

Company: Topaz Energy and Marine
Conference Title: Q4 2015 and FY 2015 Results
Presenter: René Kofod-Olsen
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Operator: Good day ladies and gentlemen, and welcome to the Topaz Energy and Marine Financial Results for the 12 months to 31 December 2015. Today's conference is being recorded. At this time, I'd like to turn the conference over to Mr René Kofod-Olsen, CEO. Please go ahead.

René Kofod-Olsen: Thank you very much, Suzanne. Welcome to our fourth quarter result call and for the full year discussion as well. We are going to as usual take you through the short presentation, and then turn over to a Q&A following this brief flip-through of the presentation that has been uploaded on our homepage.

With me, I have Jay Daga, the CFO, and I have Robert Desai, the Head of Strategy and Commercial Activities. Q4, if I skip to page number 4, sorry, on page number 5 first, Q4 has followed the first, second, and third quarter with a downward trend. We have, however, been satisfied with the way that we ended the full year. We have had a huge pressure on our revenues. They are down some 24% in the fourth quarter, and equivalent EBITDA. We have, however, managed to have a very significant and positive cashflows from operations in general.

In Q4, marked to the Q4 2014, the main items of difference has been the vessel Topaz Muscat was sold in Q4 2014, our Africa performance, and the Azerbaijan performance. That is about \$25 million of delta. If I now look to the whole year on page number 4, we are coming out at a 10% variance to revenue, and 14% on EBITDA. So we are making some \$25 million less cashflow on our operations.

We have taken a significant amount of costs out of the system, which has allowed us to keep up a positive EBITDA marked to the competitive markets that we are basically operating in. The year ended with a net profit of \$21 million before write offs and write downs.

So page number 6, I have in principle covered in my earlier discussion. We have managed to keep a relative stable flow on a quarter-to-quarter. But I think significantly in Q4, you are seeing the cost drives that we started early on in 2015 starting to take effect, and our EBITDA margin is now up to 52%, or it ended at 52%. As it is in our business, when we are taking haircuts on our revenue, it is an immediate profit cut. It will take time for the cost to get out of the system, and as we have reported before, we have had very stringent cost drives on our supplier side, but certainly also on our crew and off overhead sides.

If I look at page number 7 and take the region by region overview, Caspian has been holding up strongly as our core and home market. Middle East has equally been holding up. They have shed a little bit more utilisation, but generally, compared to the competitive situation, we have kept relatively stable in MENA. Africa has been a very tough market for us to be in in 2015, and will continue to be a challenged market. Subsea has been keeping up relatively stable as well. We have three big boats in that market, and they have performed well in 2015.

If I look at the main project that has been underscoring this result, then we have of course managed to sign a very large contract for our vessels exposed to the production side of the Caspian business in Azerbaijan - 14 ships for a 7-year contract with BP. That has been a long negotiation, but we are very pleased that we have managed to conclude that, and basically secure the main parts of our business for a very long future. In Middle East, we have also managed to re-

contract four anchor handlers in the period to Saudi Aramco earlier last year, and latest we have acquired one new anchor handler and put on a five-year contract in Saudi Arabia as well.

If I go to page number 8 and turn it over to my colleague Jay, he will quickly take you through the capital structure.

Jay Daga: We continue to follow our strategy of cash conservation and managing the operating cashflow, closing the year with a healthy cash balance of \$55 million and the leverages that are with a significant headroom. As you would know that we did a major refinancing in the first quarter of 2015, thereby pushing the maturity of 50% of our debt to up to 2022. So the immediate pressure of our cashflows on servicing this debt has been significantly reduced, and the big bullet payment coming in 2022. So I think we find ourselves in the very strong position so far as the cash management is concerned.

In liquidity position on page number 9, along with the refinancing, we also have upsized our debt capacity by adding \$100 million worth of revolver, which is still undrawn, and we also have a capacity of \$200 million worth of unsecured for capital expenditure. That's still undrawn. So broadly, we are having significant debt raising capacity as well as cash balance in hand to see us through the tough times.

Page number 10, this is the EBITDA covenant headroom. As you could see that we have 22% headroom in our net interest bearing debt. However, the tangible net worth covenant has been constrained due to the \$71 million impairment we took as a one-off charge for the year. However, we are expecting this tangible net worth to increase with the current year's performance as well as any other initiative we may take. Free liquidity is still good, and so is our EBITDA to DSCR.

René Kofod-Olsen: On page number 11, we maintain our very solid safety record. It is something that we continue investing in. We are rolling out new IT systems to support our safety performance. We are signing off agreements with training facilities, which goes again to underline our focus on a sustainable future for us. This is not part of any of our cost drives. We believe in doing it safely or not at all. So we will continue to invest in our safety campaigns and in our people, even in this very, very difficult situation as the oil markets are in currently.

If I look at page number 12 and our strategic outlook... A lot of you have on your mind, this prevailing oil crisis, and I have said before, and I will maintain, that we continue being in a very, very difficult situation in the market that we operate in. I do believe that even if the oil price has recovered slightly over the last weeks, we will still be in for a tough ride. It is however clear that the oil and gas markets are a very good fundamental industry to be in. We believe in the industry, we will continue investing in the industry, and we will be there when the light turns brighter.

In terms of brightness of that light, we believe that at our recovery place where the oil price is stable for at least 4-6 months, you need to add at least 12-18 months before you see a significant recovery in the markets that we are in or when they are back to normal. So it will take a longer time, but I believe that we have again shown our readiness to be part of that, our willingness to invest, our conservative preservation of cash, and then building backlog in the worst possible crisis this industry has seen probably ever. Our backlog today stands at \$1.4 billion, which I will lean out to say that there is probably not any other OSV company in the industry who has that, who is a pure vessel owner.

So on that note, I will hand it back to Suzanna and a Q&A session and invite you to ask the questions that you would like. Thank you.

Operator: Thank you. Ladies and gentlemen, to ask a question, please press *1 on your telephone keypad. Please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment, and please state your name before posing your question. Once again, press *1 to ask a question. We will pause for a moment to allow participants to signal.

As a reminder, to ask a question at this time, please press *1 on your telephone keypad. Our first question comes from Zafar Nazim of JP Morgan. Go ahead.

Zafar Nazim: Thank you, this is Zafar Nazim from JP Morgan, thanks for the call. René, I had a couple of questions. The first one is on the MENA market. Can you give us some additional, I guess, colour or granularity into what trends are you seeing in MENA? I know that in your markets slide, you say that the average rates are down 10%, but that's the average. So just for MENA itself, how much are the rates down, have they stabilised, are they still going down, what are you seeing in terms of competitor activity, when do you expect MENA to stabilise?

René Kofod-Olsen: Thank you for that question. I expect that 2016 will be very tough in MENA. We have Asian companies opportunistically coming in to the market, and while they will likely not be here for long, because the trading conditions are not as easy as people would necessarily think, they will definitely be here for now, and they can create some havoc. Some of them have been given breaks from their financial commitments, and they are using them of course to come in and fight on the rates here. So it would be a short term pain for us, but long term we believe in this market, we believe in us being core suppliers to both Aramco, Qatar Petroleum,

Maersk, ADNOC, and the big companies here, and we have shown that resilience. But for 2016, hand on heart, it's going to be tough trading conditions.

Zafar Nazim: So these big companies, are they giving you preference, or are they also just going for the lowest prices?

René Kofod-Olsen: I'm not going to broad-brush the market, but as I just mentioned, we won an anchor handler for Saudi Aramco during the fourth quarter, and we bought the ship, and we deployed the ship. I don't necessarily believe that we were the cheapest, but I certainly believe that the qualitative bid that we had, and the vessel that we offered in was important for that particular oil major, that they will also go for quality. Some other oil majors here, we have seen that they are doing Dutch auctions, and that means that they may get away with extraordinarily low rates. But the winners of these tenders, at least for a couple of them that we have seen, have never operated in this market, and I reiterate, it is not the easiest market to operate in.

We know our opex very well. We know the safety standards that are necessary here. And we will always work towards those. If we can see that we cannot bid within those parameters, we will not.

Zafar Nazim: And rates in MENA on average, how much are those down by?

René Kofod-Olsen: From the beginning of the crisis until now, it depends on the asset that you are considering. But for some assets, it would be down with 40%. Some other asset types that there are less of would be 15-20%. So it varies based on the asset. But the vanilla PSV, the small PSV, or the small anchor handler, would probably be close to 40%.

Zafar Nazim: Got it. And I guess this is something that you had mentioned in the past, that you have the liquidity and you can deploy it opportunistically to buy assets from distressed sellers of vessels. Are you seeing any opportunities out there for doing something like this this year?

René Kofod-Olsen: I think there are two answers to that question. The first answer is that I think our industry, together with any other in the oil and gas industry, will have to consolidate. There are simply too many players. So the industry will have to look at that, and that is the only way to create more value for our shareholders and so I believe that has to happen. It would be good for the whole ecosystem. But whether we are going to participate in that or not, time will tell. If it is the right opportunity, if it is the right risk profile and markets that we understand and want to play in, then we will definitely consider it. But as you have seen, we haven't done any of that in the past 12-18 months. And so would we do it in the coming 12-18 months? Potentially, if it makes sense for the business and we don't import unnecessary risk or change our strategy fundamentally.

Zafar Nazim: Thank you very much.

René Kofod-Olsen: Thank you.

Operator: Our next question comes from Didier Margetyal from Tailor Capital. Please go ahead.

Didier Margetyal: Good afternoon, gentlemen. Coming back to the new builds that you decided last year, why did you decide to build some vessels in shipyards at a time when you could probably buy some second hand vessels with a large discount to new build cost? This is my first question.

René Kofod-Olsen: Ok. So thank you for that question, it is a great question. If you could have found me those assets at the time, we would probably have considered it. Unfortunately, there has not been a big willingness, and I think many companies are still, at least for the assets that we find quality assets, are still unrealistic in what they expect for their assets. So we actually went to the secondary market. We went to owners and offered to buy. But the expectation of value was simply not interesting for us. So we went back to the negotiations with those two shipyards we had from 2014, and I think what we managed to negotiate was an extraordinary value play for Topaz for the future, and actually under what a second hand vessel would command. So that's really why we did it. This is not expansion. These are going to replace vessels as our two sub-seaships get older. So it's a replacement strategy. We have an option to buy two more at the same price. That we have not considered yet. But if we do, that will then be growth. These two are replacement.

Didier Margetyal: Ok. And for the two that are optional, in fact I guess that you will come back to the owners that could be more willing to sell right now than 6 or 9 or 12 months ago?

René Kofod-Olsen: Not sure. I mean, I think the vessels that we have managed to design and build are an extraordinary quality at an extraordinary price. You have to remember that it is not all the owners at this point in time who are willing to impair their balance sheet to the level where they probably need to. But I agree with you that should realism hit harder than it has done so far, and should both banks and bondholders be willing to impair the balance sheet, then there might be opportunities for us to discuss that. But we are not going out aggressively as it is today.

Didier Margetyal: Ok. Thank you very much. My second question regards impairment. Your tangible net worth covenant might be breached in the coming quarters as values continue to decline. Have you already taken some action to try to get some waiver, or have you some intentions to do something in the months to come to remedy this possible breach?

Jay Daga: We have taken a very conservative view of impairment, and we have taken quite a pragmatic view of taking this at one shot. So we are not expecting any impairment to go through having \$1.4 billion worth of contract cover in hand and asset deployment which is at the very high 80s, number one.

And secondly, surely as a proactive measure, we will not wait for a breach to happen, and we will initiate whatever remedial measure required well in advance to ensure that we do not run the risk of any covenant breaches.

Didier Margetyal: Ok, but have you already spoken to the banks?

Jay Daga: As you will know, we have done that when we did refinancing last year, we reduced the number of banks from 9 to 6. And these banks are very, very close to us. It is not something that we engage with the bank on an ad hoc, one-off basis. All our banks are very, very closely involved in terms of looking at the company's progress, and of course they have the revolver and undrawn, unsecured line. So we are in the regular engagement with them, and we will not expect anything other than support from them should we require any of the covenants to be adjusted.

René Kofod-Olsen: Yeah, and I think adding to that is that they are fully aware that this is an uncut cash item. This is good housekeeping. This is writing down older assets very conservatively in our books, and our accountant, PwC, have been completely aligned with that, and I think they call it conservative. I will also add here that you may have seen that Moody's confirmed our credit rating, which I take as a slight

victory, or actually an upgrade, right? Because the whole industry has been downgraded, and several companies have been notched down, both two and three times. So we have actually been confirmed the same credit rating, which I think whenever we will actually activate the covenant discussions that Jay mentioned we have had with the banks, it is my opinion that they are looking at us in that light. And I don't foresee any challenge for that. When you look at our cash position, we can sustain a lot of pain.

Didier Margetyal: Ok. Thank you very much.

René Kofod-Olsen: Thank you.

Operator: Our next question comes from Brian Farrell of Pioneer Investments. Please go ahead.

Brian Farrell: Good afternoon, gentlemen. The first question just relates to the undrawn facility that matures in April of this year – your 100 million undrawn, unsecured long-term debt facility. Are you planning to use that before the maturity date, or will that be extended, or will it just expire and your liquidity will then be back to the cash and the RCF?

Jay Daga: I think we do not have any imminent plan to deploy the whole \$100 million. So at near the time, we will assess our situation and probably look at either letting it go or have discussions for extension. But we believe that with the cash in hand and the revolver which we have, our mid-term requirements are reasonably well-covered.

Brian Farrell: Ok. And just a couple of other questions, if I may. The capex plans for 2016 and maybe even 2017, it may be too early for that. Can you give any guidance as to how much you intend to spend in capex for this year?

Jay Daga: The maintenance capex would be significantly lower than what we spent in 2015. So we anticipate the maintenance capex of only \$15 million to \$20 million this year. And in respect of any other new build, etc., there is no commitment other than the three vessels that are under construction. There is no significant milestone payment due this year, because all these assets are due for delivery in 2017.

Brian Farrell: Ok. So the overall capex should be quite low, not much more than 20 million in total.

Jay Daga: Yes. As you would know, the last year we spent like 50+ million. So as a cycle, we were, in any case we're not planning to spend a significant amount of money this year. And probably the next significant maintenance capex requirement will come after four years. So that's how the shipping cycle works. So we are not expecting any major capital maintenance capex this year or next year.

Brian Farrell: Ok. And then the next question, just in relation of the new contract with BP for the 14 vessels, can you comment on day rates for those vessels versus the previous contract? Is it up or down, and maybe the overall, if you could talk to the overall impact on EBITDA as a result of the contract for this year?

René Kofod-Olsen: So this is a blend of emergency responder ships, anchor handlers, platform supply ships. So basically, we took the whole portfolio of vessels that worked for the production site of BP in Azerbaijan, and we re-contracted it. So the blended revenue reduction is just under 10%. And so you will then have to as well deduct all the cost containment that we have been doing. So the net impact will be lower than that. On top of it, they are building escalations after the first two years, and then thereafter, on a yearly basis. So you actually claw back your revenue discount over the period. So we think that this was a very good contract for BP, it was a very good contract for us, it was one of those partnership things. Even though

sometimes you didn't feel like that in the tough negotiations. But I think this was very good for everybody, and of course it has added a significant amount of backlog for our business.

Brian Farrell: No, it's great. Can you tell us what percentage of EBITDA it would typically represent, just to get some sort of sense for the quantum of it? So say for, I don't know if you want to do it on a quarterly basis or an annual basis, say for the annual figure for 2016 what percentage of that would this contract represent on a full year basis?

Jay Daga: If you look at we typically would make approximately \$100 million odd worth of EBITDA from our Caspian business. And therefore, this contract is a quite sizeable part of that EBITDA generation. So if you look at on an overall basis, approximately this contract will represent 40-50% of the total EBITDA.

Brian Farrell: Ok. That's very helpful. And overall, if we look at the quarterly performance on EBITDA, it's been reasonably consistent. I mean, the first quarter was weak, but this year I think you've cut costs, etc. and for the rest of the year, it's been up in the low to mid 40s, I guess. Is that a reasonable run rate for us to think of 2016, or can you comment, talk to that at all?

Jay Daga: I think that in the quarter number 1 numbers are always low in our case because of the North Caspian ice down and therefore many of our residents go on a standby rate or non-operating rate. And then when the season starts, quarter number 2, 3, and 4, or 2 and 3, then we would say a bit of a higher run rate. Naturally, this year is an exceptional year knowing that we have quite a number of assets on the spot business in MENA and West Africa. So it would be very difficult to say what is going to be a consistent number, but we have a good visibility of

2016 numbers, and we expect with the all the positives and negatives, we would be reasonably stable.

Brian Farrell: And sorry, my last question then, and I think you kind of spoke to this earlier, but just in terms of the MENA region, and maybe even Africa, more anecdotally, are you seeing any signs of improvement or stability in that region, or do you think it could get worse before it gets better?

René Kofod-Olsen: No. So that's a good question. So there are two answers to the Middle East part of it, and then we can talk about Africa in a minute. So with the oil majors, they continue relentlessly on their programmes to deliver oil to the global markets. And therefore, we are not seeing any halt in any capex being spent in the Middle East. They may consider more wisely how they spend and to whom they spend the capex, but capex they will spend. There are a couple of, and at least one country, that will come on stream and do offshore drilling in 2016 in the Gulf that has not been active in the offshore drilling. And then Iran of course is coming back on stream, which would take a longer time for companies like us to participate, but they will come back on stream. So that's the first part of the question.

The second part, yeah, I believe 2016 will be very difficult. I do think we have a great USP with the oil majors that we are working for, and we continue to successfully re-contract ships both on longer contracts and on shorter contracts. But we are also reserving our right to not. We were recently part of a Dutch auction in Qatar for one of the very big oil companies. And we pulled out when we felt that this is under our operating margin cushion. And there were four Asian companies left in that mix. And the particular oil major called us afterwards and said, you know, but you were the one that we wanted to win this. Why did you pull out? We said, but there was a reason why you wanted us to win this, is because we have

an impeccable operational track record. And we are fine to take a discount, but we are not fine to operate at these. And if that is for the next five years, then we would rather lay off the ships for one or two years.

So that's kind of our model. And that's kind of the way we look at it. If we don't think that we can actually deliver the Topaz model, which has never been volume in ships, it has been quality in operation, then we are not going to do it. So 2016 will see more of that.

In Africa, it is really two markets that drive Africa. It is Nigeria and it is Angola. They are both very different markets. In Nigeria, they are having a lot of structural reforms, and that takes time. There is still a lot of activity in Nigeria, they do have the capacity to pump more. We are seeing oil majors having a lot of activity, but we are also seeing a lot of indigenous companies winning contracts simply because of the reforms that the president is going through.

Angola, they have an issue with their fiscal balancing of their budget, and therefore it is a very difficult market to operate in. But we believe that that is also going to be solved in the mid-term, at least, and it is a market that we will be focused on in the future. We are not going into any of the smaller markets, and we are also careful of not taking contracts for unreputed clients. Which is why we have sent seven ships out of Africa. And we will only work for the reputed clients, where the counterparty risk is understood.

Brian Farrell: Ok. That's excellent then, and very helpful. Thank you.

René Kofod-Olsen: Thank you.

Operator: As a reminder, ladies and gentlemen, to ask a question, please press *1 on your telephone keypad. We'll now take a follow-up question from JP Morgan. Please go ahead.

Zafar Nazim: Yes hi, Zafar again. Can you remind us how many core vessels do you have in Africa and the MENA region, and how many of these are working on spot basis?

René Kofod-Olsen: Thank you, Zafar. If you go on page 15 on the deck, then we have six vessels left in Africa, that is, core vessels. And they are all operating in basically the spot market. We have 26 vessels in MENA, and I would say probably 60% of that is on term contracts, and 40% of that is on whatever abbreviation of a spot contract, that could be weeks or months. That's basically the split.

Zafar Nazim: And the term contracts in MENA was to which tenor?

René Kofod-Olsen: It's blended. I mean, in Saudi, it's 5 years. And in Qatar, it may be slightly lower. So it's anywhere -- five years is probably a long contract. So it's anywhere between, I would say, one and three years.

Jay Daga: And it's an option on it.

Zafar Nazim: Ok. And Jay, just a question for you. In the fourth quarter, there was a repayment of the shareholder loan which was deferred to the first quarter, I think you paid. It's mentioned in the press release that instead of 28, 226 will be paid in the first quarter. Any reason for that, and what is the repayment schedule for the shareholder loan? How much will need to be paid in 2016?

Jay Daga: As you know that we have a very supportive shareholder, so it's not that we wanted, but the shareholders wanted us to conserve our cash and be ready for any expansionary pursuit. So there is no other reason than them leaving the money with us to support the company.

And out of this, \$26 million was deferred, and 70 kept on call, but again, we do not see any immediate request from them to pay up.

Zafar Nazim: But isn't there a proper schedule for repayment of the shareholder loan? Isn't there like a fixed amount that you have to pay in 2016?

Jay Daga: Correct. As you know, that was very clearly mentioned in our financials, that the shareholder loan is due. There are two tranches, one is \$2 million each with a \$20 million bullet at the end. The second tranche is \$26 million over equal instalments. One we have paid in 2014, and in 2015, which we were ready to pay, but the shareholders requested the money to remain in the business. And for the time being, it is on call, and it will be again subject to mutual agreement on respective cashflows.

Zafar Nazim: Right. Thank you.

Operator: Our next question comes from Alex Ayoub from Waha. Please go ahead.

Alex Ayoub: Thank you. Just wanted to have a bit more details about the guidance for 2016, please. I mean, on the one side, you are mentioning that 2016 will be very difficult and challenging. I think you had a very good 2015 year with \$175 million EBITDA in that tough environment. So you're saying 2016 is going to be very difficult. But on the other front, I don't know if I heard it properly, I think you mentioned that the EBITDA would be kind of reasonably stable. Is my understanding correct? Because I would have expected the EBITDA to be lower, if you expect the environment to be very difficult in 2016.

René Kofod-Olsen: I think this is a very good question. So I mentioned earlier that when you start taking haircuts, as the oil industry has asked everybody to do, it's profit cuts. And therefore, it takes a while before the whole ecosystem in the industry

gets attuned to a new cost paradigm. So we expect pressure in 2016, as I've mentioned, but we are also seeing success in our cash containment and our cost saving drives. So we expect our EBITDA from that to be relatively stable and equal. So you can say that on the revenue side, we will probably shed some further revenue due to pressure, but we expect that we are able to recover a lot in all our cost drives that we started early last year.

Alex Ayoub: Ok. So then just to go into a bit more detail, so how much more cost savings do you expect this year? Is it another \$15 million? \$30 million?

René Kofod-Olsen: Yes. So annualised, we expect to deliver \$15 million of equivalent cost savings. And as it is now, we are a little bit ahead of that schedule. Now, there may be some curve balls as it is, but we are comfortably ahead on our cost containment drives. So we are pleased with that.

Alex Ayoub: Ok. Then if you would decrease your EBITDA by \$15 million, this would lead that you can sustain another \$15 million decrease in revenues, roughly. Is that fair?

René Kofod-Olsen: I'm sure you are better at financial modelling than I am, but it's probably a fair assumption that we expect to protect our cashflows, our EBITDA, and we have had a relentless focus on cost very, very early on from last year, which is benefitting us this year. Frankly, coming back to the BP contract that we signed, I think we have been very open with that client, and they were comfortable that we were able to drive home those savings on our side as well. I believe that one of the key features of being in the oil and gas industry of the future is exactly that. It is showing that you can resiliently take haircuts when necessary, drive out costs of your business, so that you continue being a strong counterparty. I think where safety is always there, and has operational efficiencies and so on, I think in the

near term, for all our clients, counterparty risk will be exceedingly important for them. And I actually believe that we would be very well placed for that view, and potentially even be able to win business based on our credit strength.

Alex Ayoub: I hear you, and I think you're doing a great job and we hear feedback from other partners as well, and we hear that your reputation and your track record helps a lot to keep these contracts and renew them. If we're just going through the main regions briefly, so in the Caspian, you managed to keep utilisation of 91%. I just want to go through this, the main three regions, and see what kind of utilisation and decrease in rates we should expect. It's fair to expect stable utilisation rates in the Caspian, given that you renewed the BP contract?

René Kofod-Olsen: Yes, so if I just give you broad guidance without infringing on guidance guidelines, then yes, Caspian we expect to potentially even see a little bit of higher utilisation. In the Middle East, pressure on utilisation, it may drop a couple of percent. Africa, with the vessels that we have today, I actually believe that we will be back to 2014 levels in the 60s, we will increase utilisation in Africa based on having taken ships out. And subsea, we expect pressure on the ship we have in the Gulf of Mexico and the two other ships, we are fairly confident that they will continue on their current contracting. So by this, and by running the fleet as we do today, we are quite comfortable in the guidance we are giving.

And remember that we have actually shelved all our investment plans in September 2014 on the outlook that a potential correction was coming. So of course we didn't foresee the oil crisis. That would have been arrogant to say. But at least we shelved our capex plans. And therefore, we don't have that pressure in 2016. We have put the pressure on ourselves with those replacement subsea ships end of 17. But

there, we are quite comfortable that they will find profitable employment. So that's the best guidance I can give you.

Alex Ayoub: No, that's extremely helpful. So we are clear in terms of the utilisation, and just in terms of the day rates, I mean, the way we are doing for Caspian, I guess we would expect, call it between 5 and 10% decrease based on new contracts you have. Is that fair? Because you mentioned that the new contract is around like 10% lower in terms of stay rates.

René Kofod-Olsen: Yes.

Alex Ayoub: I mean the least, I guess, call it, ok, that is a bit challenging market in Africa remaining as is, I guess.

René Kofod-Olsen: Yes.

Alex Ayoub: Perfect. Thank you very much. Then lastly, in terms of the cash on balance sheet. So you have significant RCF available, I know you have maybe \$100 million there, which is expiring in April, but you will still have another \$100 million facility. So I guess cash will be building up, especially as you're having less capex commitments for 2016. So first question, what would be the minimum cash you would expect to keep on balance sheet? And then the follow up question is what would you do with that excess cash?

Jay Daga: I think we've got to look at it from a different point of view, that you know, we have to plan for the next 3, 6 months' time at a time, and then keep our war chest in line with those 3-6 months of outlook. Why we have \$100 million worth of undrawn RCF, but it is not necessary that we have to draw it. So what we have at this point in time is to keep building our cash reserves, manage our debts, and manage our cost of capital. As you know, as a company, we would always be willing

and ready to invest should any opportunity which makes sense to us. So we cannot let those opportunities pass by. So it's good housekeeping to keep a couple of months' worth of opex in our balance sheet, and keeping some fire power for any opportunistic capital expansion.

Alex Ayoub: Sure. But I was just trying to look into another scenario whereby you have significant cash on balance sheet, a lot of RCF. Would you be for example buying back some bonds if the opportunity comes? If you realise that after 6 months, there isn't much.

Jay Daga: You've got to leave that decision to the Board of Directors, because they would take the most prudent view, and there are plans which we have to execute, and whether those plans mean buying assets or liquidating our debt structure or any of these things would definitely be on the cards. So at this point in time, I really can't give you any guidance of, are we going to buy bonds, or are we going to buy ships, or how are we going to shape up our capital structure.

René Kofod-Olsen: But I think, if I may add, I fully agree with my colleague, but I would also say that what this industry typically has done when they had excess cash is to buy ships. It's almost like oil companies in Texas. You give them money and they drill a hole. So we don't believe in that model necessarily. So we are fine in preserving more cash in this period to be able to take benefit should there be benefit in the industry moving forward. We are actually very comfortable to have more than usual of our cash reserve in our balance sheet. Because I agree with you that good housekeeping is to not keep that much cash sitting idle on your balance sheet. But I think at this point in time, that is probably the best possible strategy that you can have.

Alex Ayoub: That is very reassuring to hear. Thank you very much.

Operator: Our next question comes from Alaric Hu from Northlight. Please go ahead.

Alaric Hu: Thank you very much. I just wanted to follow up on two previous questions, if I may. René, regarding the Qatar bid, could you provide any further colour on that tender? Presumably it was successfully awarded to one of the lower Asian bidders? Is there a sense for how much they under-bid that you are able to provide? And separately, and maybe this is a question for Jay, with respect to the asset write offs, or the potential for further asset write offs, just to get a better sense for how we can try to put a ring fence around the total number, it feels like given all the contracts you've got for the Caspian assets and the vast majority of the assets working in MENA and Africa, the total fleet, as it were, that might be at risk is a very small percentage, perhaps less than 20%? Is that the right way to think about it?

René Kofod-Olsen: Ok, so I can take the Qatar first, Alaric. Thank you for that question. I believe, as it is in a Dutch auction, you are thrown out when you sort of say no. So we were thrown out of that. But it is our view that it was won at 15-20% lower for a five year contract. And we were simply not willing to sign off our future. Even though it was a good and dear client to us, for those two ships, it simply didn't make sense for us.

Jay Daga: And in respect of the impairment, naturally we look at impairment analysis every year once a year, and it has to be under normal circumstances. We are not in the business of buying and selling ships, and we are not in the business on short term. So we have to look at our fleet as a long, sustainable fleet value, and then we decide a favourite value. First of all, we need to be convinced that there is a material difference and a material decline in those values requiring us to re-align our fleet value. So if you're asking me to ring fence a number, unfortunately I can't,

because I don't dictate market. However, if you ask me whether we have a good sustainable visibility of cashflows from our assets, yes, we are confident of that visibility. So the bottom line is that we took a very, very considered and pragmatic view at the end of 2015 to put through almost \$70+ million worth of impairment, and my professional view, we will not consider any further impairment unless the market completely turns upside down or some of our assets completely goes, becomes non-commercialisable.

Alaric Hu: Yes. Thank you for that, Jay. So just to be absolutely clear though, the definition of something that might be written off would be something that is no longer working and has not worked for a period of time, at a minimum.

Jay Daga: I think we don't hold such assets, so therefore I can't tell you. We have assets that are working. And the assets that have been laid up have been laid up for good commercial reasons of cost containment. They are perfectly marketable, very good quality ships, and in the event the market even shows a little bit of positive sign, I know that our asset would be ready to trade. So it is more so from the point of view of capacity management rather than any distressed level of those assets. Our fleet is young, as you know, and it has been working reasonably well, and has been cash generative for a considerable period of time. So we're not going to take a knee-jerk reaction for quarter-on-quarter to start taking impairment.

Alaric Hu: Understood. Thank you very much.

Operator: Thank you ladies and gentlemen. As there are no further questions at this time, I would like to hand the call back to Mr Kofod-Olsen. Please go ahead.

René Kofod-Olsen: Thank you, Suzanna. Thank you everybody for your questions, it is delightful to be with you on the call, and we will see you after the conclusion of the first quarter. Thank you so much.

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