



de GRISOGONO  
GENEVE

**Balance sheet restructuring**  
Decision supporting document

November 2015

# Executive summary

Since '12 dG SA pursued an aggressive growth strategy with the purpose of reaching break-even (company's making losses since '07)

- Accumulated losses already amount to 102m, more than the company's current revenue line, with additional 22m in net losses<sup>1</sup> this year

To pursue this growth strategy dG SA resorted to shareholder loans, which today amount to 166m at level of ultimate lenders<sup>2</sup>

- 110m CHF from BIC Angola<sup>3</sup>; 27m CHF from BIC Portugal; 12m from Angola Treasury and 17m from Mr. Sindika Dokolo

Due to its performance, dG SA struggles to pay back loans in the future, with no BIC Angola capital repayment in '16. Eg, obligations until Apr/'16:

- 23rd Jan. 2016: 0.9m EUR (interests BIC Angola 2015 loan)
- 28th Jan. 2016: 0.3m EUR (interests BIC PT)
- 20th Feb. 2016: 8m USD (1.6m interests & 6.4m capital repayment BIC Angola 2012 loan) – pending negotiation
- 28th Apr. 2016: 1.5m EUR (0.3m interests & 1.25m capital repayment BIC PT)

In this context, several external actors are pushing (or will soon push) for a debt restructuring event

- dG Holding and Victoria auditors have requested that a major loan impairment be recorded in the books
- dG SA auditors are increasingly concerned that interests can be considered deemed dividends at some point, illegal under Swiss law
- Any incoming potential investor will require a debt restructuring before any investment

As such, the shareholders must now decide on:

1. If to enter a debt restructuring exercise now or not?
2. If so, how much dG SA debt to impact? (as need to decide how much of the 162m in debt should be restructured)
3. How will ultimate debt holders be impacted (Banco BIC Angola & Portugal; Angola Treasury; Mr. Sindika Dokolo)? What to communicate?
4. If to differentiate the treatment between debt holders?
5. How to best make this all happen? (taking into account tax implications, deemed dividend perceptions...)

With the management's proposal recommendation being:

1. Better sooner than later, but dependent on other shareholder considerations
2. Need to remove at least 102m of debt from dG SA, to cover accumulated losses
3. Start by wiping off as much equity from dGH and Victoria as possible and then decide which debt holder to suffer the remaining burden
4. Protect BIC PT, allocating losses to other debt holders (impact on BdP not clear, even by leaving dG SA to dG Holding of same value)
5. Debt to equity conversion transforming financial support in increased SH position, diluting all other shareholders in ~50% (including FG)

1. Estimated 2015 net losses excluding potential costs associated to an operational restructuring effort

2. At the level of dG SA, this amounted to 162m in 2014, and currently is above 200m, due to the 2012 purchase transaction, where loan to dG SA was purchased with a haircut

3. Amount of principal owed to BIC Angola on Aug/2014, after which interests of 8.5m USD and capital amortization of 12.8m should have been paid (under final negotiation of terms)

# Detailed assessment of options (I)

Please find below the management team's detailed consideration on each decision to be taken:

## **1. To do it or not to do it?**

Despite the existing and upcoming external pressures listed above, the option still exists to avoid or simply postpone such a debt restructuring event (which could have a cost of ~1m). However, if postponed the following outcomes will nonetheless occur:

- Significant impairment or loss to be recorded on Victoria and dG Holding level
- dG SA will need to continue paying interests which might later be considered by Swiss authorities as deemed dividends, triggering significant and growing tax liability (estimated at 4m)
- Bank debt restructuring triggers can still be activated

## **2. How much to impact?**

The amount restructured should at the minimum bring dG SA's back to zero. Which in the end of 2014 would have required a 102m restructuring, but this figure should be

## **3. How will the ultimate debt holders be impacted? What to communicate to BIC Portugal and BIC Angola?**

Today dG SA has a commitment to make 192m in interest and capital payments in the next 10 years (see slide 7). As it will see its debt reduced, so will this obligation, impacting the ultimate debt holders (who will not receive these funds from dG SA). In this context, we need to decide how the debt holders will be impacted, with the two options being:

- *Shareholders replacing dG SA*: whereby majority shareholders replace dG SA in its commitments towards ultimate debt holders (BIC Angola, BIC Portugal, Tesouro Angola, ...)
- *Debt holders pardoning debt*: whereby (some or all) debt holders agree to pardon (the totality or part of) the debt

## **4. If to differentiate the treatment between debt holders?**

Key decisions are:

- Should any potential debt pardon impact debt holders differently? (eg. Wiping out some, but not others)
- Should remaining dG SA debt be used to secure one/two specific debt holders? (e.g. Banco BIC at dG Holding level)
- Should the shareholders present specific guarantees to some of the debt holders?

# Detailed assessment of options (II)

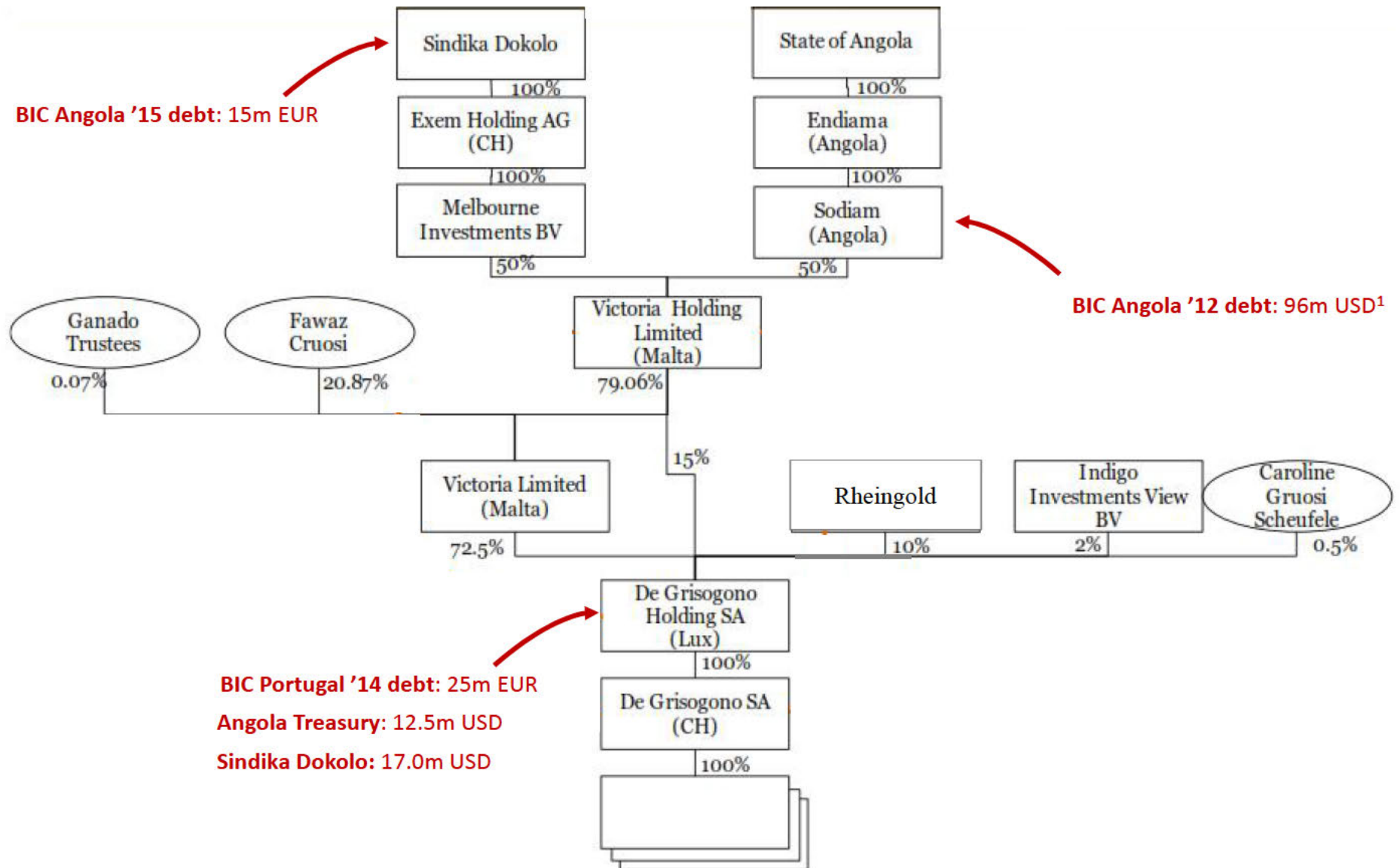
## 5. How best to make all this happen?

In making all this happen, two key decisions need to occur (see slide 8 with debt holding structure and potential impacts):

- *How to “release” the debt from dG SA?* With the two options being either a:
  - *“Debt to equity conversion”*: shareholder loans converted to equity with a B/S operation (made public)
  - *“Debt waiver”*: shareholder loans converted into a pardon, showing up as profit in the P&L and impact on B/S
- *How to “release” the debt from dG Holding?* With options being the same but with add. impact on minority SH:
  - *“Debt to equity conversion”*: will reduce in  $\sim\frac{1}{2}$  position of remaining minority SH of dG Holding (incl FG)
  - *“Debt waiver”*: will leave unaffected the minority shareholders
- *How to “release” debt from Victoria?* If this becomes necessary in case Victoria’s equity level is unable to absorb the debt write-off

# dG's project debt originates from different structures

Shareholder structure and source of dG SA related loans (does not include EA financing)



1. Amount of principal owed to BIC Angola on Aug/2014, after which interests of 8.5m USD and capital amortization of 12.8m should have been paid (under final negot at

# dG SA closed 2014 with 120m in debt, and 102m in accumulated deficit

Simplified dGSA Balance sheet

## De Grisogono SA as at 31.12.2014 (in k CHF)

Cash	12'700	50'520	Current liabilities
Other current assets	115'570	94'220	Loan DG Lux
Fixed assets	2'553	68'562	Loan Victoria Hldg
Intangible assets	2'370	65	Provisions
Financial assets	3'782	26'000	Share-capital
		38	Other reserves
		-102'430	Accumulated deficit
<b>Assets</b>	<b>136'975</b>	<b>136'975</b>	<b>Liabilities+Equity</b>

1

1. Amount of principal owed to BIC Angola on Aug/2014, after which interests of 8.5m USD and capital amortization of 12.8m should have been paid (under final negotiation of terms);  
Note: Debts do not include specific loans regarding dG EuroAtlantic

# In 2015, dG SA has raised an additional 43m in debt

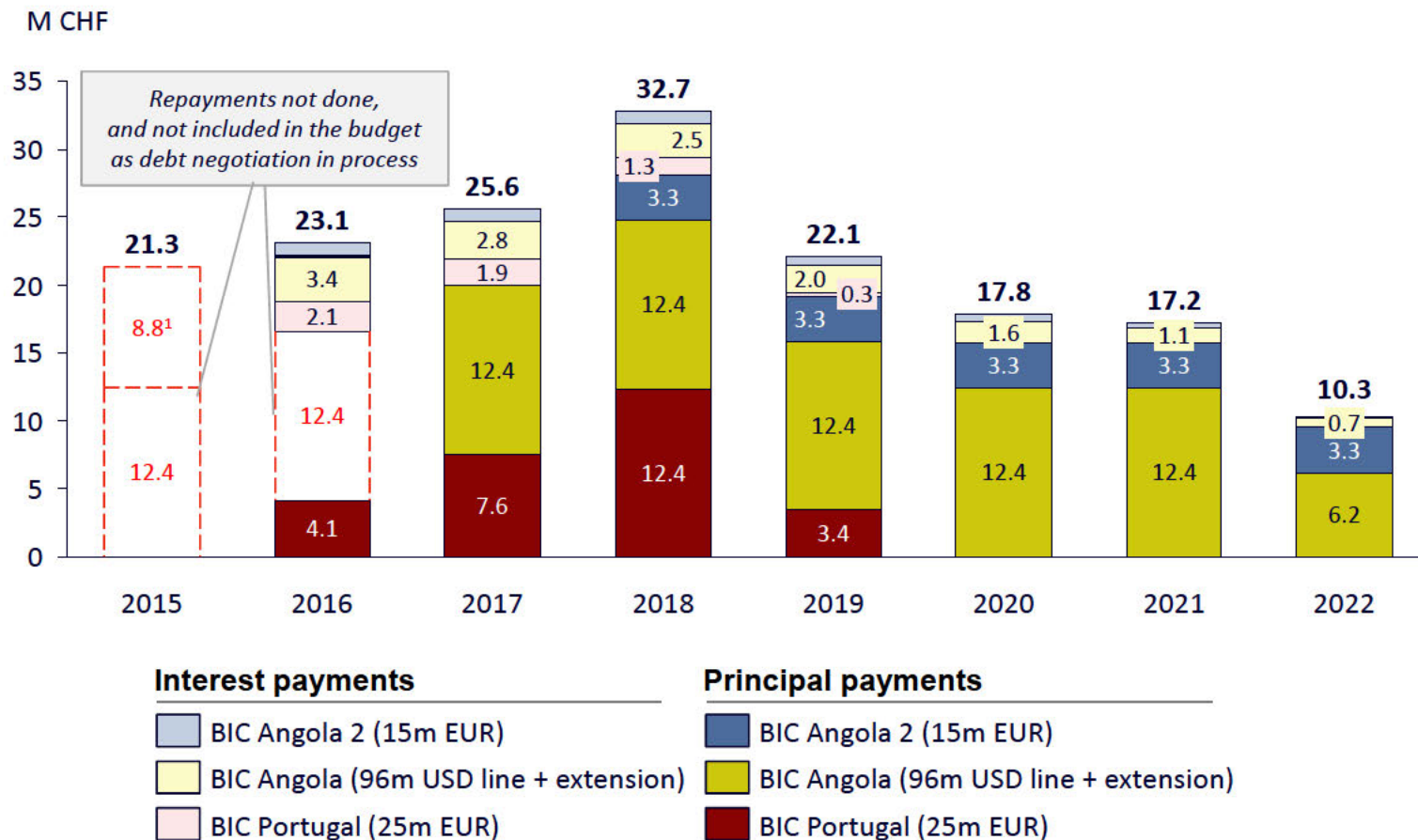
dG SA project credit lines

Credit line	Currency	FY2014	'15 loans	Oct '15 debt
BIC Angola 1 (USD)	USD	96'059	0	96'059
BIC Portugal (25m EUR)	EUR	25'000	0	25'000
BIC Angola 2 (15m EUR)	EUR		13'720	15'000
<b>Total bank loans</b>	<b>CHF</b>	<b>120'677</b>	<b>15'092</b>	<b>137'177</b>
Cred. 4 - Angola Treasury	USD		12'500	12'500
Credit line 5 - Sindika '15	USD		8'500	8'500
Credit line 6 - Sindika '15	EUR		5'000	5'000
Credit line 7 - Sindika '15	CHF		3'000	3'000
<b>Total other loans</b>	<b>CHF</b>		<b>28'870</b>	<b>28'870</b>
<b>Total</b>	<b>CHF</b>	<b>120'677</b>	<b>43'962</b>	<b>166'047</b>

# dG SA has a commitment to make 192m in interest and capital payments

dG Project debt and amortization schedule

## dG project bank obligations (debt amortization and interests '15 – '22)



1. 2015 Interests of BIC Angola loan (not paid), assuming 9% interest rates as in initial contract (instead of 3% being negotiated)

Note1: BIC Angola amortization schedule does not include past interests of 8.5m USD that should have been paid in 2015 (under final negotiation of terms);

Note2: BIC Angola extension loan assumed to have a 10 years repayment time, after 3 years of non-principal payment requirement, with debt amortization ending in 2027

Note3: Debts do not include specific loans regarding dG EuroAtlantic

Note4: Debt from Angola treasure and directly from Mr. Sindika Dokolo not included given no contractual plan exists



# Bank obligations '15-'16: BIC Angola capital payment not planned in '16

BIC Angola loan negotiation still pending (led by Mr. Vasco Rites)

2015

2016

*Does not include EA debt*

Jan	• BIC Portugal 2014 loan: interests payment	0.3m EUR
Feb	• BIC Angola '12 loan: interests (pending negotiation) • BIC Angola '12 loan: capital (pending negotiation)	4.4m USD 6.4m USD
Mar		
Apr	• BIC Portugal loan: interests payment	0.3m EUR
May		
Jun		
Jul	• BIC Portugal loan: interests payment	0.3m EUR
Aug	• BIC Angola '12 loan: interests (pending negotiation) • BIC Angola '12 loan: capital (pending negotiation)	4.4m USD 6.4m USD
Sep		
Oct	• BIC Portugal loan: interests payment	0.3m EUR
Nov (today)	• Formal approval of operational restructure (2016 plan) • Discussion on Balance Sheet restructure (this doc. as support)	
Dec		

Jan	• BIC Angola 2015 loan: interests payment • BIC Portugal 2014 loan: interests payment	0.9m EUR 0.3m EUR
Feb	• BIC Angola '12 loan: interests (pending negotiation) • BIC Angola '12 loan: capital (pending negotiation)	1.6m USD 6.4m USD
Mar		
Apr	• BIC Portugal loan: interests payment • BIC Portugal loan: capital repayment	0.3m EUR 1.25m EUR
May		
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Sep		
Oct	• BIC Portugal loan: interests payment • BIC Portugal loan: capital repayment	0.3m EUR 1.25m EUR
Nov		
Dec		

- Paid - Not paid

- Planned to pay - Not planned to pay

# Debt restructuring with implications at all levels of structure

## Proposed debt restructuring process

(values in million CHF)

### 3) **Victoria Ltd: Wipe out bank or equity in 42m**

- Write off 3m of the loan to dG Holding
- Write off 38m of the loan to dG SA
- Wipe out 42m in equity or bank debt  
(key decision to be taken)

Victoria Limited	Balance Sheet items	Before	After	Change
	• Value of Vict Ltd	(?)	(?)	
• Value of dGH	(?)	(?)		
• Loan to dG H	54.2	50.9		(-3.3)
• Loan to dG SA	68.6	30.3		(-38.2)
• Equity & Debt	(?)	(?)		(-41.5)

### 2) **dGH: Wipe out full equity and part of debt to Victoria**

- Write off 64m of the 94m owed by dG SA
- Wipe out remaining 61m in equity (need to validate that this will not trigger a loan default event)
- Take out 3m in debt to Victoria

dG Holding	Balance Sheet items	Before	After	Change
	• Value of dG SA	44.4	44.4	
• Loan to dG SA	94.2	30.0 <sup>1</sup>		(-64.2)
• Equity	60.9	0		(-60.9)
• Debt to Victoria	54.2	50.9		(-3.3)
• Debt to BIC PT <sup>2</sup>	30.0	30.0		

### 1) **dG SA: Wipe out 102m in debt to attain equity zero**

- Take out 64m in debt to dG Holding, maintaining 30m to repay BIC Portugal
- Take out remaining amount from debt to Victoria

dG SA	Balance Sheet items	Before	After	Change
	• Equity:	-102.4	0	
• Debt to dG Holding:	94.2	30.0		(-64.2)
• Debt to Victoria:	68.6	30.4		(-38.2)

Assets

Liabilities

1. This debt is a assurance for BIC Portugal for the payment of the debt, with the cost of leaving 30m of debt loaned from dG Holding to dG SA is estimated at 500k, given 1% of withholding tax that is not likely to get exempted in the 30m forgiven by Victoria instead of dG Holding (tax ecasion risk), plus deemed dividend tax that needs to be paid from previous years (if debt to Victoria, no exemption exists)

2. Book value of 25m EUR bank loan with BIC Portugal valued at 30m CHF (1.2 EUR/CHF echange rate)