

Topaz Energy and Marine

Financial Results for the year ended 31 December 2015

Profit of US\$ 20.8 million before exceptional items

Dubai, UAE, 2015: Topaz Energy and Marine, a leading offshore support vessel company, today announces its results for the year ended 31 December 2015 (in the following referred to as "the period").

	Three Months Ended			Twelve Months Ended		
	Dec 2015	Dec 2014	% change	Dec 2015	Dec 2014	% change
Consolidated Revenue (US\$ m)	88.3	115.9	-23.8%	362.5	404.6	-10.4%
EBITDA (US\$ m)	45.1	59.6	-24.3%	174.5	203.8	-14.4%
EBITDA Margin (%)	51.1%	51.2%	-0.1ppt	48.1%	50.4%	-2.3ppt
Net Profit before exceptional items (US\$ m)	6.6	19.6	-66.3%	20.8	56.1	-62.9%
Net Profit Margin (%)	7.4%	16.9%	-9.5ppt	5.7%	13.8%	-8.1ppt
Net Profit after exceptional items (US\$ m)	(64.4)	15.6	NM	(58.5)	52.1	NM
Net Profit Margin (%)	-72.9%	13.5%	NM	-16.1%	12.9%	-NM
RONA**				6.6%	9.2%	-2.6ppt
Core Vessel Utilization				86.4%	89.3%	-2.9ppt

** Rona before impairment charges

Business Highlights

- Net Profit for the period was US\$ 20.8m before exceptional items, impairment charge of US\$71 million on vessels and a one-off charge of US\$8.3 million associated with debt re-financing.
- The key Caspian region continued to perform strongly with robust core fleet vessel utilization of 96% (94% in 2014). Topaz signed long-term contracts with BP in the Caspian, further strengthening contract backlog and long-term earnings visibility.
- Proactive focus on cost management contributed to mitigation of the EBITDA reduction.
- Continued rigorous cash management program; focus on working capital cycle as well as deferring non-essential capex.
- Conservative fleet expansion with two new-build Subsea vessels commissioned in September 2015 adding to the two vessels already under construction (1 MPSV and 1 AHTSV). The MPSV was delivered in January 2016 with other vessels due in 2017. The new ERRV, Topaz Responder, has won a medium-term contract in the Mediterranean (Dec 2015).
- Consistent safety record; fatalities remains at zero.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, "Despite a strong performance in our key Caspian market, which makes up 63% of revenue, our financial results reflect subdued demand for offshore support vessels in our nascent market in Africa and rate pressure in Mena.

Our Net Profit was impacted by two exceptional items, one being impairment charge of US\$71 million on vessels as the current oil and gas environment materially impacted the valuation of our fleet. While our valuation principal of "Value in use" has not changed, weaker industry fundamentals mean we have had to re-base the valuation to align with the environment. Second being the unamortized arrangement fees written-off during the re-financing of debt. Excluding these exceptional items, Topaz delivered a Net Profit of US\$ 20.8 million during 2015.

Utilization in our Caspian market is up by 2% to 96% compared with 2014 and revenue increased by 4.5% during the period. We recently secured 14 OSV contracts with BP in the Caspian Sea for a period of five years plus two one-year options, extending the tenure of our existing contracts for the 14 vessels until 2023. This significant deal increases our backlog to nearly US\$1.4bn and gives us better long-term visibility of revenues. Our robust performance in this region throughout the year, despite a challenging market, demonstrates the strength of our relationships with long-term clients and our ability to generate returns in a lower oil price environment and we expect our performance will hold steady in this region through 2016.

The decrease in revenue in our Mena region is primarily due to the sale of a vessel during December 2014 of US\$21.6 million, however we are also being impacted by the expiration of contracts in this region. In January 2016, we acquired a new AHTSV 'Topaz Mamlaka' which will be deployed to Saudi Aramco on a long-term contract of three years plus options from February 2016. We have been operating in the Mena region for more than two and a half decades and are confident we will maintain a satisfactory performance this year though we can expect the next few quarters to be challenging.

We moved a number of AHTSVs from Africa to Mena during 2015 and similarly mobilized some vessels from Mena to the Caspian in January on the basis of secured contracts. The versatility of our fleet means we are able to move our vessels to benefit from opportunities available in different geographies. While we are currently experiencing pressure in Africa, we are now fully set up in Angola and Nigeria, meaning we can quickly move from spot rates to securing longer contracts as the market recovers. We remain confident in the long-term opportunities in the offshore support market in Africa, which is forecast to grow over the medium term.

Our prudent approach to cash management during 2015 sets the foundation to operate a more efficient capital structure in 2016 and beyond. We refinanced US\$ 350 million of existing debt and agreed a facility to borrow an additional US\$ 200 million in April 2015 at highly competitive rates extending the maturity of our debt profile. This reflects the market's confidence in our strategy and our ability to reduce overall risk while ensuring our capital structure supports Topaz to capture long-term growth and take advantage of appropriate opportunities as they arise. Our debt refinancing will continue to deliver savings in finance costs over the long-term despite the one-off non-cash charge US\$8.3 million during 2015. We forecast the cost efficiency initiatives regarding procurement, administration, crew and overheads put in place during 2015 will save more than US\$ 10

million during 2016 and we will continue to find ways to optimize our cost structure without compromising on quality and safety in the future.

Our focus on safety was recognized at the Seatrade Maritime Awards where Topaz was selected as the winner of 'The Safety and Quality Award' for its consistently strong safety performance. Topaz also received the 'Offshore and Energy' and 'Maritime Services' awards by Lloyd's List in December. These awards recognise Topaz's excellence in providing services to the offshore industry with particular focus on customer service, safety, environmental protection, cost management as well as vessel efficiency and reliability and company profitability.

As we head into 2016, we are likely to continue to see rate pressure as clients are impacted by the lower oil price environment, particularly in the Africa and Mena regions, where we are currently awaiting some tender decisions.

We expect the first half of 2016 to be a challenging period. However a subdued market also offers opportunities and during 2015, we have worked hard to ensure we have the right capital structure in place to take advantage of growth options delivered in this environment which are in line with our strategy."

Financial Review

REVENUE	Three Months Ended		Twelve Months Ended		
	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Variance
Caspian	54.6	57.6	228.0	223.5	4.5
MENA*	26.7	46.6	105.6	142.6	(37.0)
Africa	7.0	11.9	28.9	38.5	(9.6)
Total	88.3	115.9	362.5	404.6	(42.1)

*Subsea vessels are now included in Mena region and hence comparative numbers are reclassified accordingly.

Revenue for the period of \$362.5 million has decreased by 10% against corresponding revenue of \$404.6 million in 2014. This negative variance mainly relates to (i) one-off revenue from sale of one vessel in the Mena region in December 2014 impacting \$21.6 million, (ii) lower utilization of two Subsea vessels due to expiration of a long-term contract resulting in the loss of \$11.9 million in revenue, (iii) loss of \$5.4 million of revenue due to completion of long term contracts for six vessels in Saudi Arabia and their subsequent deployment on lower rates as per the market, (iv) one-off mobilization revenue of \$2.1 million on two vessels considered in the same period last year (v) loss of revenue of \$8.7 million due to lower utilization of four out of seven new vessels deployed in Africa and (vi) loss of revenue of \$5.5 million due to lower utilization/vessels in dry-dock. However, this decrease is partly offset by (a) full impact from three vessels added to the fleet last year resulting in an increase of \$6.6 million, and (b) better utilization of two vessels due to a new BP contract in the Caspian resulting in an increase of \$6.5 million.

Geographical segments - Revenue

Caspian:

During the period, revenue increased by \$4.5 million, or 2%, to \$228 million compared to \$223.5 million last year. This variance is primarily attributed to full year impact of one additional 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 \$6.5 million. The increase in revenue was offset by the \$7.2 million loss of revenue from vessels in dry-dock/ lower utilisation.

Mena:

During the period, revenue decreased by \$37.0 million, or 25.9%, to \$105.6 million compared to \$142.6 million last year. This decrease is primarily attributed to the \$21.6 million in revenue from the sale of one vessel in December 2014, lower utilization of two Subsea vessels due to expiration of a long-term contract resulting in the loss of \$11.9 million in revenue, loss of \$5.4 million of revenue on Saudi vessels as explained above. However this decrease is slightly offset with better utilization of two vessels transferred from Africa to Mena region contributing \$1.9 million.

Africa:

During the period, revenue decreased by \$9.6 million, or 24.9%, to \$28.9 million compared to \$38.5 million last year. This decrease is primarily due to loss of revenue of \$8.7 million due to lower utilization of four out of seven new vessels deployed in Africa, loss of revenue of \$4.8m due to lower utilization and two vessels transferring to Mena region. However this decrease is offset with revenue of \$2.5 million from one vessel sold and full year impact of \$1.4 million from two vessels added last year.

DIRECT COSTS	Three Months Ended		Twelve Months Ended		
	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Variance
Crew cost	17.9	19.4	78.0	77.1	(0.9)
Technical maintenance	6.6	3.9	21.8	19.1	(2.7)
Depreciation / Dry-dock	17.4	18.7	69.5	60.6	(8.9)
Bareboat charges	1.4	2.4	7.7	13.8	6.1
Others	8.6	19.1	41.8	46.5	4.7
Total	51.9	63.5	218.8	217.1	(1.7)

Direct costs for the period has slightly increased by \$1.7 million, or 0.8%, to \$218.8 million, compared to \$217.1 million 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 savings in others is mainly due to higher net book value of vessel disposed in 2014.

EBITDA	Three Months Ended		Twelve Months Ended		
	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Variance
Caspian	33.4	36.7	140.0	133.9	6.1
MENA*	11.2	23.5	47.2	75.7	(28.5)
Africa	0.8	2.1	(3.0)	4.6	(7.6)
Corporate / adj	(0.3)	(2.7)	(9.7)	(10.4)	0.7
Total	45.1	59.6	174.5	203.8	(29.3)

*Subsea vessels are now included in Mena region and comparative numbers are reclassified accordingly.

EBITDA decreased by \$29.3 million, or 14.3%, to \$174.5 million during the period compared to \$203.7 million last year. This decrease mainly relates to: (i) one-off profit of \$10.6 million included in 2014 from sale of one vessel (ii) lower utilization of two Subsea vessels due to expiration of long-term contracts resulting in EBITDA loss of \$9.1 million, (iii) loss of \$4.7 million of EBITDA due to expiration of a long-term contract for six vessels working in Saudi Arabia, (iv) lower EBITDA by \$14.6 million from all seven new vessels deployed in the Africa region and (v) lower utilization of vessels in dry-dock/off hire impacting \$5.5 million. However this EBITDA loss is slightly offset by the (a) full year impact of one vessel added to the fleet in Caspian in 2014 resulting in an increase of \$3.5 million, (b) better utilization of two vessels as a result of a new BP contract in the Caspian resulting increase of \$6.0 million, and (c) savings in overheads of \$5.8 million.

Geographical segments - EBITDA

Caspian:

EBITDA increased by \$6.1 million during the period which is mainly due to (i) full year impact of one new vessel deployed in 2014 contributing \$3.5 million, (ii) savings in bareboat cost of two vessels contributing \$3.1 million, and (iii) better utilization of two vessels due to a new contract with BP in Azerbaijan resulting in EBITDA of \$6.0 million. The increase is partially offset by the loss of \$6.5 million of EBITDA on vessels in dry-dock/lower utilization as compared to last year.

Mena:

The decrease in EBITDA by \$28.5 million is primarily due to one-off EBITDA from sale of one vessel in 2014 of \$10.6 million, lower utilization of two Subsea vessels due to expiration of long-term contracts resulting in EBITDA loss of \$9.1 million, due to loss of EBITDA of \$4.7 million due to the expiration of a long-term contract on six vessels working in Saudi Arabia and loss of EBITDA of \$4.1 million due to lower utilization/ vessels in dry-dock.

Africa:

EBITDA for the period decreased by \$7.6 million mainly due to lower utilization of all seven new vessels deployed in Africa due to the continuous pressure in oil prices resulting in EBITDA loss of \$14.6 million. However this decrease is partly offset with savings in overheads of \$3.8 million which was relating to doubtful debt provision made in 2014 and savings in cost of \$3.2 million on vessels transfer to Mena region.

Administrative Expenses:

Administrative expenses decreased by \$5.8 million, or 12.9%, to \$38.9 million during the period compared to \$44.7 million during the same period last year. The decrease is mainly due to savings in staff and other cost efficiency initiatives.

Finance costs:

Finance costs increased by \$5.5 million, or 8.6%, to \$69.2 million during the period compared to \$63.7 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 which is slightly offset by savings in finance cost on account of lower rate in refinancing.

Income tax expense:

Income tax expense is in line with last year at \$22.2 million and mainly relates to withholding tax (WHT).

Cash flow

The cash generation as a percentage of EBITDA in 2015 was 103% (2014: 111%).

The following table sets out a breakdown of cash flow for twelve months ended 31 December 2015:

CASH FLOW	Three Months Ended		Twelve Months Ended		
	Dec 2015	Dec 2014	Dec 2015	Dec 2014	Variance
EBITDA	45.1	59.6	174.5	203.8	(29.3)
Changes in working capital	15.2	9.4	5.8	22.3	(16.5)
Cash generated from Operations	60.3	69.1	180.3	226.1	(45.8)
Cash conversion	133%	116%	103%	111%	
Income tax paid	(6.1)	(5.0)	(20.9)	(17.2)	(3.7)
Interest paid	(23.0)	(27.2)	(55.2)	(62.4)	7.2
Net Cash generated from operating activities	31.2	36.9	104.2	146.5	(42.3)
Cash used in investing activities*	(13.8)	(68.8)	(60.1)	(296.1)	236.0
Cash provided by financing activities	(11.7)	45.6	(52.4)	43.8	(96.2)
Increase/(decrease) in cash and cash equivalents	5.7	13.7	(8.3)	(105.8)	97.5

*Investing activities excludes movement in restricted cash.

Financing activities include a dividend payment to holding company of \$22 million in Q2 2015, dividend payment to JV partner of \$2.2 million, 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. Parent company debt repaid in Q4 2015 of \$2 million out of a total of US\$ 28m; the balance of US\$ 26m has been deferred to Q1 2016.

Investing activities include a \$44.1 million payment towards maintenance and upgrading capex and a \$16.0 million investment in vessels under construction.

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

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 31.12.15*
Conventional and Islamic facility	7 years	3 month LIBOR + 2.75%	Quarterly with bullet repayment	328,852
Senior Notes	5 years	8.625%	Bullet	342,462
Total Topaz Loans				671,314

*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 31 December 2015, Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 31 December 2015:

Financial Covenant	Threshold	As of Dec 2015
Net Interest Bearing Debt to EBITDA	< 4.5	3.53
Headroom		22%
Tangible Net Worth	> \$500M	545
Headroom		9%
Free liquidity (in millions)	> \$30M	156
Headroom		419%
EBITDA to DSCR	> 1.2	1.55
Headroom		29%

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 December 2015.

In USD million

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Change Dec'14 v Dec'15
Cash & Cash Equivalents	63	79	42	50	55	(8)
Floating Rate Senior secured loans	330	323	343	336	329	(1)
Fixed Rate Senior secured loans	15	15	-	-	-	(15)
Other loans / Senior Notes ¹	340	341	341	342	342	2
Subordinated Shareholding Funding	106	106	106	106	104	(2)
Total debt	791	785	790	784	775	(16)
Total Equity	669	670	644	653	574	(95)
Total Capitalization	1,460	1,455	1,434	1,437	1,349	(111)
Net debt	728	706	748	734	720	(8)
Total debt / LTM EBITDA	3.89	3.93	4.08	4.15	4.44	
Net debt / LTM EBITDA	3.60	3.53	3.87	3.88	4.13	

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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