BOURBON RESULTS HALF-YEAR 2017

7 September 2017

PRÉSENTATION

Jacques de CHATEAUVIEUX

You have noted the stabilization of the oil price at around USD 50 a barrel. To date, this has had very little influence on the launch of new developments, especially in the deep-water offshore. Our business firmed up, even though a low point hit in the first half of 2017. Due to a slight pick-up in existing fields, this has not yet given rise to an improvement in our utilization rate. This is with the notable exception of the Middle East.

In this context, BOURBON has maintained its main goals, by focusing on what we can have an influence on.

- First of all, the operational excellence and the improvement of performance in terms of safety and technical availability are noteworthy in this half year.
- The presentation of our vessels to clients who are looking for the most efficient solutions. This is by leveraging conditions for access that are market specific to each country. This is one of the strengths that we have in countries where access conditions are regulated by local content. We also have partners who facilitate such access.
- There is the reduction of operating costs, of laid-up vessels and of overheads.
- Finally, there is the preservation of cash in order to guarantee the ability to independently finance the company in this low cycle. Results obtained across these points demonstrate the performance of BOURBON's teams in every sector and in most countries where we are doing business.

In this half year, we can take away the following.

- The deep offshore is stabilizing at a low point, which illustrates the overcapacity of vessels. This is also due to the low investment of customers, especially in the PSV sector. Higher rates will be hindered for a long time, due to a supply glut.
- Shallow water offshore has suffered the most, and the average utilization rate for the period is below 40%. It is probably in this segment that signs of a pickup will be seen first, as BOURBON already reactivated a few vessels at the end of the period.
- Lastly, in specialty activities, subsea and crew boats remain stable in terms of revenue and in terms of the margin.

As regards the costs of operations, they continued to decline by 10% from one half year to the next and by 15% over one year. The same goes for the unit costs of laid-up vessels and overheads. During the half year, BOURBON enhanced the implementation of its transformation plan and initiated new commercial offers in the fields of subsea and marine services.

We are trying to bring down the operational cost structurally and adapt our organization to an oil sector which is attempting to be profitable with a barrel priced at USD 50. However, we also want to move towards broadened services to our offshore clients, whose watchwords now are "simplification, standardization and productivity". As you know, I am with

Astrid de Bréon and Christian Lefèvre, who will now speak to you about the accounts for 2017. Then we will share with you the outlook for the coming period. I'll give the floor to Astrid.

Astrid de BRÉON

BOURBON is publishing performances which have been widely impacted by an oil offshore service market which remains difficult. We note, however, that the decline is slowing down, half year on half year. When we look at market conditions, the utilization rate lost 4.1 points in the first half of 2017, while it had lost 8.2 points in the second half of 2016. Likewise, the average daily rate of chartering decreased by 2.7% in the first half of 2017. This is a decline which is lower compared to what we saw in the previous half year, when it was at -7.7%.

As a result, for the first half of 2017, the adjusted revenue, at EUR 459.5 million, represents a decline of 23.3% versus the first half of 2016. On the other hand, we can compare this to the second half of 2016. The decline in revenue is limited to 8.7% versus a decline of 16% sequentially between the two 2016 half years. In line with the terms which we use to measure the performance of the group, the financial data are adjusted to the EBITDAR. This is to reflect the performance of our operational companies in which BOURBON has joint control, according to the global integration methods.

EBITDAR is at EUR 145.1 million for the first half of 2017. This is a declining EBITDAR compared to the second half of 2016. It remains limited at -5.9% due to the favorable effect of price cuts. As a matter of fact, with a decline of 10%, costs have diminished more than revenue, which in itself is down by 8.7%. This is a consequence of the continuation of all the cost reductions. We are also maintaining our policy for laid-up vessels, which does not have any commercial short-term or medium-term perspective.

By the way, this proactive management of the fleet is one of the major levers, because it allows us to quickly adapt the structure of our costs to the level of business. To give more detail, the direct costs have come down by 12.1% between the second half of 2016 and the first half of 2017. The overheads and administrative costs are down over the same period by 10%. These effects account for the operational resistance illustrated by the resistance of the EBITDAR margin rate, which is at 31.6% for the first half of 2017. This is up by one point, relative to the previous half year.

Segment by segment, the operational performances remain mixed.

- In the commodities,
  - in the deep water offshore, the quarterly utilization rate has been stabilizing since the fourth quarter of 2016. It stands between 60 and 61% in a market which remains impacted by less drilling business and vessel overcapacity. Our operating margin is up compared to the second half of 2016, at 33.1%, due to a decline in costs of 15.7%. This is a consequence of the cost reductions and the proactive laid-up policy.
  - Shallow water offshore is the segment that most suffered in the first half of 2017. The utilization rate there has reached a low point, at 35.6% in this first quarter 2017, before picking up at 40% in the second quarter. The EBITDAR of that segment is divided by two in this first semester 2017 compared to the previous half year.
- In specialty segments, it is a different trend.

- As regards crew boats, the big surfers are continuing to benefit from the overall trend which favors secured transportation means compared to the helicopter. This is despite lower revenue in the crew boat segment compared to the second half of 2016. The EBITDAR over revenue margin rate was stable on an adjusted basis, thanks to good cost control.
- The subsea segment shows satisfactory performance, with revenue up, thanks mainly to the turnkey projects in Africa and in Asia. The operating margin rate is at 42.1%.

Overall adjusted EBITDA comes in at EUR 59.6 million, which is stable versus the previous half year. Remember the substantial cash from savings through the remuneration of the charters (240 million €), which are the bareboat vessels from ICBC, is not reflected in our income statement. Taking IFS standards into account, the chartering expenses are linearized over the total period of these local contracts has given us. The accounting impact is limited.

Consolidated EBIT showed a loss of EUR 90.8 million. Note that the updating of the underlying hypothesis has not given rise to any additional impairment costs. The financial result was impacted in this half year by EUR 50 million of unrealized currency losses, essentially due to the weakening US dollar. Finally, the net loss, Group share, amounts to EUR 170 million, taking into account the minority shareholders. The free cash flow was up at EUR 76 million in the first half of 2017, versus EUR 58 million in the second half of 2017. This rise of 31% from one half to the next results mainly from lower CAPEX, thanks to a decrease in capital expenditure and dry dock costs which were divided by two. The significant increase in the free cash flow versus the EUR 6.7 million generated in the first half of 2016 reflects the end of most of BOURBON's CAPEX. This is following the delivery of Bourbon Arctic in the first quarter of 2016.

I will end with a financial chapter of the action plan called “Stronger for Longer”. On 28 July, we finalized the debt rescheduling agreement with our main financial partners. EUR 910.8 million of debt has been rescheduled durably, with a gradual payback until 2025. Balloon loans expiring in the first half of 2017 have also been rescheduled as anticipated. In accordance with IFRS standards, these borrowings have been maintained in short debt as of 30 June 2017. They will be rescheduled as long and medium-term debts in the second half.

In this context, in October 2017 we will not exercise the option to redeem the Perpetual Deeply Subordinated Note. Therefore, the coupon will be revised in the application of the step-up clause.

In conclusion, the results were impacted by a market which remains difficult and whose decline has tended to slow down semester after semester. We have lower costs and rescheduled debt and a growing free cash flow.

Thank you for your attention. Christian Lefèvre will now share the outlook for the coming months with you.

Christian LEFÈVRE

With a barrel price stabilized at around USD 50, oil companies have adjusted and revised their fundamentals. They are starting to initiate offshore exploration projects again. The demand in terms of maritime services in offshore remains low, but we gradually see pick-up signs coming up. First of all, in drilling, the shallow and deep water offshore, which seemed weak in the past two years, seem to be picking up gradually for the end of the year and for 2018.

It is in this context that our shallow-water and deep-water offshore segments should pick up slightly in terms of utilization rates. However, prices are highly challenged, because there is an overcapacity of vessels.

Our crew boat segment will continue to benefit from our customer's dual will, who are in the tropical sea:

- to secure the transportation of personnel towards offshore fields or between infrastructures on oil prices.
- to reduce costs, due to the transfer by sea being twice cheaper as the transfer by air.

The subsea division business ought to be stable, positively impacted by the projects to extend tie-back or existing fields. However, it is negatively impacted by the end of offshore field-development works, which were initiated before the fall of the price of the barrel. To be noted that the subsea division has expanded its range of deep-water and shallow offshore offers and also in renewable energies offshore, with the capacity to provide our customers integrated solutions at competitive costs.

To mark this significant change in the market, the group has launched a transformation plan and has continued to streamline operations, reduce costs and preserve cash. We are always aiming at operational excellence.

Jacques de CHATEAUVIEUX

Thank you, Christian. I thank you for your attention. We are now ready to answer your questions.

__QUESTIONS AND ANSWERS

Jean-Luc ROMAIN, CMC CIC Market Solutions

I have two questions. The first one is with regard to the change in the utilization rates. Do you have a rough estimate about the improvement you expect for the shallow and deep sea offshore in the second half of this year, compared to the first half? Secondly, what about your competition, especially those who have gone through Chapter 11? How are they behaving compared to you, in the markets where you are present?

Jacques de CHATEAUVIEUX

I see the meaning of your first question. It is very tricky to answer this. To take an example, when you look at the trends in the shallow offshore, which was the hardest hit, we see this. Between the lowest point in the half year of 2017 and the average for the half year, there was an improvement of about five points. In recent weeks, we have seen 1-2 additional points, and that is the most we can do in terms of forecast. It is very much related to the developments that will be taking place in the market. This is due to the fact that it is a BOURBON vessel that has been chosen and not one of our competitors. It is quite difficult to answer your first question. For your second question, there is a comment I will make first, and then Christian will give you his point of view on the behavior.

Even though it is a bit early, you are alluding to Tidewater. They went in and out of Chapter 11. The first observation is that the company recovered rom to manoeuver thanks to a large number of sacrifices for the stakeholders. Shareholders lost everything, the banks have given up 1.6 million in debt, and bondholders were told to relinquish the bonds or transform them into shares.

On the other hand, you will note that the company certainly announced that a number of vessels that had been interrupted would not be put back into service. This does not give any outlook for jobs for the employees, given the situation. In this context, it is true that the company seems to have the necessary cash to fulfil its obligations and its commitments even so, given the information they must give now on a monthly basis about their revenues, we can see that given the cash difference expenses and revenues, they are already starting to consume that reserve that they have. Therefore, I do not think that there is a great possibility of market disturbance, even though the first price offers made by that competitor were extremely aggressive. However, it is quite normal in order to start reactivating vessels. In July, there were some significant reactivation costs. I am not sure whether that exactly answers your question, but that is all we can say at this point, as it is quite recent.

Guillaume DELABY, Société Générale

As a matter of fact, very concretely, for the past few quarters now, you are splitting your businesses between specialties and ‘more commoditized’ business. Does that mean that in the next few quarters and years, we will be seeing a great industrial change at BOURBON? More generally, could you give us a few points regarding what your developments could be in the next 3-4 years? How do you want to handle the lower equity, due to the losses that you will be suffering in the next few years? Could you give us pieces of information to clarify the situation over the next few years?

Jacques de CHATEAUVIEUX

I am not surprised that you have noticed this. It is true that today, the way we look at the market and the way we analyze it for our future actions takes into account what we are noticing with our clients and competitors. Some services that we provide to our customers have entry barriers, and because they are specific, it means the number of competitors is more limited. It is a specialty market now more and more, and the specialty market has two benefits.

First of all, access to that market has been made more difficult for new entrants. The other benefit is that if you have a significant market share, your profitability ought to be satisfactory. It is true that the subsea markets do show these characteristics. With regard to mobility as well, we believe that it is key to develop new offers. We must move from a situation where we are providing vessels with crews to a pattern where in relation to customer expectations, we would offer a more comprehensive service. This could also be the subject of different contracting modes. You probably noticed that in the subsea field, for example, when we take turnkey businesses, we are moving gradually to an obligation of resources to an obligation of achieving results. We want to develop ourselves in those activities and we want to provide offers. In terms of the types of services and the way we put together contracts in line with our customers’ expectations.

In the field of commodities, it is a reality that we are all seeing, and we find this with a number of commentators. It seems that there is a differentiation factor through the vessels made available and the way they are operated for our customers. This is such that all the characteristics we mentioned, which create attractive specialty markets, are not always present in commodity markets.

In other words, the profitability of these markets goes up and down, depending on demand on the one hand. It also depends on the significance of supplies. Today, we are in a twofold negative environment, or at least it is not so positive, because demand has not picked up yet, though it will come. Supply is still significant, with difficulties in differentiating ourselves. In this world, it is very important to consider carefully what customers are expecting and what the digital revolution is teaching us.

In relation to this, we consider how the company has to change itself in order to provide the services as expected. This is probably with modalities, an organization, and a regional footprint that takes into account these various elements. This is in terms of differentiation and a better guarantee of profitability of our operations. You had asked us to shed some light. We have given you more than that, but that is all we can say at this stage. What is clear though is that remaining as we are, as we have been and as the industry has always been in the commodity markets is a way of putting ourselves into something that is haphazard. This is not our DNA at all.

Now I will discuss the equity related question. One might think that in the next 2-3 years, one might not have a lot of equity. The strategy today is very clearly to make sure we are capable of financing the low cycle whilst we wait for better cash flow when there is a pick-up in the business. You have seen that a number of initiatives have been adopted, with success. The flow of cash out will be balanced through what we feel is our current cash flow generation coming from operations.

We will continue along those lines. We are not excluding anything, but our conviction for a long time has been that the company has the means and what it takes to undertake the necessary financing of this period. Once we break out of this negative period, we will be able to dedicate a significant part of our cash generation to the payback of these borrowings, which have been rescheduled. Immediately, or at least for the next two years, I do not see any significant change related to equity, compared to what you can imagine otherwise.

Guillaume DELABY

The last question is more for Astrid. Is it reasonable to imagine cash generation of about EUR 150 million for the year? I am multiplying by two what we did in the first half of the year?

Astrid de BRÉON

I confirm you the figure of EUR 76 M. for the first half of 2017. On the forecasts, you know how it is. The investment is usually slightly higher in the second half, mainly in terms of expenses and CAPEX. However, we will not have the rough estimates we had in 2014-15 in terms of a CAPEX plan.

Jacques de CHATEAUVIEUX

I would like to add to this. You saw that in the decrease of CAPEX and therefore improvement in cash flow, there are dry docks. What I dream of is that we will have a lot of drydock maintenance to do. It would mean that we are reactivating many vessels to put them to work again. If there is a pick-up in the activation of our fleet that was laid up, we will have expenses that are classified under IFRS as investments. However, that would be a good piece of news. In terms of cash out in relation to traditional CAPEX, it is practically nothing.

Petri KORTE, Danish Ship Finance

Would it be possible for you to elaborate on the contract cover going forward, in the segments of deep, shallow and sub-sea?

Jacques de CHATEAUVIEUX

I think we have given access to this information in the appendix of today's release. We have outlined contract coverage by segment, which we traditionally give as an annex to the accounts. Let me just find it. You have the contractualization of the fleet. We have given the situation at the end of June '17, with deep sea offshore at 36, continental offshore in shallow water at 31, crew boats at 41, and subsea at 22.

Thank you for the question, because now I can point out the fact that from a tactical point of view, we are not too keen to contract long term today at such low rates. Should the utilization and day rates go up, we would be missing the opportunity to get more revenues for the length of that contract. We have a customer that we cannot say no to. We would do it, but especially in the commodity segment, we are not fighting for contractualization. I am sure you understand that.

Petri KORTE

We fully understand that.

Thibault TEILLARD, Le Marin

I have two questions. First, you said that Tidewater was not putting all their vessels into service. Do you think that the 100 vessels which are laid up now will all be working? Can the digital revolution change the offer as it stands today? I also have a different question now. We have government-related announcements which says that oil is not good and that we will not be producing anymore in France. Does this have an unpleasant impact for you?

Jacques de CHATEAUVIEUX

On your first question, it is no and then it is yes. No, every vessel under the BOURBON label won't come back to service under the BOURBON brand. Yes, the change in the way we manage vessels are such that some vessels are totally ready to implement this change and others will require significant CAPEX. It would be better if they were operated in a different framework, perhaps by operators that are not BOURBON.

With regard to oil, I will let the experts comment. Ask Mr Pouyanné and the others how, when they negotiate for exploration rights abroad, they are saying that what is good for them abroad is not good for them in France. It is probably not so easy. In the food chain, we are far from the first rankings.

To come back to your first question, something is clear about the industry. As you saw in the other sectors, the shipping industry will not be immune to everything that is going on. This is in terms of the digitalization impact and the way to conduct business. There is what we are seeing in terms of unpicking and rebuilding value chains. There are opportunities for specialization here and there which did not exist before. We need to have a very open mind here, and you won't be surprised that is is the case at BOURBON. The question is not if we will have to hop on board, but the question is whether we can leverage what it allows us to have with customers. This is a new basis of relationship with our customers. The watchwords of our customers are simplification, standardization and productivity gains. The question is about what we are doing now to be up to this with regard to this new environment that is coming along.

There are questions that have come to us through the web. They are asking us to provide comments and forecasts on our performance on the stock market. That is the million-dollar question! I have no idea. BOURBON is communicating very clearly to the market about what we are doing, how we feel the market will be, and how this will be affecting our company. However, you realize that today, the stock market is sometimes driven by other considerations, on which we have very little influence, so it is very hard to say. You can link this to the question that was asked before about how we see the potential of BOURBON in terms of its equity and value going forward. I commented that our main target today is to have the self-financing capability. We have demonstrated that by talking to the people that we are working with in terms of financing, we believe that what has been done in the current circumstances will help us to go safely and autonomously during the two years to come. However, we will adapt to any changes in restriction. And it is very hard to say what the performance can be.

Being a shareholder myself, when I look at the report from the stock market, I am not enthusiastic. However, when I see what the company is doing and how the company is being positioned to take advantage of the future, then I feel comfortable. Since I do not intend to sell my shares, the price of the stock market is not meaningful for me. We cannot interact because this is a question from the Internet, so I hope I gave you some flavor and color on your question.

Jean-Luc ROMAIN, CM CIC Market Solutions

I have a question on the offshore wind energy. What about the size of the market in France and in Europe? Regarding your vessels, what CAPEX do you need to make on certain vessels to address this market? Can you tell us more about that market of wind energy, which comes in addition to the oil market?

Christian LEFÈVRE

On the wind energy market, we have vessels which are adapted to the construction phase and to the connections and the protection of cables. We have already had two seasons in the North Sea in England and in Germany, with a particular vessel built in a harbor in Boulogne. We also have the technology, and we have developed the engineering as regards floating wind energy. We carried out the mooring installation of the first floating wind turbine of Portugal more than 3 years ago.

Recently, we completed also for Ecole Centrale de Nantes (ECN) in Brittany, such mooring installation with very high tension, to put in place this wind energy. We have specialized vessels, not for installation purposes, regarding these heavy devices which require huge vessels, but all the other peripheral installations and maintenance operations when the fields are in production. We believe that we can step in as well with the crew boats, our Surfers range, which are sized up to meet some requirements in this field.

Jacques de CHATEAUVIEUX

Thank you very much for your attention to our presentation and we will meet again next year, when the full year of 2017 can be commented on. This wraps up today's conference. Thank you for your attendance.