

## Topaz Energy and Marine

### Financial Results for the six months ended 30 June 2015

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

|                               | Three Months Ended |           |          | Six Months Ended |           |          |
|-------------------------------|--------------------|-----------|----------|------------------|-----------|----------|
|                               | June 2015          | June 2014 | % change | June 2015        | June 2014 | % change |
| Consolidated Revenue (US\$ m) | 90.1               | 95.9      | -6.0%    | 175.4            | 185.2     | -5.3%    |
| EBITDA (US\$ m)               | 41.3               | 48.4      | -14.7%   | 80.8             | 91.2      | -11.4%   |
| EBITDA Margin (%)             | 45.8%              | 50.5%     | -4.7ppt  | 46.1%            | 49.2%     | -3.1ppt  |
| Net Profit (US\$ m)           | (4.1)              | 12.7      | -132.3%  | (3.1)            | 21.9      | -114.2%  |
| Net Profit Margin (%)         | (4.5%)             | 13.2%     | -17.7ppt | (1.8%)           | 11.8%     | -13.6ppt |
| RONA                          |                    |           |          | 5.8%             | 8.1%      | -2.3ppt  |
| Core Vessel Utilization       |                    |           |          | 85.1%            | 89.8%     | -4.7ppt  |

### Business Highlights

- Successful re-financing of US\$550 million of debt, significantly improving liquidity, improving covenant terms and smoothing repayment schedule.
- Caspian region delivered robust revenue and EBITDA growth during the period: up 5.9% and 6.1% respectively.
- Profit impacted by strategic investment in long-term growth markets in West Africa and one-off, non-cash US\$8m charge associated with debt re-financing.
- \$22 million paid out in dividends to shareholders in Q2 2015.
- Rigorous cash management program; non-essential capex deferred.
- New multi-purpose vessel, Topaz Responder deployed in May 2015; two vessels currently under construction (1 MPSV and 1 AHTSV).
- Vessel utilization in core markets remains strong despite challenging conditions.
- Consistent safety record; fatalities remains at zero.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, “Our robust performance in the Caspian market and the relative stability of our Mena business, which together contribute over 86% to group revenue, was offset by our Subsea and Africa operations.

“Our investment in Africa as a long-term growth opportunity is strategic and we expect it to continue to impact profitability for the rest of the year. Some of our Subsea vessels were out of contract for the second quarter and are now engaged for the second half of 2015.

"Despite the challenges we face as the market adjusts to a low oil price, Topaz's model continues to enable us to generate value. Our long-term contracts in the Caspian allow us to invest in long-term growth markets such as Nigeria and Angola as well as build our presence in the Mena region. Vessel utilization in the Caspian has risen to 98%, up 5% from 1H 2014, and the company's overall fleet utilization maintaining strong levels at 85%. We continue to see high levels of commercial activity in Qatar and KSA and we are confident of securing additional long-term contracts in these regions.

"As outlined in the first quarter results, we are now fully registered in our key African markets of Nigeria and Angola. This quarter we established a Topaz licensed entity in Angola, received the key operating licenses, appointed a country manager and rented office space for a three year term. This means we can move from spot rate contracts to our proven model of securing medium to long-term contracts. Africa is a long-term strategic investment for Topaz as the offshore market is forecast to grow and clients will increasingly require our services.

"We continue to actively manage our costs by refinancing debt, conserving cash and postponing non-essential fleet upgrades. Our US\$550 million refinancing of existing debt in April 2015 on more favourable terms reflects the confidence of the banking industry's support of our operating model and ensures we have the right capital structure to provide the financing to fund our plans and lower Topaz's overall debt repayment profile. We will continue to focus on reducing costs for the remainder of 2015 without sacrificing safety or operational quality. Cash preservation is high on the agenda, balanced with a pursuit of growth opportunities, both organic and M&A, and which remain within our covenants."

"Our prudent cost management program, established relationships with leading industry players, young fleet and continued focus on securing long-term contracts, position Topaz to withstand the market adjustment to a lower oil price and we are confident of being able to deliver consistent results for the full year."

## Financial Review

| REVENUE      | Three Months Ended |             | Six Months Ended |              |              |
|--------------|--------------------|-------------|------------------|--------------|--------------|
|              | June 2015          | June 2014   | June 2015        | June 2014    | Variance     |
| Caspian      | 58.3               | 54.7        | 111.9            | 106.0        | 5.9          |
| MENA         | 19.8               | 20.8        | 38.7             | 42.5         | (3.8)        |
| Africa       | 6.7                | 8.3         | 12.6             | 14.9         | (2.3)        |
| Subsea       | 5.3                | 12.1        | 12.2             | 21.8         | (9.6)        |
| <b>Total</b> | <b>90.1</b>        | <b>95.9</b> | <b>175.4</b>     | <b>185.2</b> | <b>(9.8)</b> |

Revenue for the period at \$175.4 million is 5.3% down against corresponding revenue of \$185.2 million during the same period last year. This negative variance mainly relates to (i) lower utilization of two Subsea vessels due to expiration of long term contract resulting loss of revenue of \$9.5 million, (ii) loss of revenue on one vessel being sold in the Mena region in H2 2014 impacting revenue by \$3.9 million, (iii) loss of revenue by \$4.2 million due to expiration of long term contract on four vessels working in Saudi and one vessel

working in Nigeria, (iv) one-off mobilization revenue of \$2.2 million on two vessels considered in the same period last year, and (v) loss of revenue of \$2.3 million due to vessels being off hire/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 \$7.8 million, and (b) better utilization of two vessels due to new BP contract in Caspian resulting in an increase of \$4.5 million.

### **Geographical segments - Revenue**

#### Caspian:

During the period, revenue increased by \$5.9 million, or 5.6%, to \$111.9 million compared to \$106.0 million during the same period last year. This variance is primarily attributed to deployment of one new vessel between the two periods resulting into \$5.3 million and better utilization of two vessels due to a new contract with BP resulting in an increase of \$4.5 million. The increase in revenue was offset by the \$2.3 million loss of revenue from four vessels in dry-dock; lower utilization of two vessels resulting in a \$1.1 million decrease and lower utilization of barges in Russia resulting into revenue decrease of \$0.5 million.

#### Mena:

During the period, revenue decreased by \$3.8 million, or 8.9%, to \$38.7 million compared to \$42.5 million for the same period last year. This decrease is primarily due to revenue loss of \$3.9 million on one vessel sold last year and loss of revenue of \$1.5 million due to expiration of a long term contract for three vessels in Saudi. However this decrease in revenue was slightly offset from better utilization on spot contract vessels of \$1.6 million.

#### Africa:

During the period, revenue decreased by \$2.3 million to \$12.6 million compared to \$14.9 million for the same period last year. This variance is due to an increase in revenue attributed to three new vessels deployed between the two periods in West Africa contributing \$2.5 million and better utilization of two vessels in Nigeria contributing \$0.7 million. However, the revenue loss was due to lower utilization of three spot vessels operating in West Africa resulting in a decrease of \$2.8 million and loss of revenue of \$2.7 million due to the expiration of a long term contract of one vessel in Nigeria.

#### Subsea:

During the period, revenue decreased by \$9.6 million to \$12.2 million compared to \$21.8 million for the same period last year. This decrease is mainly due to the expiration of long term contracts for two vessels. However, currently both of these vessels are contracted on spot rates and will contribute to EBITDA in H2 2015.

| DIRECT COSTS            | Three Months Ended |             | Six Months Ended |              |              |
|-------------------------|--------------------|-------------|------------------|--------------|--------------|
|                         | June 2015          | June 2014   | June 2015        | June 2014    | Variance     |
| Crew cost               | 19.9               | 19.2        | 39.8             | 37.1         | (2.7)        |
| Technical maintenance   | 5.2                | 5.0         | 10.1             | 9.7          | (0.4)        |
| Depreciation / Dry-dock | 17.0               | 15.4        | 33.7             | 29.8         | (3.9)        |
| Bareboat charges        | 2.1                | 3.3         | 4.5              | 7.4          | 2.9          |
| Others                  | 10.4               | 9.3         | 20.3             | 18.1         | (2.2)        |
| <b>Total</b>            | <b>54.6</b>        | <b>52.2</b> | <b>108.4</b>     | <b>102.1</b> | <b>(6.3)</b> |

Direct costs for the period increased by \$6.3 million, or 6.2%, to \$108.4 million, compared to \$102.1 million for the same period last year.

The increase in depreciation and crew cost is mainly due to four new 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 is mainly relating to mobilization cost, fuel charges, health and safety and harbour charges.

| EBITDA          | Three Months Ended |             | Six Months Ended |             |               |
|-----------------|--------------------|-------------|------------------|-------------|---------------|
|                 | June 2015          | June 2014   | June 2015        | June 2014   | Variance      |
| Caspian         | 34.9               | 32.7        | 67.3             | 61.2        | 6.1           |
| MENA            | 8.2                | 9.6         | 16.7             | 20.6        | (3.9)         |
| Africa          | -                  | 0.6         | (2.7)            | 0.8         | (3.5)         |
| Subsea          | 2.6                | 8.4         | 5.7              | 14.3        | (8.6)         |
| Corporate / adj | (4.4)              | (2.9)       | (6.2)            | (5.7)       | (0.5)         |
| <b>Total</b>    | <b>41.3</b>        | <b>48.4</b> | <b>80.8</b>      | <b>91.2</b> | <b>(10.4)</b> |

EBITDA decreased by \$10.4 million, or 11.4%, to \$80.8 million during the period compared to \$91.2 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 \$7.6 million, (ii) loss of EBITDA of \$2.6 million due to a vessel sold in H2 2014, (iii) loss of \$4.5 million of EBITDA due to expiration of a long term contract for four vessels working in Saudi and one vessel working in Nigeria, and (iv) lower utilization of spot vessels operating mainly in the Africa region resulting EBITDA loss of \$3.7 million. However this EBITDA loss is slightly offset by the (a) full impact of four new vessels added to the fleet between the two periods resulting in an increase of \$2.3 million, (b) better utilization of two vessels due to new BP contract in Caspian resulting increase of \$3.8 million, and (c) savings in overheads of \$4.0 million.

## **Geographical segments - EBITDA**

### Caspian:

EBITDA increased by \$6.1 million during the period compared with 1H 2014, which is mainly due to (i) the addition of one new vessel deployed between the two periods contributing \$3.4 million, (ii) savings in bareboat cost of two vessels contributing \$1.8 million, and (iii) better utilization of two vessels due to a new contract with BP in Azerbaijan resulting in EBITDA of \$3.7 million. The increase is partially offset by the loss of \$1.0 million of EBITDA on five vessels in dry-dock, net mobilization income of one vessel considered in same period last year of \$1.0 million and lower utilization of Barges in Kazakhstan and Russia impacting EBITDA by \$0.8 million.

### Mena:

The decrease in EBITDA by \$3.9 million is primarily due to EBITDA loss of \$2.6 million on one vessel sold last year. Decrease is also due to loss of EBITDA of \$1.4 million due to the expiration of long term contract on four vessels working in Saudi.

### Africa:

EBITDA for the period decreased by \$3.5 million mainly due to the expiration of a long term contract of a vessel in Nigeria resulting in an EBITDA loss of \$3.0 million and lower utilization of remaining vessels in Africa due to the recent turmoil in oil prices resulting in EBITDA loss of \$2.1 million. However this decrease is partly offset with savings in overheads of \$1.6 million.

### Subsea:

During the period, EBITDA decreased by \$8.6 million due to the expiration of long term contracts for two vessels. However, currently both these vessels are on spot jobs and will contribute to EBITDA in H2 2015.

## **Administrative Expenses:**

Administrative expenses decreased by \$2.0 million, or 8.5%, to \$20.5 million during the period as compared to \$22.5 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 \$9.1 million, or 31.2%, to \$38.3 million during the period as compared to \$29.2 million during the same period last year. The increase is mainly 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 increased by \$1.5 million, or 15.5%, to \$11.2 million during the period as compared to \$9.7 million during the same period last year. Increase in tax expense is mainly due to a provision for tax exposure in Turkmenistan (Caspian) and the Africa region.

## **Cash flow**

The cash generation as a percentage of EBITDA in Q2 2015 was 78% (Q2 2014: 120%).

The following table sets out breakdown of cash flow for the six months ended June 30 2015:

| CASH FLOW                                               | Three Months Ended |             | Six Months Ended |                |               |
|---------------------------------------------------------|--------------------|-------------|------------------|----------------|---------------|
|                                                         | June 2015          | June 2014   | June 2015        | June 2014      | Variance      |
| <b>EBITDA</b>                                           | <b>41.3</b>        | <b>48.4</b> | <b>80.8</b>      | <b>91.2</b>    | <b>(10.4)</b> |
| Changes in working capital                              | (7.7)              | 9.9         | -                | 9.4            | (9.4)         |
| <b>Cash generated from Operations</b>                   | <b>33.6</b>        | <b>58.3</b> | <b>80.8</b>      | <b>100.6</b>   | <b>(19.8)</b> |
| Cash conversion                                         | 78%                | 120%        | 100%             | 110%           |               |
| Income tax paid                                         | (4.7)              | (4.5)       | (10.5)           | (7.7)          | (2.8)         |
| Interest paid                                           | (23.2)             | (25.3)      | (26.7)           | (30.3)         | 3.6           |
| <b>Net Cash generated from operating activities</b>     | <b>5.7</b>         | <b>28.5</b> | <b>43.6</b>      | <b>62.6</b>    | <b>(19.0)</b> |
| Cash used in investing activities*                      | (17.8)             | (45.3)      | (32.2)           | (194.0)        | 161.8         |
| Cash provided by financing activities                   | (25.7)             | 37.3        | (33.2)           | 6.4            | (39.6)        |
| <b>Increase/(decrease) in cash and cash equivalents</b> | <b>(37.8)</b>      | <b>20.5</b> | <b>(21.8)</b>    | <b>(125.0)</b> | <b>103.2</b>  |

\*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 the \$22.3 million payment towards maintenance and upgrading capex and \$6.7 million investment in vessel 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 30.06.15* |
|-----------------------------------|----------|-----------------------|---------------------------------|-----------------------------|
| Conventional and Islamic facility | 7 years  | 3 month LIBOR + 2.75% | Quarterly with bullet repayment | 343,182                     |
| Senior Notes                      | 5 years  | 8.625%                | Bullet                          | 341,321                     |
| <b>Total Topaz Loans</b>          |          |                       |                                 | <b>684,503</b>              |

\*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 June 2015, Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 30.06.2015:

| Financial Covenant                         | Threshold          | As of June 2015 |
|--------------------------------------------|--------------------|-----------------|
| <b>Net Interest Bearing Debt to EBITDA</b> | <b>&lt; 4.75</b>   | <b>3.33</b>     |
| Headroom                                   |                    | 30%             |
| <b>Tangible Net Worth</b>                  | <b>&gt; \$500M</b> | <b>615</b>      |
| Headroom                                   |                    | 23%             |
| <b>Free liquidity (in millions)</b>        | <b>&gt; \$30M</b>  | <b>260</b>      |
| Headroom                                   |                    | 766%            |
| <b>EBITDA to DSCR</b>                      | <b>&gt; 1.2</b>    | <b>1.66</b>     |
| Headroom                                   |                    | 38%             |

## 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 June 2014.

*In USD million*

|                                         | Jun-14       | Sep-14       | Dec-14       | Mar-15       | Jun-15       | Change Jun'14 v Jun'15 |
|-----------------------------------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| <b>Cash &amp; Cash Equivalents</b>      | <b>44</b>    | <b>50</b>    | <b>63</b>    | <b>79</b>    | <b>42</b>    | <b>(2)</b>             |
| Floating Rate Senior secured loans      | 335          | 329          | 330          | 323          | 343          | 8                      |
| Fixed Rate Senior secured loans         | 16           | 16           | 15           | 15           | -            | (16)                   |
| Other loans / Senior Notes <sup>1</sup> | 349          | 340          | 340          | 341          | 341          | (8)                    |
| Subordinated Shareholding Funding       | 134          | 134          | 106          | 106          | 106          | (28)                   |
| <b>Total debt</b>                       | <b>834</b>   | <b>819</b>   | <b>791</b>   | <b>785</b>   | <b>790</b>   | <b>(44)</b>            |
| Total Equity                            | 564          | 579          | 669          | 670          | 644          | 80                     |
| <b>Total Capitalization</b>             | <b>1,398</b> | <b>1,398</b> | <b>1,460</b> | <b>1,455</b> | <b>1,434</b> | <b>36</b>              |
| Net debt                                | 790          | 769          | 728          | 706          | 748          | (42)                   |
| Total debt / LTM EBITDA                 | 4.82         | 4.48         | 3.89         | 3.93         | 4.08         |                        |
| Net debt / LTM EBITDA                   | 4.57         | 4.20         | 3.60         | 3.53         | 3.87         |                        |

<sup>1</sup> 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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