

Topaz Energy and Marine

Financial Results for the Nine months ended 30 September 2014

YTD EBITDA increases by 17% to US\$ 144.2 million and EBITDA margin improves to 49.9% as a result of investment in core assets and robust cost control.

Dubai, UAE, 25 November 2014: Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Topaz Energy and Marine Ltd, (formerly Nico Middle East Ltd.) ("Topaz" or "the Company") for the nine months ended 30 Sep 2014 ("the period").

The period has seen continued growth across the group with revenue up 2% and EBITDA up 17%. Growth was primarily attributable to the new vessels that have been added to the fleet.

	Three Months Ended			Nine Months Ended		
	Sep 2014	Sep 2013	% change	Sep 2014	Sep 2013	% change
Consolidated Revenue (US\$ m)	103.5	98.8	+4.8%	288.7	284.2	+1.6%
EBITDA (US\$ m)	53.0	41.4	+28.0%	144.2	122.7	+17.5%
EBITDA Margin (%)	51.2%	41.9%	+9.3ppt	49.9%	43.2%	+6.7ppt
Net Profit (US\$ m)	14.6	12.4	+17.8%	36.5	36.3	+0.5%
Net Profit Margin (%)	14.1%	16.7%	+2.6ppt	12.6%	12.8%	-0.2ppt
RONA	-	-	-	8.8%	8.9%	-0.1ppt
Core Vessel Utilization	89.3%	95.6%	-6.3ppt	89.6%	95.2%	-5.6ppt

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 90% for the nine months ended September 2014.
- Four vessels added in 2014: the modern DP2 PSVs Topaz Seema, Topaz Xara, Topaz Faye and Caspian Voyager.
- Five new vessels are under construction or under delivery: 3 PSVs, 1 MPSV and 1 ERRV.

Financial Review

REVENUE	Three Months Ended		Nine Months Ended		Variance
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	
Caspian	60.3	61.5	167.0	171.9	(4.9)
MENA	20.2	25.1	63.3	71.8	(8.5)
Global	23.9	13.6	60.6	42.6	18.0
Less: Adjustments	(0.8)	(1.5)	(2.2)	(2.1)	(0.1)
Total	103.6	98.7	288.7	284.2	4.5

Revenue increased by \$4.5 million, or 1.6% compared to \$284.2 million in the same period last year. After adjusting for one-off revenue of \$7.2 million from the sale of three vessels last year, the increase in revenue for the period is \$11.7 million or 4.1%. This increase was primarily due to: (i) the addition of seven new vessels resulting in an increase of \$33.5 million, (ii) better utilization and increase in vessel day rates resulting in an increase of \$8.2 million and (iii) an increase in mobilization revenue of \$3.5 million on new vessels deployed in Caspian and Global region. The increase in revenue was partially offset by a \$3.0 million loss in revenue as a result of two vessels being moved from time charter contracts to bareboat contracts; the loss of \$25.7 million revenue due to vessels being under dry-docks or off-hire and a \$4.8 million loss of charter revenue due to vessel sales.

Geographical segments - Revenue

Caspian:

In the period, revenue decreased by \$4.9 million, or 2.9%, to \$167.0 million compared to \$171.9 million in the same period last year. After adjusting for one-off revenue of \$6.3 million from the sale of two vessels included in 2013, revenue for the period increased by \$1.4 million or 0.8%. This increase was primarily due to the addition of two new vessels contributing \$13.1 million in the period; better utilization resulting in an increase of \$4.8 million and an increase in mobilization revenue of \$1.1 million. The increase in revenue was partially offset by a \$3.0 million loss in revenue resulting from two vessels being moved from time charter contracts to bareboat contracts; a \$2.5 million loss of revenue due to two vessels in dry-dock; a \$8.6 million loss of revenue due to five vessels being off-hire during mobilization between contracts and a \$3.0 million loss of revenue due to vessels sold.

Mena:

In the period, revenue decreased by \$8.5 million, or 11.8%, to \$63.3 million compared to \$71.8 million in the same period last year. This variance is mainly due to a \$1.5 million increase in revenue following the extension of a charter party contract of two vessels. The decrease in revenue during the period was primarily due to the \$0.9 million sale value of one vessel, lower utilization of three vessels resulting in a loss of \$2.1 million, five vessels in dry-dock resulting in a loss of \$5.2 million and a \$1.8 million loss of revenue on a vessel sold.

Global:

During the period, revenue increased by \$18.0 million to \$60.6 million compared to \$42.6 million for the same period last year. This increase is primarily attributed to five new vessels deployed in West Africa which contributed \$20.4 million during the period; an increase in the day rate on one vessel resulting in additional revenue of \$1.9 million and an increase in mobilization revenue by \$2.4 million. The increase in revenue was partially offset by loss of revenue due to lower utilization on two vessels resulting in a decrease of \$3.2 million and demobilization of two vessels from Brazil to West Africa and subsequent repair and up-gradation, resulting in a decrease of \$4.1 million.

DIRECT COSTS	Three Months Ended		Nine Months Ended		Variance
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	
Crew cost	20.7	19.5	57.8	59.2	1.4
Technical maintenance	5.6	5.3	15.2	16.1	0.9
Depreciation	16.1	13.9	46.0	42.0	(4.0)
Bareboat charges	4.0	9.1	11.4	26.4	15.0
Others	9.4	11.7	27.5	32.0	4.5
Total	55.8	59.5	157.9	175.7	17.8

Direct costs for the period decreased by \$17.8 million, or 10.1%, to \$157.9 million as compared to \$175.7 million for the same period last year.

The decrease in bareboat charges is mainly due to the acquisition of two large anchor-handling 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 cost in 2013 includes NBV of asset sold of \$5.6 million.

EBITDA	Three Months Ended		Nine Months Ended		Variance
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	
Caspian	36.1	32.2	97.3	84.5	12.8
MENA	9.0	10.7	29.6	33.1	(3.5)
Global	9.9	0.4	25.0	11.2	13.8
Corporate / adj	(2.0)	(2.0)	(7.7)	(6.1)	(1.6)
Total	53.0	41.3	144.2	122.7	21.5

EBITDA increased by \$21.5 million, or 17.5%, to \$144.2 million during the period compared to \$122.7 million for the same period last year. This increase was primarily due to: (i) the addition of seven new vessels resulting in an increase of \$23.9 million (ii) better utilization and increase in vessel day rates resulting in an increase of \$8.7 million and (iii) savings in bareboat cost relating to two vessels (as explained above under Direct Costs) resulting in an increase in EBITDA of \$13.6 million. The increase in EBITDA was partially offset by lower utilization due to vessels being off-hire or in dry-dock \$19.9 million and increase in other costs by \$4.8 million.

Geographical segments - EBITDA

Caspian:

EBITDA increased by \$12.8 million during the period compared to \$84.5 million in the same period last year. This increase was mainly due to the addition of two new vessels which contributed \$9.4 million, savings in bareboat costs from two vessels which contributed \$13.6 million and better utilization on four vessels which resulted in an additional \$3.9 million of EBITDA. The increase in EBITDA was offset by \$7.1 million due to six vessels being between contracts, two vessels in dry-dock reduced EBITDA by \$2.5 million and EBITDA was further reduced by the \$4.5 million sale of two vessels.

Mena:

The decrease in EBITDA by \$3.5 million was primarily driven by the lower utilization of three vessels which resulted in a reduction of \$1.4 million and five vessels in dry-dock reduced EBITDA by \$4.9 million. The loss in EBITDA was offset by better utilization on four vessels which contributed \$2.2 million.

Global:

EBITDA for the period increased by \$13.8 million due to the addition of five new vessels deployed in West Africa which contributed \$14.5 million, savings in operational costs on three vessels of \$1.4 million (shown in Others in above table) and better utilization of two vessels contributing \$2.6 million. This increase was offset by the loss of EBITDA on two bareboat vessels of \$4.0 million and an increase in other overheads by \$0.7 million.

Administrative Expenses:

Administrative expenses increased by \$3.4 million, or 11.5%, to \$33.0 million in the period compared to \$29.6 million in the same period last year. The increase in costs reflects the investment Topaz made during the period in its defined growth strategy and hiring global talent.

Finance costs:

Finance costs increased by \$16.0 million, or 54.2%, to \$45.5 million in the period compared to \$29.5 million in the same period last year. The increase in interest expense was primarily due to interest charges on the senior notes raised in Q4 2013.

Income tax expense:

Income tax expense increased by \$1.3 million, or 9.2%, to \$15.5 million in the period as compared to \$14.2 million in the same period last year. This increase is in line with the increase in Topaz revenue (after adjusting one off revenue relating to a vessel sold).

Cash flow

The cash generation as a percentage of EBITDA was 109% (YTD Sep 2013: 87%).

The following table sets out a breakdown of cash flow for the nine month period ended September 30, 2014:

CASH FLOW	Three Months Ended		Nine Months Ended		Variance
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013	
EBITDA	53.0	41.4	144.2	122.7	9.8
Changes in working capital	3.5	(1.4)	12.9	(15.9)	24.0
Cash generated from Operations	56.5	40.0	157.1	106.8	33.8
Cash conversion	106%	97%	109%	87%	
Income tax paid	(4.5)	(4.8)	(12.2)	(10.8)	(1.6)
Interest paid	(4.9)	(7.4)	(35.2)	(27.4)	(10.4)
Net Cash generated from operating activities	47.1	27.8	109.7	68.6	21.8
Cash used in investing activities	(33.3)	(28.9)	(227.3)	(51.2)	(173.7)
Cash provided by financing activities	(8.2)	(16.9)	(1.8)	(1.3)	(9.1)
Increase/(decrease) in cash and cash equivalents	5.6	(17.9)	(119.4)	16.1	(161.0)

Cash used in investing activities reflects capital expenditure of \$179 million committed in 2013 on seven new vessels and \$ 35 million in 2014 on five vessels under construction or under delivery.

Cash used in financing activities includes equity from JV partner (Azerbaijan) of \$9 million, dividend paid to parent company (Renaissance Services SAOG) of \$20 million, a new loan drawdown on four vessels of \$49 million and usual debt servicing.

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 30.09.14*
Syndicated Ship Financing Facility	Aug-17	3 month LIBOR + 4.0%	Quarterly with 35% bullet	143,298
Bilateral Ship Financing Facility	Jun-20	3 month LIBOR + 3.5%	Quarterly with 20% bullet	47,190
Bilateral Islamic Financing	May-18	3 month LIBOR + 3.95%	Quarterly with 33% bullet	18,219
Export Credit Financing	Jul-22	6 month LIBOR + 2.65%	Half-yearly	16,530
Bilateral Islamic Financing	Oct-17	5.75%	Quarterly with 35% bullet	15,917
Bilateral Islamic Financing	Jun-18	6 month LIBOR + 3.5%	Half-yearly with 50% bullet	103,639
Senior Notes	Nov-18	8.625%	Bullet	339,721
Total Topaz Loans				684,514

*Recorded as per International Financial Reporting Standards (IFRS)

Bank Covenants

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

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

Financial Covenant	Threshold	As at Sep 2014
Net Interest Bearing Debt to EBITDA	< 4.5:1	3.70
<i>Headroom</i>		18%
Tangible Net Worth	> \$450M	626
<i>Headroom</i>		39%
Free liquidity (in millions)	> \$20M	47
<i>Headroom</i>		137%
Total Debt/Tangible Net Worth	<=1.85	1.14
<i>Headroom</i>		39%
EBITDA to Interest	> 3.0:1	3.2
<i>Headroom</i>		7%
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 each quarter since September 2013.

in US\$ million

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Growth Sep'13 v Sep'14
Cash & Cash Equivalents	45	169	24	44	50	5
Floating Rate Senior secured loans	449	315	305	335	329	(120)
Fixed Rate Senior secured loans	19	17	17	16	16	(3)
Other loans / Senior Notes ¹	-	338	339	349	340	340
Subordinated Shareholding Funding	134	134	134	134	134	-
Total debt	602	804	795	834	819	217
Total Equity	(531)	(541)	(530)	(564)	(579)	48
Total Capitalization	1,133	1,346	1,325	1,398	1,398	265
Net debt	557	636	771	790	769	212
Total debt / LTM EBITDA	3.77	4.93	4.64	4.82	4.48	
Net debt / LTM EBITDA	3.49	3.89	4.50	4.57	4.20	

¹ Recorded as per International Financial Reporting Standards (IFRS)

* Other Loan as on 30.6.2014 includes Short Term Loan of \$ 10 M.

Operational Review

In the Caspian region, following a dip in activity during the second quarter, there has been solid progress in the negotiations for vessels required for Shah Deniz-2, the largest gas field in Azerbaijan. Expected to commence in late 2014, this project will entail the long-term deployment of our vessels in Azerbaijan. Results from Kazakhstan and Russia show increased utilization of Topaz's vessels for the period. The high utilization is projected to continue in 2015 as demand is expected to grow, driven by the demand from the Filanovsky project in Astrakhan. Three anchor-handling vessels have commenced work on medium-term contracts in Turkmenistan and are expected to continue working on the project throughout 2015.

The Mena business has once again delivered a solid performance in Qatar, Saudi and the UAE, and we expect to see a similar level of performance longer term.

The Global division has continued its expansion into West Africa where we now have 12 vessels deployed. In spite of a difficult environment due to restrictions imposed as a result of the Ebola outbreak, the new PSVs added to the Global fleet in 2014 are in high demand and we expect to see them work through the year with little commercial down time.

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

Outlook

Following the successful equity injection of \$75 million by Standard Chartered Private Equity the company has a solid position for asset acquisitions.

The company continued its strong focus on commercial activities during the period. We had to contend with some unexpected downtime for a number of our vessels during the period and we are making solid progress in finding alternative deployment opportunities. Focus areas in the forthcoming months and into the New Year include securing medium and long-term contracts in West Africa.

The new PSVs in West Africa continue their sound operational and commercial performance, confirming our strategic rationale for acquiring them. We have made further investments in three additional PSVs which are planned to be deployed in West Africa to meet market demand. We remain on target to meet management expectations for the full-year.

The falling oil price has not affected our utilization levels which are supported by our long-term contracts and strong client relationships. In fact, our Q3 core utilization was consistent with Q2, and Q4 utilization is expected to remain at the same level as well. Our fleet is also heavily geared towards the development and production phases of the oil extraction cycle, as opposed to the exploration phase. These phases are less susceptible to short-term fluctuations in oil price and spend by the oil majors, and much more stable.

The fields and areas mainly served by Topaz in the Caspian and the Middle East have total extraction costs that are significantly below current oil price levels which means that activity levels are expected to remain high even in the face of a continued oil price weakness.

It's our view that the outlook for the oil price is positive as both supply and demand fundamentals will drive oil prices up in the longer term. In the shorter term, if there is significant volatility and downside stress on energy prices, Topaz is uniquely positioned to withstand such pressure.

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 99 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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