

Topaz Energy and Marine

Financial Results for the Nine months ended 30 September 2015

Dubai, UAE, 2015: Topaz Energy and Marine, a leading offshore support vessel company, today announces its results for the nine months ended 30 September 2015 (in the following referred to as "the period").

	Three Months Ended			Nine Months Ended		
	Sep 2015	Sep 2014	% change	Sep 2015	Sep 2014	% change
Consolidated Revenue (US\$ m)	98.8	103.5	-4.5%	274.2	288.7	-5.0%
EBITDA (US\$ m)	48.7	53.0	-8.1%	129.5	144.2	-10.2%
EBITDA Margin (%)	49.2%	51.2%	-2.0ppt	47.2%	49.9%	-2.7ppt
Net Profit (US\$ m)	9.0	14.6	-38.3%	5.9	36.5	-83.9%
Net Profit Margin (%)	9.1%	14.1%	-5.0ppt	2.1%	12.6%	-10.5ppt
RONA				6.2%	8.8%	-2.6ppt
Core Vessel Utilization				86.5%	89.6%	-3.1ppt

Business Highlights

- Key Caspian region continued to perform strongly with robust core fleet vessel utilization of 98% (2014 - 94%), reflected in revenue and EBITDA growth during the period up 4.6% and 9.6% respectively for the nine months to 30 September 2015. Long-term contracts with key clients in the Caspian are in the final stages of agreement, further strengthening contract backlog and long-term earnings visibility.
- Net Profit impacted by strategic investment in long-term growth markets in West Africa and one-off, non-cash charge of US\$8m associated with debt re-financing.
- A proactive focus on cost management contributing to EBITDA improvement.
- Continued rigorous cash management program; focus on working capital cycle as well as deferment of non-essential capex.
- Two new-build Subsea vessels commissioned in September 2015 adding to the two vessels already under construction (1 MPSV and 1 AHTSV). MPSV due for delivery in 2015. Other vessels not due until 2017. The recently delivered ERRV, Topaz Responder, has recently won a medium-term contract in the Mediterranean.
- Consistent safety record; fatalities remains at zero.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, "Topaz performed strongly in our key Caspian market and Mena markets, which together make up 79% of revenue. Africa operations demand for offshore support vessels is currently weak, however we continue to believe in the long-term opportunities of these markets.

"Vessel utilization for the core fleet in the Caspian is at 98% and revenue is up nearly 5% year on year. Our Mena region is also holding up well with utilization of 88% but with significant rate pressure. This stable performance reflects Topaz's ability to continue to generate value in a lower oil price environment. Our earlier decision to move two AHTS vessels to Mena from Africa has proved successful as these vessels are securing regular spot employment in the Mena region. We are now moving two more AHTS vessels from Africa to Mena, demonstrating the flexibility of our fleet and our ability to respond to market opportunities.

"In September we commissioned two new subsea vessels from Vard Brattvaag in Norway at a purchase price of approximately US\$115 million, underlining our confidence in the long-term strength of the Subsea sector. These vessels will be delivered in Q2 and Q3 2017. We have achieved significantly lower ownership cost for this type of vessel by committing to build during current depressed condition for our industry.

"We are relentlessly driving down our costs on all fronts including projects, crew, procurement, other operating costs, overheads etc with a target to realize annual savings of circa US\$10 million next year. In April this year, we refinanced US\$350 million of existing debt and a facility to borrow another US\$ 200m to ensure that we have the right capital structure in place to fund our plans and optimize the cash-flow on repayments. We will continue our program of cost reduction without compromising our relentless focus on safety and quality. At the same time, we will pursue both organic and inorganic growth opportunities that fit with our operating model and without importing risk to our balance sheet.

"Q4 has begun in the same vein as Q3 with significant rate pressure from clients and each tender and market opportunity heavily contested by numerous competitors. However, we have seen significant tendering activity in Mena and Africa during the quarter and hope to be successful on some of these opportunities leading into the New Year."

"We don't expect the market to materially improve during the first half of 2016. All signs point to a continued challenging market backdrop. But even as the industry adapts to a lower oil price environment, our proven operating and financial model will ensure Topaz is in a strong position to deliver robust performance in a challenging market."

Financial Review

REVENUE	Three Months Ended		Nine Months Ended		
	Sep 2015	Sep 2014	Sep 2015	Sep 2014	Variance
Caspian	61.5	59.8	173.4	165.8	7.6
MENA	26.2	19.9	64.8	62.3	2.5
Africa	9.1	11.6	21.8	26.6	(4.8)
Subsea	2.0	12.2	14.2	34.0	(19.8)
Total	98.8	103.5	274.2	288.7	(14.5)

Revenue for the period at \$274.2 million is 5% down against corresponding revenue of \$288.7 million during the same period last year. This negative variance mainly relates to (i) lower utilization of two Subsea vessels due to expiration of a long-term contract resulting in the loss of \$12.4 million in revenue, (ii) loss of revenue on one vessel sold in the Mena region in H2 2014 impacting revenue by \$4.6 million, (iii) loss of \$5.6 million of revenue due to the expiration of a long-term contract for four vessels working in Saudi and one vessel working in Nigeria, (iv) one-off mobilization revenue of \$1.7 million on two vessels considered in the same period last year and (v) loss of revenue of \$3.8 million due to vessels being off hire or in dry-dock. However, this decrease is partly offset by (a) full impact from four vessels added to the fleet between the two periods resulting in an increase of \$6.9 million, and (b) better utilization of two vessels due to a new BP contract in the Caspian resulting in an increase of \$6.7 million.

Geographical segments - Revenue

Caspian:

During the period, revenue increased by \$7.6 million, or 4.6%, to \$173.4 million compared to \$165.8 million during the same period last year. This variance is primarily attributed to full year impact of one vessel between the two periods resulting into \$5.2 million and better utilization of two vessels due to a new contract with BP resulting in an increase of \$6.7 million. The increase in revenue was offset by the \$2.3 million loss of revenue from four vessels in dry-dock and lower utilization of two vessels resulting in a \$2.0 million decrease in revenue.

Mena:

During the period, revenue increased by \$2.5 million, or 4.0%, to \$64.8 million compared to \$62.3 million for the same period last year. This increase is primarily attributed to the transfer of three Subsea vessels to the Mena region with effect from August 2015 resulting in an increase in revenue of \$7.7 million and transfer of two AHTS from Africa region to Mena resulting in an increase in revenue of \$1.5 million. However, this increase is offset due to revenue loss of \$4.6 million on one vessel sold last year and loss of revenue of \$2.1 million due to expiration of a long-term contract for three vessels in Saudi Arabia.

Africa:

During the period, revenue decreased by \$4.8 million to \$21.8 million compared to \$26.6 million for the same period last year. This variance is due to an increase in revenue attributed to full year impact of three vessels deployed between the two periods in West Africa contributing \$1.8 million and revenue from sale of one vessel contributing \$2.5 million. However, the increase is offset with higher revenue loss due to lower utilization of five spot vessels operating in West Africa resulting in a decrease of \$5.6 million and loss of revenue of \$3.5 million due to the expiration of a long-term contract of one vessel in Nigeria.

Subsea:

During the period, revenue decreased by \$19.8 million to \$14.2 million compared to \$34.0 million for the same period last year. Effective from August 2015, the operations of all three Subsea vessels were transferred to the Mena region so the comparative financials only include Subsea revenue up until July. The decrease is mainly due to the expiration of long-term contracts for two vessels.

DIRECT COSTS	Three Months Ended		Nine Months Ended		
	Sep 2015	Sep 2014	Sep 2015	Sep 2014	Variance
Crew cost	20.3	20.7	60.1	57.8	(2.3)
Technical maintenance	5.1	5.6	15.2	15.2	-
Depreciation / Dry-dock	18.4	16.1	52.2	46.0	(6.2)
Bareboat charges	1.9	4.0	6.4	11.4	5.0
Others	12.8	9.4	33.0	27.5	(5.5)
Total	58.5	55.8	166.9	157.9	(9.0)

Direct costs for the period increased by \$9.0 million, or 5.7%, to \$166.9 million, compared to \$157.9 million for the same period last year.

The increase in depreciation and crew cost is mainly due to full year impact of four vessels added to the fleet between the two periods.

The savings in bareboat charges is primarily due to the acquisition of four bareboat vessels in Q4 2014.

The increase in others mainly relates to mobilization cost, fuel charges, health and safety and harbour charges.

EBITDA	Three Months Ended		Nine Months Ended		
	Sep 2015	Sep 2014	Sep 2015	Sep 2014	Variance
Caspian	39.4	36.1	106.6	97.3	9.3
MENA	12.4	9.0	29.1	29.6	(0.5)
Africa	(1.1)	1.6	(3.8)	2.5	(6.3)
Subsea	1.1	8.3	6.9	22.5	(15.6)
Corporate / adj	(3.1)	(2.0)	(9.3)	(7.7)	(1.6)
Total	48.7	53.0	129.5	144.2	(14.7)

EBITDA decreased by \$14.7 million, or 10.2%, to \$129.5 million during the period compared to \$144.2 million for the same period last year. This variance relates to: (i) lower utilization of two Subsea vessels due to expiration of long-term contracts resulting in EBITDA loss of \$9.6 million, (ii) loss of EBITDA of \$2.7 million due to a vessel sold in H2 2014, (iii) loss of \$5.9 million of EBITDA due to expiration of a long-term contract for four vessels working in Saudi Arabia and one vessel working in Nigeria, (iv) lower utilization of spot vessels operating mainly in the Africa region resulting in EBITDA loss of \$7.6 million and (v) loss on sale of one vessel in Africa impacting \$1.0 million. However this EBITDA loss is slightly offset by the (a) full year impact of one vessel added to the fleet resulting in an increase of \$3.4 million, (b) better utilization of two vessels as a result

of a new BP contract in the Caspian resulting increase of \$5.8 million, and (c) savings in overheads of \$2.9 million.

Geographical segments - EBITDA

Caspian:

EBITDA increased by \$9.3 million during the period which is mainly due to (i) full year impact of one new vessel deployed during the two periods contributing \$3.4 million, (ii) savings in bareboat cost of two vessels contributing \$5.0 million, and (iii) better utilization of two vessels due to a new contract with BP in Azerbaijan resulting in EBITDA of \$5.8 million. The increase is partially offset by the loss of \$3.4 million of EBITDA on four vessels in dry-dock/lower utilization and net mobilization income of one vessel considered in same period last year of \$1.5 million.

Mena:

The decrease in EBITDA by \$0.5 million is primarily due to EBITDA loss of \$2.7 million on one vessel sold last year. The decrease is also due to loss of EBITDA of \$2.3 million due to the expiration of a long-term contract on four vessels working in Saudi Arabia. However, the decrease in EBITDA is offset by the positive impact from the transfer of three Subsea vessels to the Mena region effective August 2015, contributing \$4.5 million.

Africa:

EBITDA for the period decreased by \$6.3 million mainly due to (i) the expiration of a long-term contract of a vessel in Nigeria resulting in an EBITDA loss of \$3.7 million and (ii) lower utilization of remaining vessels in Africa due to the recent turmoil in oil prices resulting in EBITDA loss of \$5.2 million. However this decrease is partly offset with savings in overheads of \$2.6 million.

Subsea:

During the period, EBITDA decreased by \$15.6 million due to the expiration of long-term contracts for two out of three vessels. However, all three vessels are now on contracts and will contribute positively to EBITDA in H2 2015.

Administrative Expenses:

Administrative expenses decreased by \$2.9 million, or 8.8%, to \$30.1 million during the period compared to \$33.0 million during the same period last year. The decrease is mainly due to savings in staff and other cost management measures.

Finance costs:

Finance costs increased by \$9.0 million, or 19.7%, to \$54.5 million during the period compared to \$45.5 million during the same period last year. The increase is due to a one-off, non-cash charge of \$8.3 million relating to the unamortized costs on refinanced facilities.

Income tax expense:

Income tax expense has increased slightly by \$0.6 million, or 4.1%, to \$16.1 million during the period as compared to \$15.5 million during the same period last year. This small increase in tax is mainly due to provision for tax exposure in Turkmenistan (Caspian) and the Africa region.

Cash flow

The cash generation as a percentage of EBITDA in Q3 2015 was 81% (Q3 2014: 106%).

The following table sets out a breakdown of cash flow for the nine months ended Sep 30 2015:

CASH FLOW	Three Months Ended		Nine Months Ended		
	Sep 2015	Sep 2014	Sep 2015	Sep 2014	Variance
EBITDA	48.7	53.0	129.5	144.2	(10.4)
Changes in working capital	(9.4)	3.5	(9.4)	12.9	(9.4)
Cash generated from Operations	39.3	56.5	120.1	157.1	(19.8)
Cash conversion	81%	106%	93%	109%	
Income tax paid	(4.3)	(4.5)	(14.8)	(12.2)	(2.8)
Interest paid	(5.5)	(4.9)	(32.2)	(35.2)	3.6
Net Cash generated from operating activities	29.5	47.1	73.1	109.7	(19.0)
Cash used in investing activities*	(14.1)	(33.3)	(46.3)	(227.3)	161.8
Cash provided by financing activities	(7.5)	(8.2)	(40.7)	(1.8)	(39.6)
Increase/(decrease) in cash and cash equivalents	7.9	5.6	(13.9)	(119.4)	103.2

*Investing activities excludes movement in restricted cash.

Financing activities include a dividend payment of \$22 million in Q2 2015, loan drawdown of \$350 million of the \$550 million refinancing facility along with prepayment of \$330 million of existing debt. A revolving credit facility (RCF) of \$20 million was also repaid in Q2 2015.

Investing activities include a \$34.3 million payment towards maintenance and upgrading capex and a \$9.1 million investment in vessels under construction.

Unutilized banking lines include a RCF of \$140 million and an unsecured loan of \$100 million.

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 30.09.15*
Conventional and Islamic facility	7 years	3 month LIBOR + 2.75%	Quarterly with bullet repayment	336,021
Senior Notes	5 years	8.625%	Bullet	341,883
Total Topaz Loans				677,904

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

Bank Covenants

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As of 30 September 2015, Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 30.09.2015:

Financial Covenant	Threshold	As of Sep 2015
Net Interest Bearing Debt to EBITDA	< 4.75	3.32
Headroom		30%
Tangible Net Worth	> \$500M	624
Headroom		25%
Free liquidity (in millions)	> \$30M	255
Headroom		750%
EBITDA to DSCR	> 1.2	1.62
Headroom		35%

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 four quarters and September 2015.

In USD million

	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Change Sep'14 v Sep'15
Cash & Cash Equivalents	50	63	79	42	50	-
Floating Rate Senior secured loans	329	330	323	343	336	7
Fixed Rate Senior secured loans	16	15	15	-	-	(16)
Other loans / Senior Notes ¹	340	340	341	341	342	2
Subordinated Shareholding Funding	134	106	106	106	106	(28)
Total debt	819	791	785	790	784	(35)
Total Equity	579	669	670	644	653	74
Total Capitalization	1,398	1,460	1,455	1,434	1,437	39
Net debt	769	728	706	748	734	(35)
Total debt / LTM EBITDA	4.48	3.89	3.93	4.08	4.15	
Net debt / LTM EBITDA	4.20	3.60	3.53	3.87	3.88	

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 95 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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