

**Company:** Topaz Energy and Marine  
**Conference Title:** Q1 2015 Results  
**Presenter:** René Kofod-Olsen  
**Date:** Wednesday 20<sup>th</sup> May 2015

Operator: Good afternoon and welcome to the Topaz Energy and Marine's Financial Results for the First Quarter of 2015. Today's conference is being recorded. At this time I would like to turn the conference over to Mr René Kofod-Olsen, CEO. Please go ahead.

René Kofod-Olsen: Yes, thank you very much. Welcome everybody to our quarterly results update. We will go through the presentation that has been uploaded as usual; we will do it quite quickly and then we will turn into Q&A. On page number 3, we have updated our normal key credit strength. Nothing has really changed, but what is clear from the current situation in the oil and gas industry is that our credit strength has been tested and definitely found robust, under the current circumstances or the current trading conditions. So our robust backlog in the industry is kept intact, about a billion dollars, the vessels are operating at a high utilisation, and all our core markets are producing solid results.

Then on page number 4, then the Caspian business and the Middle Eastern business as I mentioned as our core markets, have shown normal resilience, and the main pressure comes from our more nascent market of West Africa, which was also predicted in our previous discussions. It is a place where it takes a longer time to produce a stable base, and we have taken that time to set our presence in both Nigeria and Angola. During the last three weeks we have gotten our long-term licences in place in Angola, and we will now be able to bid on long contracts in that

market as well, so we will definitely see a swing in terms of contract coverage there. We have been very conservative in terms of our fleet planning. We have previously described projects of adding a couple of sub-sea vessels to our already sub-sea play; we did not conclude that at the end of last year when we found that the rhetoric from the oil majors started to be more tight, so we took our foot off the gas pedal. We as well had a PSV, the eighth PSV in a series that was destined for West Africa; we went to the shipyard we have a very good relationship with, and we actually terminated that and instead ordered an anchor-handler, so we kept our deposit intact, and we will now have a great twelve thousand BHP horsepower anchor handler coming in the fourth quarter of 2016. So currently we do not have any capex pressure, which puts us in a solid position. As per our financial plan, we went in and refi'd, well we started already last year, and went on a great project to refi some debt from 2011 and 2012, at a very aggressive level. We are very pleased that we concluded that a couple of weeks back, so we raised \$550 million where \$350 million of that is going to be repaid off high-yielded debt, and the \$200 million will be both a revolver and some unsecured money, so it shows the credit strength that the institutions are putting in us, even at this situation in the oil and gas market, which is a testament for our model. We will continue to have a marriage of our commercial strategy and our capital strategy as we go on, we set out to have that in 2012, and for those of you who have followed us since the bond, you will know that we have delivered on that, whether on the equities side, or the debt side.

We have a core fleet that's trading at very high utilisation but of course, in a very tough environment, certainly in the Atlantic Basin, where the spot markets are in some parts at a total standstill, and in West Africa definitely challenged. We keep

a very, very high safety record, and are still working only with reputable AAA counterparts in the oil and gas industry.

Page number 5, in terms of the market outlook, I'm not going to be an oracle on the oil price, there's a lot of intelligent people out there that we can all read up on, that has a position on that. But our general position is that we are in a very solid industry, there is a robust outlook for that part of the energy needs of the world, and as most of the easy oil, i.e. land oil, has been found, then it is off-shore that is going to play a big part of the future oil generating revenues. So we are a very, very supportive of the long-term outlook in the oil and gas industry, we will go through peaks and valleys, and we are certainly in a valley now, and that will test the model that we are running, but I'm pleased to say that we are, relative to peers, more resilient when it comes to the way that we look at long-term contracting. So we have never had the highest day rates of the industry, but we have had the longest tenor and the biggest contract backlog, so we are still doing relatively well, and certainly in our core market.

On page number 6, Jay Daga, our Chief Financial Officer, will just take us through those highlights.

Jay Daga: Thank you, René. On page number 6, this shows our quarterly performance for 2015, first quarter. The revenues are down by \$4 million as compared to the previous year's same quarter, and there's a mix of events that have resulted in this revenue decline. We added a few extra vessels last year, so they were positive, but the low uptake on West Africa has resulted in that additional revenue being depleted. At the same time we have a sub-sea vessel that was not profitably deployed in the first quarter, and impacting a net revenue decline of \$3.5 million. The good news is that our home base, Caspian and MENA, is holding very,

very well, and the new market we entered last year, and we saw the head-wind in the last quarter of the previous year, so it continued, but now we're seeing a high level of activity in the second quarter, so we are hopeful that this market will come around very quickly, and coupled with the licences that we got in Angola and Nigeria.

Page number 7, this shows our quarterly, quarter-on-quarter growth of revenue. Naturally the quarter number 1 2015 is significantly lower than quarter four last year, and quarter four we had assets still that is included in the revenue. At the same time, generally in our business, due to our high Caspian presence, the first quarter is always lower than the previous quarter due to harsh winter conditions. And we have the similar trend this year when Russia and Kazakhstan business was lower, as planned, and that is why the impact of the lower revenue as compared to quarter number four. EBITDA margin, as we anticipated, middle of 40s, 46%, that holds on, but as I say the PAT is a bit lower due to higher interest costs that we have incurred on adding new assets during the previous year. And we expect that subsequent quarters with higher revenue and higher EBITDA, we would come back to our normal levels of PAT.

Page number 8, now this reflects the core fleet utilisation out in Caspian. Out of 37 vessels we achieved better than the previous year of almost 98% utilisation. On the MENA fleet we're still around 90%, the down-side is coming from Africa where we have ten vessels and sub-sea we have got three; out of three, two have been profitably deployed and one has been looking for work. The day rates are lower by around three and a half percent which is still significantly better than many of our peers, and this reflects our strategy of keeping a steady rate and going after the long contracts. Now, our diversified portfolio also helps us to ensure that the upside

of one market and the downside of markets are balanced in the overall fleet of Topaz. Backlog is still at around a billion dollars, and our vessel age is 7.1 years, as compared to previous years.

Capital structure, page number 9, now we have a very strong cash position, which we saw coming due to tough market conditions, we have managed to fully refinance as senior secured debt, the one facility with five core banks, two international and the local banks, other than that the leverage issues are very much within control, we're still targeting a net leverage of three and a half times, which we'll continue to monitor over subsequent quarters.

The covenants, on page number 10, the covenants have got very significant headroom, we have managed to get a decent level of covenant, giving us the flexibility of managing our financial affairs well. This gives us enough flexibility to target growth opportunity and new assets, which is in line with the company's overall commercial strategy. All of the senior secure facilities have been funded, and some of the banks have been pre-paid, and many of our long relationship banks have continued in the new facility.

Page number 11, which covers the full details of the refinancing, out of the facilities, \$550 million includes \$350 million of senior secured long-term funding, revolver of \$100 million five years, and an unsecured debt of \$100 million. Now both unsecured and revolvers have been undrawn, and that will be used for our future expansion needs. The pricing is significantly better than our expiring prices – we aim to save up to 100 basis points on the entire senior secured debt portfolio. The maturity profile of the debt has been significantly improved, and this is seven year, so now we would look at the refinancing pressure only in 2021 and '22.

Page number 12, it clearly reflects the cash-flow profile of both the debts, and we see that the pressure on repayment over the next few years has significantly been eliminated, and the debt profile has been evened out, which is in line with the asset profile what we have.

Page number 13, safety.

René Kofod-Olsen: In terms of safety we are keeping world-class statistics intact. We are doing a lot to ensure that we have a safe environment for our people to operate in, and certainly for our counterparts, the oil and gas majors. We are also spending a lot of money on investing in this, which is an important part of our credit strength as well, so our counter-party risk from a safety perspective gets reduced. We have even, in this tough oil and gas environment, stayed committed to investing in our people and have actually just signed an agreement with one of the most reputable training businesses in the world, so we will see top-quality training of our officers in very harsh simulations over the next many years.

So in terms of the outlook on page number 14, I've already covered the main strategic outlook on the industry that we're in, Jay has covered the financial disciplines and trading conditions of the first quarter. We stay very confident and invested in the industry, and we will base on what you have heard on our capital strength. We will look at opportunistically taking advantage of any M&A opportunity that should come up, that fit our strategy. By saying that, then we are not going to change the way we run the company, it has to be fitting in terms of clients, in terms of assets and in terms of the long-term view on their contracts from an M&A perspective. So we are in a position where we are not under pressure from any big new building program that comes, we have previously said that that is a key part of our model, and it has shown to work also in this down-turn.

So I think I will leave it here and open up for a Q&A with all of you now.

Operator: Thank you. We will now begin the question and answer session. If you wish to ask a question, please press \*1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press \*2 button. Once again, press \*1 if you have a question. Our first question comes from Zafar Nazim of JPMorgan. Please go ahead.

Zafar Nazim: Thank you. Thanks for the call. René, I had a couple of questions first on the business conditions. Can you please give us some colour on how the second quarter has started? Also could you talk about the contracts that you've added to the backlog in this year – what kind of margins and dailies are you seeing in the new contracts that you've added to the backlog, and how they compare to the averages that you have in the presentation?

René Kofod-Olsen: Yeah, thanks for those questions. So, second quarter has started better, we also predicted that when we spoke last. We knew that a couple of licences were pending, I mentioned Angola, but also Nigeria, so the trading conditions have been much better there. We have actually just yesterday sent two ships on charter in Angola: one ship was for BP for 12 months, and the other was for Technip, so that shows the strength of that, and we are playing now for two or three tenders in that same market, so that is very promising for us. In terms of backlog, we are also in very solid, I would also call them robust negotiations in our core markets, and once they are concluded we will add a significant amount of value to our backlog. In terms of trading off then day rates, yes, there is a lot of pressure on that. I would, however, say that we are not in a situation where we have had a very, very lucrative day rate as compared to the North Atlantic Basin, we have spoken on that before, so when we're reading about 30% discounts that

some oil majors are asking for, we actually don't believe they're talking to us, but as you will see from the literature in the newspapers on both the Gulf of Mexico and the North Sea, where we are not present, there it has indeed been those kind of reductions, and you have seen the aftermath of that. So we are not faced with that and would not be able to deliver that but we have been delivering day rate reductions. In the first quarter, quarter on quarter, we have about \$500 average lower day rate, so that is the situation just now.

Zafar Nazim: Okay, thank you. And just on capex, you spent roughly \$14, \$15 million on capex in the first quarter – how should we think about capex in the remainder of this year?

René Kofod-Olsen: So basically, we, this year we have an abnormal amount of maintenance capex for dockings. That comes in five- and two-year cycles, where the five-year cycle is a more expensive dry-docking. So this year, I believe we have explained that before as well, we have an abnormal amount of dry-dockings, and some of our big ships are being dry-docked, and that is what you see. The sub-sea vessel Captain has been in dry-dock in the US, and we have had two or three vessels in Caspian that have gone to dry-dock as well, so that will always add to the maintenance capex, but we expect over the year to spend about \$25 – 30 million, and that is purely going into the fleet that is currently being run. We do not have any vessels, as I mentioned, coming into the fleet before fourth quarter next year.

Zafar Nazim: And so this \$25-30 million is on top of the fourteen and a half in the first quarter?

René Kofod-Olsen: No, that's total.

Zafar Nazim: Total, okay. Thank you.

René Kofod-Olsen: You're welcome.

Operator: We will now take our next question, from John Stipanovich from Goldman Sachs. Please go ahead.

John Stipanovich: Hi, thank for taking my question. So first, just to clarify on that last one – are there no other – I thought this year there were some committed payments for those ships that are being delivered that still have to be made, or is that not the case? There's only the \$25 – 30 million maintenance capex, for this year?

René Kofod-Olsen: Yeah, so we had the PSV, John, that was going to deliver in January, and we went to the shipyard and we said listen, we actually don't want to take delivery of that. We will always stay true to our commitments so if we had to impair the deposit we would have done that, we will always stay true to that, our word is our bond. But we instead made an agreement with them to deliver an anchor-handling supply vessel in the fourth quarter of '16 so of course we have topped off the deposit with \$1 million, I believe something like that, and the remaining capital expenditure will be end of 2016, so that is probably what you are looking at.

John Stipanovich: Okay. And then, how much is that payment for that ship, now, in 2016?

René Kofod-Olsen: That is about 25, \$24 million.

John Stipanovich: Twenty four, five. And... Yeah?

René Kofod-Olsen: We typically make a 10% down-payment on vessels, and then the scheduled 90% will be on delivery.

John Stipanovich: Okay. And the sub-sea vessel that you're referring to, which I believe is the one in Mexico, is that, from your comments I understand that still hasn't found a home, right?

René Kofod-Olsen: No, that is not that vessel, that vessel is actually going on charter when it comes out of dock. The Topaz Commander has been in North Sea and was hit by this unexpected crash. We actually had a contract that it was signed up for, but that operator was heavily impacted by the cliff that happened in December, so they defaulted on that contract. So that hasn't found a home. But I'm pleased to say that it has found a home in this quarter, and so the vessel is now two weeks away from going on a contract in Qatar. And after that contract it will go straight into another contract for an NOC, and the likelihood is that they will probably stay there perpetually.

John Stipanovich: Great. And just a question about the, about your comment about potential M&A opportunities, I mean obviously now with this new facility you have a lot of fire-power, plus you have pretty significant cash balance – I mean are there any opportunities that are imminent? And should we be thinking about just acquisition of additional vessels or is there something bigger that might happen?

René Kofod-Olsen: I think we, it would be wrong to give you guidance of any imminent opportunities. We are in the great situation and I think that is what you should expect from our company and we have told several times, we will have a conservative look at the way we can expand, so we do the same if would come to M&A. So we have opportunities to buy individual assets for direct contracts, we have opportunities to buy smaller fleets, or even companies as they come up, but we do not have any imminent now, but it is fair to say that we would not be a

quality company if we didn't have targets in mind and of course you should expect us to have that, but that is the best guidance I can give you.

John Stipanovich: Okay, thank you.

René Kofod-Olsen: Thanks, John.

Operator: As a reminder, to ask a question, please press \*1. We will now take our next question, from Kiti Pantskhava of Nomura. Please go ahead.

Kiti Pantskhava: Ah, hello gentlemen, thank you for the results and presentation. I have a couple of questions. First of all, could you please clarify the point with seasonality, the first quarter was worse than the fourth quarter, how pronounced is that, basically? On average, organically, how much revenue do you generate in the first quarter relative to your annual revenue? And then my second question is about your African business, so the ten vessels being assigned to Africa and only 32% utilisation as of the end of the first quarter – how do you see this changing in the second quarter and towards the end of the year? And finally the last one, is on the covenants of this new refinancing deal, how are they different from the covenants you disclosed in the presentation?

René Kofod-Olsen: Okay, thank you, I'll take the two first ones, and the third one Jay can explain to you. In terms of season, seasonality comes from ice. So in Caspian, it's a very harsh environment over the winter, so there's about \$6 million of less revenue opportunity as part of the assets deployed in Caspian goes into ice layoff. Of course we also have ice-breaking vessels, one in Kazakhstan, but a lot of the vessels will have to go into ice-breaking layoff, so that's normal in that market. In terms of West Africa, as I mentioned this is one of our nascent markets and we knew that coming into a market and growing a market where we have very reputable competitors, the biggest in the industry, will always be an interesting

fight, but a fight nonetheless that we have carefully selected, so we, that market is the right market for us to expand in, and we stay confident on that. I mentioned that we did not have the necessary licences to go for longer-term work; our model is to go for medium and long-term work, but you need to do spot work before you can get into that, especially in these jurisdictions where you need licences to operate. Those licences we didn't have early on; those licences we have today, so therefore are bidding for much longer contracts today, and we have already seen traction on that, so we basically nominate scale as between ten to fifteen vessels, so that also means that we will probably seek to deploy even more vessels as those licences start to bear fruit.

Jay Daga: On the covenants, as you can see we have a more significantly relaxed covenant in the new structure. The net debt to EBITDA that was expiring at four times, is now at four and a half times for the current year. We have gotten rid of many other covenants and stuck to one final covenant which is the debt service coverage ratio. For the debt service coverage ratio, it is pure total EBITDA divided by debt due over next twelve months, and that's a significantly relaxed level at 1.2 times. We've gotten rid of the working capital requirement, and also the pre-liquidity can be covered by committed facilities, we don't have to hold on to cash. Other than that, there was a significant amount of restricted cash in our previous structures, and in the new structure there's no more restricted cash. So all in all I think this covenant package is very investment-friendly, and it covers our growth aspiration that on a shorter term, there's a significant amount of flexibility, but over next two years it comes down to normal level when we would start seeing the benefit of the investment what we carry out. As you would know that in our business, there's always the trailing effect, that first we've got to invest money and

then we can generate EBITDA out of it, and with our strategy that we go after assets with some visibility of revenue and contracts, we do not have any speculative assets other than the one René spoke about delivered in 2016. So this covenant package, in the current climate, even in any climate, is very, very flexible and very investment-friendly.

Kiti Pantskhava: Thank you.

Operator: We will now take our next question, from Zafar Nazim of JPMorgan. Please go ahead.

Zafar Nazim: Ah, thank you. Just a follow-up question – René, you mentioned improving prospects in Nigeria as well. Have you managed to get any business there and what kind of business prospect are you seeing there given change in government, and I guess some bit of uncertainty in that country recently?

René Kofod-Olsen: Yeah, no, that's a great question. Listen, I mean the country was in standstill from a contract perspective for almost two months, and they are still going through the motions of changing the various government institutions and so on, and that takes time before the tenders that are backed by national oil companies as well comes out, so we will still see difficult trading environments, also in the second quarter, but then, with the discussion we have with the oil majors, there is a lot of backlog contract that hasn't happened because of the election, and that will all start to come out, so we believe that we will get that traction here in the end of this quarter, beginning of next. So we definitely see that positive, and we are as established as we want to in that country. But for now, definitely, also as expected in our strategy when we started to build that base, Angola is really showing solid traction.

Zafar Nazim: And the backlog in Nigeria, are we talking about shallow-water stuff or deep-water?

René Kofod-Olsen: Yeah, I mean we don't have any big deep-water assets in Nigeria so it is the shallower stuff we have with our peers. We don't have the large peers, in Africa, so for us, we can both operate in the shallow and in the medium depth waters. The reason for your question is of course that deep water will probably be challenged under the oil and gas price today and I totally agree, so we don't have a big part of our fleet that is really facing deep water, what you would describe as deep water, and certainly not ultra-deep water. So the same with sub-sea vessels that we currently have, and the sub-sea vessels that we are contemplating buying to rejuvenate our sub-sea division; that will also be for the, not benign water depth, but definitely not super, super deep or ultra-deep, they will be in the lighter IMR sector of the business. We are not part of the very deep-sea part of the industry.

Zafar Nazim: Thank you.

Operator: We will now take a question from John Stipanovich of Goldman Sachs. Please go ahead.

John Stipanovich: Hi, just a couple follow-ups on the facility. First of all just so I make sure my math is correct, and I'm not sure if you swapped any of this, but what would be the pro-forma cash interest of the new facility?

Jay Daga: There is no major change because the deck is replaced by maturing debt. We will save a hundred basis points out of the existing facility.

John Stipanovich: Okay, so just run it that way, assume a hundred basis points savings and, fine. And the fees on the facility, how much was paid?

Jay Daga: As per the contract, John.

John Stipanovich: Sorry, I'm just wondering how much in the quarter, just the model, the cash flow, how much is paid for fees, for the facility?

Jay Daga: The fees will be amortised over the next seven years. It's the standard fees applicable to, for our arrangement.

John Stipanovich: Okay, we'll see it in the next statement, I guess. And just lastly, just so I can think about this, given that how, it's a little bit surprising how deep the local market was for you and how much cheaper it was. I know your bonds aren't callable until next year, but how do you think about that? Is there something just going forward that it makes sense to look to local bank financing for the company?

René Kofod-Olsen: So, John, thanks for that, and I of course took a congratulation in that comment, so -

John Stipanovich: Absolutely.

René Kofod-Olsen: So we are very pleased with that. We really believe in our model and the institutions that are backing us, they understand it very well, and as you can see, that fact that we have been able to deliver this, and we have been very up-front with all the banks on the situation that the oil and gas market is facing, but they understand the robustness of our model and the way we operate, so it's a great testament for us, and we're very happy working with them. Now, in terms of the bond, we don't have any imminent plans of going in and replacing that prematurely, but of course, as you would expect, we have merged capital disciplines with our commercial strategy, so we will always stay very alert to

opportunities for doing that, but I don't think in the current environment that that is something we would be interested in doing.

John Stipanovich: Thank you.

Operator: As a final reminder, to ask a question, please press \*1. We will now take a question from Harry Richards of Jupiter. Please go ahead.

Harry Richards: Hi, René, hi Jay, and thanks very much for the call. A couple of questions from me. I saw in your documentation that you commented that in the MENA region, Africa and sub-sea, you also saw some long-term contract roll off. Do you have any additional contracts rolling off over the next three quarters that are material, that you can talk about?

René Kofod-Olsen: No, we are prematurely negotiating them, so we do have contracts in the fourth quarter that comes off, in Caspian, those are already being discussed with our counterpart there. We do have some contracts that goes off in July, here in the Middle East, that is also being agreed with the NOC that is the counterpart, so we don't have any contracts that are coming off of significance that we are not already in discussion or have concluded with the counterparts. And therefore I also mentioned earlier that you will see our backlog creeping up again at the end of second quarter and certainly in third quarter depending on when we are concluding this, but we stay confident in those discussions.

Harry Richards: Okay, so you wouldn't, just to summarise, you wouldn't expect any significant hits to EBITDA on the basis of re-contracting, post those roll-offs?

René Kofod-Olsen: No, I mean we of course in these contracts we have gone in and discussed with the counterpart, Harry, and said listen, we will always trade-off for longer contracts and more stability, so we have, in this environment we have been

humble with then, and said we are able to look at the day rate from a marginal perspective against longer contracts, and that has been by and large been well-received, and I think the way that we have done it is protecting backlog and our cash flows.

Harry Richards: Thank you. And in terms of your M&A strategy, there have been certain markets where you're not particularly present that you've touched on, like the North Sea and Gulf of Mexico which have slightly different dynamics to your core market. Would you consider increasing your exposure to those regions or is it very much stick to what you know, in terms of where you look?

René Kofod-Olsen: It's very much stick to what we know. We have very, very carefully decided West Africa, when we looked at the Atlantic Basin. We have been in Brazil, and we have considered coming back into Brazil if the situation was stabilised, and the verdict is still out. Do I think it will stabilise, sure, but I think everybody should expect a new norm, and we are certainly expecting a new norm, and so we will be very, very critical on any potential M&A from a corporate company perspective, and it has to make sense to where our core disciplines lie, so that's definitely the guidance I can give you, Harry.

Harry Richards: Okay, thanks. And just finally, I wanted to clarify something on the unsecured facility that you signed, the \$100 million unsecured five-year facility, there's a comment in the presentation that it has twelve months' availability period. Is that just a 'use it or lose it' clause for the next twelve months, or have I misunderstood?

Jay Daga: Yes, that's right, you use it or lose it.

Harry Richards: Right, okay. Perfect. Thank you very much, both of you.

René Kofod-Olsen: Thanks.

Jay Daga: Thanks:

Operator: There are currently no questions in the phone queue. At this point I would like to hand the call back to Mr. Kofod-Olsen.

René Kofod-Olsen: Thank you. Well, thank you everybody for listening in, and being with the company. I will reiterate that we both from a Topaz perspective but also from a group perspective, in Renaissance, stay absolute true to the industry that we are operating in, and although we have quite some turbulent waters in the industry today, the robustness of the contracts coming in the future years are definitely there, and when we speak to the customers, it's not about whether the business is there, it's about when it's there and at what price the business can be concluded, and our model speaks well to that. So thank you for listening in and being part of the company, and until next time.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.