

## Topaz Energy and Marine

### Financial Results for the Year ended 31 December 2013

2013 revenue up 22% over last year to US\$ 376.5 million as a result of the expansion of the core vessel fleet and high vessel utilization.

**Dubai, UAE, 17 March 2014:** Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Nico Middle East Ltd. ("NMEL") for the twelve months ended 31 December 2013 (in the following referred to as "the period").

The period has seen continued strong and profitable growth across the group's activities with revenues up 22% and EBITDA up 17%. This growth is primarily attributable to the additional vessels that have joined our fleet and the improved utilization we have achieved across our core fleet. We have focused on maintaining tight control of our costs and this has resulted in significant cost savings benefitting us in the short-term and over the coming years. We have won a number of new contracts during the period resulting in a total backlog of medium and long-term contracts amounting to US\$ 1.16 billion.

|                               | Three Months Ended |         |          | Twelve Months Ended |       |          |
|-------------------------------|--------------------|---------|----------|---------------------|-------|----------|
|                               | Q4 2013            | Q4 2012 | % change | 2013                | 2012  | % change |
| Consolidated Revenue (US\$ m) | 92.3               | 86.2    | +7.1%    | 376.5               | 309.5 | +21.6%   |
| EBITDA (US\$ m)               | 40.6               | 37.6    | +8.0%    | 163.4               | 139.5 | +17.1%   |
| EBITDA Margin (%)             | 44.0%              | 43.6%   | +0.4ppt  | 43.4%               | 45.1% | -1.7ppt  |
| Net Profit (US\$ m)           | 8.5                | 8.4     | +1.2%    | 44.8                | 34.4  | +30.2%   |
| Net Profit Margin (%)         | 9.2%               | 9.8%    | -0.6ppt  | 11.9%               | 11.1% | +0.8ppt  |
| RONA                          | -                  | -       | -        | 8.4%                | 7.8%  | +0.6ppt  |
| Core Vessel Utilization       | 92.9%              | 92.9%   | -        | 94.5%               | 91.1% | +3.4ppt  |
| Backlog (US\$ bn)             | -                  | -       | -        | 1.16                | 0.93  | +0.23    |

### Business Highlights

- Safety performance consistently strong – zero LTIs and fatalities
- Robust performance for the entire business attributable to expansion of core fleet and focus on cost control
- High and stable utilization of core vessel fleet at 94.5% for the year
- Seven new vessels, all PSVs, added to the fleet in 2013, five of which delivered in 2014

## Financial Review

*in USD million*

| REVENUE      | Three Months Ended |             | Twelve Months Ended |              | Variance    |
|--------------|--------------------|-------------|---------------------|--------------|-------------|
|              | 31 Dec 2013        | 31 Dec 2012 | 31 Dec 2013         | 31 Dec 2012  |             |
| Caspian      | 56.9               | 48.5        | 227.6               | 171.2        | 56.4        |
| MENA         | 21.5               | 24.0        | 92.4                | 81.5         | 10.9        |
| Global       | 13.9               | 13.7        | 56.5                | 56.8         | (0.3)       |
| <b>Total</b> | <b>92.3</b>        | <b>86.2</b> | <b>376.5</b>        | <b>309.5</b> | <b>67.0</b> |

Revenue increased by \$67.0 million, or 21.6%, to \$376.5 million in the year 2013 compared to \$309.5 million in the year 2012. This increase is primarily due to: (i) the addition of two new vessels along with the full year impact of five vessels purchased in 2012 contributing \$49.7 million, (ii) better utilization and increase in vessel day rates resulting in an increase of \$9.8 million, (iii) deployment of vessels in the Russian sector of the Caspian resulting in an increase of \$6.1 million, and (iv) proceeds from sale of three vessels resulting in an increase of \$7.2 million. The increase in revenue was partially offset by loss of hire due to the sale of one vessel in 2012 (\$2.2 million) and loss of revenue due to vessel off-hire or revised day rates on two of our vessels (\$1.2 million and \$2.3 million, respectively).

### Geographical segments

#### Caspian:

In the year 2013, revenue increased by \$56.4 million, or 32.9%, to \$227.6 million compared to \$171.2 million in the year 2012. This increase was primarily due to the addition of two new vessels contributing \$7.5 million in the period and the full year impact of four vessels purchased in 2012 contributing \$36.7 million, proceeds from the sale of one vessel contributing \$6.7 million and deployment of vessels in the Russian sector resulting in an increase in revenue of \$6.1 million.

#### Mena:

In the year 2013, revenue increased by \$10.9 million, or 13.4%, to \$92.4 million compared to \$81.5 million in the year 2012. This increase was primarily due to the full year impact of one vessel purchased in 2012 contributing \$5.5 million and better utilization of vessels deployed in Saudi Arabia resulting in an increase of \$5.4 million.

#### Global:

In the year 2013, revenue slightly decreased by \$0.3 million to \$56.5 million compared to \$56.8 million in the year 2012. This decrease was primarily due to loss of revenue of 2 AHTSVs working in West Africa.

*in USD million*

| DIRECT COSTS          | Three Months Ended |             | Twelve Months Ended |              | Variance    |
|-----------------------|--------------------|-------------|---------------------|--------------|-------------|
|                       | 31 Dec 2013        | 31 Dec 2012 | 31 Dec 2013         | 31 Dec 2012  |             |
| Crew cost             | 17.4               | 17.5        | 76.6                | 69.5         | 7.1         |
| Technical maintenance | 4.6                | 6.3         | 19.5                | 18.8         | 0.7         |
| Depreciation          | 13.3               | 15.8        | 55.3                | 52.9         | 2.4         |
| Bareboat charges      | 8.5                | 7.3         | 34.9                | 20.8         | 14.1        |
| Others                | 11.0               | 10.7        | 44.2                | 30.7         | 13.5        |
| <b>Total</b>          | <b>54.8</b>        | <b>57.6</b> | <b>230.5</b>        | <b>192.7</b> | <b>37.8</b> |

Direct costs for the year 2013 increased proportionately to revenue by \$37.8 million, or 19.6%, to \$230.5 million as compared to \$192.7 million in the year 2012.

The increase in bareboat charges is mainly due to two large vessels taken on bareboat and mobilized to the Caspian region in Q4 2012. However, these vessels have now been acquired and will not contribute to bareboat charges in 2014.

Other cost increases are mainly due to amortization of the mobilization cost of the above two vessels amounting to \$5.7 million, \$1.9 million mobilization cost for other vessels, \$2.5 million relating to book value of asset disposed, \$1.4 million relating to brokerage/commission in Nigeria/Brazil and \$1.8 million increase in catering cost.

*in USD million*

| EBITDA          | Three Months Ended |             | Twelve Months Ended |              | Variance    |
|-----------------|--------------------|-------------|---------------------|--------------|-------------|
|                 | 31 Dec 2013        | 31 Dec 2012 | 31 Dec 2013         | 31 Dec 2012  |             |
| Caspian         | 28.2               | 19.8        | 112.8               | 85.9         | 26.9        |
| MENA            | 10.1               | 9.3         | 43.2                | 31.4         | 11.8        |
| Global          | 4.1                | 5.6         | 17.1                | 25.1         | (8.0)       |
| Corporate / adj | (1.8)              | 2.9         | (9.7)               | (2.9)        | (6.8)       |
| <b>Total</b>    | <b>40.6</b>        | <b>37.6</b> | <b>163.4</b>        | <b>139.5</b> | <b>23.9</b> |

EBITDA increased by \$23.9 million, or 17.1%, to \$163.4 million in the year 2013 compared to \$139.5 million in 2012. This increase is primarily due to: (i) the addition of two new vessels along with the full year impact of three vessels (out of five) purchased in 2012 contributing \$16.3 million, (ii) better utilization and increase in vessel day rates resulting in an increase of \$10.7 million, (iii) deployment of vessels in the Russian sector of the Caspian resulting in an increase of \$5.0 million and (iv) proceeds from vessel sold contributing \$2.8 million. The increase in EBITDA was partially offset by \$1.1 million due to the full year impact of the bareboat cost of 2 vessels purchased in 2012, increase in overheads cost by \$9 million which mainly relates to provision for doubtful debts and provision against advances.

Caspian:

The increase in EBITDA by \$26.9 million is mainly due to the addition of two new vessels contributing \$5.0 million, the full year impact of two vessels purchased in 2012 contributing \$7.9 million, the deployment of vessels on a term contract in the Russian Filanovsky project contributing \$5.0 million and better vessel utilization contributing \$5.9 million.

Mena:

The increase in EBITDA by \$11.8 million is mainly due to the full year impact of one vessel purchased in 2012 contributing \$3.5 million, better utilization of vessels deployed in Saudi Arabia contributing \$4.9 million and better utilization of other vessels contributing \$3.0 million.

Global:

The decrease in EBITDA by \$8.0 million is due to a debt provision on a contract in Nigeria amounting to \$3.6 million and also due to the increase in operating costs along with lower utilization of certain vessels operating in Nigeria and Brazil. Topaz has since redeployed the two vessels operating in Brazil to West Africa.

**Administrative Expenses:**

Administrative expenses increased by \$6.4 million, or 18.3%, to \$40.3 million in the year 2013 compared to \$33.9 million in the same period last year. This increase was primarily driven by the opening of our office in Astrakhan, Russia and costs reflecting the investment Topaz made during the period in hiring global talent to drive its growth strategy.

**Finance costs:**

Finance costs increased by \$7.6 million, or 20.9%, to \$44.0 million in the period compared to \$36.4 million in the same period last year. The increase in interest expense was primarily due to an increase in secured debt as a result of the acquisition of new vessels, refinancing of certain existing debt along with interest charges on senior notes raised in Q4 2013 in line with the strategic plan.

**Income tax expense:**

Income tax expense increased by \$6.3 million, or 50.4%, to \$18.8 million in the period compared to \$12.5 million in the same period last year. This increase is in line with the increase in revenue and is also due to the increase in the deferred tax provision.

## Cash flow

The cash generation as a percentage of EBITDA has been 100% (2012: 99%).

The following table sets out a breakdown of cash flow for the three and twelve month periods ended December 31, 2013:

*in USD million*

### CASH FLOW

|                                                         | Three Months Ended |               | Twelve Months Ended |              | Variance     |
|---------------------------------------------------------|--------------------|---------------|---------------------|--------------|--------------|
|                                                         | 31 Dec 2013        | 31 Dec 2012   | 31 Dec 2013         | 31 Dec 2012  |              |
| <b>EBITDA</b>                                           | <b>40.6</b>        | <b>37.6</b>   | <b>163.4</b>        | <b>139.5</b> | <b>23.9</b>  |
| Changes in working capital                              | 12.7               | 9.0           | (0.1)               | (0.8)        | 0.7          |
| <b>Cash generated from Operations</b>                   | <b>53.3</b>        | <b>46.6</b>   | <b>163.3</b>        | <b>138.7</b> | <b>24.6</b>  |
| Cash conversion                                         | 131%               | 124%          | 100%                | 99%          |              |
| Income tax paid                                         | (3.1)              | (3.0)         | (13.9)              | (11.3)       | (2.6)        |
| Interest paid                                           | (10.6)             | (8.3)         | (38.1)              | (38.7)       | 0.6          |
| <b>Net Cash generated from operating activities</b>     | <b>39.6</b>        | <b>35.3</b>   | <b>111.3</b>        | <b>88.7</b>  | <b>22.6</b>  |
| Cash used in investing activities                       | (113.0)            | (17.4)        | (165.5)             | (121.4)      | (44.1)       |
| Cash provided by financing activities                   | 198.8              | (30.6)        | 197.4               | 25.1         | 172.3        |
| <b>Increase/(decrease) in cash and cash equivalents</b> | <b>125.4</b>       | <b>(12.7)</b> | <b>143.2</b>        | <b>(7.6)</b> | <b>150.8</b> |

Cash used in investing activities for the year ended December 2013 reflects capital expenditure on two new vessels of \$86 million, advances paid for new vessels under construction of \$54 million and other vessel maintenance/upgradation capex.

## Financing

On 4 November 2013 the Group issued USD 350 million aggregate principal amount of 8.625% senior notes (the Senior Notes) that will mature on 1 November 2018. The Senior Notes pay interest semi-annually in arrears on 1 May and 1 November of each year, commencing 1 May 2014. Interest has been accrued from the issue date. On and after 1 November 2016, the Group may redeem some or all of the Senior Notes at the redemption prices (expressed as percentages of principal amount) equal to 104.3125% for the twelve month period beginning 1 November 2016, 102.15625% for the twelve month period beginning 1 November 2017 and 100% beginning 1 October 2018, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

| AMOUNTS IN '000                                         | Original Loan Amount | Currency | Tenure  | Interest Rate         | Repayment                   | Outstanding as at 31.12.13 |
|---------------------------------------------------------|----------------------|----------|---------|-----------------------|-----------------------------|----------------------------|
| \$330M Syndicated Conventional Facility                 | 203,000              | USD      | 5 yrs.  | 3 month LIBOR + 4.0%  | Quarterly with 35% bullet   | 162,595                    |
| \$58.5M Conventional Facility                           | 58,500               | USD      | 7 yrs.  | 3 month LIBOR + 3.5%  | Quarterly with 20% bullet   | 51,933                     |
| Bilateral Islamic Financing - Master Murabaha Agreement | 26,000               | USD      | 5 yrs.  | 3 month LIBOR + 3.95% | Quarterly with 33% bullet   | 20,662                     |
| HSBC - UK GIEK Export Credit Financing of one PSV       | 23,528               | USD      | 10 yrs. | 6 month LIBOR + 2.65% | Half-yearly                 | 18,668                     |
| Bilateral Islamic Financing - Master Murabaha Agreement | 20,475               | AED      | 5 yrs.  | 0.0575                | Quarterly with 35% bullet   | 17,261                     |
| Bilateral Islamic Financing - Ijara Agreement           | 125,000              | USD      | 5 yrs.  | 6 month LIBOR + 3.5%  | Half-yearly with 50% bullet | 61,526                     |
| Senior Notes                                            | 350,000              | USD      | 5 yrs.  | 8.625%                | Bullet                      | 338,244                    |
| <b>Total Topaz Loans</b>                                |                      |          |         |                       |                             | <b>670,889</b>             |

## Bank Covenants

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As on 31.12.2013 Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 31.12.2013:

| Financial Covenant                         | Threshold          | 2013        |
|--------------------------------------------|--------------------|-------------|
| <b>Net Interest Bearing Debt to EBITDA</b> | <b>&lt; 4.5:1</b>  | <b>3.32</b> |
| Headroom                                   |                    | 26%         |
| <b>Tangible Net Worth</b>                  | <b>&gt; \$350M</b> | <b>590</b>  |
| Headroom                                   |                    | 31%         |
| <b>Free liquidity (in millions)</b>        | <b>&gt; \$15M</b>  | <b>158</b>  |
| Headroom                                   |                    | 690%        |
| <b>Total Debt/Tangible Net Worth</b>       | <b>&lt;=1.85</b>   | <b>1.19</b> |
| Headroom                                   |                    | 36%         |
| <b>EBITDA to Interest</b>                  | <b>&gt; 3.0:1</b>  | <b>4.0</b>  |
| Headroom                                   |                    | 14%         |
| <b>Working Capital (in millions)</b>       | <b>Positive</b>    | <b>195</b>  |

## Capitalization

The following table sets out Topaz's consolidated cash, total indebtedness, shareholders' funds, total capitalization and net debt as of December 2013, September 2013, June 2013, March 2013 and December 2012.

*in USD million*

|                                         | Dec-12       | Mar-13       | Jun-13       | Sep-13       | Dec-13       | Growth     |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Cash &amp; Cash Equivalents</b>      | <b>27</b>    | <b>32</b>    | <b>63</b>    | <b>45</b>    | <b>169</b>   | <b>142</b> |
| Floating Rate Senior secured loans      | 411          | 395          | 462          | 449          | 315          |            |
| Fixed Rate Senior secured loans         | 27           | 26           | 24           | 19           | 17           |            |
| Other loans / Senior Notes <sup>1</sup> | 10           | 10           | -            | -            | 338          |            |
| Subordinated Shareholding Funding       | 167          | 167          | 134          | 134          | 134          | (33)       |
| <b>Total debt</b>                       | <b>615</b>   | <b>598</b>   | <b>620</b>   | <b>602</b>   | <b>805</b>   | <b>190</b> |
| Total Equity                            | (494)        | (504)        | (519)        | (531)        | (541)        | (47)       |
| <b>Total Capitalization</b>             | <b>1,109</b> | <b>1,102</b> | <b>1,139</b> | <b>1,133</b> | <b>1,346</b> | <b>213</b> |
| Net debt                                | 588          | 566          | 557          | 557          | 636          | 48         |
| Total debt / LTM EBITDA                 | 4.41         | 3.94         | 3.99         | 3.77         | 4.93         |            |
| Net debt / LTM EBITDA                   | 4.22         | 3.73         | 3.58         | 3.49         | 3.89         |            |

<sup>1</sup> Recorded as per International Financial Reporting Standards (IFRS)

## Operational Review

2013 has seen continued strong growth across the Group's activities. We have enjoyed consistent and improved utilization across our core fleet with the Caspian and especially the Azerbaijan market as a stand-out performer. Utilization in our other asset fleet has improved significantly over the previous year due to the Russian Filanovsky development where we now have 13 assets deployed.

The MENA business has delivered a solid performance both in Qatar and in Saudi Arabia. We expect to grow further in both these markets through our strong working relationships with clients such as Maersk Oil, Oxy and Saudi Aramco.

Our Global business has made significant inroads into West Africa with 10 vessels now operating there. We have recently won a medium term contract with an oil major in West Africa for two large Platform Supply Vessels and will be looking to deploy further assets there throughout 2014.

Our safety performance has been strong and we report zero fatalities and zero Lost Time Incidents in the period.

## Outlook

Topaz has delivered a year of growth as we focus on driving our strategy of investing in our core fleet to ensure we maintain a young and technologically advanced fleet for our clients, the world's leading oil and gas companies. Our ability to support their production strategies in a large number of projects has resulted in a growing level of long-term contracts and high vessel utilization rates. With the investment we have made in the business over the course of 2013 in terms of vessels, technology and most importantly, our people, we remain confident for the prospects of our 2014 results.

### **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 Middle East and the Caspian Sea. Headquartered in Dubai with 40 years of experience in the Middle East, Topaz operates a fleet of more than 90 offshore support vessels of an average age of 7 years. Topaz is a wholly owned subsidiary of Renaissance Services SAOG, a publicly traded company on the Muscat Securities Market, Oman.

[www.topazworld.com](http://www.topazworld.com)

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