

**Company:** Topaz Energy and Marine

**Conference Title:** Financial Results for the Three Months to 31<sup>st</sup> March 2016

**Presenter:** René Kofod-Olsen

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Operator: Good afternoon and welcome to the Topaz Energy and Marine Financial Results for the Three Months to 31<sup>st</sup> March 2016. 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 sir.

René Kofod-Olsen: Thank you very much. Welcome to all participants on our quarterly call. I will start on page number four on the presentation that has been uploaded on our webpage. We have seen under the market circumstances a quite stable fleet utilisation in the first quarter. We have moved around some assets to sustain that utilisation and we have made the fleet pegged to the current market opportunities that are out there, so for instance we have downsized West Africa, as we mentioned on the last quarterly call, quite significantly. We have also been successful in our cost containment programme, we have talked about that before and we can now very comfortably mention that we have about a US\$14 million annualised savings which we expect will continue in the future as well. We have made the company basically able to operate in a US\$40-50 environment which we think is prudent to do.

Since last we have announced two major achievements. There was speculation on our course before in terms of our contract extensions in Azerbaijan. We have announced that we have signed a five-year firm with options for seven years on

fourteen ships, so basically the entire production fleet in Azerbaijan, which is about 35% of our global revenue has been signed up in a seven-year contract and it is humbling to be able to do that in the current environment but it is also very humbling to have been approved by BP as a global contractor, which of course is necessary for such a big contract signing.

Secondly we have worked for quite an extensive period on the Tengizchevroil contract in Kazakhstan and we have come up with a quite innovative ship design to transport a lot of offshore modules, oil and gas modules, sorry, into this giant field in the north of Kazakhstan and we have been successful in that contract and we are starting to build vessels as we speak. So it speaks words about our success in the Caspian and the fact that we have invested over the last couple of decades, a significant amount of money in this market which basically is our home market, so we are very enthused by these two contracts. One is of course protection of current revenue and the latter with Chevron is new revenue for the Company. We do have a number of commercial discussions in our other markets, but as I mentioned earlier we have downsized our West African fleet quite significantly.

I have now my colleague Jay who will take you through from page number six and onwards.

Jay Daga: Yes, on page number six the noteworthy deviation is the revenue where we have 7 million shorter revenue in Q1 '16 as compared to '15 but however we maintained the EBITDA level to the same level, so this is predominantly a live debt by significant cost saving initiatives, so that has been implemented from 2015, last quarter onwards, and we are seeing this impact in this quarter and we will continue to see the lower cost in coming quarters. In respect of our cash flows, we continue to maintain very healthy cash balances and we are not leaving anything for cash

conservation, the capital expenditure programme has been slowed down. We focus heavily on maintaining our maintenance capex, so all in all a steady position in respect of our cash balances and EBITDA generation for this quarter.

Page number seven, speaks the same trend that we continue to do our average realisation of the revenue. Typically, the quarter number one are slower than the rest of the quarter because Caspian, especially the North Caspian gets icy, so we do not see those fleets coming back to operations in quarter number two and that might continue for the subsequent quarters. Page number eight, as you can see in 2016 we had lower than 2015 utilisation, however, the core fleet utilisation still remains strong, the Caspian, in Azerbaijan, where we have significant presence has continued to 95% utilisation and this utilisation is going to be continuing with signing of BP2020. On MENA and West Africa, MENA where we see that the utilisation levels are low, there are a lot of vessels which are on spot work and they are finding work not as sustainable as the previous year. However, at the same time we are down manning and reducing the cost to ensure that at these levels the business is still sustainable.

On page number nine, heavy cash balance to be closing the quarter with US\$75 million worth of cash in hand, external debt is in similar levels. Our debt repayment profile is very little in the first half because last year refinancing has given us the benefit of less debt repayment in the first half of the debt profile and subsequently it steps up. Shareholders have been very, very supportive, we have maintained the same shareholders' debt as first close in 2015 December. Page number ten, the banking leverages, we still have a healthy leverage ratio of 3.37 against the threshold of 4.25, however the tangible net worth has gone down due to the one-time impairment we took as a good housekeeping and prudence in the year end

2015. We are in conversation with our banking group to find more flexibility in our covenant structure.

Liquidity, we continue to have an undrawn line of US\$700 million revolver which expires in 2020. Cash balance of US\$75 so we have a very healthy liquidity of US\$175. Unsecured, which was a part of our last year refinancing expired in April 2016 and we have not renewed the drawdown period for this unsecured debt and let it go because of our leverage issues.

René Kofod-Olsen: Thank you, Jay. In terms of our safety, everybody who knows us is acutely aware that this is one of the key licenses to be in our industry and even though that there is a lot of cost pressures in the industry at large, this continues to be on the forefront of our agenda. We have a very good track record in terms of our safety, we still spend a lot of money on training our people and we are very pleased that we also received an award and a recognition at the latest maritime awards here in the Middle East.

Now instead of dwelling on page number thirteen, that most of you would have come to know, I want to go back to the new business that we have secured for the company on page number five, before handing over to Q&A. So we have signed this contract with Tengizchevroil in Kazakhstan led by Chevron so it has been negotiated with Chevron's team. It is one of the giant fields of the world and holds a huge potential. There is an amazing amount of investment that will go into this project in the future and we have been hired to assist in transporting all the modules for this investment into the project from outside the Caspian Sea. When put towards this project and challenge we decided to sit down with the design lab of VARD which is one of the formidable offshore vessel builders and designed a ship that we felt would be a great replacement for the traditional tug and barge solution

and would actually have an application in the global markets in the future for transport of this kind of equipment. We believe actually and so do Chevron, since they have awarded us the contract, that we come up with a very innovative solution and hence have basically commissioned fifteen of these ships with an option to actually increase that in the future. We are already now building these ships at VARD's three ship yards and first cargo is expected to be moved within the first quarter of 2018. As mentioned this is a whole new business for us, this will be handled in a new business unit that will be set up and I'm quite humbled because this is innovation even in a very, very tough time and so it's quite encouraging to follow this in the future. We have a logistics specialist as a partner in this project and they will handle all logistics for Chevron on this project, but we are of course handling all the maritime with these very innovative ships.

So on that note I want to hand it back to the moderator and then a Q&A with all of you. Thank you very much. Excuse me, moderator, we are ready to take questions from our audience now.

Operator: Apologies, sir. Thank you Mr Olsen. We will now begin the question and answer session. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. Once again press star 1 if you have a question.

We will now take our first question from Zafar Nazim of JP Morgan, please go ahead your line is open.

Zafar Nazim: Thank you, this is Zafar Nazim from JP Morgan, thanks for the call. René, I had a couple of questions on the new contract that has been awarded. In this presentation you say that the contract is worth in excess of US\$350 million, can

you give us a more precise number for the contract and also can you give us some idea about the margins that you expect to achieve in this contract?

René Kofod-Olsen: So thank you for that. So we are indeed saying that this is in excess of US\$350 million because it will be in excess of US\$350 million but as you understand that this is a very big contract and there are many steps in it, so we do believe that the whole will increase in the future and you will of course hear about that. In terms of the margins, then the current margin for this part of it is US\$70 million. What did I say? Yes, sorry, 70%. So our current margin is 51% and for this specific contract, it's 70%.

Jay Daga: Zafar, are you there?

Zafar Nazim: In terms of the use of these vessels once the contract is over, what do you have in mind? I mean this is a fairly, as you said, innovative vessel, so is it too specialised to be placed generally, would you have to find some specialty projects, where do you think these boats will end up once this project is over?

René Kofod-Olsen: That's a very good question. This is the reason why we actually sat down to design them together with probably the world's best specialist in offshore ships, the VARD Group. We believe that we have designed, and so do they, vessels of global application. They will be able to compete with a tug and barge solution globally and as you will know there are many rivers in the world and there are many rivers where they are transporting general cargo but certainly also oil and gas cargo, so the vessels have been designed in such a way that they have a global application, where of course the river dynamics meet the same as the big rivers, in this case, in Russia. At the same time, we are depreciating the vessels more aggressively than we would do one of our subsea ships, so therefore we are naturally ensuring that in terms of the balance sheet risk, we take less risk on these

ones subsequently, even though we have full confidence that the vessels will be deployable globally.

Zafar Nazim: Thank you and just on the, Jay on the balance sheet side, you mentioned that the shareholder loan instalment was deferred, I believe that is roughly US\$26 or US\$28 million spare at the end of the year, so is it deferred, will you be paying like twice the amount this year, has it been deferred on a longer term rescheduling and secondly on dividends I believe that you did not pay any dividends this time around, so what's the dividend policy going forward given the backdrop, the industry backdrop and the capex that you have to spend going forward?

Jay Daga: Zafar, I think you know the policy hasn't changed, the shareholders have been supportive so in terms of the debt there is no firm debt for repayment has been agreed, it will purely depend upon the company's cash flow projections etc, so should we end up generating more cash than the plan then naturally we would like to deliver the company by paying some part of the shareholders' debt but at this current point in time our intention is to hold on to this cash to protect our liquidity and in respect of the dividend again the dividend policy has been always discretionary so this year since we didn't generate enough cash to meet our requirements for capex as for that creating the strength in the company so the dividend was not declared. Going forward again the Board of Directors will take suitable informed view depending upon the state of the cash flows.

Zafar Nazim: And just one last question, capex, can you remind us what the capex number will be for this year and next year because next year I believe you have a big spike in capex to pay for the subsea vessels?

Jay Daga: There is no change in any of our capex profile as declared during the last call. This year maintenance capex is significantly lower than the last year because

we did quite a number of dry docking and upgrades in 2015, so the maintenance capex for this year is going to be between 15 and 20 million dollars and in respect of the new build, all the new builds are coming in 2017 later half. We have made all the down payments as the advances other than I think one or two instalments to go, so this year pressure on the cash flows due to the capex is significantly low and next year we would be in discussions with the ship yard to defer the delivery and thereby defer the payment of the amounts that are due on delivery.

Zafar Nazim: And that was roughly US\$110 million due on delivery on 10 or 20?

Jay Daga: That is correct, yes US\$110.

Zafar Nazim: Thank you very much.

René Kofod-Olsen: Thank you.

Operator: Thank you. We'll now move to our next question from Brian Farrell of Pioneer Investment, please go ahead.

Brian Farrell: Good afternoon, gentlemen. Two questions if I may again on the new contract. Just a little bit more colour please on the funding of the US\$300 million for the vessels, just a bit confused as to do you pay that upfront and then get reimbursed by the client, so maybe more colour around that and secondly, does the US\$350 million contract value include US\$300 million construction costs for the vessels, so in other words are the vessels kind of fully funded through this contract?

René Kofod-Olsen: Thank you Brian. So this is indeed a US\$300 million capex that will follow milestone payments during the next one and a half years, so they will be paid as a normal ship building contract as we progress towards delivery of the ships. So that has all been built into the negotiation. In terms of the revenues, then this is a contract, a commercial sort of negotiation with the parties and of

course the cost of building these ships are built into the pricing of the client, but as I mentioned before to Zafar, there is a 70% EBITDA margin for us which we believe is sustaining largely the risk on entertaining this project and of course the US\$350 million as we have mentioned here, or in excess of it, is in the firm period and of course we have language in there for extensions and one would expect that this project will overrun the firm period.

Brian Farrell: Okay, so just to clarify then in terms then between now and April 2018 when the vessel is delivered and goes into commercial operations, you will be paying out over that period on a milestone basis up to 300 million cash out, are you getting reimbursed for that 300 million over that period before the contract begins?

René Kofod-Olsen: That's the correct assumption there Brian. We do not have any cash outflows during the milestone payments.

Brian Farrell: Okay, understood. Thank you for that.

René Kofod-Olsen: Thank you Brian.

Operator: Thank you. We'll now move to our next question from Saeb Elzein from Spinnaker Capital, please go ahead your line is open.

Saeb Elzein: Thank you very much for the call and congratulations for a fantastic contract, well done.

René Kofod-Olsen: Thank you.

Saeb Elzein: If I just take you back to the Middle East as we can see from the presentation and what you mentioned, the pressure is definitely on with the capitalisation is low and I would guess the rates have been under pressure. Since you have substantial amount of the vessels there after the Caspian's can you give us an outlook on the Middle East and how this might impact the EBITDA margins going forward. How

can it impact the business and the EBITDA going forward this year, so more a short term view rather than going into the longer term view?

René Kofod-Olsen: Good question, so we have seen an enhanced pressure on both utilisation and rates basically by the inflow of Asian low, you can say, low price companies as opposed to low cost companies, so of course that gives a lot of short term stress to the operators in here and we are seeing that trend as well, we do expect that to continue during the year and may contract even further some percentages in the Middle East. We do have good contracts for our ships and we don't expect to see a dramatic windfall in our utilisation but certainly it will be unwise not to expect further pressure in the short term. However, as has happened before when operators come into the Middle East in the long term they tend to vanish again because the operating conditions here are not as easy as everybody would like to think they are, so coming in with a very low price but having the same cost is not a recipe for success, so long term we are comfortable to regain our market share but all the traditional Middle Eastern operators are today under pressure.

Saeb Elzein: Okay, so this longer term is fine, so therefore going forward over the next few quarters assuming the Caspian will remain steady as is, the Middle East under pressure, one can expect therefore some pressure on margins?

René Kofod-Olsen: Yes, I mean as I mentioned it would be unwise not to expect that but I'm not expecting a huge windfall. We have moved four vessels to the Caspian based on a firm contract. As you know, that market you only go in if you have a contract, so we won a contract and we have mobilised or we are mobilising as we speak the adequate vessels to accommodate that contract, which is of course again very positive that we, in a market like this, can enhance our market share in a

market like that, so we have moved those four ships but the remaining ships here will be under pressure, but we think that it is a calculated pressure.

Saeb Elzein: Okay, thank you very much. If I have time for the last question, otherwise later on, is that do you see any competition in the...

Jay Daga: Competition in the Caspian?

Saeb Elzein: Yes.

René Kofod-Olsen: We have competition in the Caspian, so that we are fighting with competition in the Caspian as we are doing in any other market, but see, we have been in the Caspian for a couple of decades and we have invested about US\$600 million in that market so clearly our market share is dominant of the players in there and because of those investments over the last couple of decades it is more difficult to compete with us but it is certainly not impossible and we do see competition but it is not an opportunistic market, it is not a market that you sail in an offshore ship from the North Sea to try and compete with us because it is prohibitively expensive, unless you have a contractor who are willing to pay for the mobilisation and a North Sea equivalent PSV would be between two and four million dollars to sail in and sail out again and so that makes the market a little bit more difficult but we certainly have competition and we are taking that very serious as we do in any other market.

Operator: Thank you. We'll now move to our next question from Alex Ayub of Waha, please go ahead your line is open.

Alex Ayub: Thank you very much. I had a quick question on the pricing, so we saw some fresh non-utilisation rates this quarter but pricing remained flat, just interesting officially even we knew that you had the large contract in the Caspian

Sea which was renegotiated I think with like 5-10% haircut so can you just tell us a bit more what's driving this price remaining flat despite this tougher environment please?

Jay Daga: Yes, I think you will see the pricing, the pressure in Q2 because the BP2020 plan comes into play only by mid-February and so the 8-9% was negotiated is going to see it's impact in the coming quarters.

René Kofod-Olsen: We have been quite successful in reducing costs, as you would expect, so there is pricing contraction but we certainly are also reducing costs which is evident from our EBITDA margins.

Alex Ayub: That I understand completely, however I just want to focus on the revenue side because I understand that contract, renegotiated contract only starts in mid-February. However, in the other regions you are having some pressure like MENA so I would have expected overall the day rates to go down like in MENA could you just tell us a bit more how much, by how much the pricing went down roughly?

René Kofod-Olsen: In the spot market it has gone down significantly and on some of the contracts that we are seeing in the trade publication, it has gone down phenomenally. The reason why we have moved some ships is also that we have abstained from bidding on some contracts down here simply because we didn't feel that they were viable for us in the long run and therefore we simply didn't want to bid for them, so we do not have the same rate contraction as you will see some of the other spot operators have but that's by choice. There was another very big contract from an NOC here that we sort of didn't bid for in the category that they had out simply because we didn't want to own those small type of vessels at the pricing that we knew that some of the Asians would bid for, so again that is by choice. We think that the oil and gas market will recover, we think it is at an

unsustainable level currently. If you think about it, this is now the third year of the crisis. We predicted a correction in the third quarter of 2014. Of course we didn't see the oil crisis in its full flesh as has come out now but we did foresee a correction so if you take that back to the third quarter of '14, you are now in the second quarter of '16 and is only getting worse, so the world's oil market has been in crisis now on the third year, at an unsustainable level, so at one point in time investments will have to flow back in and we believe that signing a five or seven year contract now, at break-even rates will not be prudent or even strategic to do and we feel that we have a preparedness coming into this crisis that allowed us to take those decisions and therefore you may see bigger swing in the general market but we have not signed up at those levels therefore you are not seeing it in our numbers. That became a long answer but I thought it was important.

Alex Ayub: Perfect, so you're protecting your rates, hence you have a bit of fresh non-utilisation rates but the rates remain pretty strong, but roughly, I understand you have the BP negotiation, renegotiated rates starting in February, roughly for the year what kind of outlook on the day rate should we expect, roughly a decrease of 10%, is that fair?

René Kofod-Olsen: It's market to market, so here in the Middle East is probably slightly higher. As Jay mentioned we contracted about 8-9% on revenue with that negotiation and in Africa it has been an absolute blood bath as well, even though we are of course getting slightly better rates than in the Middle East when we get on contract, so at an average it's probably not far off, your prediction.

Alex Ayub: Perfect, then I just had another question on capex, you mentioned US\$15-20 million maintenance capex for this year, however, in the first quarter you already spent US\$15 million dollars of capex. Can you just tell us a bit more in

relation to the three new build vessels, so I understand you have US\$110 million which is due on delivery, however, how much is the total left, how much is due this year and how much is due next year please?

Jay Daga: The maintenance capex for the first quarter had been only 6 and the balance 9 million was the milestone payment on the vessels under construction, so we have got another milestone to go within this year and that's the only milestone on the newbuilds this year. So by end of this year we would probably end up like US\$15 million worth of maintenance and US\$18 million or US\$20 million worth of down payment on the progress of those three vessels.

René Kofod-Olsen: Yes, so we have two subsea ships that will come out end of 2017 as per the plan now and we have one anchor handler early 2018 but there we have flexibility with the builder, so we think that that is good planning.

Alex Ayub: Perfect and are they already contracted, the three vessels?

René Kofod-Olsen: No, there are significant amounts of commercial activity on the two subsea ships which is very, very encouraging. We actually believe that we have built some very competitive vessels and actually commissioned them in this crisis, so when they come out, they will be 40 – 50% cheaper in terms of capex than their competitive vessels in the market, so we are quite encouraged and the customers that we are talking to, latest at the OTC in Houston, are as well very encouraged by them.

Alex Ayub: And one of them is a replacement, no? One of the deep sea vessels is to replace an old one which is in your fleet or it's not...

René Kofod-Olsen: Actually both of them. You know we have two elderly subsea ships and they were both built for replacing of those ones, they are still very attractive,

those two subsea ships, they have been looked well after but they are both built as part of the replacement strategy. You're absolutely right, we have an option to build two more, that would be growth but that option we have not decided to take for now, so you can say that this is more of a conservative replacement strategy than it is an aggressive growth strategy into the subsea ships.

Alex Ayub: Perfect, I mean I have a few more questions but let the line for my colleagues and maybe come back a bit later, thank you very much.

René Kofod-Olsen: Thank you.

Operator: Thank you, we'll now move to our next question from Zafar Nazim of JP Morgan, please go ahead.

Zafar Nazim: Hi, this is Zafar again, just a couple to follow. One on the utilisation levels during the quarter, I noticed that Africa and subsea jumped. Is this just a one quarter phenomena or do you expect this to persist in the remainder of the year?

René Kofod-Olsen: Thank you, it is basically a first quarter phenomenon, we're not going to speculate how strong the subsea is going to be but those particular two vessels have been performing very well, but we like to take a conservative view and we had a good quarter on those ships, so that's my answer.

Zafar Nazim: And Jay just on the financial side, one, how much cost saving impact did we have in the first quarter, the dollar amount of cost save?

Jay Daga: Seven million dollars.

Zafar Nazim: Got it. And on covenants you mentioned that you're having a conversation with your lenders. I guess 2017 would be the stretch year for your company, so is that how you're thinking of it as to get some relaxation, one off relaxation or are

you looking for the permanent expansion of your covenants, I guess that would be the leverage covenant?

Jay Daga: I think we could in respect of our covenants, we just want to have some sufficient headroom just in case. So the conversation is going on to bring in the flexibility and be prepared that should anything happen which is not as per the plan then we are not found off guard.

Zafar Nazim: Got it, thank you.

Operator: Thank you, once again as a reminder if you would like to ask a question please press star 1. We will now move to our next question from Harry Richards of Jupiter, please go ahead. Mr. Richards, please go ahead your line is open. Mr. Richards, can you please make sure your mute function is turned off to allow your signal to reach us. Okay, we'll now move to our next question again from Saeb Elzein of Spinnaker Capital, please go ahead.

Saeb Elzein: Hi again, just apologise the line was cut so I'm just following the conversation, thank you very much. I will probably listen to the replay later for the answer, thank you.

René Kofod-Olsen: Thank you.

Operator: Thank you. We'll now move onto our next question again from Alex Ayub of Waha, please go ahead.

Alex Ayub: Thank you. Just in relation to the debt, you mentioned that the loan has been rescheduled with the metric extended from 2020 to 2022. Can you tell us how much is due, how much is amortising in 2016 and in 2017 please?

Jay Daga: Alex, I think all this information is there on our publicity balance sheet, this is not something which happened this quarter, we did it last quarter, so you can

refer to our published accounts and you know it has got a full description of the refinancing and the debt profile.

René Kofod-Olsen: But in short what we basically did early last year was to refinance half of our balance sheet that was not in bonds and push the maturity until 2022 and of course stretch the repayment profile as Jay is mentioning as well plus cutting the cost of capital significantly, so in terms of the maturity of these two instruments, then we have end of '18 which is the bond and of course the balance sheet debt which is end of 2022.

Alex Ayub: Okay, so the amortisation remained the same then which is like US\$30 million a year?

Jay Daga: That's correct.

Alex Ayub: Okay, then just the follow up on that. You mentioned that you have some flexibility in relation to the payment for the three vessels actually, so two of the subsea coming end of 2017 and the anchor handler I think early in 2018, so can you tell us a bit more how can that flexibility work, does it mean that you can delay the delivery of the vessels and hence you won't have to pay this US\$110 million for example in 2017 or does it mean that you get the vessels delivered and then you can delay the payment after that? Can you just explain us a bit more what you mean by you have flexibility on that front please?

René Kofod-Olsen: So we have bought two large subsea ships last year from VARD and we have just bought 15 module carrying vessels. That, in any stretch of the imagination we are very, very large counterpart to VARD and of course we have an exceedingly good relationship, so in that context we believe that should it be necessary, then we will have an opportunity to work together with VARD. That is one of the reasons we selected them, we have spent a lot of effort on doing due

diligence on our counterparts because actually we feel that counterparty risk is the new black for the future in this industry and therefore for us, we think that we have a good relationship with VARD to find solutions, should it be necessary, but as we are sitting right now, we will take delivery as per schedule.

In terms of the anchor handler from Asia, that is only due in 2018 based on an agreement we have just reached with as well with that long term supplier of Topaz, so it goes as well to mention that we do have very good relationship both with our financial partners but certainly also with our ship building partners and that's basically the flexibility we talk about.

Alex Ayub: Perfect and just to confirm, so the 15 vessels the builder was working on the 15 vessels, is the same which is working on the deep sea vessels, is that correct?

René Kofod-Olsen: Correct, that is the VARD Group who are partly owned by the Fincantieri Group which I think is one of the world's largest ship building companies. VARD of Norway.

Alex Ayub: Excellent and then, I'm so sorry, the anchor handler, what was the size of the anchor handler, I just wanted to have the mix of the two deep sea vessels like how much was on the two deep sea vessels against the anchor handler?

René Kofod-Olsen: So we had 8 PSV new building programme with Nam Cheong of Malaysia and we took seven of these ships and they have been successfully deployed, predominantly in West Africa. There was one ship left when we foresaw a correction coming in the end of 2014 and we went to them and said we have a large anchor handler in our new building strategy, could we prudently exchange the last PSV with a large 150-ton anchor handler that we know you have designed and are busy constructing and we made an agreement with Nam Cheong to do

exactly that, so this is a European specification build, 150-ton anchor handler which will be applicable in the global market. It's built to all the latest requirements of a large anchor handler.

Alex Ayub: Okay and I'm sorry, can you give us an indication of the pricing for that anchor handler, how much deposit was paid and how much is due or...?

René Kofod-Olsen: It is at a very competitive pricing. We have kept it confidential together with Nam Cheong but it is in 20s.

Alex Ayub: Perfect and last question was just on the tax rate. I don't know why, this quarter it seems that the tax rate was like 70%, last year was a large number as well. I was wondering what kind of tax rate should we use going forward?

Jay Daga: I think as you explained in the past our tax rates are the tolling tax applicable on the revenue in Azerbaijan and so long as to now we continue to have strong revenue stream coming from Caspian the tax will be applicable to the extent of 5% of the top line.

Alex Ayub: Okay so 5% of the top line that's for Azerbaijan and otherwise corporate tax?

Jay Daga: That won't be applicable because you know the rest of the places we can take the credit of the withholding tax deducted in Azerbaijan.

Alex Ayub: So mainly 5% of the Azerbaijan revenues, that will be your main tax burden?

Jay Daga: That's correct.

Alex Ayub: Okay, thank you very much.

Operator: Thank you and we'll now move to our next question from Khalil Salame from BLF, please go ahead.

Khalil Salame: Hi my question is regarding the outstanding note that you have in 2018, what kind of option did you consider to redeem it, it's relatively big as an issue, obviously now you don't really have the cash necessary for the redemption so I would like to know if you plan any bond to tap in the credit market very soon, or what option do you have?

Jay Daga: We haven't really explored those options yet but at the right point in time we will look at all possibilities and see how we will deal with this. We've still got two and a half years to go, so I guess you know we would have time to deal with the possibilities of this bond.

Khalil Salame: Okay, thank you.

Operator: Thank you, once again as a reminder if you would like to ask a question, please press star 1. We now have a follow up question from Alex Ayub of Waha, please go ahead your line is open.

Alex Ayub: Thank you and sorry just a last follow up question on the question from my colleague, so I think you have quite a lot of cash on balance sheet currently, I was wondering what kind of minimum cash on balance sheet you expect to keep during the year, I think 75 million is like round the highest level I have seen before, so I was wondering whether you expect to keep such a high amount of cash on balance sheet, or what's the plan there because I would expect you to keep on generating cash as we go along?

René Kofod-Olsen: Yes, I mean we do not have a set target, but you're absolutely right, good governance is not to keep that much cash on your balance sheet, but these are tough times and we have a very conservative view, we have very supportive

shareholders and we need to be able to continue being very, very strong and potentially use this opportunistically while not importing risk but I think 20-25 is probably a good number if you want to have a sort of an objective.

Alex Ayub: Sorry, how much did you mention, sorry I missed that number?

René Kofod-Olsen: 20-25 is probably a good target.

Alex Ayub: Okay, perfect thank you very much.

René Kofod-Olsen: Welcome, Alex.

Operator: Thank you. As there are no further questions in the queue at this time, oh sorry, apologies we actually have one question just popping up, it's from Sameer Kattiparambil from EFG Hermes, please go ahead.

Sameer Kattiparambil: I stand in the room for this call I have a question on your Tengizchevroil contract or I would like to get more colour on that, who will own these vessels and what is your stake in the consortium?

René Kofod-Olsen: Yes thank you Sameer, this is Topaz owned vessels, they will be 100% our vessels and the consortium is an operational consortium so we have sort of made a tender consortium where we have bid each our strength, so there was a need for an extensive logistics planning and there was a need for an extensive marine delivery, so we have, as you know, an extensive market share and presence in the Caspian and Blue Water Shipping has a good history of logistics projects in the same region, so it was obvious for us to do a tender together for this business but there is no joint venture, we own our part of the business, so what we have mentioned in this, a hundred percent, and of course they own their logistics, a hundred percent, so this is a partnership for the tender with each our core capabilities.

Sameer Kattiparambil: So just want to understand the US\$350 million you are telling, like, it is Topaz, right?

René Kofod-Olsen: This is Topaz, in excess of US\$350 million is only for Topaz, correct.

Sameer Kattiparambil: Topaz, okay. Thank you very much.

René Kofod-Olsen: Welcome, Sameer.

Operator: Thank you. That will conclude today's, sorry that will conclude the question and answer session, I'll now hand the call back to Mr. Kofod-Olsen for any further additional comments.

René Kofod-Olsen: Thank you very much and thanks for an enlightening call as usual and I look forward to speaking to you again in three months, thank you.

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