



Mermaid
SUBSEA SERVICES



Mermaid Maritime Plc

4Q 2015 Results

Analyst & Investor Update

March 2, 2016



Mermaid's Management in the meeting today

Chalermchai Mahagitsiri

Chief Executive Officer and Executive Vice Chairman

Paul Wiley

Managing Director Mermaid Subsea Services

Vinh Nguyen

Chief Financial Officer

Vincent Siaw

Senior Vice-President Legal & Corporate Affairs



Agenda

- **Business Report**
- **Financial Review**
- **Business Outlook**



Business Report

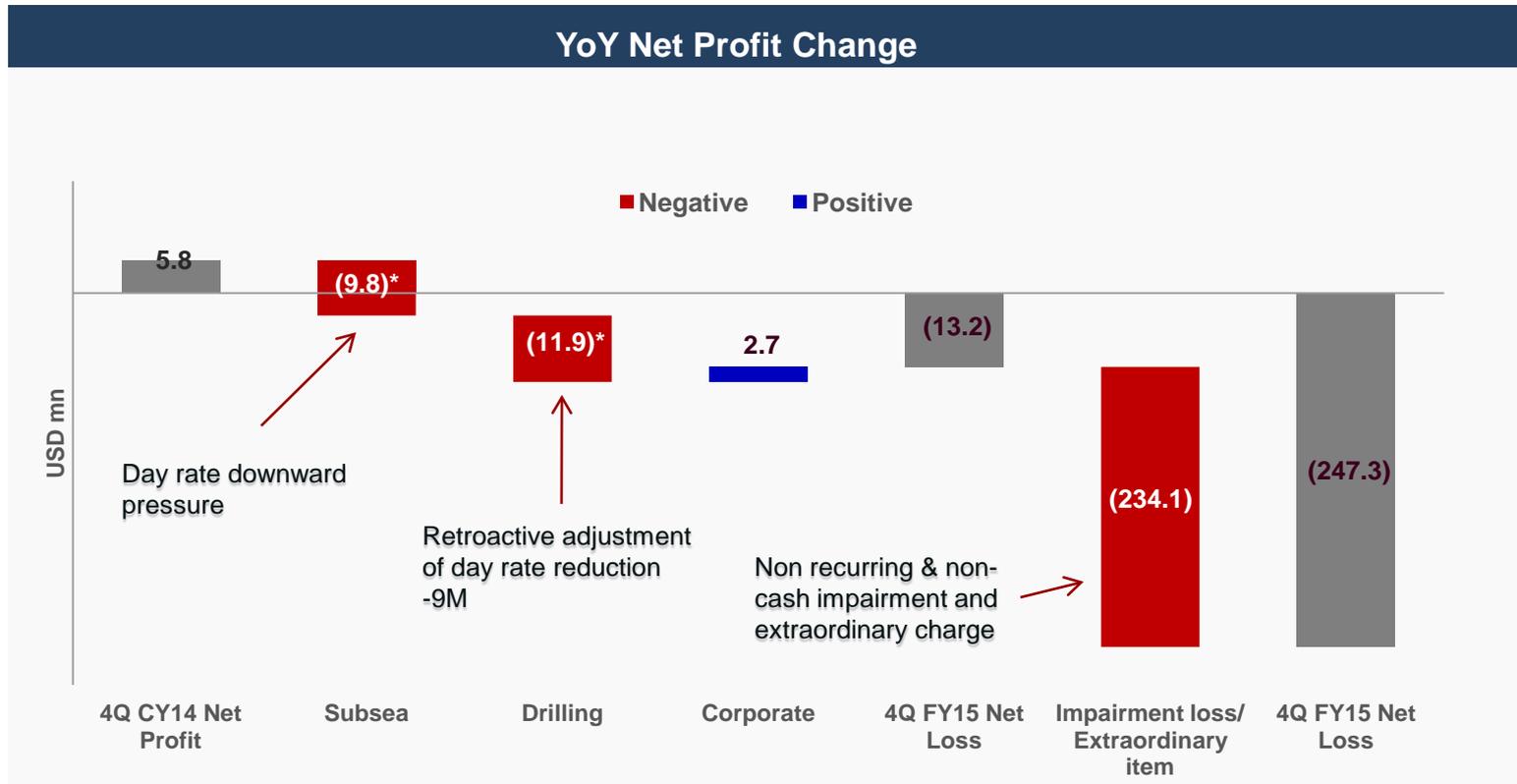


4Q 2015 Highlights

- ▶ Weak 4Q earnings mainly due to retroactive adjustment of bareboat charter on AOD rigs and extraordinary impairment charge
- ▶ In low season, average utilization of Subsea assets was 56%
- ▶ Cable Lay continues to add positive contribution for 4th consecutive quarter
- ▶ Implementation of costs savings program accelerated in Q4
- ▶ Order book (excl. Asia Offshore Drilling) stands at USD255.5m
- ▶ Following impairment test, booked a total of 228.5m non-cash impairment provision on PP&E, share of impairment loss on AOD as well as goodwill impairment



Weak 4Q with retroactive adjustment of bareboat rate on AOD rigs & impairment / extra. items

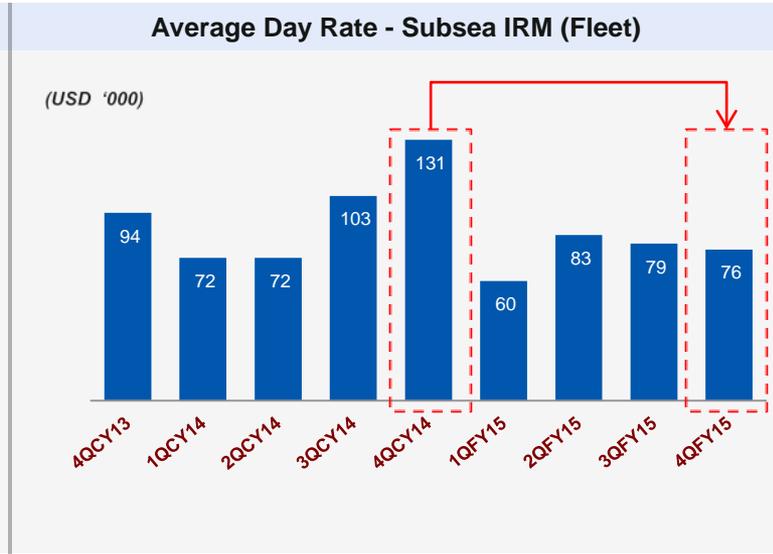
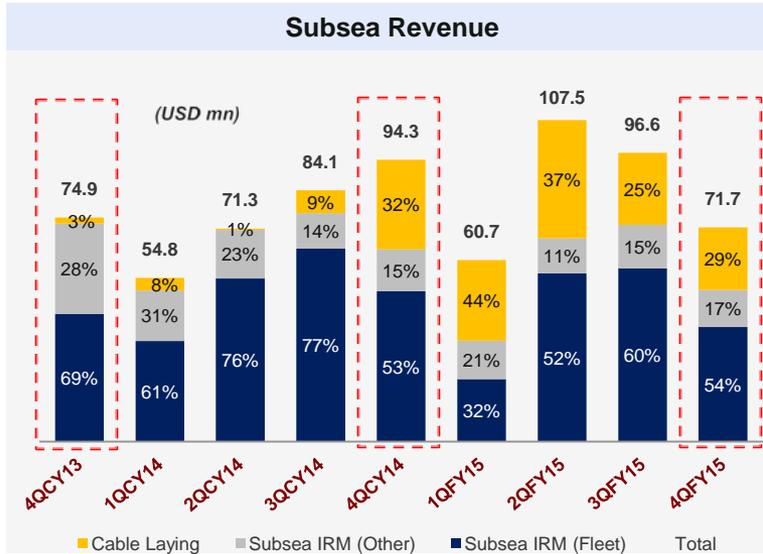


- Adjusted to exclude the impact of group internal FX translation loss of USD 0.04m booked under corporate (gain for subsea) for comparison purpose; FX translation loss relates to Thai-denominated debt by holding company (corporate) to subsea subsidiary.
- For consistency purpose, 4QCY14 \$5.8mn net profit excluded loss impairment \$1.5mn booked in CY2014.
- AOD performance has been included in Drilling for presentation purpose. In financial statements segment information, AOD is included in Holding



In low season, Subsea asset utilization was 56%

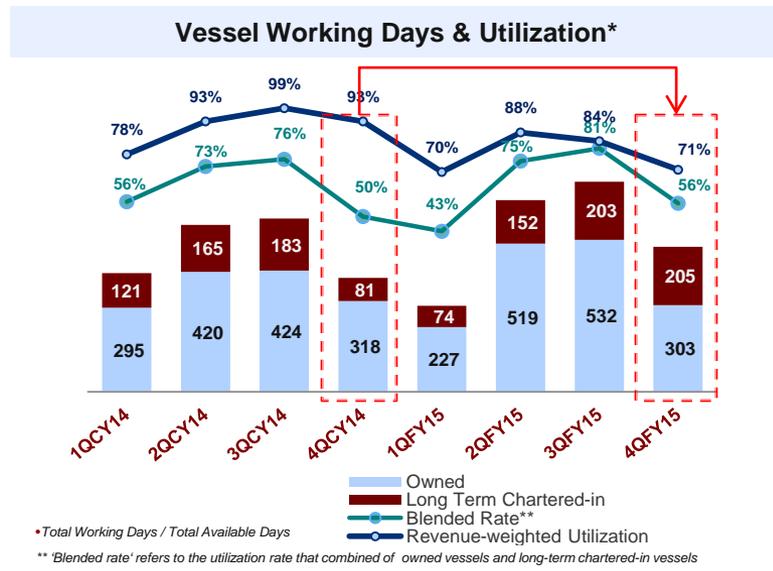
Revenue declined with downward pressure on day-rate



YoY decrease in Subsea Q4 revenues due to

- Lower average Subsea day rate
- Less cable laying revenue, yet more profitable

Fleet utilization rate decreased QoQ to 56% driven by seasonal factors, yet remain higher YoY



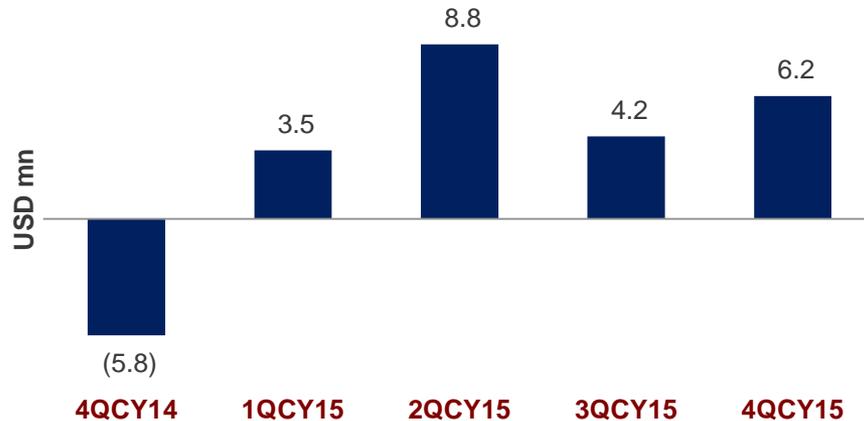
* Total Working Days / Total Available Days

** 'Blended rate' refers to the utilization rate that combined of owned vessels and long-term chartered-in vessels



Cable Laying: 4th consecutive quarter of positive contribution

Contribution Margin



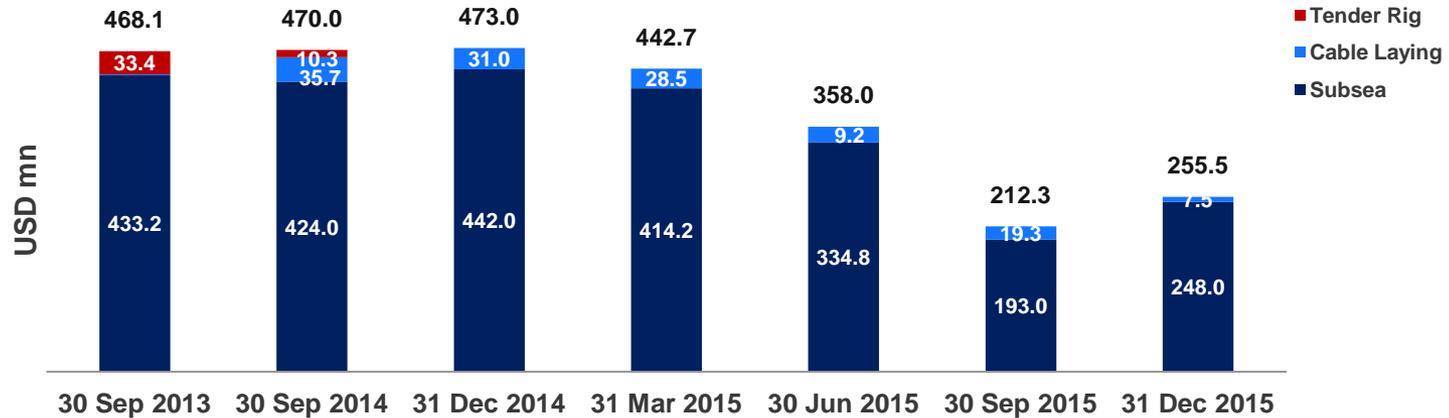
- Cable laying business continues to perform well
- Solid client traction; new enquiries for prospective contracts
- Better execution post initial steep learning curve, and as the group tightened project and risk management process
- Offers diversification opportunity beyond Oil and Gas

Project Names:	Operation Time line
1. Saipem Wasit Cable lay Supporter	Aug'14 - Jan'15
2. LS Cable lay	
- Daya II 1st Line	Sep'14 - Jan'15
- BE808 2nd Line	Apr'15 - Jul'15
- BE808 Protector Shell	Aug'15 - Oct'15
3. Saipem UMB Umbilicals	Dec'14 - Mar'15
4. Saipem DSV (BE806)	
- Phase 1	Oct'14 - Dec'14
- Phase 2	Feb'15 - Jul'15
5. Saipem 3PDM (Mubarak Supporter)	Feb'15 - Jul'15
6. McDermott Mubarak Supporter	Aug'15 - Dec'15

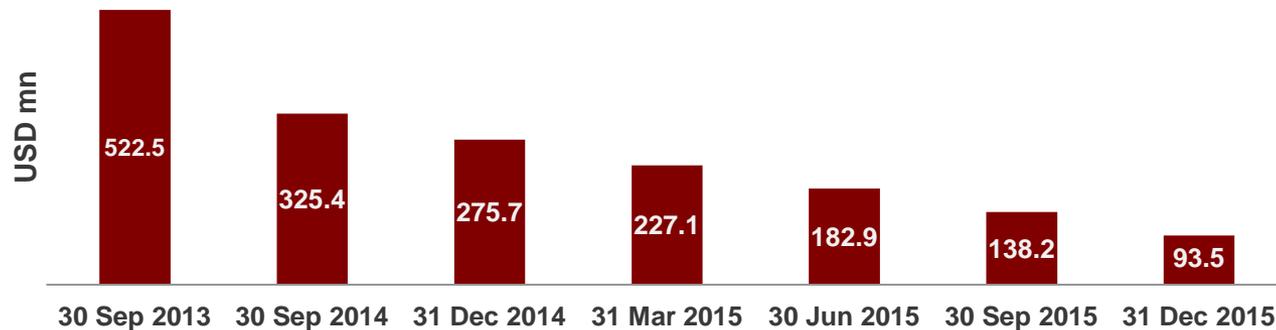


Order book stands at USD255.5m

Order Book (excluding Asia Offshore Drilling)



Asia Offshore Drilling Order Book*

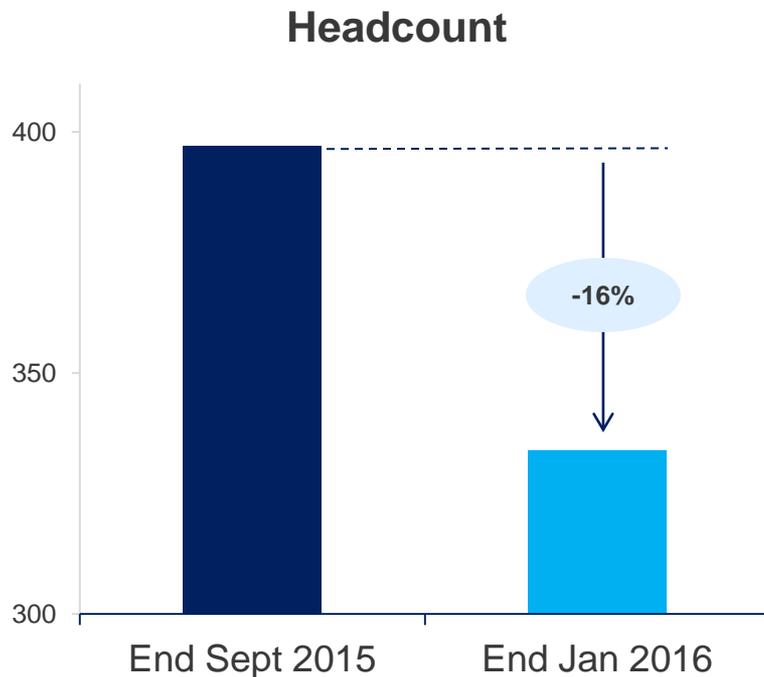


* Mermaid Maritime owns 33.76% stake in Asia Offshore Drilling



Implementation of costs savings initiatives accelerated in Q4

Organization Rightsizing



Comments

- Headcount adjusted to reflect level of activity
- Continued consolidation and integration of both Western and Eastern Hemispheres' operations to reduce overheads and increase productivity
- Reorganize around efficiency and talent retention

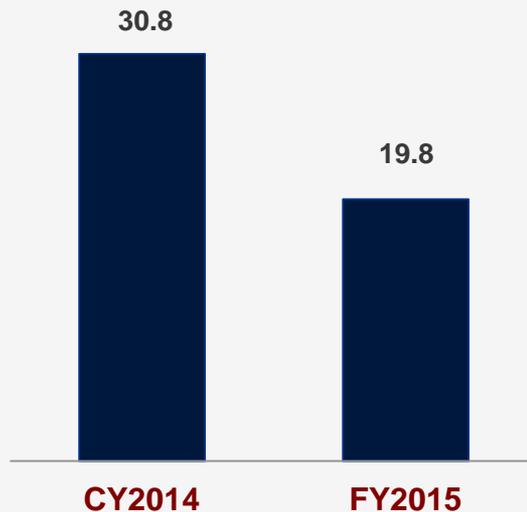
Note: Figures based on headcount on payroll



Excluding impairment & extraordinary item, AOD would have contributed 19.8m despite rate reduction

Lower Drilling Earnings

(USD mn)



Note: exclude impairment and extraordinary

- Average utilization remains high; 100% in 4Q2015 and 98% for the year 2015
- Rate reduction effective on 1st of April and resulting bareboat charter decrease led to USD (9)Mn loss sharing in Q4 (retroactive adjustment)
- Extraordinary items booked in Q4
 1. \$65mn non-cash share of loss on impairment
 2. \$5.7mn loss on previous year equity dilution



In line w/ principles of transparency & as required by accounting standards, we conducted an impairment test

Accounting standards

Standards require to conduct impairment review if any indication of potential impairment

Review performed by **comparing Net Book Value ('NBV') w. Recoverable amount**

Recoverable amount is determined by **higher of**

- Fair value less cost to sell ('FVLCTS') and
- Value in use ('ViU')

ViU calculated using a Discounted Cash Flow model ('DCF') over life time of asset

Outlook

O&G industry continues to experience significant challenges in light of the current oil price

Continued reduced oil and gas spending, activity and contract awards anticipated across the subsea and offshore drilling services

Supply and demand imbalance will continue to put pressure on utilization and pricing

3rd Party Review & Total Result

We engaged an International Accounting Firm, one of Big 4, to review our impairment test methodology and assumptions

Following

- (i) Management's analysis
- (ii) 3rd party review by an international accounting firm, one of Big 4, and
- (iii) Validation from External Auditor,

we booked **total 228.5m non-cash provisions for impairment on assets as well as share of losses in AOD driven by a similar impairment exercise**



Financial Review



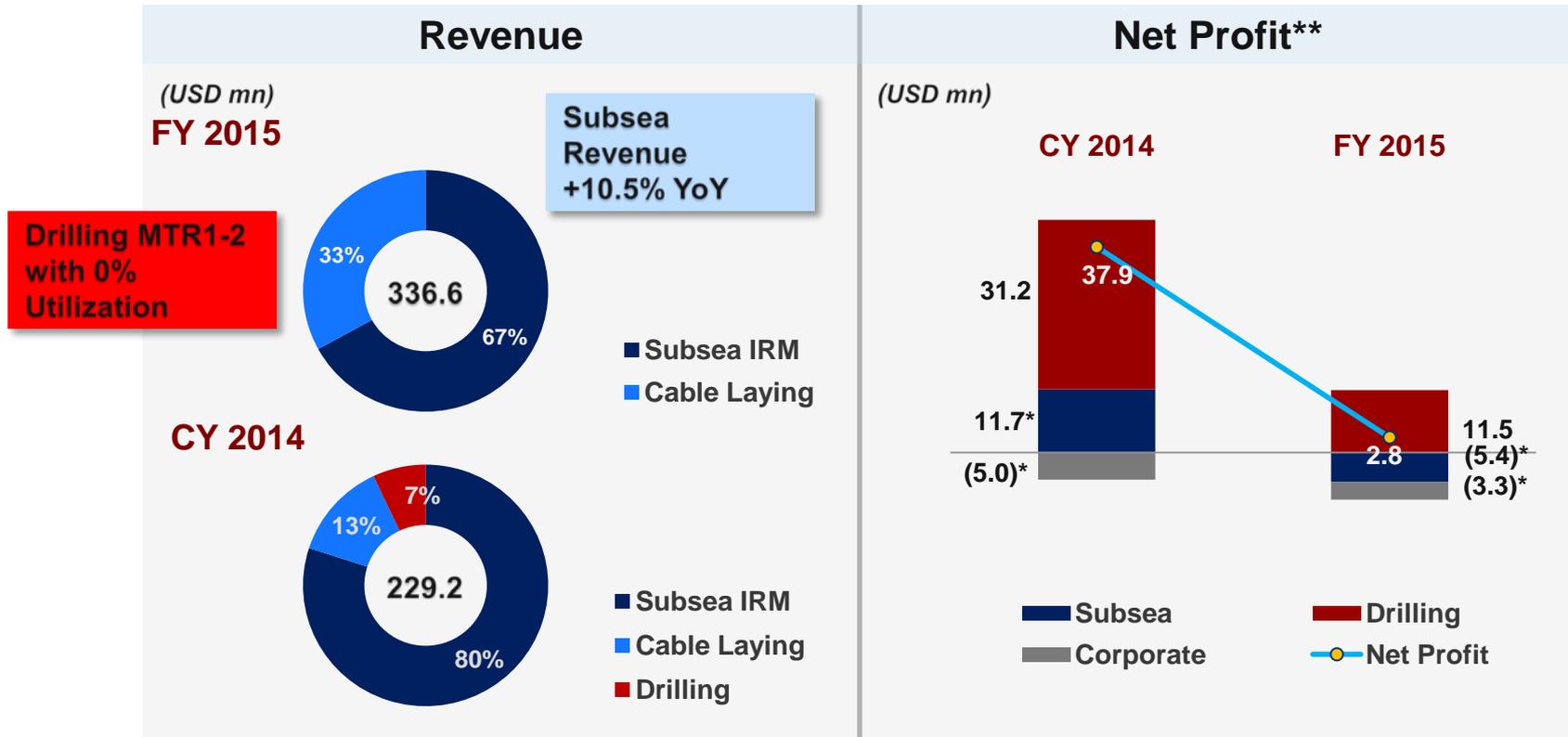
In FY15, Mermaid showed positive EBITDA & Net Profits before Impairment/Extra. Items

USD mn	FY 2015	CY 2014	Δ %
Turnover	336.6	328.1	2.6
EBITDA *	18.9	45.7	(58.6)
Profit from Operations (excluding non-recurring items)	6.7	47.0	(85.7)
Profit from Operations	(227.4)	45.5	(599.8)
EBIT	(177.0)	14.5	(1,320.7)
Associates & JV Equity Income	50.4	31.0	(262.6)
Finance Cost	(3.4)	(3.7)	(8.1)
Profit before Tax	(230.8)	41.8	(652.2)
Tax	(0.5)	(5.5)	(90.9)
Net Profit (excluding non-recurring items)	2.8	37.9	(92.6)
Net Profit	(231.3)	36.3	(737.2)
EPS (US cents)	(16.2)	2.6	(723.1)

* Excluding impairment loss



Subsea was the main revenue growth engine – Drilling faced challenges



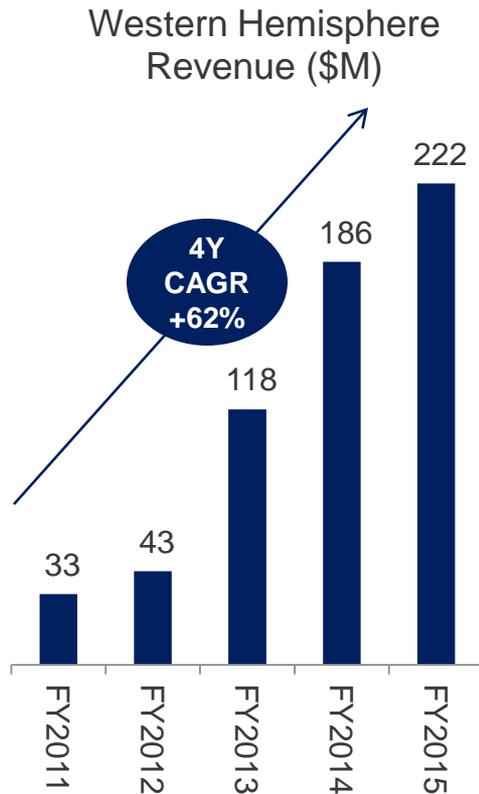
* Adjusted for group internal FX translation loss of USD 15.4m booked under corporate (FX gain for subsea) in FY2015 and USD 6.8m in CY2014 for Thai-denominated debt by holding company (corporate) to subsea subsidiary

** Excluding impairment loss and extraordinary item

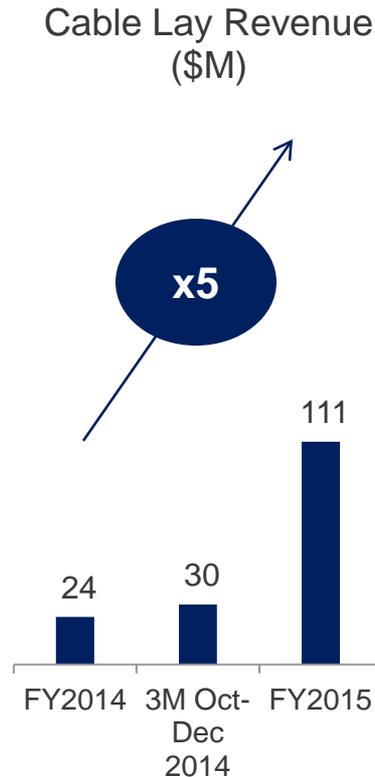


Subsea: Western Hemisphere remains on high growth trajectory

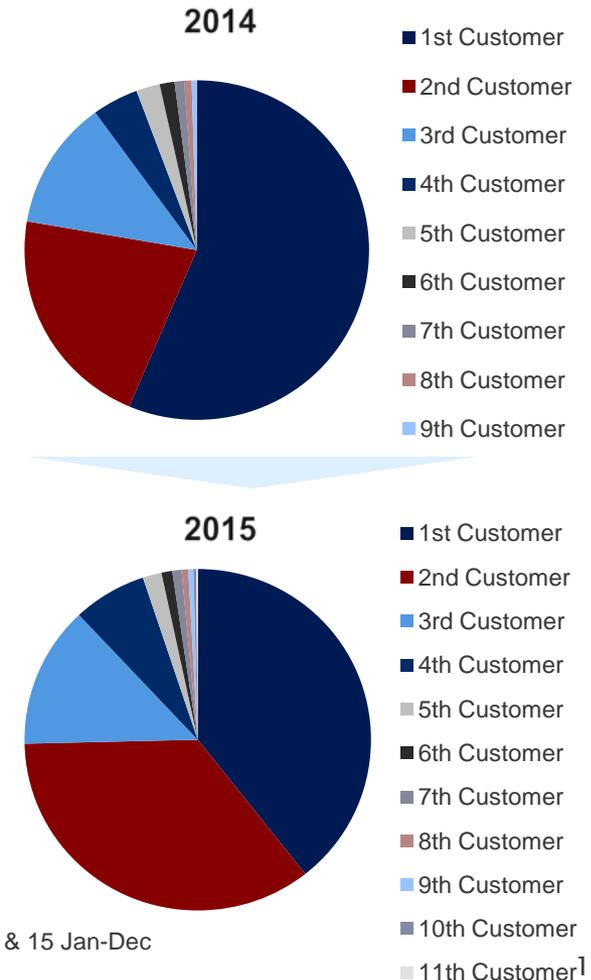
Strong Revenue Growth



Boosted by Cable Lay last 2Y



And increasingly diversified revenue base



Note: FY11-13 Oct-Sep / FY14 & 15 Jan-Dec

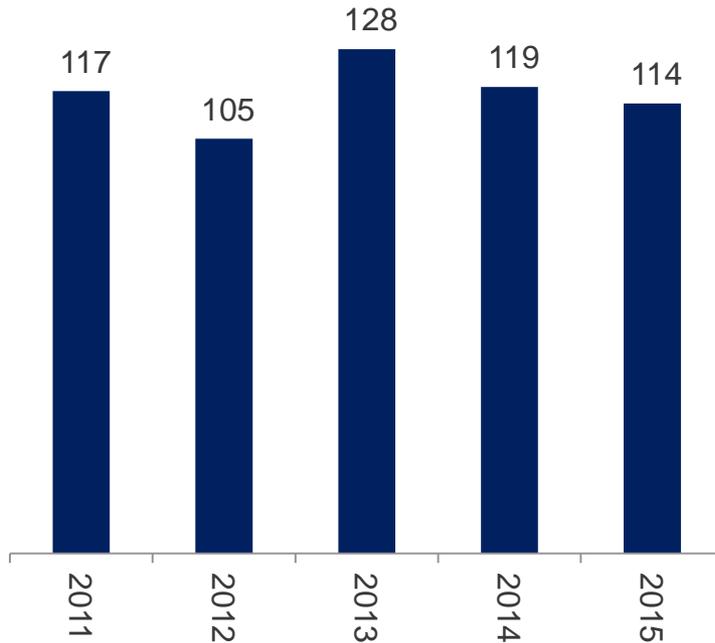


While revenue of East comparatively more stable

FY15 Gross profit impacted by Windermere

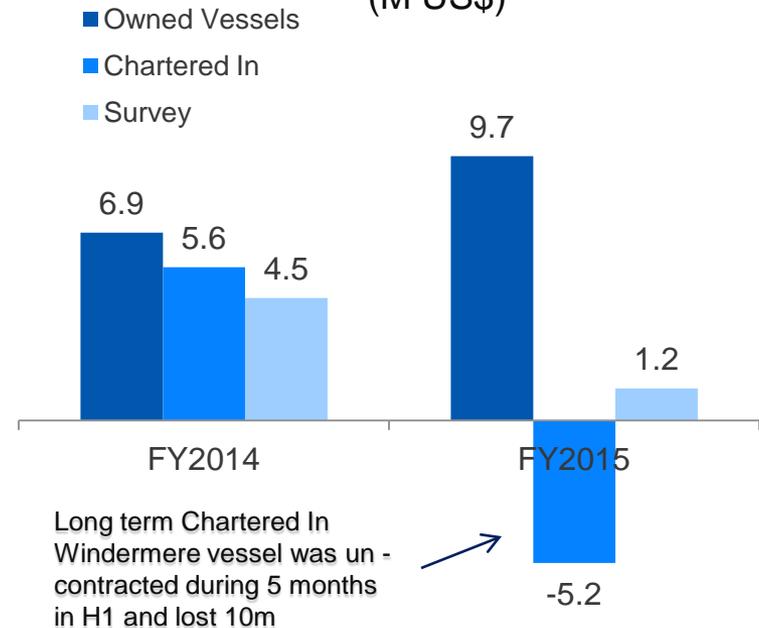
Stable Revenue

Eastern Hemisphere Revenue
(M US\$)



FY15 Gross Profits impacted by Windermere

Gross Profits
(M US\$)



Risk Management measures now implemented to mitigate exposures on long term chartered in vessels



The Group remains Operating Cash Flow positive

USD mn		FY 2015	CY 2014
CASH FLOW FROM OPERATING ACTIVITIES			
	Before Changes in Working Capital	34.4	51.8
	Changes in Working Capital	(18.0)	(3.7)
	Tax Paid	(6.6)	(10.4)
	Others	(3.6)	(3.7)
		6.2	34.0
CASH FLOW FROM INVESTING ACTIVITIES			
	Dividend and Interest received	7.0	0.4
	Capital Expenditure, Investments and Deposit	(26.6)	(86.8)
		(19.6)	(86.4)
FREE CASH FLOW			
		(13.4)	(52.4)

Mainly due to decrease in payables in Western Hemisphere (on-going large cable lay projects end 2014)

25M of DD Capex

The Balance Sheet with healthy liquidity and limited leverage



USD mn	31 Dec 2015	31 Dec 2014	Δ (%)
Current Assets	199.0	228.8	(13.0)
Non-Current Assets	300.8	534.5	(43.7)
Total Assets	499.8	763.3	(34.5)
Current Liabilities	172.9	87.4	97.8
Non-Current Liabilities	5.9	110.0	(94.6)
Total Liabilities	178.8	197.4	(9.4)
Total Equity	321.0	565.9	(43.3)
Property, Plant and Equipment	214.3	378.3	(43.4)
Bank Balances, Deposits & Cash	63.3	93.4	(32.2)
Total Borrowings	107.4	112.7	(4.7)

USD mn	31 Dec 2015	31 Dec 2014	30 Sep 2014
Interest Bearing Debt			
Asset-backed Financing	97.4	103.3	107.3
Unsecured Loan	10.0	9.4	10.1
	107.4	112.7	117.4
Cash and Cash Equivalent	(63.3)	(93.4)	(84.9)
Net Debt / (Cash)	44.1	19.3	32.5
Shareholder Funds	321.0	565.9	561.8
Net Gearing	13.7%	3.4%	5.8%

Liquidity indicators

- Cash Balance = USD 63.3mn
- Current Ratio
 - 1.15x
 - 2.48x (if adjust for reclassified LT portion of loans to current)

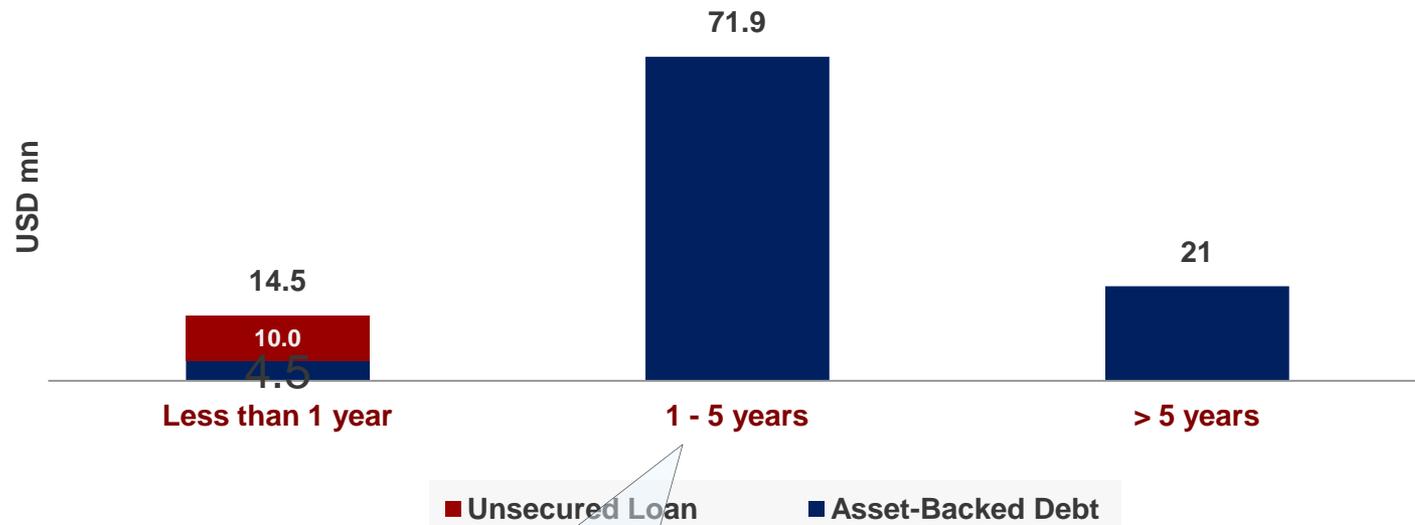
Leverage Ratio

- Debt to Equity Ratio = 0.55x
- Net Gearing = 13.7%
- DSCR = 1.13x

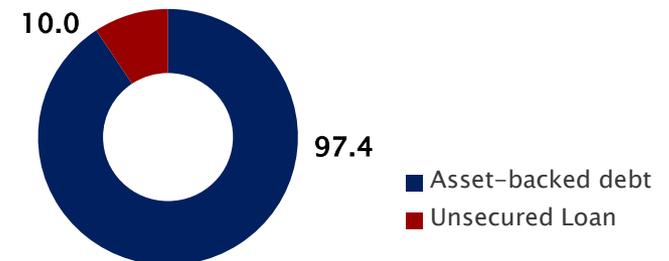


Debt Maturity Profile

Interest Bearing Debt (31 Dec 2015): USD 107.4 Million



4Q15 we reclassified all long-term loans to current-portion of long-term loans due to technical breach, soon to be resolved





Business Outlook



Business Outlook

1. The global oil and gas industry continues to experience significant challenges in light of the current oil price environment
2. Demand for Subsea Services will remain under pressure in 2016 – Demand will vary depending on geographical locations
3. Indeed, demand in the shallow water segment such as the Middle East, South East Asia, West Africa and the Mexico regions likely to be comparatively less affected
4. The Group continues to tender aggressively for contracts, and will take advantage of the weak markets for opportunistic business created by the exit of its competitors and the available supply of chartered-in vessels

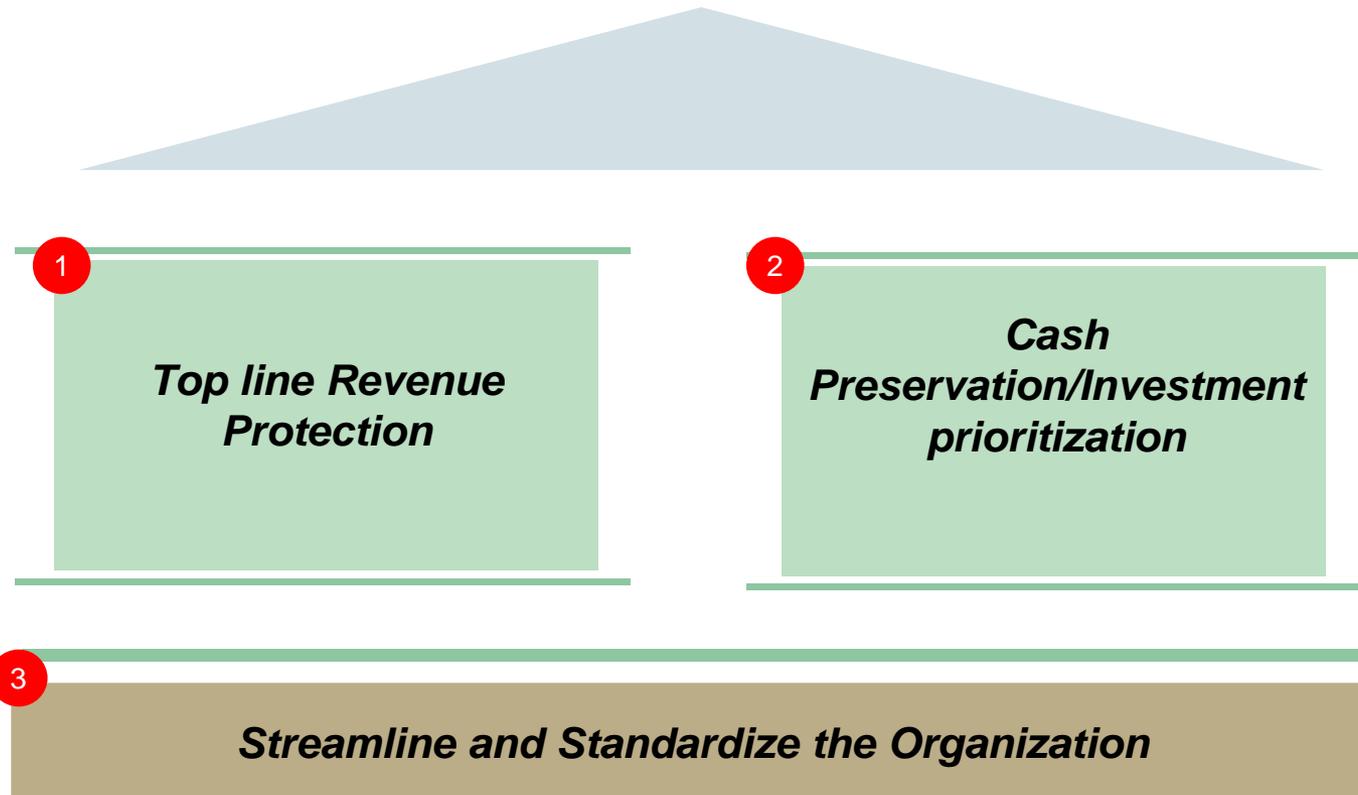


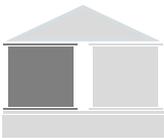
Business Outlook

5. In the drilling business, demand for tender assisted drilling should continue to fall all throughout 2016 and 2017.
6. Modern units will probably be the only ones with access to employment. Whilst on the other hand, contractors of elder units are increasingly leaning towards recycling of their older assets for scrap
7. The Group continues to market the new tender rigs, 'MTR-3' and 'MTR-4', for production drilling contracts
8. 'MTR-1' and 'MTR-2' are cold stacked and marketed for sale
9. Asia Offshore Drilling, 3 high specification jack-up drilling rigs averaged utilization of 98 percent in FY15. Negotiations on contract extension are on-going
10. Given challenging market conditions, the Group immediate focus is the Strengthen the Core



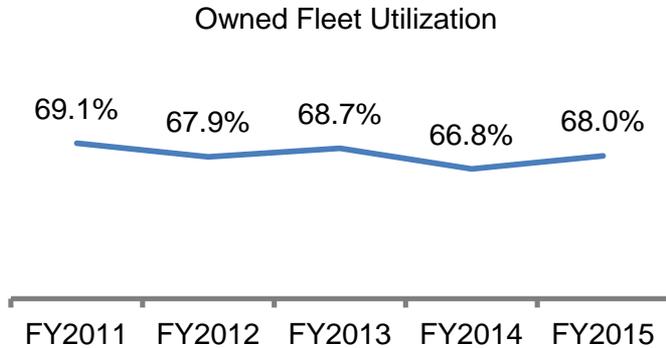
Immediate priority is to strengthen the core





Maintain high client service engagement standards to maximize utilization in core markets

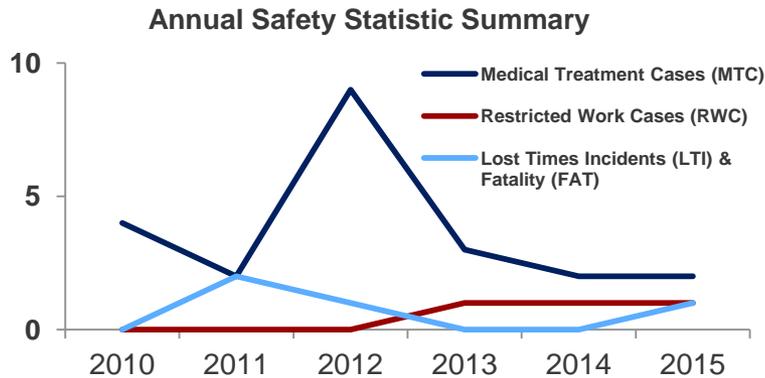
Consistently maintained utilization...



- Completed 7 campaigns of spools installations
- 320 freespan locations rectified
- 65 Jackets inspected
- 132 pipeline inspected
- 6,695 number of Dives
- 1,065 number of ROV dives

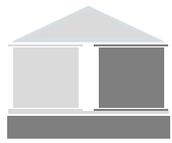
ارامكو السعودية
Saudi Aramco

Track record of quality service



Received an award from CUEL Ltd, in recognition of Mermaid's outstanding safety performance over its ten years of service

Mermaid Commander completed CUEL Installation contract for 10th consecutive year in Gulf of Thailand without a Lost Time Injury (LTI).



Phase 2 of Costs Savings launched

	Description	Target
Non performing assets	<ul style="list-style-type: none">• Retire aging and un-competitive assets• If no beneficial employment or sale opportunity, cold stack to:<ul style="list-style-type: none">• Minimize cash outlay• While lower depreciation resulting from impairment will limit P&L impact	Non utilized assets sold or cold stacked
Vessel Running Costs	<ul style="list-style-type: none">• Reduce Marine Crew and Dive Technician expenses• Increase variable component of selected expense categories to align expenses with utilization• Further negotiate with suppliers to reduce expenses linked to asset market values or net book values	-5 to -10% YoY on Active Vessels
SG&A Reduction	<ul style="list-style-type: none">• Further right-size organization to align with business activity• All categories targeted for reduction (i.e. Travel & Entertainment, accommodation, communications & supplies)• Centralize functions to realize economies of scale	-15 to -20% YoY



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