

Topaz Energy and Marine

Financial Results for the six months ended 30 June 2014

H1 2014 EBITDA up by 12% to US\$ 91.2 million driven by expansion of West African core vessel fleet.

Dubai, UAE, 26 August 2014: Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Topaz Energy and Marine Limited, Bermuda (erstwhile Nico Middle East Ltd.) ("Topaz") for the six months ended 30 June 2014 (in the following referred to as "the period").

The period has seen continued earnings growth across the group with EBITDA up by 12.0% and EBITDA margin up by 5.3ppt. The growth in EBITDA is primarily attributable to new vessels being added to the fleet. As indicated previously, revenue for the period remained flat compared to the same period last year due to a temporary dip in project activity in our Caspian business and a number of vessels in dry-dock.

	Three Months Ended			Six Months Ended		
	June 2014	June 2013	% change	June 2014	June 2013	% change
Consolidated Revenue (US\$ m)	95.9	101.6	-5.6%	185.2	185.4	-0.1%
EBITDA (US\$ m)	48.4	46.2	+4.8%	91.2	81.4	+12.0%
EBITDA Margin (%)	50.5%	45.5%	+5.0ppt	49.2%	43.9%	+5.3ppt
Net Profit (US\$ m)	12.7	17.0	-25.3%	21.9	23.9	-8.4%
Net Profit Margin (%)	13.2%	16.7%	-3.5ppt	11.8%	12.9%	-1.1ppt
RONA	-	-	-	8.1%	8.6%	-0.5ppt
Core Vessel Utilization	87.4%	95.9%	-8.5ppt	89.8%	93.9%	-4.1ppt

Business Highlights

- Safety performance consistently strong – zero LTIs and fatalities
- Stable performance for the company with the Global business unit growing rapidly through West African expansion
- High and stable utilization of core vessel fleet at 89.8% for the six months ended June 2014
- Four new vessels joined the fleet in H1 2014, the modern DP2 PSVs Topaz Seema, Topaz Xara, Topaz Faye and Caspian Voyager

Financial Review

REVENUE	Three Months Ended		Six Months Ended		Variance
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Caspian	55.1	61.3	106.7	111.2	(4.5)
MENA	21.1	24.2	43.2	46.7	(3.5)
Global	20.5	16.8	36.7	28.9	7.8
Less: Adjustments	-0.8	-0.7	-1.4	-1.4	-
Total	95.9	101.6	185.2	185.4	(0.2)

Revenue for the period at US\$185.2 million is in line with the corresponding H1 2013 revenue of US\$185.4 million. H1 2013 revenue included revenue of US\$6.3 million from the sale of two vessels, therefore after adjusting for this; revenue for the period has increased by US\$6.1 million or 3.4%. This increase is primarily due to: (i) the addition of six new vessels resulting in an increase of US\$16.7 million, (ii) better utilization and increase in vessel day rates resulting in an increase of US\$9.6 million, and (iii) an increase in mobilization revenue of US\$2.9 million on new vessels deployed in the Caspian and Global regions. The increase in revenue was partially offset by two vessels which moved from time charter contracts to bareboat contracts resulting in a loss of revenue of US\$2.7 million; vessels under dry-docks / off-hire impacted revenue by US\$17.9 million and loss of charter revenue due to vessels sold of US\$2.5 million.

Geographical segments - Revenue

Caspian:

During the period, revenue decreased by US\$4.4 million, or 3.9%, to US\$106.7 million compared to US\$111.2 million for the six months ended June 2013. After adjusting revenue of US\$6.3 million from sale of two vessels included in H1 2013, revenue for the period increased by US\$1.9 million or 1.8%. This increase is primarily attributable to the addition of two new vessels contributing US\$6.9 million during the period; better utilization resulting in an increase of US\$6.9 million and an increase in mobilization revenue of US\$0.8 million. The increase in revenue was partially offset by the loss of revenue from two vessels which moved from time charter contracts to bareboat contracts of US\$2.7 million; the loss of revenue due to two vessels in dry-dock of US\$1.9 million; loss of revenue due to five vessels being in between contracts of US\$6.4 million and revenue on vessels sold of US\$1.8 million.

Mena:

During the period, revenue decreased by US\$3.5 million, or 7.5%, to US\$43.2 million compared to US\$46.7 million for the six months ended June 2013. This variance is primarily attributable to a decrease in revenue due to the lower utilization of three vessels of US\$1.3 million, five vessels in dry-dock of US\$2.9 million and the loss of revenue on a vessel sold of US\$0.7 million. This decrease in revenue was partially offset by an increase in revenue due to the extension of charter party contracts of two vessels of US\$1.4 million.

Global:

During the period, revenue increased by US\$7.8 million, or 27.0%, to US\$36.7 million compared to US\$28.9 million for the six months ended June 2013. This increase is primarily attributable to four new vessels being deployed in West Africa contributing US\$9.8 million during the period; a higher day

rate of one vessel resulting in an increase of US\$1.3 million and an increase in mobilization revenue by US\$2.1 million. The increase in revenue was partially offset by a loss of revenue due to lower utilization of two vessels resulting in revenue loss of US\$1.5 million and demobilization of two vessels from Brazil to West Africa and subsequent repair/upgradation, resulting in a decrease of US\$3.9 million.

DIRECT COSTS	Three Months Ended		Six Months Ended		Variance
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Crew cost	19.2	20.5	37.1	39.7	2.6
Technical maintenance	5.0	5.3	9.7	9.9	0.2
Depreciation	15.4	13.8	29.8	28.1	(1.7)
Bareboat charges	3.3	9.1	7.4	17.3	9.9
Others	9.3	12.0	18.1	21.2	3.1
Total	52.2	60.7	102.1	116.2	14.1

Direct costs for the period decreased by US\$14.1 million, or 12.1%, to US\$102.1 million as compared to US\$116.2 million for the half year ended June 2013.

The decrease in bareboat charges is mainly due to the acquisition of two large anchor-handling tug supply vessels that were previously on bareboat charters in the Caspian. As a result of the acquisitions, these vessels will not contribute to bareboat charges in 2014. Other costs in 2013 include the net book value of an asset sold of US\$3.1 million.

EBITDA	Three Months Ended		Six Months Ended		Variance
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
Caspian	32.7	28.9	61.2	52.3	8.9
MENA	9.6	11.8	20.6	22.4	(1.8)
Global	9.0	7.4	15.1	10.8	4.3
Corporate / adj	(2.9)	(1.8)	(5.7)	(4.1)	(1.6)
Total	48.4	46.3	91.2	81.4	9.8

EBITDA increased by US\$9.8 million, or 12.0%, to US\$91.2 million during the period compared to US\$81.4 million for the six months ended June 2013. After adjusting H1 2013 EBITDA for profit of US\$3.2 million from the sale of two vessels, EBITDA for the period has increased by US\$13.0 million, or 14.8%. This increase was primarily due to: (i) the addition of six new vessels resulting in an increase of US\$12.3 million, (ii) better utilization and increase in vessel day rates resulting in an increase of US\$9.4 million, and (iii) savings in bareboat costs relating to two vessels (as explained above under Direct Costs) resulting in an increase in EBITDA of US\$6.6 million. The increase in EBITDA was partially offset by US\$11.3 million due to vessels being off hire / in dry-dock and by \$3.9 million due to increases in other costs which include doubtful debt provision of US\$1.7 million.

Geographical segments – EBITDA

Caspian:

EBITDA increased by US\$8.9 million or 17.0%, to US\$61.2 million during the period compared to US\$52.3 million in H1 2013. After adjusting H1 2013 EBITDA for profit of US\$3.2 million from the sale of two vessels, EBITDA for the period has increased by US\$12.1 million, or 23.1%. This increase is mainly due to the addition of two new vessels contributing US\$5.1 million, savings in bareboat costs of two vessels contributing US\$6.6 million and better utilization on four vessels contributing US\$4.4 million. This increase is partially offset by the loss of EBITDA of US\$3.1 million due to five vessels being in between contracts and of US\$0.9 million due to vessels operating on winter lay-up rates.

Mena:

The decrease in EBITDA of US\$1.8 million is attributable to lower utilization of three vessels reducing EBITDA by US\$1.6 million and five vessels in dry-dock reducing EBITDA by US\$2.5 million. The loss in EBITDA has been partially offset by the extension of the charter party contracts of two vessels contributing US\$1.1 million and better utilization on three vessels contributing US\$1.2 million.

Global:

EBITDA for the period increased by US\$4.3 million, or 39.8%, due to the addition of four new vessels now deployed in West Africa contributing US\$7.2 million and better utilization of two vessels contributing US\$2.7 million. This increase is offset in part by loss of EBITDA on three vessels of US\$3.2 million; debt provision on a contract in Nigeria amounting to US\$1.7 million and an increase in other overheads by US\$0.7 million.

Administrative Expenses:

Administrative expenses increased by US\$4.3 million, or 24.3%, to US\$22.0 million during the period as compared to US\$17.7 million during the same period last year. This increase is on account of a provision for doubtful debts of US\$1.7 million and other costs reflecting the investments Topaz made during the period to support its growth strategy and hire global talent.

Finance costs:

Finance costs increased by US\$9.6 million, or 48.9%, to US\$29.2 million during the period as compared to US\$19.6 million during the same period last year. The increase in interest expense was primarily due to interest charges on senior notes raised in Q4 2013 in line with Topaz's strategic plan.

Income tax expense:

Income tax expense increased by US\$0.5 million, or 5.4%, to US\$9.8 million during the period as compared to US\$9.3 million during the same period last year. This increase is mainly relating to new vessels deployed in West Africa during the period.

Cash flow:

The cash generation as a percentage of EBITDA was 110% (H1 2013: 82%).

The following table sets out a breakdown of cash flow for the six month period ended 30 June 2014:

CASH FLOW

	Three Months Ended		Six Months Ended		Variance
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	
EBITDA	48.4	46.3	91.2	81.4	9.8
Changes in working capital	9.9	(2.4)	9.4	(14.6)	24.0
Cash generated from Operations	58.3	43.9	100.6	66.8	33.8
Cash conversion	120%	95%	110%	82%	
Income tax paid	(4.5)	(3.0)	(7.7)	(6.1)	(1.6)
Interest paid	(25.3)	(13.6)	(30.3)	(19.9)	(10.4)
Net Cash generated from operating activities	28.5	27.3	62.6	40.8	21.8
Cash used in investing activities	(45.3)	(16.3)	(194.0)	(20.3)	(173.7)
Cash provided by financing activities	37.3	20.2	6.4	15.5	(9.1)
Increase/(decrease) in cash and cash equivalents	20.5	31.2	(125.0)	36.0	(161.0)

Cash used in investing activities for the period reflects capital expenditure on seven new vessels of \$164 million including two vessels under construction and other vessel maintenance/upgradation capex. It also includes payment of US\$30 million towards the purchase of option rights on two vessels operating in the Caspian region.

Cash provided by financing activities for the period includes dividend paid of US\$20 million to the parent company and loan drawdown of US\$55 million.

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 30.06.14*
Syndicated Ship Financing Facility	Aug-17	3 month LIBOR + 4.0%	Quarterly with 35% bullet	149,744
Bilateral Ship Financing Facility	Jun-20	3 month LIBOR + 3.5%	Quarterly with 20% bullet	48,782
Bilateral Islamic Financing	May-18	3 month LIBOR + 3.95%	Quarterly with 33% bullet	18,955
Export Credit Financing	Jul-22	6 month LIBOR + 2.65%	Half-yearly	17,636
Bilateral Islamic Financing	Oct-17	5.75%	Quarterly with 35% bullet	15,887
Bilateral Islamic Financing	Jun-18	6 month LIBOR + 3.5%	Half-yearly with 50% bullet	100,059
Short Term Loan	July-14	LIBOR + 3.183%	Bullet	10,000
Senior Notes	Nov-18	8.625%	Bullet	339,209
Total Topaz Loans				700,272

*Recorded as per International Financial Reporting Standards (IFRS)

Bank Covenants

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As on 30 June 2014 Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 30 June 2014:

Financial Covenant	Threshold	Q2 2014
Net Interest Bearing Debt to EBITDA	< 4.5:1	4.04
Headroom		10%
Tangible Net Worth	> \$450M	612
Headroom		36%
Free liquidity (in millions)	> \$20M	52
Headroom		159%
Total Debt/Tangible Net Worth	<=1.85	1.19
Headroom		36%
EBITDA to Interest	> 3.0:1	3.3
Headroom		10%
Working Capital (in millions)	Positive	54

Capitalization

The following table sets out Topaz's consolidated cash, total indebtedness, shareholders' funds, total capitalization and net debt at the end of last four quarters and June 2014.

in US\$ millions

	June 2013	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Change Jun 2013 vs Jun 2014
Cash & Cash Equivalents	63	45	169	24	44	(19)
Floating Rate Senior secured loans	462	449	315	305	335	(127)
Fixed Rate Senior secured loans	24	19	17	17	16	(8)
Other loans / Senior Notes ¹	-	-	338	339	349	349
Subordinated Shareholding Funding	134	134	134	134	134	-
Total debt	620	602	804	795	834	214
Total Equity	(519)	(531)	(541)	(530)	(564)	45
Total Capitalization	1,139	1,133	1,346	1,325	1,398	259
Net debt	557	557	636	771	790	233
Total debt / LTM EBITDA	3.99	3.77	4.93	4.64	4.82	
Net debt / LTM EBITDA	3.58	3.49	3.89	4.50	4.57	

¹ Recorded as per International Financial Reporting Standards (IFRS)

* Other Loans includes Short Term Loan of US\$10 million.

Operational Review

As highlighted in the previous quarter's statement, we have experienced a slightly weaker Q2 due to a temporary project dip in the Caspian and certain vessels being dry-docked.

In the Caspian region, negotiations continue in Azerbaijan with the client for their vessel requirements for the Shah Deniz 2 project, one of the world's biggest natural gas fields, which is expected to kick off in late 2014. Shah Deniz 2 is a strategic and long-term project for Azerbaijan and our client, in support of which we aim to achieve deployment of our vessels on a long-term sustainable basis.

Demand for our OSV services are increasing from the Russian Filanovsky development where we now have fifteen assets deployed. Two anchor-handling tug supply vessels have commenced work under a medium-term contract in Turkmenistan and we will be pursuing further asset deployments in the country throughout 2014.

The MENA business has delivered a solid performance both in Qatar and in Saudi Arabia. A number of the vessels are now contracted for most of the year. We have seen increased demand for our vessels in the UAE with charter commencement from Q3 2014.

Our Global business has made significant inroads into West Africa with eleven vessels now operating there. The new PSVs added to the fleet in 2014 are in high demand and we expect to see them work through the year with little commercial down-time. The local office in Nigeria is now fully staffed and functional, providing operational support to our assets and clients.

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

Outlook

The focus of the business is now on securing vessel commitments for Shah Deniz 2 and long-term contracts for our new PSV fleet in West Africa. The vessel requirements for these regions continue to expand and we are optimistic on securing several years' worth of work for our vessels during the third quarter.

Progress has been made on identifying potential strategic partnerships in target markets. West Africa is a key growth market for Topaz and we expect to build on our rapid growth in the region to fully consolidate our position in several of the West African markets during the second half of the year.

Topaz is pushing ahead with the addition of new strategic assets in line with our commercial strategy. During the second quarter, the company committed to acquiring three new DP2 Platform Supply Vessels scheduled for delivery during Q3 and Q4. The vessels are 3,300 DWT DP2 assets and sister ships of the five PSVs acquired during 2013. The vessels are expected to positively contribute to earnings from the beginning of 2015 or earlier.

The investments we have made in the business over the course of 2013 and during 2014 in terms of vessels, technology and most importantly, our people, allow us to remain confident of achieving our performance targets for the full year.

The company recently announced a US\$75 million new equity investment in the business from Standard Chartered Private Equity ("SCPE"), one of the world's leading emerging market private equity investors. Under the terms of the investment, SCPE will inject US\$75 million of equity in return for a 9.8% stake in the business. The funds will be deployed in support of Topaz's long-term fleet expansion ambition in its core operational regions and strategic entry to key growth opportunities.

The investment bolsters Topaz's balance sheet and facilitates further geographical and service offering diversification.

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 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.

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