

Topaz Energy and Marine

Financial Results for the Quarter ended 31 March 2014

Q1 2014 revenue up 7% over Q1 2013 to US\$ 89.4 million as a result of the expansion of the core vessel fleet and high vessel utilization.

Dubai, UAE, 21 May 2014: Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Nico Middle East Ltd. ("NMEI") for the three months ended 31 March 2014 ("the period").

The period has seen continued strong and profitable growth across the Group's activities with revenues up 7% and EBITDA up 22%. This growth is primarily attributable to new vessels that have been added to the fleet and the improved utilization we have achieved across our core fleet. We have won a number of new contracts during the period resulting in a total backlog of medium and long-term contracts amounting to US\$ 1.20 billion.

	Three Months Ended		
	Q1 2014	Q1 2013	% change
Consolidated Revenue (US\$ m)	89.4	83.8	+6.7%
EBITDA (US\$ m)	42.8	35.1	+21.9%
EBITDA Margin (%)	47.9%	41.9%	+6.0ppt
Net Profit (US\$ m)	9.2	6.9	+33.3%
Net Profit Margin (%)	10.3%	8.2%	+2.1ppt
RONA ¹	8.2%	6.7%	+1.5ppt
Core Vessel Utilization	92.4%	93.6%	-1.2ppt
Backlog (US\$ bn)	1.20	Not tracked	-

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 92.4% for the quarter
- Four vessels added in Q1 2014, the modern DP2 PSVs Topaz Seema, Topaz Xara, Topaz Faye and Caspian Voyager

¹ Annualized Return on Net Assets

Financial Review

REVENUE	Three Months Ended		Variance
	31 Mar 2014	31 Mar 2013	
Caspian	51.7	49.9	1.8
MENA	22.1	22.5	(0.4)
Global	16.2	12.1	4.1
Less: Adjustments	-0.6	-0.7	0.1
Total	89.4	83.8	5.6

Revenue increased by \$5.6 million, or 6.7%, to \$89.4 million in the period compared to \$83.8 million in the quarter ended March 2013. This increase is primarily due to: (i) the addition of four new vessels resulting in an increase of \$8.2 million and, (ii) better utilization and increase in vessel day rates resulting in an increase of \$4.9 million. The increase in revenue was partially offset by two vessels which were moved from time charter contracts to bareboat contracts \$1.8 million; loss of revenue due to vessels under dry-docks / off-hire \$5.1 million and loss of revenue due to vessels sold \$0.6 million.

Geographical segments

Caspian:

In the period, revenue increased by \$1.8 million, or 3.6%, to \$51.7 million compared to \$49.9 million in the quarter ended March 2013. This increase was primarily due to the addition of two new vessels contributing \$5.5 million in the period and better utilization resulting in an increase of \$1.4 million. The increase in revenue was partially offset by two vessels which were moved from time charter contracts to bareboat contracts \$1.8 million; loss of revenue due to two vessels in dry-dock \$1.2 million; loss of revenue due to three vessels off-hire during mobilization between contracts \$1.5 million and loss of revenue due to two vessels sold \$0.6 million.

Mena:

In the period, revenue decreased by \$0.4 million, or 1.8%, to \$22.1 million compared to \$22.5 million in the quarter ended March 2013. This variance is mainly due to the increase in the day rate for one vessel, resulting in an increase of \$1.1 million offset by lower utilization in eight vessels by \$1.5 million.

Global:

In the period, revenue increased by \$4.1 million to \$16.2 million compared to \$12.1 million in the quarter ended March 2013. This increase was primarily due to the addition of two new vessels contributing \$2.8 million in the period, demobilization revenue of one vessel resulting in an increase of \$1.1 million and better utilization resulting in an increase of \$2.2 million. This increase in revenue was partially offset by loss of revenue due to three off hire vessels resulting in a decrease of \$2.0 million.

DIRECT COSTS	Three Months Ended		Variance
	31 Mar 2014	31 Mar 2013	
Crew cost	17.9	19.2	1.3
Technical maintenance	4.7	4.6	(0.1)
Depreciation	14.4	14.3	0.1
Bareboat charges	4.1	8.2	4.1
Others	8.8	9.2	0.4
Total	49.9	55.5	5.6

Direct costs for the period decreased by \$5.6 million, or 10.1%, to \$49.9 million as compared to \$55.5 million in the quarter ended March 2013.

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.

EBITDA	Three Months Ended		Variance
	31 Mar 2014	31 Mar 2013	
Caspian	28.5	23.4	5.1
MENA	11.0	10.6	0.4
Global	6.1	3.4	2.7
Corporate / adj	(2.8)	(2.3)	(0.5)
Total	42.8	35.1	7.7

EBITDA increased by \$7.7 million, or 21.9%, to \$42.8 million in the period compared to \$35.1 million in the quarter ended March 2013. This increase is primarily due to: (i) the addition of four new vessels resulting in an increase of \$5.7 million (ii) better utilization and increase in vessel day rates resulting in an increase of \$6.5 million and (iii) savings in bareboat cost relating to two vessels, as explained above under Direct costs, resulting in an increase in EBITDA of \$2.7 million. The increase in EBITDA was partially offset by two vessels moving from time charter contracts to bareboat contracts \$0.5 million; vessel off-hire \$4.0 million and loss of revenue due to vessels sold \$0.5 million. The increase in EBITDA was also partially offset by an increase in overhead costs of \$2.2 million which mainly relates to bad debt provisions.

Caspian:

The increase in EBITDA by \$5.1 million is mainly due to the addition of two new vessels contributing \$3.7 million, savings in bareboat costs for two vessels contributing \$2.7 million and better utilization on two vessels contributing \$1.0 million which is offset by loss of EBITDA on vessels operating under winter lay-ups resulting in a decrease of \$0.8 million; due to vessel off-hire \$1.0 million and loss of revenue due to vessels sold \$0.5 million.

Mena:

The increase in EBITDA by \$0.4 million is mainly due to better rates on one vessel contributing \$1.4 million which is offset by lower utilization on six vessels resulting loss of EBITDA by \$1.0 million.

Global:

The increase in EBITDA by \$2.7 million is due to the addition of two new vessels contributing \$1.9 million; better rates on one vessel contributing \$0.9 million and better utilization of four vessels contributing \$3.2 million. This increase is offset by loss of EBITDA on three vessels of \$1.1 million and a bad debt provision on a contract in Nigeria amounting to \$2.2 million.

Administrative Expenses:

Administrative expenses of \$8.9 million, excluding one-off provisions, are in line with the expenses in the same period last year. However we have made a one-off bad debt provision of \$2.2 million in the Global region resulting in an increase in administrative expenses by \$2.2 million or 24.7% as compared to the same period last year.

Finance costs:

Finance costs increased by \$4.8 million, or 51.6%, to \$14.1 million in the period compared to \$9.3 million in the same period last year. The increase in interest expense was primarily due to the refinancing of certain existing debt in Q2 2013 and interest charges on senior notes raised in Q4 2013 in line with the strategic plan.

Income tax expense:

Income tax expense increased by \$0.4 million, or 9.0%, to \$4.8 million in the period compared to \$4.4 million in the same period last year. This increase is in line with the increase in revenue.

Cash flow

The cash generation as a percentage of EBITDA has been 99% (Q1 2013: 65%).

The following table sets out a breakdown of cash flow for the three month period ended March 31, 2014:

CASH FLOW

	Three Months Ended		Variance
	31 Mar 2014	31 Mar 2013	
EBITDA	42.8	35.1	7.7
Changes in working capital	(0.5)	(12.2)	11.7
Cash generated from Operations	42.3	22.9	19.4
Cash conversion	99%	65%	
Income tax paid	(3.2)	(3.1)	(0.1)
Interest paid	(5.0)	(6.3)	1.3
Net Cash generated from operating activities	34.1	13.5	20.6
Cash used in investing activities	(148.7)	(4.0)	(144.7)
Cash provided by financing activities	(30.9)	(4.7)	(26.2)
Increase/(decrease) in cash and cash equivalents	(145.5)	4.8	(150.3)

Cash used in investing activities reflects capital expenditure on five new vessels of \$139 million including vessels under construction and other vessel maintenance/upgrade capex.

Cash used in financing activities includes the final dividend for the full year 2013 paid of \$20 million.

Financing

AMOUNTS IN '000	Original Loan Amount	Currency	Tenure	Interest Rate	Repayment	Outstanding as at 31.03.14*
\$330M Syndicated Conventional Facility	203,000	US\$	5 yrs.	3 month LIBOR + 4.0%	Quarterly with 35% bullet	156,176
\$58.5M Conventional Facility	58,500	US\$	7 yrs.	3 month LIBOR + 3.5%	Quarterly with 20% bullet	50,353
Bilateral Islamic Financing - Master Murabaha Agreement	26,000	US\$	5 yrs.	3 month LIBOR + 3.95%	Quarterly with 33% bullet	19,690
HSBC - UK GIEK Export Credit Financing of one PSV	23,528	US\$	10 yrs.	6 month LIBOR + 2.65%	Half-yearly	17,564
Bilateral Islamic Financing - Master Murabaha Agreement	20,475	AED	5 yrs.	5.75%	Quarterly with 35% bullet	17,292
Bilateral Islamic Financing - Ijara Agreement	125,000	US\$	5 yrs.	6 month LIBOR + 3.5%	Half-yearly with 50% bullet	61,655
Senior Notes	350,000	US\$	5 yrs.	8.625%	Bullet	338,728
Total External Debt						661,458

*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 31.03.2014 Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 31.03.2014:

Financial Covenant	Threshold	Q1 2014
Net Interest Bearing Debt to EBITDA	< 4.5:1	3.97
Headroom		12%
Tangible Net Worth	> \$450M	613
Headroom		36%
Free liquidity (in millions)	> \$20M	23
Headroom		15%
Total Debt/Tangible Net Worth	<=1.85	1.13
Headroom		39%
EBITDA to Interest	> 3.5:1	3.7
Headroom		6%
Working Capital (in millions)	Positive	25

Capitalization

The following table sets out Topaz's consolidated cash, total indebtedness, shareholders' funds, total capitalization and net debt as of December 2013 and March 2014.

in US\$ million

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Variance Mar'14 v Mar'13
Cash & Cash Equivalents	32	63	45	169	24	(8)
Floating Rate Senior secured loans	395	462	449	315	305	(90)
Fixed Rate Senior secured loans	26	24	19	17	17	(9)
Other loans / Senior Notes ¹	10	-	-	338	339	329
Subordinated Shareholding Funding	167	134	134	134	134	(33)
Total debt	598	620	602	804	795	197
Total Equity	(504)	(519)	(531)	(541)	(564)	60
Total Capitalization	1,102	1,139	1,133	1,346	1,359	257
Net debt	566	557	557	636	771	205
Total debt / LTM EBITDA	3.94	3.99	3.77	4.93	4.64	
Net debt / LTM EBITDA	3.73	3.58	3.49	3.89	4.50	

¹ Recorded as per International Financial Reporting Standards (IFRS)

Operational Review

2014 has commenced broadly in line with expectations. We have seen strong growth across the Group's activities with solid utilization and robust outcomes from commercial activities.

In the Caspian region, our fleet utilization has improved significantly over the same period last year due to the Russian Filanovsky development where we now have 14 assets deployed. We have recently won a medium-term contract in Turkmenistan for two anchor-handling vessels and will be pursuing further asset deployment in Turkmenistan throughout 2014.

The MENA business has delivered a solid performance both in Qatar and in Saudi Arabia. Further we have recently received contract extensions for three vessels and are actively pursuing a number of commercial tenders for long-term contracts that if secured, may involve additional fleet expansion in 2014.

Our Global business has made significant inroads into West Africa with 11 vessels now operating there. We have recently won a medium-term contract in Nigeria for one newly built Platform Supply Vessel thereby increasing our presence in the market and supporting our Nigeria expansion strategy. We have also established a local office in Nigeria which will help us in delivering 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

Q1 2014's focus was on driving our strategy of investing in our core fleet to ensure we maintain a young and technologically advanced fleet for our clients: the world's leading oil and gas companies. Our ability to support their production strategies in a large number of projects has resulted in a growing level of long-term contracts and high vessel utilization rates. We anticipate a more challenging second quarter as a result of project timings in West Africa and the Caspian. However, the investment we have made in the business over the course of 2013 and during 2014 in terms of vessels, technology and most importantly, our people, allows us to remain confident of achieving our targets for the full year.

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 Middle East and the Caspian Sea. 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.

www.topazworld.com

For further information please contact:

Investor Relations:

Robert Desai
Head of Corporate Planning, IR & Communications
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
Tel: +44 207 831 3113