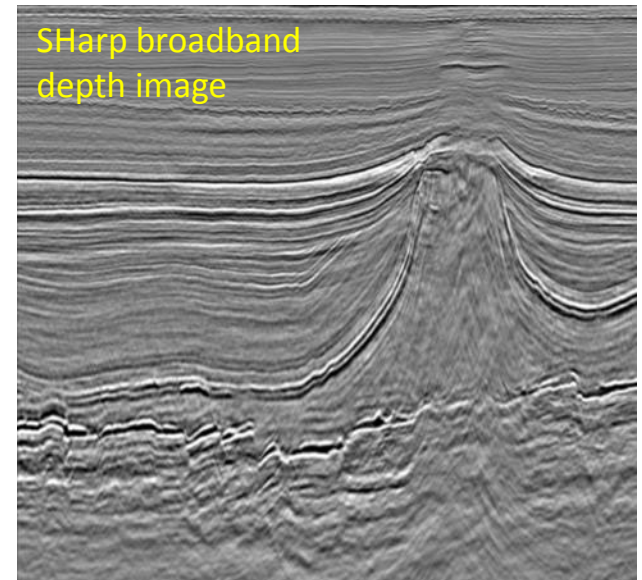
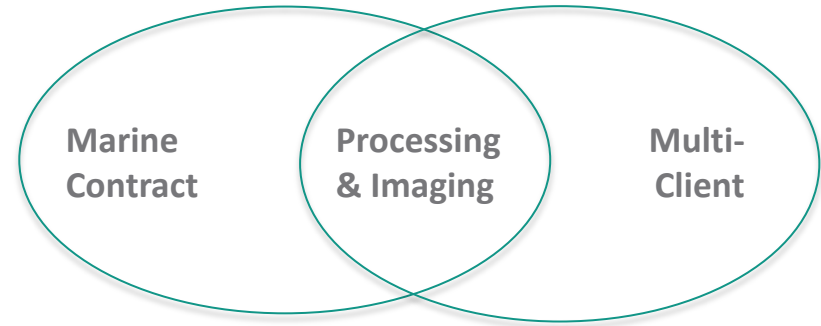
# Processing & Imaging – a critical success factor

## Makes Dolphin a fully integrated marine geophysical contractor

- Our people, our software, our hardware
- Worldwide software sales
- Processing centres in Houston, London and Singapore
- Brings us closer to our clients
- It is all about imaging and reduced exploration and production risk

## A continuing successful growth story

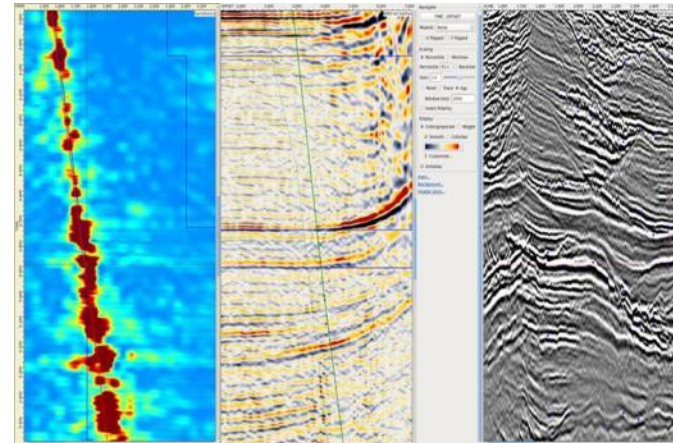
- External revenues of 3.6 million (USD 2.9 million in Q3 2014)
- Growth from re-processing, depth imaging and sales of Dolphin's proprietary processing software OpenCPS





# Market outlook

- Continued weak market fundamentals
- Unsustainable price levels
- Difficult to predict longer term trends
- Fierce competition on contracts for winter season
- Low tender activity
- Strong supply response
- Myanmar and Mexico represent high activity areas

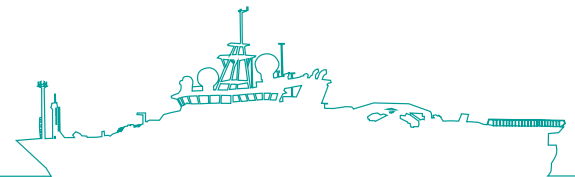


“It is all about utilisation”



# Question & Answer Session

Delivering Powerful Solutions



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# Financial Covenants

	Definitions*	Term Loan**	Bonds
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>Unrestricted cash and equivalents</li> </ul>	<ul style="list-style-type: none"> <li>USD &gt; 15m</li> </ul>	<ul style="list-style-type: none"> <li>USD &gt; 10m</li> </ul>
<b>Equity ratio</b>	<ul style="list-style-type: none"> <li>Total Equity/Total Assets</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 35%</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 35%</li> </ul>
<b>Gearing ratio</b>	<ul style="list-style-type: none"> <li>NIBD' / EBITDA                             <ul style="list-style-type: none"> <li>– Rolling 12 months</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&lt; 2.0</li> </ul>	<ul style="list-style-type: none"> <li>NA</li> </ul>
<b>Interest cover</b>	<ul style="list-style-type: none"> <li>EBITDA/Net Interest Cost                             <ul style="list-style-type: none"> <li>– Rolling 12 months</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>&gt; 3.25</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 2.5</li> </ul>
<b>Working Capital</b>	<ul style="list-style-type: none"> <li>Positive Working Capital</li> </ul>	<ul style="list-style-type: none"> <li>&gt; 0</li> </ul>	<ul style="list-style-type: none"> <li>NA</li> </ul>

\* All covenants measured on a consolidated basis quarterly.

\*\* On-going constructive dialogue with the banks on the covenants ref PR 5 October 2015

# IBD with earliest major maturity in February 2018

Debt	Security	Amount Balance 30/09/2015		Quarterly instalments*	Tenure*	Maturity*	Interest
Bond Dolp01	Unsecured	NOK 400,000,000	USD 71,244,910	-	5.25 years	Feb-2018	3M Nibor + 775
Bond Dolp02	Unsecured	NOK 500,000,000	USD 78,187,487	-	5.25 years	Mar-2018	3M Nibor + 750
Term Loan*	Secured	USD 93,000,000	USD 45,386,397	-	Tranches	Q2 2016 - Q1 2019	Libor + 400
Term Loan*	Secured	USD 25,000,000	USD 14,978,250	-	2.5 years	Q2 2016 - Q3 2017	Libor + 400
Fin. lease various	Secured	USD 19,000,000	USD 8,523,617	USD 1,400,000	Various	Q3 2015 - Q2 2019	Various, less than 5%
Fin. lease WG	Secured	USD 38,000,000	USD 33,099,000	USD 3,000,000	3 years	Q3 2015 - Q3 2018	Financial lease
		<b>Grand total</b>	<b>USD 251,419,662</b>	<b>USD 4,400,000</b>			

## Comments:

- DOLP01 and DOLP02 have USD swaps
- Term loans primarily to finance seismic equipment
- \*Term loans have 9 months (3 quarters) repayment holiday from 1 October 2015
- Financial lease WesternGeco relates to Q-Marine seismic equipment on Polar Empress
- Financial leasing primarily for processing and business IT equipment