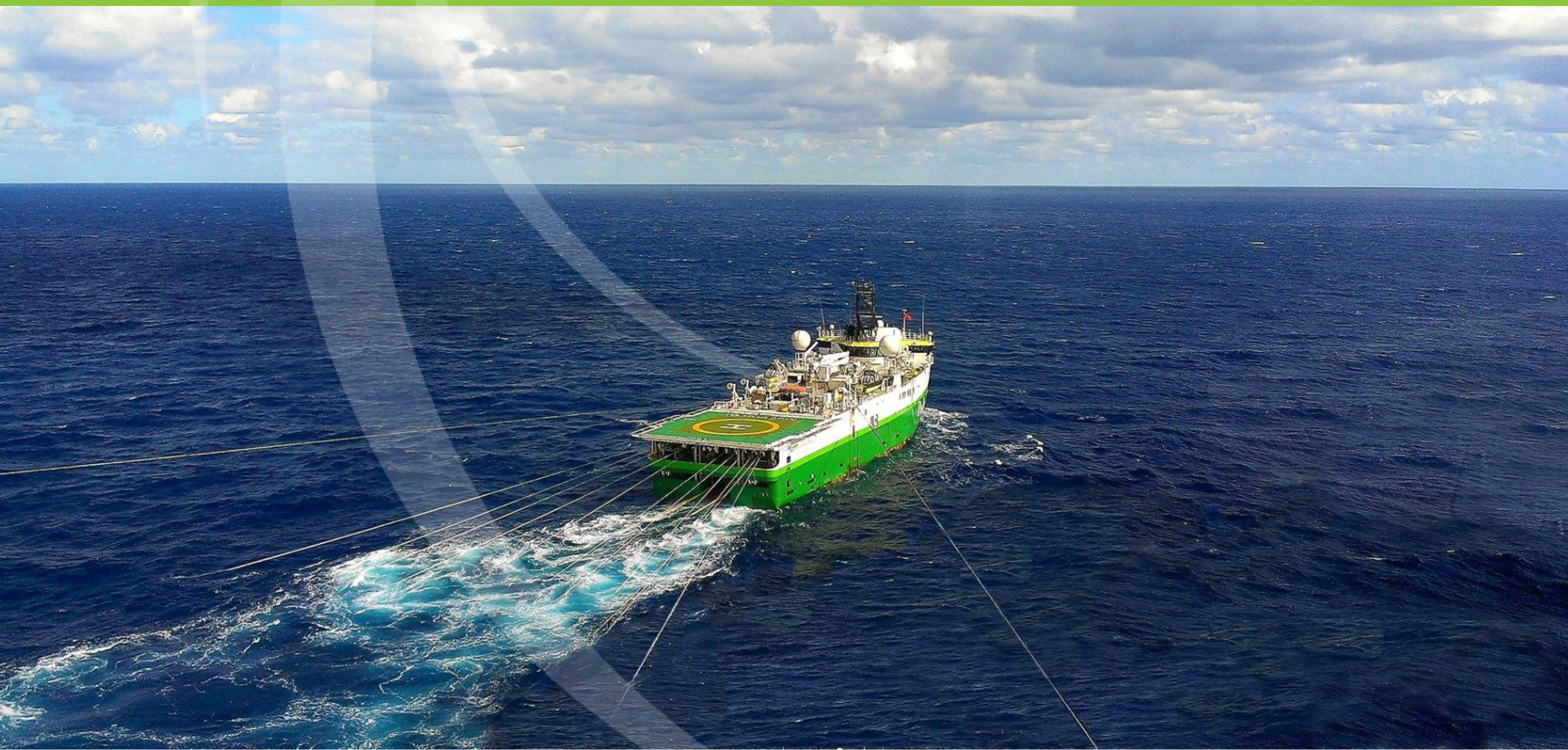
Polarcus Limited

FIRST QUARTER REPORT 2013



FIRST QUARTER REPORT 2013

STRONG OPERATIONAL PERFORMANCE; STRENGHTENING THE BALANCE SHEET

HIGHLIGHTS Q1 2013:

- Revenues of USD 144.8 million, up 45% from Q1 2012
- EBITDA of USD 52.9 million, up 103% from Q1 2012
- EBIT of USD 31.1 million, up 228% from Q1 2012
- Net Cash Flow from operations of USD 40.5 million
- Q1 2013 vessel utilization at 85%, comprising Contract 72% and Multi-Client 13%
- Strong operational performance with low technical downtime
- Backlog end April of USD 250 million
- Sale of Polarcus Samur to TPAO with a long term collaboration arrangement
- Strengthening the balance sheet

In Q1 2013 Polarcus continued to deleverage the Company through the sale of Polarcus Samur at a price of USD 133.5 million followed by a total repayment of USD 76 million in debt during the quarter. The divestment has strengthened the balance sheet and provides the Company increased financial flexibility going forward.

The strong operational performance of the Polarcus vessels continued in the first quarter of 2013 resulting in a continued improved effective day rate compared to Q4 2012. The strong operational performance is also creating value for the Company's clients as operations continue to deliver projects ahead of time. This, coupled with the consistent positive feedback on the quality of the seismic data recorded by the Polarcus fleet, is enabling the Company to further strengthen its reputation across its client base for delivering operational excellence.

KEY FINANCIALS

	Quarter ended		Year ended
(In millions of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Revenues	144.8	99.9	529.3
Vessel operating expenses	(84.1)	(68.0)	(312.7)
EBITDA	52.9	26.1	190.2
EBIT excluding impairment charges*	31.1	9.5	98.8
Net Financial Income/(Expenses)	(21.2)	(18.0)	(83.4)
Net profit / (loss) for the period	9.9	(11.4)	9.8
Basic earnings / (loss) per share (USD)	0.019	(0.024)	0.020
Net cash flows from operating activities	40.5	46.2	203.7
Total assets (period end)	1,292.6	1,290.5	1,372.4
Total liabilities (period end)	800.5	832.7	891.0
Total Equity (period end)	492.1	457.8	481.4
Equity Ratio	38%	35%	35%
Capital expenditures	11.6	191.2	311.2
Cash and cash equivalents (period end)	86.0	99.9	43.8
Net interest bearing debt (period end)	625.7	618.5	749.8

*An impairment charge of USD 7.4 million was recognized in Q4 2012.

FINANCIAL RESULTS

Operating Revenue

(In millions of USD)	Quarter ended **31-Mar-13**	**31-Mar-12**	Year ended **31-Dec-12**
Contract revenue	135.8	95.4	495.3
Multi-client revenue			
- Prefunding	9.0	0.8	14.7
- Late sales	-	-	15.1
Other income	(0.1)	3.7	4.2
Total	**144.8**	**99.9**	**529.3**

Q1 2013 contract revenues increased by 42.3% to USD 135.8 million compared to USD 95.4 million in Q1 2012. Reimbursable revenue included in contract revenue increased to USD 9.3 million compared to USD 5.1 million in Q1 2012. Adjusted for the reimbursable revenue the increase in contract revenue is 31.6%. The increase in revenue is mainly driven by the two additional vessels that were added to the fleet in 1H 2012, partly offset by the sale of Polarcus Samur which took effect in Q1 2013. The achieved contract day-rates adjusted for reimbursable revenue increased to USD 298k per day in Q1 2013 which is equivalent to a 19% improvement compared to Q1 2012 and 8% improvement compared to Q4 2012.

Multi-Client prefunding revenue was USD 9.0 million, whilst Multi-Client cash investments was USD 13.5 million in Q1 2013 giving a prefunding level of 67.2% for the Quarter.

Other income of USD (0.1) reflects a reversal of an earlier booked insurance claim.

Operating expenses

Vessel operating expenses for Q1 2013 increased by 23.5% to USD 84.1 million compared to USD 68.0 million in Q1 2012. Adjusted for reimbursable cost the increase in operating expenses is 18.9%. Operating expenses fluctuate significantly depending on the geographical location of vessels. In general, the company has operated vessels in high cost areas during Q1 2013. These geographic fluctuations reflect regional operational requirements and any such increases are generally reflected in increased revenue.

Sales, general and administrative costs in Q1 2013 were USD 7.8 million up from USD 5.7 million in Q1 2012 as the Company grew by two additional vessels.

Q1 2013 EBITDA was USD 52.9 million, more than double the amount of USD 26.1 million in Q1 2012. EBITDA margin was 36.5% compared to 26.1% in Q1 2012 as a function of solid operational performance, economies of scale from a larger fleet and improved day rates.

Depreciation, amortization and impairment

(In millions of USD)	Quarter ended **31-Mar-13**	**31-Mar-12**	Year ended **31-Dec-12**
Depreciation of seismic vessels and equipment	19.2	15.6	77.4
Depreciation of office equipment	0.1	0.1	0.5
Amortization of multi-client data library	4.2	0.5	15.2
Amortization of other intangible assets	0.1	0.2	0.5
Disposal of onboard equipment	0.8	0.5	5.1
Depreciation capitalized to multi-client library	(2.6)	(0.3)	(7.4)
Total	**21.7**	**16.6**	**91.4**

Depreciation amounted to USD 19.3 million in Q1 2013 compared to USD 15.7 million in Q1 2012. The increase was mainly due to a net increase of one vessel to the fleet after two additional vessels were delivered and one was sold to TPAO. Disposal of equipment relates to damaged in-sea equipment.

Amortization of the multi-client data library was USD 4.2 million or 46% of Multi-Client revenue for Q1 2013. Effective 01 January 2013, Polarcus introduced 5% amortization intervals for its multi-client project library, ranging from 40% to 90% of sales amounts, in order to improve the accuracy of the amortization rates applied.

Q1 2013 EBIT was USD 31.1 million which equates to an EBIT margin of 21.5% compared to USD 9.5 million and 10% respectively in Q1 2012. The improved EBIT margin reflects an improved market sentiment with improved day rates and economies of scale.

Financial Expenses

	Quarter ended		Year ended
(In millions of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Interest expenses on senior bonds	4.4	6.0	20.7
Interest expenses on convertible bonds	3.4	3.3	13.3
Interest expenses on lease arrangements	5.1	5.6	21.9
Interest expenses on other long-term debt	6.7	1.4	17.7
Net interest expenses	**19.7**	**16.3**	**73.6**
Realized currency exchange loss	0.4	1.0	4.7
Unrealized currency exchange loss	-	3.4	7.9
Other finance costs	3.4	-	7.2
Total	**23.6**	**20.8**	**93.4**

Net interest expense for Q1 2013 totalled USD 19.7 million compared to USD 16.3 million in Q1 2012. The increase is related to additional interest bearing debt linked to the delivery of two vessels in 1H 2012. The increase is partly offset by the early repayment of senior bonds and lease arrangements.

Other finances costs of USD 3.4 million relates to breakage cost on the early repayment of the debt instruments.

The realized currency loss represents losses on foreign currency payments.

Financial Income

	Quarter ended		Year ended
(In millions of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Interest income from deposit with banks	-	0.1	0.4
Realized exchange gain	0.3	0.6	3.8
Unrealized exchange gain	2.0	2.1	5.9
Total	**2.4**	**2.8**	**10.1**

Total financial income for Q1 2013 was USD 2.4 million compared to USD 2.8 million in Q1 2012. The realized currency gains represent gains on foreign currency payments. The unrealized currency gain is related to the gain on revaluation of a bond loan denominated in NOK.

Tax

No taxes were recorded for Q1 2013. The Company has chosen to hold its vessels in companies taxable under the Norwegian Tonnage Tax system. The tonnage tax is classified as an operational expense. In addition, the Company is exposed to taxation in several jurisdictions through mobile employee taxes and withholding taxes, both classified as operational expenses. The Company recognises liabilities for anticipated tax issues based on estimates of whether it is probable that additional taxes will be due.

Sale of vessel *Polarcus Samur*

On 11 February 2013, the Group sold one of its vessels *Polarcus Samur* to Turkish Petroleum Corporation ("TPAO") for a gross price of USD 133.5 million. The sale was part of a long-term collaboration arrangement with TPAO as per an agreement signed on 31 December 2012.

Subsequent to the sale of *Polarcus Samur* the Group repaid 25% (USD 20 million) of the 12.5% senior secured callable bonds on 13 February 2013. This is further referred to in Note 9 *Senior Bonds* in the interim consolidated financial statements.

On 11 February 2013, subsequent to the above mentioned sale of *Polarcus Samur,* the Group repaid its outstanding liability of USD 45.04 million under Tranche 5 of the Fleet Bank Facility. Also refer to Note 12 *Other Long-term Debt*.

Cash flow and liquidity

Net cash flow from operating activities in Q1 2013 was USD 40.5 million, negatively impacted by increased working capital requirement.

During Q1 2013 the net cash flow from investing activities totalled USD 106.0 million, mainly driven by the sale of the vessel *Polarcus Samur*. The Company made a cash investment of USD 13.5 million in the Multi-Client Library.

Polarcus continued to reduce its debt during Q1 2013 with USD 88.1 million in repayments. Interest cost paid was USD 12.8 million and other finance cost related to breakage cost of early redemption of debt was USD 3.4 million.

Closing cash balance at the end of Q1 2013 was USD 86.0 million.

OPERATIONS

Vessel utilization

Utilization	Q1 2013	Q1 2012	2012
Exclusive Seismic Contract	72%	77%	76%
Multi-Client Seismic Contract	13%	3%	9%
Transit	13%	18%	12%
Yard stay (including shakedown)	2%	2%	2%
Total	100%	100%	100%

Utilization includes V. Tikhonov which is chartered out on a Bareboat basis with 100% utilization

In Q1 2013 contract utilization decreased to 72% from 77% in Q1 2012. Multi-client utilization increased to 13% compared to 3% in Q1 2012. Total utilization in Q1 2013 was thus 85% compared to 80% in Q1 2012. The sale of *Polarcus Samur* was completed on the 11 February 2013 and the vessel was from then on excluded from the utilization figures. *Polarcus Nadia* had a yard stay of 13 days in the period which also required transit to the yard.

The vessels performance for Q1 2013 was in line with the previous quarters in 2012 and exceeded the targets set by the Company for its fleet performance despite being exposed to a harsh weather environment in new frontier areas.

In Q1 2013 the Company continued on the two new multi-client projects it started on in Q4 2012. The data acquisition phase of the project in the UK sector of the North Sea, in Quad 42, was completed by *Polarcus Samur* mid-January. The Guinea-Bissau survey, the Company's first multi-client project offshore West Africa, was completed in early February before the vessel *Polarcus Naila* acquired a second Multi-Client survey in the adjacent AGC. This project had a duration of about one month. Subsequently the vessel transited to Suriname to start a new proprietary survey.

SALES

Backlog

The total estimated value of the backlog at 30 April 2013 is USD 250 million compared to USD 265 million on 31 January 2013.

As previously communicated the Company expects that on average the vessels will continue to be booked at improved rates compared to last year. This view is supported by the achieved day-rates in Q1 2013 which are 15-20% above the day rates achieved in Q1 2012.

Interim consolidated statement of comprehensive income

(In thousands of USD)	Notes	Quarter ended 31-Mar-13	Quarter ended 31-Mar-12	Year ended 31-Dec-12
Revenues				
Contract revenue		135,798	95,429	495,338
Multi-client revenue		9,051	754	29,759
Other income		(78)	3,700	4,171
Total revenues	3	**144,771**	**99,883**	**529,268**
Operating expenses				
Vessel operating expenses		(84,063)	(68,046)	(312,680)
Sales, general and administrative costs		(7,833)	(5,745)	(26,397)
Depreciation and amortization	13	(21,741)	(16,610)	(91,398)
Impairment of vessels		-	-	(7,405)
Total operating expenses		**(113,637)**	**(90,400)**	**(437,880)**
Operating profit	3	**31,134**	**9,483**	**91,388**
Financial expenses				
Profit/(loss) from equity accounted investments	6	(80)	112	14
Finance costs	14	(23,559)	(20,819)	(93,449)
Finance income	15	2,362	2,813	10,089
Changes in fair value of financial instruments		-	(2,969)	48
Gain on acquisition of joint-venture		-	-	3,602
Net financial expenses		**(21,276)**	**(20,862)**	**(79,696)**
Profit/(loss) for the period before tax		**9,858**	**(11,380)**	**11,692**
Income tax expense		-	(25)	(1,863)
Profit/(loss) for the period		**9,858**	**(11,405)**	**9,829**
Other comprehensive income				
Other comprehensive income/(loss) for the period		-	-	-
Total comprehensive income/(loss) for the period		**9,858**	**(11,405)**	**9,829**
Profit/(loss) per share for loss attributable to the equity holders during the period *(In USD)*				
- Basic		**0.019**	**(0.024)**	**0.020**
- Diluted		**0.019**	**(0.024)**	**0.020**

Interim consolidated statement of financial position

(In thousands of USD)	Notes	31-Mar-13	31-Mar-12	31-Dec-12
ASSETS				
Non-current assets				
Property, plant and equipment	4	991,181	1,027,661	999,825
Multi-client project library	5	61,450	6,532	49,499
Equity accounted investments	6	2,668	7,565	2,748
Intangible assets		397	532	418
Vessels under construction		-	48,122	-
Total non-current assets		**1,055,696**	**1,090,412**	**1,052,491**
Current assets				
Prepaid expenses		5,338	4,399	6,277
Other current assets		54,603	57,646	57,280
Assets held-for-sale	7	-	-	128,003
Accounts receivable		82,203	34,865	76,440
Restricted cash - short term		8,827	3,300	8,107
Cash and bank		85,968	99,921	43,828
Total current assets		**236,939**	**200,132**	**319,933**
TOTAL ASSETS		**1,292,635**	**1,290,544**	**1,372,424**
EQUITY and LIABILITIES				
Equity				
Issued share capital	8	10,144	10,144	10,144
Share premium		501,843	501,890	501,827
Other reserves		41,684	38,426	40,868
Retained earnings/(loss)		(61,574)	(92,666)	(71,432)
Total equity		**492,097**	**457,794**	**481,407**
Non-current liabilities				
Senior bonds	9	96,684	170,346	98,267
Convertible bonds	10	105,182	132,731	103,800
Long-term finance lease	11	158,769	171,587	160,266
Other long-term debt	12	285,394	206,741	294,361
Liability for warrants		-	3,017	-
Employee pension accrual		199	267	185
Total non-current liabilities		**646,228**	**684,688**	**656,879**
Current liabilities				
Interest payable		7,996	9,630	5,615
Employee accruals and payables		11,990	3,200	10,691
Other accruals and payables		26,546	18,168	29,183
Bond loans current portion	9, 10	34,450	-	53,495
Long-term finance lease current portion	11	5,805	17,094	16,973
Other long-term debt current portion	12	29,421	19,921	73,992
Accounts payable		38,101	80,049	44,188
Total current liabilities		**154,311**	**148,061**	**234,138**
TOTAL EQUITY and LIABILITIES		**1,292,635**	**1,290,543**	**1,372,424**

Interim consolidated statement of cash flows

		Quarter ended		Year ended
(In thousands of USD)	Notes	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Cash flows from operating activities				
Profit/(loss) for the period		9,858	(11,405)	9,829
Adjustment for:				
Depreciation and amortization	13	21,741	16,610	91,398
Impairment of vessels		-	-	7,405
Changes in fair value of financial instruments		-	2,969	(48)
Stock options compensation		815	445	2,887
Interest expense	14	23,162	16,354	80,855
Interest income	15	(5)	(100)	(388)
Currency (gain)/loss on revaluation of senior bond liability		(1,856)	1,829	2,707
Gain on acquisition of joint-venture		-	-	(3,602)
Share of (profit)/loss from equity accounted investments	6	80	(112)	14
Working capital adjustments:				
Decrease/(Increase) in current assets		(2,148)	16,694	(25,859)
Increase/(Decrease) in trade and other payables and accruals		(11,195)	2,883	38,528
Net cash flows from operating activities		**40,451**	**46,168**	**203,726**
Cash flows from investing activities				
Decrease/(Increase) in restricted cash		(721)	20,383	15,577
Purchases of property, plant and equipment		(7,697)	(142,203)	(321,481)
Proceeds from assets held-for-sale	7	128,003	-	-
Payments for multi-client project library	5	(13,463)	(2,458)	(37,813)
Payments to acquire intangible assets		(81)	(54)	(186)
Investment in joint venture	6	-	-	(2,800)
Acquisition of subsidiary net of cash received		-	-	(4,846)
Net cash flows from/(used in) investing activities		**106,041**	**(124,331)**	**(351,549)**
Cash flows from financing activities				
Proceeds from the issuance of ordinary shares		16	40,458	40,458
Transaction costs on issue of shares		-	(1,460)	(1,523)
Repayment of senior bonds	9	(20,000)	-	(55,000)
Net receipt from loans		-	110,624	266,939
Repayment of lease liabilities	11	(12,665)	(9,775)	(21,217)
Repayment of other long-term debt		(55,435)	(5,650)	(22,762)
Interest paid		(12,840)	(13,528)	(65,715)
Other finance costs paid	14	(3,433)	-	(7,234)
Interest income	15	5	100	388
Net cash flows from/(used in) financing activities		**(104,352)**	**120,768**	**134,335**
Net increase/(decrease) in cash and cash equivalents		**42,140**	**42,605**	**(13,488)**
Cash and cash equivalents at the beginning of the period		43,828	57,316	57,316
Cash and cash equivalents at the end of the period		**85,968**	**99,921**	**43,828**

Interim consolidated statement of changes in equity

(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 31 December 2011	**467,196,179**	**9,344**	**463,692**	**37,981**	**(81,261)**	**429,756**
Total comprehensive income for the period		-	-	-	9,829	9,829
Employee stock options		-	-	2,887	-	2,887
Issue of share capital						
20 March 2012 at NOK 5.80 (USD 1.01) per share	40,000,000	800	39,658	-	-	40,458
Transaction costs on issue of shares		-	(1,523)	-	-	(1,523)
Balance as of 31 December 2012	**507,196,179**	**10,144**	**501,827**	**40,868**	**(71,432)**	**481,407**
Total comprehensive income for the period		-	-	-	9,858	9,858
Employee stock options		-	-	815	-	815
Issue of share capital						
20 March 2013 at NOK 3.58 (USD 0.62) per share	25,000	1	16	-	-	16
Balance as of 31 March 2013	**507,221,179**	**10,144**	**501,843**	**41,684**	**(61,574)**	**492,097**

Notes to the interim consolidated financial statements

1. General information

The interim condensed consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group") for the period ended 31 March 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 29 April 2013.

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 Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands. The Group has its main administration office in Dubai, United Arab Emirates which is the domicile of the Group.

The Group has seven high end 3D vessels, *Polarcus Nadia, Polarcus Naila, Polarcus Asima, Polarcus Alima, Polarcus Amani, Polarcus Adira* and *Vyacheslav Tikhonov* that are currently operational. *Polarcus Samur,* one of the vessel from the Group's fleet, was sold to Turkish Petroleum Corporation ("TPAO") on 11 February 2013. Please refer to Note. 7 *Assets held-for-sale* for details.

2. Significant accounting policies

These interim condensed consolidated financial statements for the period ended 31 March 2013 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 2012.

The accounting policies applied by the Group in these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2012 unless otherwise stated below. Please refer to Note 2 *Summary of significant accounting policies* to the Consolidated Financial Statements in the 2012 Annual Report for information on the Company's accounting policies.

2.1 Joint arrangements

Effective 01 January 2013, the Group applies IFRS 11 *Joint arrangements* retrospectively for its interests in joint ventures. IFRS 11 requires the Group to recognize its interests in joint ventures as investments to be accounted using the equity method. Accordingly, the Group's investment in Polarcus Nigeria Limited (an entity jointly controlled by the Group and Ashbert Limited) is accounted using the equity method. All comparative numbers have been restated accordingly. Prior to the application of IFRS 11, the Group used the proportionate consolidation method for its investments in joint ventures.

2.2 Amortization of multi-client projects library

Effective 01 January 2013, the Group introduced 5% amortization intervals for its multi-client project library, ranging from 40% to 90% of sales amounts, in order to improve the accuracy of the amortization rates applied.

3. Segment information

Effective 01 January 2013, 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 bare boat charter revenue and management fees are reported under 'Other' operating segment. The Group's general administration overheads are also included under 'Other'. The Group does not consider financial income/expenses and income tax expenses in order to measure the segment-wide performance.

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Marine			
- Proprietary contracts*	126,962	87,873	468,579
- Multiclient pre-funding	9,033	754	14,704
- Multiclient late sales	18	-	15,055
- Other income	(78)	3,700	4,171
Total Marine revenues	**135,936**	**92,327**	**502,509**
Other			
- Bare boat charter (Operating leases)*	6,255	6,325	25,070
- Management fees*	2,581	1,232	1,689
Total Other (non-Marine)	**8,836**	**7,556**	**26,759**
Total revenues	**144,771**	**99,883**	**529,268**
Operating costs**			
- Marine	(85,191)	(68,859)	(323,212)
- Other	(6,705)	(4,932)	(15,865)
Total operating costs	**(91,896)**	**(73,791)**	**(339,077)**
EBITDA			
- Marine	50,745	23,468	179,297
- Other	2,131	2,624	10,894
Total EBITDA	**52,875**	**26,092**	**190,191**
Operating profit (EBIT)			
Marine			
EBITDA	50,745	23,468	179,297
Depreciation and amortization	(15,525)	(14,103)	(67,952)
Impairments	-	-	(7,405)
Multi-client amortization	(4,161)	(452)	(15,210)
Operating profit/(loss) - Marine	**31,058**	**8,913**	**88,729**
Other			
EBITDA	2,131	2,624	10,894
Depreciation and amortization	(2,055)	(2,054)	(8,236)
Operating profit/(loss) - Other	**76**	**570**	**2,658**
Total operating profit (EBIT)	**31,134**	**9,483**	**91,388**

*Disclosed as 'Contract revenue' in the Consolidated statement of comprehensive income.
**Operating costs include Vessel operating expenses and Sales, general and administrative costs.

4. Property, plant and equipment

(In thousands of USD)	Seismic vessels and equipment	Office equipment	Total
Costs			
Balance as of 1 January 2013	1,137,329	2,455	1,139,785
Additional capital expenditures	11,341	141	11,482
Disposals	(1,243)	-	(1,243)
Balance as of 31 March 2013	1,147,427	2,596	1,150,023
Depreciation and impairment losses			
Balance as of 1 January 2013	138,200	1,759	139,959
Depreciation for the period	19,172	135	19,307
Disposals	(424)	-	(424)
Balance as of 31 March 2013	156,949	1,894	158,842
Carrying amounts			
As of 1 January 2013	999,129	697	999,825
As of 31 March 2013	**990,478**	**702**	**991,181**
Carrying amounts held under finance lease as of 31 March 2013	190,986	-	190,986
Pledged assets as of 31 March 2013	942,869	-	942,869

5. Multi-client project library

(In thousands of USD)	31-Mar-13	31-Mar-12	31-Dec-12
Balance at the beginning of the period	49,499	4,211	4,211
Cash investments	13,463	2,458	37,813
Increase through acquisition of shares in joint venture	-	-	15,324
Capitalized depreciation*	2,649	316	7,361
Amortization	(4,161)	(452)	(15,210)
Balance at the period end	**61,450**	**6,532**	**49,499**

*Refer to Note 13 *Depreciation and Amortization.*

6. Equity accounted investments

(In thousands of USD)	31-Mar-13	31-Mar-12	31-Dec-12
Balance at the beginning of the period	2,748	7,453	7,453
Cash investments	-	-	2,800
Share of income/(loss)	(80)	112	14
Decrease through acquisition of shares in joint venture	-	-	(7,519)
Balance at the period end	**2,668**	**7,565**	**2,748**

7. Assets held-for-sale

On 31 December 2012, the Group entered into a long-term collaboration agreement with TPAO which included the sale of the vessel *Polarcus Samur*. The sale transaction was completed on 11 February 2013 with gross proceeds of USD 133.5 million and USD 5.5 million in transaction costs. Accordingly, the Group received net proceeds of USD 128.0 million.

8. Share capital

The Company's authorized share capital is USD 13,470,000 divided into 673,500,000 shares at par value of USD 0.02 each.

On 20 March 2013, the Company issued 25,000 new shares at NOK 3.58 (USD 0.62) per share towards the employee stock options exercised. As of 31 March 2013, the total issued share capital of the company is USD 10,144,424 divided into 507,221,179 shares, each with a par value USD 0.02.

9. Senior bonds

(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
USD 55 million 13% Senior secured callable bonds	-	54,355	-
USD 80 million 12.5% Senior secured callable bonds	58,472	77,332	77,792
USD 40 million 14% Senior unsecured bonds	38,212	38,659	39,922
Balance at the period end	**96,684**	170,346	117,714

On 13 February 2013, subsequent to the sale of *Polarcus Samur,* the Group repaid 25% of the 12.5% senior secured bonds (USD 20 million) and interest accrued thereon (USD 0.7 million) together with an early redemption premium of USD 1.2 million.

10. Convertible bonds

The amortised value of the liability component of the convertible bonds is as per below;

(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
USD 35 million 8.5% convertible bonds	34,450	32,921	34,047
USD 125 million 2.875% convertible bonds	105,182	99,810	103,800
Balance at the period end	**139,633**	132,731	137,847

The USD 35 million 8.5% convertible bonds will mature for repayment on 30 July 2013. Liability under this bond loan has been reported as a current liability in the interim consolidated statement of financial position.

11. Long-term finance lease

Payments made under finance lease arrangements during the period reported are as per below;

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Principal payments	12,665	9,775	21,217
Interest payments	5,118	5,595	21,904
Total payments	**17,783**	**15,370**	**43,121**

Included in the principal payments above is USD 8.4 million paid on 25 March 2013 towards the full and early settlement of a lease liability to Sercel Inc.

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

(In thousands of USD)	31-Mar-13	31-Mar-12	31-Dec-12
Payable for *Polarcus Nadia*	82,171	84,755	82,838
Payable for *Polarcus Naila*	82,403	84,961	83,063
Payable for in-sea equipment	-	18,964	11,339
Balance at the period end	**164,574**	**188,681**	**177,239**

12. Other long-term debt

(In thousands of USD)	31-Mar-13	31-Mar-12	31-Dec-12
Fleet bank facility - Tranche 1 (USD 80 million)	61,157	66,840	64,344
Fleet bank facility - Tranche 2 (USD 55 million)	45,702	49,198	47,846
Fleet bank facility - Tranche 3 (USD 114 million)	101,829	110,624	106,456
Fleet bank facility - Tranche 4 (USD 114 million)	106,127	-	106,003
Fleet bank facility - Tranche 5 (USD 47 million)	-	-	43,705
Balance at the period end	**314,815**	**226,662**	**368,353**

On 11 February 2013, subsequent to the sale of *Polarcus Samur,* the Group made a full repayment of the balance outstanding under Tranche 5 of the Fleet bank facility (USD 45.04 million) and interest accrued thereon (USD 0.36 million) together with an early settlement fee of USD 2.23 million.

13. Depreciation and amortization

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Depreciation of seismic vessels and equipment	19,172	15,613	77,396
Depreciation of office equipment	135	135	546
Amortization of multi-client data library	4,161	452	15,210
Amortization of other intangible assets	102	234	480
Disposal of onboard equipment	819	492	5,127
Depreciation capitalized to multi-client library	(2,649)	(316)	(7,361)
Total	**21,741**	**16,610**	**91,398**

14. Finance costs

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Interest expenses on senior bonds	4,443	6,035	20,714
Interest expenses on convertible bonds	3,428	3,263	13,306
Interest expenses on lease arrangements	5,118	5,595	21,904
Interest expenses on other long-term debt	6,741	1,449	17,664
Other interest expenses	5	12	34
Net interest expenses	**19,734**	**16,354**	**73,622**
Realized currency exchange loss	397	1,027	4,733
Unrealized currency exchange loss	-	3,438	7,860
Other finance costs	3,428	-	7,234
Total	**23,559**	**20,819**	**93,449**

Other finance costs paid during Q1 2013 represent the fees on early repayment of 12.5% senior secured bonds (USD 1.2 million) and Tranche 5 of Fleet bank facility (USD 2.2 million). Also refer to Note 9 *Senior bonds* and Note 12 *Other long-term debt*.

15. Finance income

	Quarter ended		Year ended
(In thousands of USD)	**31-Mar-13**	**31-Mar-12**	**31-Dec-12**
Interest income from deposit with banks	5	100	388
Realized exchange gain	327	610	3,814
Unrealized exchange gain	2,031	2,103	5,886
Total	**2,362**	**2,813**	**10,089**

Unrealized exchange gain during Q1 2013 includes a gain of USD 1.9 million on revaluation of the NOK 230 million 14% Senior bonds.