Topaz Energy and Marine

Financial results for the quarter ended 31 March 2016

Robust EBITDA performance despite challenging market

Dubai, UAE, Monday 23 May 2016: Topaz Energy and Marine, a leading offshore support vessel company, today announces its results for the quarter ended 31 March 2016 (in the following referred to as "the period").

	Three Months Ended		
	Q1 2016	Q1 2015	% change
Consolidated Revenue (US$ m)	77.7	85.2	-8.8%
EBITDA (US$ m)	39.7	39.4	+0.8%
EBITDA Margin (%)	51.1%	46.3%	+4.8ppt
Net Profit (US$ m)	2.0	1.1	+81.8%
Net Profit Margin (%)	2.6%	1.3%	+1.3ppt
RONA	5.5%	5.1%	+0.4ppt
Core Vessel Utilization	75.0%	84.0%	-9.0ppt

Business Highlights

- Long-term contracts signed with BP in February 2016 for 14 ships in Azerbaijan.
- Landmark US$350 million TCO Kazakhstan contract secured recently to construct, supply and operate 15 vessels for a minimum period of three years.
- The two major contract wins above brings Topaz's backlog to US$1.6bn.
- Robust EBITDA despite rate pressure in Africa and Mena.
- Strong performance in the Caspian with core utilization of 81%.
- Rigorous cost efficiency programme achieving desired results; cash management program continues.
- Two new vessels added in Q1 2016: the AHTSV *Topaz Mamlaka*, deployed on long-term contract with Saudi Aramco in February; and the MPSV *Topaz Resolve*
- Four vessels under mobilization to Russia from Mena to pursue better long-term opportunities.
- Fully compliant with banking covenants.
- Dedicated team to optimize performance on dry docking and technical projects.
- Consistent safety record; fatalities remains at zero.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, "We delivered a strong performance to start the year, achieving a robust EBITDA in a competitive market. However lower demand in our African and Mena businesses due to the protracted low oil price environment put pressure on our rates and our financial results this quarter.

"Our revenue is down about 9% compared with the same period last year, mainly due to increasing competition which is putting downward pressure on rates and affecting utilization in our Mena and our nascent business in Africa. However, in Azerbaijan, only one of our 23 vessels is currently not contracted with utilization at 95%, demonstrating our strength in this region. We expect to deliver a robust performance in the Caspian throughout 2016, supported by our strong relationships with oil majors and our ability to remain competitive in a lower oil price environment.

"So far in 2016 we have secured two landmark contracts together bringing our backlog to US$1.6 billion. We signed long-term contracts with BP for 14 vessels in Azerbaijan, and a US$350 million contract with TCO in Kazakhstan to construct, supply and operate 15 vessels for a minimum period of three years. These awards further strengthen Topaz's earnings visibility and credit strength.

"The versatility of our fleet affords us the flexibility to move vessels to benefit from opportunities in different geographies. Having completed short-term contracts, four vessels are currently under mobilization from Mena to Russia to pursue long-term work. We have seen mixed results in Africa as we continue to operate primarily on spot contracts. However, revenue and EBITDA for Africa were both up on a quarterly and annual basis. We continue to have active client discussions in Nigeria and Angola and maintain our positive long-term view of this market. We expect a challenging year in Mena as competition intensifies and the market shifts to spot contracts.

"As the market adjusts to a lower oil price, we have been using the time wisely to focus on optimizing our operations. Our strategic cost efficiency programme has started to deliver results with our EBITDA margin now at 51.1%, above our historical average of mid to high 40s.

"We expanded our fleet further in the first quarter of the year with two additional vessels, bringing our total fleet to 100, including three newbuilds currently under construction. We acquired the AHTSV Topaz Mamlaka, which was deployed to Saudi Aramco in February on a long-term contract of three years plus options, and took delivery of the Topaz Resolve, a multi-purpose support vessel.

"As expected, the first quarter of the year has proved challenging. While the oil price has stabilized over the last few months, the market remains very competitive. Our ability to secure long-term contracts with reputable clients and build our significant backlog demonstrates our commitment and belief in the long-term fundamentals of our industry."

Financial Review

REVENUE	Three Months Ended		
	Mar 2016	Mar 2015	Variance
Caspian	51.1	54.8	(3.7)
MENA	20.2	25.3	(5.1)
Africa	6.4	5.1	1.3
Total	**77.7**	**85.2**	**(7.5)**

Note: Above table has been prepared considering latest fleet in respective location and accordingly figures of last quarter re-classified for like-to-like comparison.

Revenue for the period of $77.7 million decreased by 8.8% against corresponding revenue of $85.2 million in the same period last year. This negative variance mainly relates to (i) off-hire of five barges in Kazakhstan in return for the removal of the purchase option clause in the contracts resulting in the loss of $2.1 million, (ii) lower utilization of one subsea vessel due to engine breakdown resulting in the loss of $2.5 million in revenue, (iii) loss of $1.7 million of revenue relating to two vessels in Africa being laid up in Turkey due to current market conditions, (iv) one-off mobilization revenue of $1.0 million on two vessels in Caspian considered in the same period last year, (v) loss of revenue of $5.3 million due to increasing market pressure on rates and utilization in Mena region. However, this decrease is partly offset by (a) better utilization of one subsea vessel which was without work in the same period last year resulting in an increase of $2.1 million, and (b) better utilization of three vessels working in Africa resulting in an increase of $3.0 million.

Geographical segments - Revenue

Caspian:
During the period, revenue decreased by $3.7 million, or 6.7%, to $51.1 million compared to $54.8 million in the same period last year. This variance is primarily attributed to the off-hire of five barges in Kazakhstan.

Mena:
During the period, revenue decreased by $5.1 million, or 20.2%, to $20.2 million compared to $25.3 million in the same period last year. This decrease is primarily attributed to the lower utilization of one subsea vessel due to engine breakdown resulting in revenue loss of $2.5 million and the loss of revenue of $4.7 million due to lower utilization on account of rate pressure as the market shifts towards spot contracts resulting in a significant decline in revenue. However this decrease is slightly offset by better utilization of one subsea vessel contributing $2.1 million.

Africa:
During the period, revenue has increased by $1.3 million, or 25.5%, to $6.4 million compared to $5.1 million in the same period last year. This increase is primarily due to better utilization of vessels compared to same period last year and is largely offset by the loss of revenue from two vessels which are under layup in Turkey to reduce costs.

DIRECT COSTS	Three Months Ended		
	Mar 2016	Mar 2015	Variance
Crew cost	16.4	19.9	3.5
Technical maintenance	4.4	4.9	0.5
Depreciation / Dry-dock	18.0	16.8	(1.2)
Bareboat charges	1.7	2.4	0.7
Others	7.0	9.8	2.8
Total	**47.5**	**53.8**	**6.3**

Direct costs for the period have decreased by $6.3 million, or 11.7%, to $47.5 million, compared to $53.8 million in the same period last year.

The savings in crew cost are mainly in Azerbaijan due to currency devaluation and also in Africa as two vessels are under layup.

The increase in depreciation/dry-docks is mainly due to the increase in the number of vessels and the amortization of dry-dock costs of an unusually high number of dockings undertaken in 2015.

Other savings are mainly due to a reduction in mobilization costs on two vessels in Azerbaijan which were fully amortized last year.

EBITDA	Three Months Ended		
	Mar 2016	Mar 2015	Variance
Caspian	33.8	31.2	2.6
MENA	7.1	10.1	(3.0)
Africa	1.7	(1.1)	2.8
Corporate / adj.	(2.9)	(0.8)	(2.1)
Total	**39.7**	**39.4**	**0.3**

Note: Above table has been prepared considering latest fleet in respective location and accordingly figures of last quarter re-classified for like-to-like comparison.

EBITDA slightly increased by $0.3 million, or 0.8%, to $39.7 million during the period compared to $39.4 million in the same period last year. This increase mainly relates to: (i) savings in crew costs of $3.1 million, (ii) better utilization of one Subsea vessel

contributing $2.6 million and (iii) better utilization of four vessels working in Africa contributing $5.2 million. However this increase in EBITDA has been slightly offset by the (a) EBITDA loss of $2.1 million on five barges being off-hire in Kazakhstan, (b) EBITDA loss of $2.5 million due to breakdown of one subsea vessel and (c) EBITDA loss of $6.0 million due to lower utilization of vessels in Mena and two laid-up vessels in Africa region.

Geographical segments - EBITDA

Caspian:
EBITDA increased by $2.6 million during the period compared to same period last year mainly due to savings in crew cost in Azerbaijan amounting $1.6 million, the impact of net savings in mobilization cost on two vessels in Azerbaijan amounting to $2.1 million and better utilization of vessels in Kazakhstan due to extended winter season contributing EBITDA of $1.0 million. However savings in cost was partly offset by an EBITDA loss of $2.1 million on the five Com barges in in Kazakhstan.

Mena:
EBITDA decreased by $3.0 million during the period as compared to same period last year mainly due to lower utilization of one subsea vessel (engine breakdown) resulting in a loss of $2.5 million, loss of EBITDA of $3.1 million due to lower utilization on account of intensified competitive pressure. However this decrease is slightly offset by better utilization of one subsea vessel contributing EBITDA of $2.6 million.

Africa:
EBITDA increased by $2.8 million during the period compared to same period last year mainly due to better utilization of four out of eight vessels resulting in an EBITDA increase of $5.2 million. However this increase is slightly offset by an EBITDA loss of $1.0 million on two vessels in lay-up and an EBITDA loss of $1.4 million due to lower utilization of the remaining two vessels in Africa region.

Administrative Expenses:

Administrative expenses decreased by $0.5 million, or 5.6%, to $8.4 million during the period compared to $8.9 million during the same period last year. The decrease is mainly due to savings in staff cost and other cost efficiency initiatives.

Finance costs:

Finance costs decreased by $0.7 million, or 4.6%, to $14.6 million during the period compared to $15.3 million during the same period last year. The savings in finance cost is mainly on account of the lower interest rate in refinancing.

Income tax expense:

Income tax expense decreased by $1.1 million, or 18.0%, to $5.0 million during the period compared to $6.1 million during the same period last year. This decrease in tax is broadly in line with the drop in revenue.

Cash flow

The cash generation as a percentage of EBITDA for the quarter ended March 2016 was 133% (Q1 2015: 120%). High cash conversion is mainly due to collection from overdue debtors.

The following table sets out a breakdown of cash flow for three months ended 31 March 2016:

CASH FLOW	Three Months Ended		
	Mar 2016	Mar 2015	Variance
EBITDA	**39.7**	**39.4**	**0.3**
Changes in working capital	13.2	7.7	5.5
Cash generated from Operations	**52.9**	**47.1**	**5.8**
Cash conversion	133%	120%	
Income tax paid	(5.1)	(5.8)	0.7
Interest paid	(4.1)	(3.5)	(0.6)
Net Cash generated from operating activities	**43.7**	**37.8**	**5.9**
Cash used in investing activities	(15.4)	(14.4)	(1.0)
Cash provided by financing activities	(8.5)	(7.5)	(1.0)
Increase/(decrease) in cash and cash equivalents	**19.8**	**15.9**	**3.9**

Investing activities include payment of $9 million towards expansion capex and $6 million towards maintenance capex.

Financing activities includes repayment towards refinancing of $7.5 million and $1 million towards parent company debt.

Unutilized Banking Lines includes RCF from last year's refinancing of US$100m expiring in April 2020 and an unsecured loan of US$100m which expired in April 2016.

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 31.3.16*
Conventional and Islamic facility	7 years	3 month LIBOR + 2.75%	Quarterly with bullet repayment	321,674
Senior Notes	5 years	8.625%	Bullet	343,045
Total Topaz Loans				**664,719**

*Recorded as per International Financial Reporting Standards (IFRS) in US$.

Bank Covenants

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As of 31 March 2016, Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 31 March 2016:

Financial Covenant	Threshold	As of Mar 2016
Net Interest Bearing Debt to EBITDA	**< 4.25**	**3.37**
Headroom		*21%*
Tangible Net Worth	**> $500M**	**547**
Headroom		*9%*
Free liquidity (in millions)	**> $30M**	**140**
Headroom		*368%*
EBITDA to DSCR	**> 1.2**	**1.55**
Headroom		*29%*

Capitalization

The following table sets out Topaz's consolidated cash, total indebtedness, shareholders' funds, total capitalization and net debt at the end of the last five quarters.

In US$ million

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Change Mar'15 v Mar'16
Cash & Cash Equivalents	**79**	**42**	**50**	**55**	**75**	**(4)**
Floating Rate Senior secured loans	323	343	336	329	322	(1)
Fixed Rate Senior secured loans	15	-	-	-	-	(15)
Other loans / Senior Notes[1]	341	341	342	342	343	2
Subordinated Shareholding Funding	106	106	106	104	103	(3)
Total debt	**785**	**790**	**784**	**775**	**768**	**(17)**
Total Equity	670	644	653	574	576	(94)
Total Capitalization	**1,455**	**1,434**	**1,437**	**1,349**	**1,344**	**(111)**
Net debt	706	748	734	720	693	(13)
Total debt / LTM EBITDA	3.93	4.08	4.15	4.44	4.39	
Net debt / LTM EBITDA	3.53	3.87	3.88	4.13	3.96	

[1] Recorded as per International Financial Reporting Standards (IFRS)

About Topaz Energy and Marine

Topaz Energy and Marine is a leading offshore support vessel company providing marine solutions to the global energy industry with primary focus on the Caspian, Middle East, West Africa and Subsea operations in the North Sea and Gulf of Mexico. Headquartered in Dubai with 40 years of experience in the Middle East, Topaz operates a fleet of more than 100 offshore support vessels of an average age of 7 years. Topaz is a subsidiary of Renaissance Services SAOG, a publicly traded company on the Muscat Securities Market, Oman.

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