Topaz Energy and Marine

Financial results for the year ended 31 Dec 2016

2016 a year of significant contract wins for Topaz

Dubai, UAE, Monday 27th March, 2017: Topaz Energy and Marine, a leading offshore support vessel company, today announces its results for the twelve months ended 31 Dec 2016 ("the period").

	Three Months Ended			Twelve Months Ended		
	Dec 2016	Dec 2015	% change	Dec 2016	Dec 2015	% change
Consolidated Revenue (US$ m)	66.0	88.3	-25.2%	282.1	362.5	-21.2%
EBITDA (US$ m)	34.0	45.1	-24.6%	145.0	174.5	-14.3%
EBITDA Margin (%)	51.5%	51.1%	+0.4ppt	51.4%	48.1%	+4.2ppt
Net Profit/(Loss) before exceptional items (US$ m)	1.7	6.6	-74.2%	(2.4)	20.8	NM
Net Profit Margin (%)	2.5%	7.4%	-4.9ppt	-1%	5.7%	-6.7ppt
Net Profit/(Loss) after exceptional items (US$ m)	(97.8)	(64.4)	NM	(102.1)	(58.5)	NM
Net Profit Margin (%)	NM	NM	NM	-36.2%	-16.1%	NM
RONA before exceptional items	-	-	-	5.3%	6.6%	-1.3ppt
Core Vessel Utilization	-	-	-	70.1%	86.4%	-16.2ppt

Business Highlights

- 2016 has been a year of important contract wins with BP Azerbaijan and TCO in Kazakhstan adding significantly to our backlog, which stands at an industry leading US$1.5bn.
- The Caspian region has demonstrated resilience with core fleet utilization of 79%, with Azerbaijan core fleet utilization at 94% reflecting our long-term contract cover.
- Adherence to cost discipline across all our operations has resulted in savings of US$35 million (28%) in operating costs compared to last year.
- Strong EBITDA margin of 51.5% despite rate pressure in Africa and Mena.
- While solid cost reductions have been executed, we continue to maintain our high standards of safety and operational excellence.
- Fully compliant with financial covenants.
- Safety; our top priority continues to show improvements year on year; fatalities remain at zero.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, "Our 2016 results are reflective of the prolonged downturn in the energy sector which is a consequence of an unpredictable oil price, and minimal capex spending by oil companies, which is now at a 10-year low. These factors have contributed to visibly low charter rates and utilization across our industry segments and thus low profitability.

"Despite these pressures, our company maintains a healthy business profile, which reflects the competitive advantage of being the market leader in the Caspian Sea as well as our geographic footprint and diverse fleet. Our 20 year history of operating in both the Caspian and Middle Eastern regions means that we benefit from having established relationships with key customers. Our strong track record of repeat business and contract extensions is a testament to these relationships. Our strategic cost efficiency program has successfully contributed to the improvement in EBITDA margin which is now at just over 51% compared to our historical average of mid to high 40s. Direct costs are now 28% lower than last year.

"Our financial results for the year have been affected by an exceptional item, vessel impairment, resulting from the current market conditions. Vessels are now changing hands at highly distressed levels routinely involving sellers that are facing bankruptcy. This has a direct impact on asset values globally and leads inevitably to making a significant non-cash impairment necessary.

"Operationally, our established foothold in the Caspian, which is our home market, has driven 2016 utilization to 79%. This, however, is lower than our 2015 utilization, due to the completion of some projects by our clients in the region. Importantly, Azerbaijan core fleet utilization is high and strong at 94% reflecting the long-term contract cover for our fleet.

"In the Mena and Africa regions, we experienced severe pressure on rates and utilizations, with lower overall core fleet utilization of 60% and 47% respectively. The outlook in both regions remains very challenging. In light of the halt in capex spending by oil majors and subdued demand for OSVs, we laid up 12 vessels from the MENA and Africa core fleet during the year. Despite the downturn, there are contracts to be won on safe and profitable terms. We will leverage our strong presence in the region to continue to pursue and win these contracts. Mena and Africa remain long term strategic markets for Topaz.

During 2016, while many in the industry struggled with liquidity and financial covenants as a result of the industry crisis, we renegotiated our banking covenants with our long-term banking partners. This improved our liquidity and provided sufficient headroom on financial covenants.

It has been a challenging year, during which we have strived to achieve the right operating and capital structure while maintaining our relationships with clients, partners, and banking groups. We are well poised to take advantage of growth options in this environment which are in line with our strategy. We expect 2017 also to be challenging, although we anticipate some recovery in the second half of the year in our markets. Our commercial funnel is growing positively at the moment giving us confidence that the bottom may have been reached."

Financial Review

US$ Millions

REVENUE	Three Months Ended		Twelve Months Ended		
	Dec 2016	Dec 2015	Dec 2016	Dec 2015	Variance
Caspian	50.6	54.6	206.0	228.0	(22.0)
MENA	12.6	26.7	61.8	105.6	(43.8)
Africa	2.8	7.0	14.2	28.9	(14.7)
Total	**66.0**	**88.3**	**282.0**	**362.5**	**(80.5)**

Revenue for the period of **$282.0** million decreased by **22.2%** against corresponding revenue of **$362.5** million in the same period last year. This lower revenue was mainly due to (i) off-hire of barges in Kazakhstan of **$7.8** million, (ii) off-hire of one subsea vessel of **$11.4** million, (iii) two laid-up vessels in Africa of **$5.3** million (iv) day rate reduction on a long-term contract of **$13.4** million, (v) sale value of **$2.5** million relating to one vessel sold during the same period last year (vi) lower mobilization revenue of **$4.1** million (vi) loss of revenue of **$33.7** million due to increasing market pressure on rates and utilization in the Mena and Africa regions. However, this decrease is partly offset by (i) a new vessel deployed on a long term contract of $**3.6** million and (ii) better utilization of two vessels working in Africa of **$2.9** million.

US$ Millions

DIRECT COSTS	Three Months Ended		Twelve Months Ended		
	Dec 2016	Dec 2015	Dec 2016	Dec 2015	Variance
Crew cost	11.7	17.9	54.6	78.0	(23.4)
Technical maintenance	3.3	4.6	12.9	15.1	(2.2)
Depreciation/Dry-dock	18.3	17.2	73.3	69.4	3.9
Mobilisation charges	0.7	2.4	4.4	13.1	(8.7)
NBV asset sold	-	-	-	3.6	(3.6)
Others	9.6	9.6	33.1	39.4	(6.3)
Total	**43.6**	**51.7**	**178.3**	**218.6**	**(40.3)**

Direct costs for the period decreased by **$40.3** million, or **18.4%**, to **$178.3** million, compared to **$218.6** million in the same period last year.

The savings were achieved through a relentless focus on operating costs. We have optimized the crew cost in line with the markets and achieved material savings. Additional savings have been achieved through vessel lay-ups.

Savings on maintenance have been achieved by negotiations with our core suppliers and further supported by framework agreements.

The increase in depreciation/dry-dock is mainly due to the increase in the number of vessels in the fleet and the amortization of dry-dock costs for dry-dockings completed in 2015.

Net Book Value (NBV) asset sold relates to one vessel disposed-off during the same period last year.

Other savings consist of items such as insurance, idle costs, fuel, and health and safety which have been reduced as a result of a strategic cost efficiency program while ensuring no compromise on the coverage or standards.

US$ Millions

EBITDA	**Three Months Ended**		**Twelve Months Ended**		
	Dec 2016	**Dec 2015**	**Dec 2016**	**Dec 2015**	**Variance**
Caspian	34.2	33.4	139.0	140.0	(1.0)
MENA	1.4	11.2	13.7	47.2	(33.5)
Africa	(1.0)	0.8	(1)	(3)	2.0
Corporate/adj.	(0.6)	(0.3)	(6.7)	(9.7)	3.0
Total	**34.0**	**45.1**	**145.0**	**174.5**	**(29.5)**

EBITDA decreased by **$29.5** million, or **16.9%**, to **$145.0** million during the period compared to **$174.5** million in the same period last year. This decrease mainly relates to (i) EBITDA loss of **$7.6** million due to barges being off-hire in Kazakhstan, (ii) EBITDA loss of **$10.1** million on one subsea vessel and (iii) EBITDA loss of **$13.1** million due to lower utilization of vessels in the Mena region. However, this decrease in EBITDA has been offset by the savings in overheads of **$6.2** million and EBITDA contribution of **$2.1** million by a new vessel deployed Mena.

Administrative Expenses:

Administrative expenses decreased by **$6.2** million, or **15.9%**, to **$32.6** million during the period compared to **$38.8** million during the same period last year. The decrease is in staff cost and also all other cost driven by efficiency initiatives across operational offices.

Finance costs:

Finance costs decreased by **$9.6** million, or **14%**, to **$59.6** million during the period compared to **$69.2** million during the same period last year. The reduction in finance cost is on account of last year's one-off, non-cash charge of **$8.3** million relating to the unamortized costs on refinanced facilities.

Income tax expense:

Income tax expense decreased by **$8.7** million, or **39%**, to **$13.5** million during the period compared to **$22.2** million during the same period last year. This decrease in tax is due to a deferred tax credit which arose due to the impairment charge on the vessels.

Cash flow

The cash generation as a percentage of EBITDA for the twelve months ended Dec. 2016 was 106% (Dec. 2015: 93%). High cash conversion was attributable to the focus on debt collection from overdue debtors.

The following table sets out a breakdown of cash flow for the twelve months ended 31 Dec 2016:

US$ Millions

CASH FLOW	Three Months Ended		Twelve Months Ended		
	Dec 2016	Dec 2015	Dec 2016	Dec 2015	Var
EBITDA	**34.0**	**45.1**	**145.0**	**174.5**	**(29.5)**
Changes in working capital	(5.4)	15.2	17.1	5.8	7.4
Cash generated from Operations	**28.6**	**60.3**	**162.1**	**180.3**	**(22.1)**
Cash conversion	84%	133%	112%	103%	-
Income tax paid	(3.9)	(6.1)	(17.7)	(20.9)	(3.2)
Interest paid	(22.0)	(23.0)	(55.0)	(55.2)	(0.2)
Net Cash generated from operating activities	**2.7**	**31.2**	**89.4**	**104.2**	**(18.7)**
Cash used in investing activities	(6.4)	(13.8)	(42.6)	(60.1)	(17.5)
Cash used in financing activities	(26.9)	(11.7)	(62.4)	(52.4)	(10)
Increase/(decrease) in cash and cash equivalents	**(30.5)**	**5.7**	**(15.6)**	**(8.3)**	**(11.2)**

Investing activities include payment of **$22.2** million towards expansion capex and **$20.4** million towards maintenance capex. Investing activities also include a capex payment of **$108** million, being the first milestone payment to Vard under the new build contract which was entirely funded by an advance payment received from the client. Financing activities include bilateral debt repayment of **$30** million and **$23.4** million towards parent company debt.

Unutilized Banking Lines includes a Revolving Credit Facility of US$100m expiring in April 2020. However, our ability to draw down is restricted due to limited covenant headroom. Discussions ongoing with Senior Secured Lenders for covenant reset to ensure headroom through 2017 and 2018.

Financing

Facility	Maturity	Interest Rate	Repayment	Outstanding as at 31 Dec 16 US$'000
Conventional and Islamic facility	7 years	3 month LIBOR + 2.75%	Quarterly with bullet repayment	300,131
Senior Notes	5 years	8.625%	Bullet	344,821
Total Topaz Loans				**644,952**

*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 at 31 Dec 2016, Topaz has complied with all financial covenants.

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

Financial Covenant	Threshold	As at Dec 2016
Net Interest-Bearing Debt to EBITDA	**< 4.50**	**4.18**
Headroom		*7%*
Tangible Net Worth	**> $400M**	**427**
Headroom		*7%*
Free liquidity (in millions)	**> $30M**	**47**
Headroom		*57%*
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 five quarters.

In US$ million

	Dec-15	Mar-15	Jun-16	Sep-16	Dec-16	Change Dec'15 v Dec'16
Cash & Cash Equivalents	**55**	**75**	**65**	**70**	**39**	**(16)**
Floating Rate Senior secured loans	329	322	314	307	300	(29)
Other loans / Senior Notes[1]	342	343	344	344	345	3
Subordinated Shareholding Funding	104	103	103	91	81	(23)
Total debt	**775**	**768**	**761**	**742**	**726**	**(49)**
Total Equity	574	576	575	570	463	(111)
Total Capitalization	**1,349**	**1,344**	**1,336**	**1,312**	**1,189**	**(111)**
Net debt	720	693	696	672	687	(33)
Total debt / LTM EBITDA	4.44	4.39	4.48	4.48	5.0	
Net debt / LTM EBITDA	4.13	3.96	4.09	4.09	4.7	

[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 the Gulf of Mexico. Headquartered in Dubai with 40 years of experience in the Middle East, Topaz operates a fleet of 100 offshore support vessels of an average age of 8 years. Topaz is a subsidiary of Renaissance Services SAOG, a publicly traded company on the Muscat Securities Market, Oman.

www.topazworld.com

For further information please contact:

Investor Relations:

Robert Desai
Chief Commercial Officer
Tel: +971 4 440 47 00
Email: ir.topaz@topazworld.com

Media Contacts:

FTI Consulting
Email: topaz@fticonsulting.com
Dubai: John Hobday
Tel: +971 4 437 2107
London: Ben Brewerton / George Parker
Tel: +44 (0)203 727 1000