

Company: Topaz Energy and Marine
Conference Title: Financial Results for the Six Months ended 30 June 2016
Presenter: René Kofod-Olsen
Date: Thursday, 25th August 2016

Operator: Good day and welcome to the Topaz Energy and Marine first half 2016

financial results. Today's conference is being recorded. At this time, I would like to turn the conference over to René Kofod-Olsen. Please go ahead.

René Kofod-Olsen: Thank you very much, Maria. Welcome everybody to our quarterly update and this will also mark the update on the first half of the trading of Topaz. It has been an interesting second quarter. It is absolutely clear that the trading conditions have not really been amenable throughout the entire first quarter. But I'm pleased to, of course, report that in the very, very difficult and challenging times, we have managed to secure some solid contracts across the board.

We have signed a very big contract with Chevron up in Kazakhstan, where we are going to supply 15 ships and over a period of three-year firm, we are going to transport 300 offshore modules through the two river systems. And we're going to support the three vessels in the Caspian itself to the local company there. So the total revenue secured for our backlog is about half a billion dollars from 18 to 21. That puts our total backlog up to US\$1.6 billion.

Throughout the second quarter, we've had a robust delivery on our EBITDA numbers. We have protected our cash flows. It's clear that our revenue has been declining, but we have also been able to take a good portion of our cost-out as you would expect from us. We mentioned that we would take the company to

a trading environment in the 40 to 50 dollars in terms of the oil price and that is what we continue doing.

We have a strong performance in our home market of Caspian. We have been able to move a couple of ships up to the Caspian region based on contracts and we have an above 90% utilisation, which I believe is probably one of the highest in the market. We are fully compliant with our banking covenant, and we continue having a very stable safety regime.

Now I will move to page number four and my colleague Jay will give us a little bit more information on the numbers before we turn it into a Q&A.

Jay Daga: Thank you, René. On page number four, as you can see that with respect to our revenue, we are 14% lower than last year and this has been very clearly explained in the financial results summary that has been put onto the web. Broadly, we have maintained our strong position in Azerbaijan. On Kazakhstan, other than five barges, we are continuing to chug along nicely.

We have difficulty in long contracts in MENA and West Africa because there's a lot of new tonnage which has come from the Far East and we continue to see pressure in the market in the Middle East and Africa. However, we have managed to squeeze a lot of cost out of the system and therefore, been able to maintain EBITDA at a very healthy level. The EBITDA hasn't declined as much as revenue. It's only lower by 5%.

On page number five, that reflects the quarter two summary. Yes, quarter two has seen a much weaker trading condition than quarter one. So therefore, we continue to see a similar condition in quarter three. We are focusing heavily on finding deployment and the rates are under pressure. However, we continue to

maintain a very healthy cash balance to ensure that, we have a sustainable business model going forward.

Page number six. It shows the trend of revenue and EBITDA decline. In quarter number one, we had US\$78 million revenue. However, in quarter two, it's only US\$72 million dollars. So there are a lot more assets that are still not finding a profitable deployment as we predicted in our previous call. But at the same time, you know, we continue to drive costs out so that the EBITDA does not decline as much as the revenue decline between the various quarters.

H1 performance, on page number seven, this basically reflects what I have explained that the utilisation of the core fleet is down almost 12% over the two periods, as I said. The core fleet, which is in Azerbaijan, we are almost 50 to 60% of our capital employed. It's performing very well. However, the other fleet in MENA and Africa - that has declined. That is lower than the previous year. The rates are down by 2% because in quarter number one, we still had good rates and it started declining in quarter two. So we will see a weaker rate in the coming period.

Capital structure, we continue to maintain very healthy cash balance. Our debt repayment capacity and our covenants are within line. We still have the revolver of US\$100 million within this from our relationship bank. The leverages are slightly higher but at the same time - the leverages are purely dependent on EBITDA - but at the same time, we've had active discussions with our lenders and managed to get a lenient covenant package for coming few quarters.

Page number ten, which is showing a healthy liquidity position. So we continue to maintain good cash balance to meet our mid-to-long term cash requirement in our balance sheet.

René Kofod-Olsen: Thank you, Jay. We continue to focus on operational assurance.

We, as a company, believe the counter-party risk is probably one of the biggest priorities for our customers today and going forward. And our whole safety and operational insurance sphere needs then to be at the highest standards. So we continue to train our officers and deliver what we believe is a second-to-none operational assurance to our customers. I will now hand it over to a Q&A and invite all questions accordingly.

Operator: Thank you. To ask a question at this time, please press *1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, that's *1 to ask a question. We'll pause for a moment to allow everyone the opportunity to signal. We'll now take our first question from Sergio Calci of JPMorgan.

Jafar Hamid: Thank you. This is Jafar Hamid from JPMorgan. Thanks for the call. I have a few questions, if I may. First, René, if you can you just talk about - obviously rates are under pressure in both the Middle Eastern businesses and Africa, as you saw in the second quarter. Can you tell us if rates have not stabilised or if 3Q is actually - rates have actually gone down further from Q2? And where do you expect rates to sort of stabilise at the bottom? Is this going to be third quarter, fourth quarter? Are you already there? Both in the GCC and Middle East as well as your African business.

René Kofod-Olsen: Yeah, that's a great question to start with, which is basically the trading conditions. So, thank you Jafar. I think the trading conditions will continue to be very, very difficult for the remainder of this year and certainly also in 2017. We need to see a good stable oil price around the 50's - 60's, I believe, before oil majors are really starting to take on CAPEX commitment. Again, and

when they start doing that, that will be a six to eight-month lag before we really see it in our industry. I think we should expect the trading conditions to continue to be difficult.

We, in terms of the rate pressures, I do actually believe that it is very difficult to go much lower than what we are seeing today. There are about 1,000 ships laid up and that, of course, assists, sort of, the supply demand equilibrium. So that's good. But there is a limit to how low you can go. I, during the first quarter call, cautioned that a lot of the Asian companies were starting to enter the Middle East, sort of, on the expectations that that was a new market for them to operate.

We also predicted it would be very difficult and the rate that we saw, were under our cash to break even. And while we can predict an outcome, then, of course, you are reading trading press as well, and you have seen some of these Asian companies either go into liquidation or direct bankruptcy. And that is the problem in the industry right now is that there would be companies who have not prepared themselves to the same extent for this crisis and taking the right proactive actions and they will now be in trouble.

We will continue facing these difficult trading conditions. We will continue to realign our company to that market. But I do believe that the rates have probably found their own bottom and so we do expect that it cannot go that much lower than here from a rate perspective. But the problem is that there is not that much business out there.

Jafar Hamid: Alright, thank you. And then how many of your core vessels are actually working on a spot basis in the MENA and African regions?

René Kofod-Olsen: So now, in MENA, I would say 70% of the fleet is probably – 60, 70% is probably what we would define as spot. That could be for week's work or it could be for month's work. But we are bidding into longer contracts. Actually, that could have been more.

We could have had more vessels on longer contracts, but we actually refrained from bidding on those contracts in both Saudi and Qatar because we did not believe it was sustainable to run these vessels for five years at those rates and I believe that that was the right decision. So we have actually decided to have this number of vessels in spot.

In Africa, it's basically 80% of our ships that are on spot. And it's a little bit the same dynamic, Jafar, that you know, it is a very delicate commercial strategy right now to decide if you want to sign our vessels at five years at these cash-break even rates.

Jafar Hamid: Thank you. And Jay, just from the call side, you know, you've had a nice success in cutting your direct costs as well as your GNA. And I'm just wondering, so in this quarter, your direct costs were US\$44 million and if you strip out depreciation, US\$26 million cash costs and your GNA was also I think down 19% or so. So is there further possibility of further reductions in these numbers or should we take these as the runway going forward on a quarterly basis?

Jay Daga: I think you know, you're asking me to give you future guidance, which I would avoid. But I think broadly you are spot on that we would maintain a similar kind of runway going forward. Remember that when you cut the costs, the effects start showing after a month or two, you know, especially when you talk about staff costs or breakage cost, etc. So we will abide weaker [unclear]

will drive the cost down. We would see the impact of the entire cost reduction programme showing up in our number next year.

Jafar Hamid: Got it, thank you. And just one last question, you've taken a loan from your parent company. You seem to have deferred the quarterly or the semi-annual payment that you had to make on the loan that was due to the parent. Right now on the short-term liabilities, you have US\$28 million due to the parent company in terms of the loan repayment. Do you expect to make this payment or is this sort of under discussions with the parent company?

René Kofod-Olsen: So one of the things that we've always mentioned, Jafar, is we've had a good parent and we still have a very good parent. With parents like that, what can children otherwise demand? So they actually gave us a waiver for paying that back for that period and so we are discussing right now how to handle that going forward. But as you would expect, this is certainly on the agenda when we discuss with them and I have all the expectations that if we would really need that, then they will assist us.

Jafar Hamid: Thank you.

Jay Daga: Thanks, Jafar.

Operator: Thank you. Our next question comes from Brian Farrell of Pioneer Investments.

Brian Farrell: Hi, good afternoon, gentlemen. Thanks for taking my question. Two short questions. First one is related to CAPEX and if you could give some future colour on the future CAPEX required for the TCO contract in terms of, you know, timing and amounts. And more importantly, just maybe confirmation that the client

payments will continue to match that in the quarter as it did in the second quarter?

And then the second question just relates to the covenants. If you could provide anymore colour around the new levels, whether there's any step-up language, the timeframe of that, etcetera. Any colour around the covenants, any colour would be useful. Thanks.

René Kofod-Olsen: Okay, thank you, Brian. So, in terms of the CAPEX question and then the maintenance CAPEX this year for the fleet is about US\$21 million and we, of course, are trying to defer as much as we can without ever jeopardising the quality of the ships. In terms of our contract with TCO, they're not confirmed that there is milestone payment that matches the ship building contract payments. So it is a part through in our balance sheet. And in terms of the covenant – Jay.

Jay Daga: In terms of the covenant, Brian, we have managed to get a lot of headroom in our net tangible covenant requirement. So US\$500 million will go down to US\$400 million for this year and next year. And in respect of your net interest bearing debt to EBITDA, the 425 will continue until the end of this year and only it gets tightened next year. So we basically pushed our covenant reset to next year.

Brian Farrell: Ah, perfect. Well done. So what does it reset to in 2017?

Jay Daga: 425 for the end of the year. 425 for the end of the year and then it goes to four next year.

Brian Farrell: Four. Excellent. Thanks very much indeed.

René Kofod-Olsen: Thank you, Brian.

Jay Daga: Sorry, Brian. It was four and a half this year. Sorry. Four and a half this year, which was the same as expiring last year and 425 next year.

Operator: Thank you. We have no further questions signaled. So again as a reminder, if you would like to ask a question, please press *1 now. Our next question comes from Kia Williams of Emirates NBD.

Kia Williams: Hi gentlemen, thank you for your call. Can you please discuss some of the biggest risks you see with regards to the TCO contract?

René Kofod-Olsen: Excuse me, could you repeat the first part of that question?

Kia Williams: Sure. I just wanted to know if you could discuss some of the biggest risks you see with regards to the TCO contract.

René Kofod-Olsen: Yeah, I – we need to deliver all these offshore modules on the two rivers into Kazakhstan. Our counterpart is Chevron, who owns 50% of this field. Basically, in terms of the delay risk is that if our shipyards – so Vard – is not able to deliver the ships on time. As for the quality, then there will be, of course, a possibility in the contract for the client and us to go and find another solution, however difficult that will be.

In terms of operational risk, then there are the normal operational risk to navigate throughout the river system. We are, of course, having the typical ship manager's risk of the normal running and bringing the modules into the client. But we do not have the risk in terms of licenses and approvals to navigate the rivers. So we have sort of the normal ship owner's risk associated with this.

We get a day rate and so we are not responsible for any delays, sort of, on the river that could not have been in a normal way predicted by weather and wind and currents in the river. So we are not masters of that. We are not going to sail

in the winter period. So that puts some more, sort of, duration on the project, simply because there's ice in during the winter period up there.

But I think the contract had been made with a lot of precaution on all sides. And so I believe that the risk that we are basically encountering is very well mitigated. In terms of should there be any issue, as I mentioned initially on the ships, and they cannot deliver - and remember that Vard and the Fincantieri Group is one of the biggest shipbuilders of the world - then there is a refund guarantee signed by a first-class bank towards Chevron and Topaz.

Kia Williams: Okay. Thank you.

René Kofod-Olsen: Welcome.

Operator: Thank you. We now have a follow-up question from Sergio Calci of JPMorgan.

Jafar Hamid: Thank you. Just a clarification on the reply to the covenant question, Jay. So, just a decay of 4.5 until December of 2016, the net service covenant and then it steps down to four from 1Q of 2017?

Jay Daga: 425.

Jafar Hamid: 425, and that's from 1Q of 2017?

Jay Daga: No, that is the H1.

Jafar Hamid: H1, okay. So that's - got it. And just on CAPEX, excluding the Vard, the TCO contract, what's your CAPEX budget for the back half of the year?

Jay Daga: We are not supposed to declare the clear budget actually, Jafar. But our maintenance CAPEX requirements are the same as regarded in the past that we will pretty much stick within the US\$20 million worth of maintenance CAPEX. On

the new CAPEX, we have the two subsea vessels under construction. So we are, and then the bulk of the payment is due on delivery. So, you know, we will have one or two instalments due. The term of that contract is 20/80. So 20% during the construction and 80% on delivery.

René Kofod-Olsen: End of '17.

Jay Daga: So therefore, no. Just this year, the capital commitment on the new construction is going to be significantly low.

Jafar Hamid: Got it. So 80% is going to be at the end of 2017.

Jay Daga: Sorry, go ahead.

Jafar Hamid: What does that amount to, the 80%?

Jay Daga: I didn't get it, Jafar.

René Kofod-Olsen: What's the amount?

Jay Daga: 80% of US\$110 million, no?

Jafar Hamid: I got it.

René Kofod-Olsen: Around US\$85 million.

Jafar Hamid: Got it. So that's at the end of 2017. Okay. Great. Thank you. That's all.

Operator: Thank you. Our next question comes from Alex Ayub of WAHA.

Alex Ayub: Hey, thank you. Actually, it's from Waha, not WAHA, but it is the same.

Thanks. So just had three questions today. The first one is on the utilisation rate. Why is the utilisation rate in the Caspian Sea much lower than the same period last year? That's the first one.

Second one is, in relation to seasonality, I think your business might have some seasonality, but ultimately, when you look at slide six, it seems that quarter-to-quarter, EBITDA has been decreasing. Same with sales. I mean, should we expect a similar trend or do you expect the seasonality to help a bit further to have stronger Q3 and Q4?

And then finally the last one, you think that – you mentioned that you think that rates have bottomed out. What's, like...what is the reason behind that? Is it, like, you see your competitors loss making? You see some rates starting to go back up? I just kind of want to better understand why you think rates can't go down further. Thanks.

René Kofod-Olsen: Okay, thank you. In terms of the first question, the utilisation on the core assets, it's gone down 3%, which is really, this can be one vessel not working for a couple of months. That is not that significant. The rest of the Caspian and the utilisation going down to 61% is basically barges and this is what we call the non-core assets, and this is also why there hasn't been a big impact on our real revenue and EBITDA's. So that is in terms of that. We expect a +90% utilisation up there continuing.

In terms of the quarter on quarter pressure. Yeah, I mean, second quarter has been a blood bath. And first quarter was bloody. I gave guidance in the beginning of the conversation that I believe the trading conditions will continue being very, very challenging in '16, but certainly also in '17. So there is not an exact science. We are fighting on all fronts to profitably deploy our assets in MENA and Africa, which is really the main markets outside of the Caspian and then our two elderly subsea ladies as well, and there are some good opportunities for those. Your last question, your last part of the question is in terms of –

Jay Daga: Seasonality.

René Kofod-Olsen: – What I believe on the seasonality and why I don't think the rates can go further down. You get to a point where you are basically breaking cash break even, no matter what balance sheet you look at. And therefore, I believe that we are at a point where the rates cannot go that much further down to actually make sense of it because you have to – running a ship, you have your financing and then you have all your OPEX and most of that is your people. And to run a safe operation, you need to have a normal sort of behaviour in terms of getting the right people and maintaining the vessels to a certain standard. Otherwise, you cannot work for the customers that we work for. And therefore, I think there is a – we have come to a breaking point. Now, why doesn't that have then a bigger impact on our numbers, is that, there is not that much more business. And that's really the biggest problem, is that we are hit by a double-edged sword. We are hit by very, very low rates, historic low rates. And then we are hit by the fact that the business has dried up right now. Now, both you and I can speculate on the future and I would certainly foresee a hockey stick at one point in tied movement in terms of business. But whether that happens in '18 or '19, your guess is probably as good as mine.

Alex Ayub: Sure, but you say that rates are barely enough to be break-even, but you're still generating, like, I think really well. A good EBITDA compared to many of your peers and you're able to have amazing cost savings as well. So if you're still able to generate that kind of cash –

René Kofod-Olsen: Yeah, what we have done –

Alex Ayub: – Go ahead, sorry.

René Kofod-Olsen: Yeah, what we did was that we have always been very humble to our home market in the Caspian. We have taken that very, very seriously. So very early on, we engaged in conversation with our counterparty up there, which is BP, on how can we get through this crisis together and you will recall that we took, proactively, a rate cut. I think that was the, that was the right decision to make at the time for our client relationship.

We then signed this big contract. We have 70% of our business in that region and have always been looking well after that so that is basically why we have such a strong cash churn and stability because we are focused on keeping that stability in the Caspian. So it is really based on our strategy to ensure that nothing can happen in our home market, which is the Caspian. And then basically staying very close to your client.

There has been a number of cases in the market recently where other companies have taken their relationship with their client for granted and they have paid severely for that. So we don't take any relationship with our clients for granted and I think maybe that has served us well, Alex.

Alex Ayub: Perfect, and then sorry just as a follow-up then. Ultimately, so, you have a very good business on the Caspian Sea. If you see the trend deteriorating further, which I hope it's not going to happen, but if you see that happening in Middle East and West Africa, is it fair to say that ultimately, you could just, like, dry dock more vessels and then ultimately not be bleeding cash on these regions and then keep on generating cash from the Caspian Sea then you can kind of protect your business at least for a few years if things get worse? Is that a fair scenario for a downside?

René Kofod-Olsen: Yeah, I mean, what we have done is that we operate, in our terminology, you have three categories of stacking vessels. You have the sort of the warm layup, where you would keep your people, sort of, on-board and you can deploy the ship within 48 to 72 hours. Then you have the cold layup, where you, in our terminology at least, you lock the ships up. You have a crew, that looks after your ships, and they are ready to deploy within, let's say 21 to 28 days.

And then you have the stacking, which is really finding a river and putting your ships up, locking them and coming back whenever you feel that they are ready to deploy. You will then typically also have taken them out of the class and insurance. Now bringing those ships back, you need to dry dock them, you need to spend a lot of money on bringing them back up to the level of quality that you would need.

We don't have any ship in that category and frankly, I would not consider that at this moment in time. But we have nine ships, so two that are cold layup and seven that are between cold and warm layup that we can deploy with relative ease. So we are focusing a lot on getting our OPEX down. We are focusing, as well, on getting our overheads down and sort of operate in a US\$40-50 environment. We have done that since the beginning of last year and we will continue doing so.

Alex Ayub: Perfect. And is that what contributed significantly to the cost reduction? I was wondering if you could give us a better feel on how do you manage to achieve these cost savings? So part of it is overhead. Is it like you need less crew for your fleet or –

René Kofod-Olsen: No.

Alex Ayub: – How would you manage all these cost savings?

René Kofod-Olsen: So, so, yeah. So we have had two rounds of cost savings onboard our ships. So basically, we have gone through all our crew and we have spoken to them and we have sort of marked them to market. We've been able to keep a very high retention rate despite, of course, putting their new contracts to a lower monetary value. Then we have had our black first day, like many other companies have, where we let go of more than 20 people in our organisation and we have sort of had to follow on overhead optimisations from that.

Right now, we are looking at a further sort of optimisation on that, that you would expect from us to ensure that we keep competitive. On top of that, I think we have done very well on procurement. We have overhauled our whole procurement department and actually, in this sort of environment, we decided to upgrade some of the positions that were costs facing. So procurement, we upgraded and that has actually given us cost savings, and of course, fuel and insurance and so on. We have gone back to all our suppliers and ensured that they would give us sort of a mark to market cost position.

Alex Ayub: Perfect. Thank you very much for these details. Cheers.

René Kofod-Olsen: Welcome.

Operator: Thank you. Our next question comes from Cathy Braganza of Insight Investment. Hi there. Your line is open. Please proceed with your question.

Cathy Braganza: Hi, can you hear me?

Operator: Yes.

René Kofod-Olsen: Yes, absolutely.

Cathy Braganza: I was wondering if you could give us some more granularity for day rates in MENA and West Africa, please, for the second quarter. Not necessarily what you're receiving, but what rates are there.

René Kofod-Olsen: I - we're always discussing day rates and I'm always very, very cautious of giving back-of-the-envelope access because I really don't like that. I like numbers and precision. The challenge here is there is a number of different assets in both MENA and West Africa. So coming with a broad stroke day rate is very difficult. But I would think that since first quarter, they have probably gone down another 10, 15%. That's my best view.

Cathy Braganza: Okay. And then what was your utilisation for the second quarter?

René Kofod-Olsen: Overall, for the entire fleet?

Cathy Braganza: Yes, please.

René Kofod-Olsen: Yeah, about 70% throughout.

Jay Daga: I think, well, Cathy, you've got to realise that we have a Caspian fleet which is very, very highly utilised and we have the non-Caspian fleet that do spot work. So, you know, it goes up and down. And then we're moving assets between the territories. So we have moved four of our Middle Eastern anchor handlers to Caspian.

René Kofod-Olsen: 81%.

Jay Daga: So broadly, you know, it's a lot of shifting happening around in order to deploy assets for work. So in terms of availability of an asset, we have seen a decline in our quarterly utilisation. But again, if you pick up once these assets are back into the business, especially the four assets that have been moving from Middle East to Caspian.

Cathy Braganza: Okay, that's great. So performance for those four to five vessels, how many vessels will you have in MENA?

Jay Daga: The number of assets in MENA? Around 20.

Cathy Braganza: Okay. And that's after the steaming of these four to five anchor handlers, right?

Jay Daga: And René said earlier that we are stacking assets so as to optimise on the cost in various forms – either warm stacking, cold stacking – go completely down. And as you would see in page number 15 of our presentation, we have the geographical spread of assets that are currently trading is clearly identified. So, you know, the 20 vessels in MENA including nine in UAE, two in Qatar, eight in Saudi. So you will see –

Cathy Braganza: Yes.

Jay Daga: – A good geographical footprint of the assets and where they are currently trading.

Cathy Braganza: Great. Thank you.

René Kofod-Olsen: Welcome.

Operator: Thank you. We now have a follow-up question from Kia Williams of Emirates NBD.

Aazar Khwaja: Hi this is actually, Aazar Khwaja from Emirates NBD. Just a quick question on the covenant. You mentioned that you also have secured some more headroom on the tangible net worth. It's going down to US\$400 million. Is that correct?

Jay Daga: That's correct.

Aazar Khwaja: What's the effective date, sorry, for the US\$400 million?

Jay Daga: We have signed from our side and we're expecting the lenders to sign up – this is in the stage of signatures. But the effective date of this – right now, we still have a significant headroom of our tangible net position of US\$514 million.

Aazar Khwaja: Got it.

Jay Daga: But in anticipation of a weakening market, you know, we have requested the banks to consider a lower tangible net worth requirement and that could get effective as soon as we get the signed paper from the bank, which is currently in circulation.

Aazar Khwaja: Alright, so thanks for that. So I just wanted to – so my – the exact question was what was the thought process behind that? Are you expecting some significant impairment that could potentially have an impact on your tangible net worth? I just wanted to know exactly what –

Jay Daga: I think, you know, the people who follow the industry, they are in a better position to say. The price of assets worldwide has gone down by almost 20 to 30% over the period. For us, you know, what works in our favour is that the significant portion of our fleet is deployed in Caspian and they have long contracts.

So as for accounting requirements, you know, those assets are – do not have – even though the market value of those assets may have gone down at the broker value, but for us, it did not pose a risk because the cash – the future – the present value of the future cash flow is significantly better. But at the same time, we are proactively dealing with our lenders and, creating that headroom that

should we reach a situation where an impairment may be necessary we don't scramble around for being able to request, etcetera.

Aazar Khwaja: Thanks for that.

Operator: Thank you. We now have a follow-up question from Sergio Calci from JPMorgan.

Jafar Hamid: Thank you, just one last question from me. Jay, do you, the subsea payment of US\$105 million on completion, do you expect to use any additional debt or revolver drawing to pay this? Or do you think you can pay this on your balance sheet cash and operating cash flow?

Jay Daga: Of course, these are long-term assets. You never do a long-term asset funded by your current operating cash flows. So surely, you cannot, near the time we will find a solution to meet the long-term asset financing requirements from a long-term source of funding.

Jafar Hamid: Okay, thank you.

Operator: As a final reminder, ladies and gentlemen, please press *1 if you wish to ask a question. We have no further questions at this time. Pardon me, we just have a question signal.

Rene: That's fine.

Operator: We just have a question signal now. May we take this?

René Kofod-Olsen: Okay, let's take a final question then. Thank you.

Operator: Thank you. Our final question comes from Sameer of EFG. Please go ahead.

Sameer: Hi, thanks for the call gentlemen. I have one question. Jay, this told me that your tangible book volume covenant can come down to US\$400 million after the negotiation with your lenders. So how is it going to impact your cost, interest costs? Will it go further higher?

Jay Daga: I think, Sameer, this is only linked to negative results either to impairment or any other reason. It doesn't change our funding query, our funding needs, or our fund on the balance sheet. So broadly it's not going to impact any of the financing costs with this covenant requirement.

Sameer: Okay. Thank you, René and Jay.

René Kofod-Olsen: Welcome.

Operator: Thank you. We have no further questions. So I would now like to turn the conference back to our host today for any additional or closing remarks.

René Kofod-Olsen: Yeah, thank you very much. Thank you for all the great questions. As we have mentioned, we will continue fighting and navigating these turbulent waters. And we look forward to speaking again after the third quarter results. Thank you very much.

Operator: Thank you. That concludes today's conference call. Thanks for your participation ladies and gentlemen. You may now disconnect.