BOURBON FULL YEAR 2015

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BOURBON
Building together a sea of trust

Christian LEFEVRE, Chief Executive Officer, BOURBON

Good morning, ladies and gentlemen, thank you for attending this conference call presenting our 2015 annual results. I am with Mrs. Géraldine VITTE, our Chief Financial Officer. After going over the main operating results, I will turn it over to Géraldine VITTE who will go in details over the financial performances of the Company and to conclude I will share our outlook after which we will answer your questions.

In a deteriorated market with a very low oil price and investments sharply lower in the oil sector, we published this morning results with an EBITDAR that is adjusted at €547.7million up by 7.5% versus 2014; an operating margin at 38.1% up by 2.2 points thanks to good cost control. It is the outcome of an action plan initiative in 2014 and a good anticipation of the idleness of vessels with a very low utilization rate in 2015. We are recording a net loss Group share of €76.6million resulting chiefly of the increase in bareboat charters paid in dollars and also an unrealized currency loss of €40million on our dollar debt.

BOURBON achieved free cash flow at €90million this year while obtaining delivery of ten supply vessels and six crew boats in a difficult market where utilization rates and charter price are bearish, we have a good operational performance in Safety, we record a TRIR which is a total recordable incident rate per one million hours worked based on 24 hours per day, at 0.55, increase in relative to 2014 and which positions us amongst the most performing and the best performing in our industry now due to the utilization rate of our vessels excluding crewed boats, are down relative to 2014 by 8.6% at 79.1%, and the average charter prices excluding crew boats are down 8% at $18 089 per day. We see a good technical management of our 510 vessels, an average age of our fleet at 6.9 points a year which shows a very high technical availability at 96.4%, this also in a like-for-like basis lower cost for 8% over 2015. This performance strengthens our strategy aiming at standardizing our fleet and our propelling equipment.

We launched in 2010 our BOURBON 2015 Leadership Strategy Plan consisting in investing €2billion in new offshore vessels. Then, in March 2013, the Transforming for Beyond Plan was put in place especially with its financial section assets mark which aimed at selling vessels to the tune of $2.5billion and continue to operate them for ten years under bareboat charter.

Let’s now take a look at the performances at the end of 2015 versus the targets which had been said we invested:

- $1.8billion in new vessels to be compared to the €2billion that were forecast;
- We also sold and took back in bear boat charter to this day $1.7billion of vessels compared to a goal of $2.5billion;
- Now, the average annual growth of our revenues on a like-for-like basis was at 9.3% does not reach the goal of 17% mainly due to the sharp deterioration in the market and lower business in the past two years on the one hand, and due also to the fact that investments in vessels were postponed over time on the other hand;
- The adjusted EBITDA ratio of revenues is at 25.8% versus 30% forecast;
- The adjusted EBITDA over employed capital ratio reaches 20.6% versus 24% forecast. It reflects the 18-month of crisis in the offshore;
- The operational targets have been achieved. The technical availability rate of the fleet is at 96.4% versus 95% forecast;

- Reduction of the cost index on a like-for-like basis is at 11% versus 4% forecast with the help of the idleness of a number of vessels at the end of the period;
- Financial performance has not been achieved for the reasons just mentioned. The gearing is at 0.9 versus a target of 0.5;
- The net debt over EBITDA ratio is at 3.8% versus a target lower to 2.

This Capex allowed BOURBON to become the leader in maritime services and the oil offshore BOURBON operates to the recent fleet built in serious standardized and shows in the market which is in a low cycle of a strong resilience relative to the other operators.

Our operational performances are a priority regarding safety or technical availability rate of the fleet which is the dependability of our vessels and a commitment of our employees are recognized by our clients which are reflected in our utilization rates which overshoot the average in the market.

Our revenues are well-balanced in our four business segments namely: the deep offshore supply, the shallow offshore supply, crew boats and the subsea IMR clients well-diversified amongst the main oil companies with the most important clients representing only 6% or our revenues in 2015.

Our footprint is international excluding the US given the Jones Act with mainly a regional footprint on the basis of local partners, and BOURBON therefore can meet the needs of the majors of national oil companies, but also independent operators and contractors.

Financially now, the maturity of our business model is such that we have been generating free cash flow for 3 years. The reduction of our debt is substantial -40% relative to the high peak in June 2013 and will maintain in place that financial discipline in the future.

I will now turn it over to Géraldine VITTE who is to shed some light on the accounts and I will come back to present our outlook and answer your questions.

Géraldine VITTE, Chief Financial Officer, BOURBON

Thank you Christian and good morning. As Christian LEFEVRE said, BOURBON is resisting well in a difficult market where the oil price continued to drop to reach historically low levels for the past ten years. It is therefore at $52 on average over 2015 versus $99 in 2014. The dollar has dramatically been stronger now versus the euro moving from $1.21 for one euro at the end of 2014 to $1.09 at the end of 2015 with an average at $1.11 versus $1.33 last year.

In this deteriorated environment, the highlights in 2015 for BOURBON are as follows:

- Firstly, stable revenue and an improvement of our operating profitability as measured by the ratio EBITDAR over revenue;
- Secondly, the materialization of our new business model initiated in previous years which can be reflected to the increase in bareboat charters on a net decrease of the capital gains on the sales of vessels relative to 2014;
- Thirdly, a net loss of €43million which includes as we will see the effect of unrealized currency losses at -€40million mainly due to reevaluations of debts denominated in dollars.

- Lastly, a positive free cash flow of €90million, a net debt nearly stable taking into account the supply of 16 vessels over the year with a cost of the net debt down.

Before going further on, let me give you a remind of the nature of our financial results we are referring to here, it is up to the EBIT, we have adjusted data which are recorded since the 1st of January 2015 the performance of the operating co-companies on which BOURBON exerts a joint-control according to the global integration method and comparative adjusted data have been restated as a result.

The revenue for 2015 is therefore at €1,437million which is 1.1% more than in 2014 on a like-for-like currency basis. It is being upheld despite pressure on prices and lower utilization rate thanks to favorable currency factors especially with the US dollar, and thanks to the entry into our fleet of new vessels.

The operating margin rate is rising 2.2 points versus the previous year beside a favorable dollar effect. This was made possible thanks first of all by better general operating controls following the implementation of our reduction plan in 2013, and secondly by a proactive management of our fleet with the idleness of some vessels which have a very low utilization rate.

These actions have allowed us to an overall drop in our cost by 2.4% while the fleet operated is rising on a like-for-like basis, therefore excluding the entry into our fleet of the 2014 and 2015 cost lower by 8%; finally, the favorable impact of the currency rate has compensated the effect of daily price drop of -7% between the two years. Therefore, savings on cost have allowed to more than offsetting the drop of 5.4 points of utilization.

Progression of the rates of margin can be seen in every segment with the exception of the deep offshore segment which suffered the most from pressure on prices, but however which maintained an identical profitability to what we had in 2014 being already at a highest level. EBITDAR at nearly €548million; this is therefore an increase of €38million which is 7.5% up versus the previous year.

Looking now at the level of bareboat charter increase of 62% is due to the combination of two phenomena: first of all, of course, the full-year effect of the vessels sold in 2014 which include 31 vessels, but also the adverse effect of the dollar/euro which represents one third of that rise.

With regards now to the gains of vessel sales, without any surprise, there are much lower than what we saw last year due to the volume of sales in 2014 as part of the Asset Smart Plan, it represents here in the amount of nearly €3million while we had obtained nearly €61million last year.

The combined effect of the increase in leases and charters, and the lower capital gains, leads to an EBITDA at €371.3million down by 19.2% versus 2014.

Now, depreciation and provisions are down by nearly 3% compared to last year while the operated fleet increases by 2.2%. The effect of supplies of 2014 and 2015 vessels was offset by a decrease in the provisions for dry dock on the bareboat charter vessels following a lower budget for technical stoppages in order to optimize a lower cost. Finally, the adjusted EBITDA is at €66.1million euro, down by more than 50% versus 2014.

If we look now at the financial income two major income accounts for its development from one year to the next. First of all, a dramatic reduction in the interest expenses of 15% due mainly to the average debt between the two years following the implementation of the Asset Smart strategy. The second main effect on the financial result is the impact of the change in currency rates, first of all regarding the dollar. We benefitted from a positive currency result of €62million in 2014 while we are recording this year a loss of €13million out of which €40million of unrealized currency losses. These losses in particular are connected with a higher dollar relative to currencies such as the Brazilian Real, the Mexican Peso or the Norwegian Crown, for subsidiaries with debt in dollars.

We come now to the net negative loss of €43.4million which after taking into account minority interests generates a net loss Group share at €76.6million. Last not worthy aspect of this year, we have a free cash flow at €90million coming mainly from the operational business. We have therefore a good resistance of the cash generated by our operations which is rising by 4% relative to 2014. This is essentially due to an improvement in our working capital; note also that unlike the previous year, the contribution of vessel sales to the generation of cash is limited.

In 2014, the execution of our Asset Smart strategy allowed to reduce our debt by €350million to reach €1.349billion at the end of December 2015. The debt stands at €1.395billion slightly up by 3.5% especially under the effect of a higher dollar which is weighing down on our debt denominated in that currency.

To end, what is not worthy is that in terms of currency risk management, the Group has partially hedged the exposure of EBITDA in dollars at the rate of 1.09.

Thank you for your attention. Christian LEFEBVRE will now share with you his outlook for 2016.

Christian LEFEVRE, Chief Executive Officer, BOURBON

Thank you Géraldine. 2016 property will see a low point of the cycle for demand of offshore vessels. We anticipate however a slightly better business in the second half mainly in the fields of maintenance of oil facilities and the maintenance of the existing production fields. BOURBON will remain focused on the excellence of execution of services. We will do our best to have our best utilization rate of our fleet in operation excluding idle vessels, but relying on our major regional footprints, or network, mainly made up of local partnerships.

The Group will continue to make idle temporary up to 20% our supply vessels without mid-term commercial perspective in order to reduce our operational cost. In this uncertain context, we anticipate a moderate decline in our revenue in 2016, and a slight decrease in our operating margin EBITDAR/revenue versus 2015.

BOURBON therefore reaches the end of our investment plan which will be taking three supply vessels and four crew boats in delivery in 2016, so we should have a free cash flow sharply higher relative to 2015.

The Board of directors will propose during our AGM on the 27th of May to maintain the payout of one euro per share in terms of the dividend.

To conclude, BOURBON is focused on what we can control. Our priority is a quality of service and the utilization rate of our vessels by relying on a network mainly made up of local partnerships. The period of Capex being at the end, we anticipate a positive free cash flow which will be up in a market which is on a low cycle.

Thank you for your attention. We are now ready to answer your questions and a number of questions from people on the web.

_ QUESTIONS/ANSWERS SESSION

Jean-Luc ROMAIN, CM CIC Market Solutions

I have two questions. The first one is on the ratio leases/EBITDA. What steps are you considering because you grant lower prices to your clients in exchange of a longer contract? Could you also renegotiate the leases and charters? Secondly, sorry I can hardly hear the question. Could some of your fleet never be in operation again and will you then have an impairment of the assets?

Christian LEFEVRE, Chief Executive Officer, BOURBON

Thank you for your two questions. Regarding the leases or the percentage of these charters over EBITDAR, we are 32% and a few percentages, so slightly higher than 30%. This is mainly due to the slow cycle point of the oil offshore business; all of this will move up probably as soon as the market picks up again. So, as a matter of fact, we negotiated a decline momentarily in leases and charters over the next two years with our financial partners who own a number of our vessels. That decline in charters or leases will have a cash impact and given the IFRS standards which require a smoothing out of the charters if the services remain the same, that decline in charters or leases will not be seen in the published accounts, but it will have a cash effect of course.

As regards the risk of impairment that idle vessels might not be back in operations, this would be my answer now: first of all, the vessels that we made idle are for the most recent ones you heard that the fleet, the average age of our fleet is very young. So, these vessels are quite fit for the market. When the market rebounds, these vessels will be ready to be in operations again. Now, with regards to impairments, the possible laying up of vessels, at BOURBON, we reevaluate our fleet every six months by an independent expert and despite the decline in the value of the vessels, we still have about €480million of potential value relative to the net carrying value in our accounts. So, we have a comfortable buffer in this low cycle with regards to the value of vessels relative to the value in our accounts. So, we don’t see therefore any risk of any impairment of assets for quite some time.

Another question?

Guillaume DELABY, Société Générale

Thank you for taking my question. Congratulations first of all for the accurate information you gave us. This has been very detailed; that’s very pleasant. I have two questions. On the free cash flow and 2016, could we get an idea about the amount of Capex that you are planning, €180million, perhaps €200million? Is this something that seems reasonable to you?

Second question, do you see a low cycle in 2016 followed by a slight pick up in the business? Do you believe that your program for reducing cost is adequate enough to allow BOURBON to be back on track to a net positive income, perhaps around 2017 or 2018? And generally in your plans, when do you see BOURBON being back to a net positive result?

Christian LEFEVRE, Chief Executive Officer, BOURBON

Let me give you an answer first of all on your first question on the free cash flow and the amount of investments forecast for 2016. You are in the right range of investments that we are planning, around €180million to €200million of investments. You have to note that in these investments, you will find the dry docks which are recognized at BOURBON as a Capex line and depreciated over three years so such investments related to dry docks represent about €80million and therefore are included in the range that you were providing.

With regards to cost cuts, they were depreciated in 2014 and were heightened in 2015. We have not seen yet the full effect of the action plan undertaken, first of all, because there is a slight delay especially when you make vessels idle you have to wait for a few months before you see cost really going down as there are invoices to be received, leaves of employees, etc. All of this postpones things or staggers things out. So, we have heightened the idleness of our vessels at the end of 2015. So, in 2016, therefore we will have the full effect of those steps. We still have to do some restructuring or reorganization. In this case again, we are waiting for further cost reductions in the coming year.

Regarding the net result, obviously, things will improve given the fact that at the end of our investment plan, after that however I cannot say more than that at this stage. We provide targets and trends without figures and we do not wish to give any quantified forecast. I think I have answered your questions.

Jean-Luc ROMAIN, CM CIC Market Solutions

I have two questions. The first one regards the sales plan of €2.5billion. Where do you stand with this now and what remains to be done? Is there particular timetable that you have in mind? That’s my first question.

My second question is on the supply of 2016. If I understand, what are you doing with your Western African partners as he is not included in the supply figures? Can you give us an indication of the Capex related to this?

Christian LEFEVRE, Chief Executive Officer, BOURBON

I will answer on the first question. Yes, as a matter of fact, we sold for $1.8billion some vessels with the Asset Smart plan. We had planned $2.5billion. We are still in talks for further sales, but the market being what it is; clearly, there is less appetite than we had in the past to buy offshore vessels today. We are still in discussions, but we cannot say anything else about this. Now regarding the floatel as we said we have in, we have been ordering the latest generation of this so-called floatel DP3 – 600 for customers with a very wide deck which will meet perfectly the oil requirements that have in production the so-called FPSO and there will be some dry dock periods. For these dry dock periods, it is necessary to have a barge close to with bridges that are stabilized in order to allow the transfer of employees from the FPSO towards the barge. There is also a crane which allows making hot-welding operations on the barge while it is forbidden on the FPSO which produces oil and gas. So, that vessel will be coming probably early 2017. The vessel was ordered in partnership with other investors on a 50/50 basis. It is not in our 2016 budget therefore.

Géraldine VITTE, Chief Financial Officer, BOURBON

We have a question from internet which asks whether the dollar hedge will have a result on the financial income or EBITDA, will it have any effect?

There will have an effect on the EBITDA, but not on the financial income.

Is there any other question?

Christine ROPERT, Gilbert Dupont

I have a question. Why are you confident about a pick-up in the second half? Can you give us an update on the fleet on a worldwide basis?

Christian LEFEVRE, Chief Executive Officer, BOURBON

Regarding the second half of the year, a number of analysts and also some of our major clients believe that the lower production will start to express itself, materially and very naturally, the oil price ought to get higher in the second half and that is the opinion of quite a number of specialists or major players in the oil sector. If all of these were to take place given the fact that oil operators have really dramatically reduced all their costs, we believe that in the second half, we will have more business related to the maintenance of these oil facilities which are still in production. They must out of necessity maintain them. Then finally, the maintenance of the production of existing fields requires also many operations such as stimulation and others. The maintenance of this contributes to a high demand for vessels. So, we could therefore anticipate a slight increase in the demand for vessels, if vessels, of course, have been scheduled for this kind of operations. However, we do not anticipate unfortunately any pick up in the drilling sector related either to exploration or to the development of fields in construction because all of this is part of a budget already decided, so we don’t see any particular notable pick up there.

Now, regarding the idle fleet in the world, clearly, there are a large number of idle vessels especially in the North Sea, but also in China with vessels ordered by investors or shipowners, and sometimes by non-professionals. Therefore, these vessels are “*frozen*” or have not found any buyer; therefore, it is clear with this large stock of vessels. Remember, this is a service-related business and not only about making available vessels. We see this day in and day out with our clients who given the current situation where they want to reduce their costs and they are streamlining their purchases of vessels and services by consulting the three or five top shipowners in this business without consulting the others. So, this trend is quite substantial in our sector and that is the reason why you have noticed resilience factors that we have today in this highly deteriorated market. This is what I can answer about this topic.

Jean-Luc ROMAIN, CM CIC Market Solutions

You notably mentioned the stimulation and the maintenance operations. Can you remind us how many vessels are equipped and in which zones they are in operation? In Mexico, do you see any first effects of your operations or has the lower oil price a sharp impact on Mexico in your operations there?

Christian LEFEVRE, Chief Executive Officer, BOURBON

As regards your first question, today we have five vessels which have a spread simulation installed by our clients, but most of our vessels PSV of average size are in a dynamic position, and have also the capacity to work on these operations related to simulation. I have talked about simulation because this is the best-known activity, but many more related to this area of production.

Christian LEFEVRE, Chief Executive Officer, BOURBON

Could you please repeat your second question?

Jean-Luc ROMAIN, CM CIC Market Solutions

How about your business in Mexico? I think that budgets are down at PEMEX and therefore does it have an impact on your business in Mexico?

Christian LEFEVRE, Chief Executive Officer, BOURBON

Yes, this is the case. We pin major hopes on the opening of international oil concessions in Mexico. This will probably be just delayed, but concession agreements are here on the table now regarding the oil activity on PEMEX and national operations, so the client has asked us to bring down prices, but we still have a fleet in Mexico on the basis of long-term contracts there. Although we are priorly considering further reductions this year, we think we can keep a good part of the leet that we have in Mexico based on long-term contracts.

Christian LEFEVRE, Chief Executive Officer, BOURBON

Thank you very much for attending this conference call and we will meet again for the Shareholders' general meeting in May 2016 and the publishing of our revenues in first quarter which will take place on the 4th of May 2016. Thank you and have a good day.