

Topaz Energy and Marine

Financial Results for the year ended 31 December 2014

2014 revenue up 7% to USUS\$404.6 million; EBITDA up 25% to USUS\$203.8 million driven by investment in fleet, high vessel utilization and robust cost control.

Dubai, UAE, 2015: Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Topaz Energy & Marine Ltd, Bermuda (formerly Nico Middle East Ltd.) ("Topaz") for the twelve months ended 31 Dec 2014 (in the following referred to as "the period").

The period has seen continued growth across the group with revenue up by 7% and EBITDA up by 25% over 2013. The growth in revenue and EBITDA is primarily attributable to the new vessels that were added to the fleet.

	Three Months Ended			Twelve Months Ended		
	Q4 2014	Q4 2013	% change	Dec 2014	Dec 2013	% change
Consolidated Revenue (US\$ m)	115.9	92.3	+25.6%	404.6	376.4	+7.5%
EBITDA (US\$ m)	59.6	40.6	+46.8%	203.8	163.4	24.7%
EBITDA Margin (%)	51.2%	44.0%	+7.2ppt	50.4%	43.4%	+6.9ppt
Net Profit (US\$ m)	15.6	8.5	+83.5%	52.1	44.8	+16.3%
Net Profit Margin (%)	13.5%	9.2%	+4.3ppt	12.9%	11.9%	+1.0ppt
RONA	-	-	-	9.2%	8.4%	+0.8ppt
Core Vessel Utilization	88.4%	92.9%	-4.5ppt	89.3%	94.5%	-5.2ppt

Business Highlights

- Safety performance consistently strong – zero fatalities
- Robust performance for the entire business attributable to expansion of core fleet and focus on cost control
- High and stable utilization of the core vessel fleet at 89.3% for the twelve months ended December 2014
- \$7.6M on-off profit from sale of vessel
- Six vessels added in 2014: the modern DP2 PSVs Topaz Seema; Topaz Xara; Topaz Faye; Topaz Megan; Topaz Isra and Caspian Voyager. (Two additional PSVs, Topaz Amani and Sophie, were delivered in 2013 and started operating from 2014)
- Three new vessels are under construction (1 MPSV, 1 ERRV and 1 AHTSV) – the MPSV and ERRV are expected to enter service in 2015

Financial Review

REVENUE	Three Months Ended		Twelve Months Ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Caspian	57.9	57.3	224.9	229.2	(4.3)
MENA	37.6	21.9	100.9	93.7	7.2
Global	20.9	13.9	81.5	56.4	25.1
Less: Adjustments	(0.5)	(0.8)	(2.7)	(2.9)	0.2
Total	115.9	92.3	404.6	376.4	28.2

Revenue for the period at \$404.6 million is 7.5% above corresponding revenue of \$376.4 million in the same period last year. This increase is primarily due to: (i) the addition of seven new vessels including the annualized contribution of one vessel resulting in an increase of \$47.8 million (ii) better utilization and increase in vessel day rates resulting in an increase of \$7.6 million (iii) \$16.7 million from the sale of two vessels in 2014 against \$7.2 million realized from vessel sales in the same period last year and (iv) increase in mobilization revenue of \$2.1 million on new vessels deployed in the Global region. The increase in revenue was partially offset by (a) a \$6.4 million loss of revenue due to a delay in the start of Project Shah Deniz-2 in Azerbaijan (b) a revenue loss of \$7.9 million due to EBOLA outbreak related challenges in West Africa resulting in lower utilization of spot vessels (c) loss of revenue due to vessels in dry-docks or off-hire of \$15.8 million and (d) \$8.7 million loss of charter revenue due to vessels sold during the period.

Geographical segments - Revenue

Caspian:

During the period, revenue decreased by \$4.3 million, or 1.9%, to \$224.9 million compared to \$229.2 million during the same period last year. Revenue increased following the deployment of two vessels including the annualized contribution of \$17.4 million from one vessel and better utilization resulting in an increase of \$3.0 million. The increase in revenue was offset by a loss of revenue from two vessels due to a delay in the start of the Shah Deniz-2 Project of \$6.4 million; loss of \$3.1 million revenue due to vessels being in dry-dock; lower utilization of three vessels resulting in a loss of revenue of \$3.5 million and an additional \$11.7 million loss of revenue due to the sale of vessels (sale value: \$5.9 million and charter revenue: \$5.8 million).

Mena:

During the period, revenue increased by \$7.2 million, or 7.7%, to \$100.9 million compared to \$93.7 million for the same period last year. This increase is primarily due to the sale of one vessel for \$16.3 million against \$0.9 million for the same period last year and the better utilization of two vessels contributed \$1.1 million. Revenue decreased by \$2.3 million due to the lower utilization of four vessels, five vessels being in dry-dock impacted revenue by \$4.6 million and the loss of charter revenue on a vessel sold reduced revenue by a further \$ 2.4 million.

Global:

During the period, revenue increased by \$25.1 million to \$81.5 million compared to \$42.6 million for the same period last year. This increase is primarily attributed to five new vessels which were deployed in West Africa and generated \$30.4 million of revenue; the increase in the day rate of one vessel resulting in an increase in revenue of \$2.8 million and additional mobilization revenue of \$2.1 million. The increase in revenue was partially offset by a loss of revenue due to lower utilization of four spot vessels operating in West Africa which resulted in a decrease of \$7.9 million and the loss of \$2.3 million of due to two vessels being in dry-dock.

DIRECT COSTS	Three Months Ended		Twelve Months Ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Crew cost	19.4	17.4	77.1	76.6	(0.5)
Technical maintenance	3.9	4.6	19.1	19.5	0.4
Depreciation / Impairment	18.7	13.3	64.6	55.3	(9.3)
Bareboat charges	2.4	8.5	13.8	34.9	21.1
Others	19.1	11.0	46.5	44.2	(2.3)
Total	63.5	54.8	221.1	230.5	9.4

Direct costs for the period decreased by \$9.4 million, or 4.1%, to \$221.1 million as compared to \$230.5 million for the same period last year.

Depreciation increased due to seven new vessels being added to the fleet during the year. In addition, an impairment loss of \$4.0 million on two vessels was taken.

Topaz reduced its exposure to bareboat charges during the period by acquiring 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. In addition, four bareboat vessels were also acquired in Q4 2014 resulting in Topaz having no bareboat exposure as of 31st Dec 2014.

Other cost includes NBV of assets sold of \$8.7 million in the current year as compared to \$3.1 million for the same period last year.

EBITDA	Three Months Ended		Twelve Months Ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
Caspian	36.7	28.2	134.0	112.8	21.2
MENA	17.4	10.1	47.0	43.2	3.8
Global	8.3	4.1	33.3	17.1	16.2
Corporate / adj	(2.7)	(1.8)	(10.5)	(9.7)	(0.8)
Total	59.7	40.6	203.8	163.4	40.4

EBITDA increased by \$40.4 million, or 24.7%, to \$203.8 million during the period compared to \$163.4 million for the same period last year. This increase was primarily due to: (i) the addition of seven new vessels including the annualized contribution of one vessel resulting in an increase of \$34.1 million (ii) better utilization and an increase in vessel day rates resulting in an increase of \$7.5 million (iii) profit from the sale of vessels of \$6.1 million and (iv) savings in bareboat costs relating to two vessels (as explained above in the Direct Costs section) resulting in an increase in EBITDA of \$21.1 million. The increase in EBITDA was partially offset by lower utilization of some vessels on account of the delayed start of projects, Ebola related challenges in Africa and dry-dock impact of \$25.0 million and an additional \$3.4 million loss of EBITDA due to the sale of a vessel.

Geographical segments - EBITDA

Caspian:

EBITDA increased by \$21.2 million during the period which is mainly due to the addition of two new vessels including the annualized contribution of one vessel contributing \$12.5 million, savings in bareboat costs from two vessels which contributed \$20.4 million and better utilization on two vessels which generated \$2.4 million. The EBITDA increase was partially offset by the loss of EBITDA due to a delay in the start of the Shah Deniz-2 Project, which impacted EBITDA by \$4.0 million, four vessels having lower utilization, resulting in a reduction of \$ 4.2 million, two vessels being in dry-dock \$2.9 million and the one-off profit of US\$2.9 million on the sale of a vessel included in last year.

Mena:

The increase in EBITDA by US\$3.8 million is primarily due to the US\$7.6 million profit on the sale of one vessel as compared to the corresponding loss on sale last year of US\$1.4 million, together with the better utilization of six vessels which contributed US\$2.4 million. The increase in EBITDA was offset by US\$2.7 million due to the lower utilization of four vessels, four vessels being in dry-dock US\$3.9 million and other small impact from rest of the fleet in Mena of US\$1.0 million.

Global:

EBITDA for the period increased by US\$16.2 million due to the deployment of five new vessels in West Africa contributing US\$21.6 million, combined with the better utilization of two vessels, which contributed US\$2.7 million. The increase in EBITDA was offset by a loss of US\$5.3 million EBITDA due to the lower utilization of four AHTS vessels working in the spot market in West Africa, two vessels being in dry-dock US\$2.0 million and an increase in other overheads of US\$1.5 million with savings in bareboat charges of US\$0.7 million.

Administrative Expenses:

Administrative expenses increased by US\$5.5 million, or 14.1%, to US\$44.7 million during the period as compared to US\$39.2 million during the same period last year. The increases are on account of the investment Topaz made during the period in refining its growth strategy and hiring global talent.

Finance costs:

Finance costs increased by US\$19.6 million, or 44.5%, to US\$63.7 million during the period as compared to US\$44.0 million during the same period last year. The increase in interest expense was primarily due to interest charges on senior notes raised in Q4 2013 and an increase in Topaz's debt level during the period.

Income tax expense:

Income tax expense increased by US\$3.5 million, or 18.8%, to US\$22.4 million during the period as compared to US\$18.8 million during the same period last year. However, tax as a percentage of revenue for the period is 5.6% which is consistent with last year's tax percentage of revenue of 5%.

Cash flow

Cash generation as a percentage of EBITDA was 111% (2013: 100%).

The following table sets out breakdown of cash flow for the year ended Dec 31, 2014:

CASH FLOW	Three Months Ended		Twelve Months Ended		Variance
	Dec 2014	Dec 2013	Dec 2014	Dec 2013	
EBITDA	59.7	40.6	203.8	163.4	9.8
Changes in working capital	9.4	12.7	22.3	(0.1)	24.0
Cash generated from Operations	69.1	53.3	226.1	163.3	33.8
Cash conversion	116%	131%	111%	100%	
Income tax paid	(5.0)	(3.1)	(17.2)	(13.9)	(1.6)
Interest paid	(27.2)	(10.6)	(62.4)	(38.1)	(10.4)
Net Cash generated from operating activities	36.9	39.6	146.5	111.3	21.8
Cash used in investing activities	(68.8)	(113.0)	(296.1)	(165.5)	(173.7)
Cash provided by financing activities	45.6	198.8	43.8	197.4	(9.1)
Increase/(decrease) in cash and cash equivalents	13.7	125.4	(105.8)	143.2	(161.0)

Investing activities primarily include payment for Capex committed in 2013 of US\$179 million on seven vessels; further investment in 2014 of US\$57 million on five vessels under construction and the purchase of four bareboat vessels in Q4 2014 for US\$40 million.

Financing activities mainly includes an equity injection by Standard Chartered Private Equity of US\$75 million, an equity injection by our JV partner in Azerbaijan of US\$9 million, dividend paid to parent company (Renaissance) of US\$20 million, loan drawdown of US\$53 million on four vessels, US\$20 million RCF drawdown and usual debt servicing.

Financing

In 000s	Maturity	Interest Rate	Repayment	Outstanding as at 31.12.14*
Syndicated Conventional Facility	5 yrs.	3 month LIBOR + 4.0%	Quarterly with 35% bullet	129,824
Conventional Facility	7 yrs.	3 month LIBOR + 3.5%	Quarterly with 20% bullet	45,605
Bilateral Islamic Financing	5 yrs.	3 month LIBOR + 3.95%	Quarterly with 33% bullet	17,482
Export Credit Financing	10 yrs.	6 month LIBOR + 2.65%	Half-yearly	16,600
Bilateral Islamic Financing	5 yrs.	5.75%	Quarterly with 35% bullet	14,511
Bilateral Islamic Financing	5 yrs.	6 month LIBOR + 3.5%	Half-yearly with 50% bullet	100,596
Senior Notes	5 yrs.	8.625%	Bullet	340,249
Revolving Credit Facility	2 yrs.	LIBOR + 3.75%		20,000
Total Topaz Loans				684,867

*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 31.12.2014 Topaz has complied with all financial covenants.

The following table sets out the Financial Covenants as at 31.12.2014:

Financial Covenant	Threshold	As on Dec 2014
Net Interest Bearing Debt to EBITDA	< 4.5:1	3.25
<i>Headroom</i>		28%
Tangible Net Worth	> \$450M	692
<i>Headroom</i>		54%
Free liquidity (in millions)	> \$20M	50
<i>Headroom</i>		152%
Total Debt/Tangible Net Worth	<=1.85	1.03
<i>Headroom</i>		44%
EBITDA to Interest	> 3.0:1	3.36
<i>Headroom</i>		12%
Working Capital (in millions)	Positive	62

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 Dec 2014.

	in US\$ millions					
	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Change Dec'13 v Dec'14
Cash & Cash Equivalents	169	24	44	50	63	(106)
Floating Rate Senior secured loans	315	305	335	329	330	15
Fixed Rate Senior secured loans	17	17	16	16	15	(2)
Other loans / Senior Notes ¹	338	339	349	340	340	2
Subordinated Shareholding Funding	134	134	134	134	106	(28)
Total debt	804	795	834	819	791	(13)
Total Equity	541	530	564	579	669	128
Total Capitalization	1,345	1,325	1,398	1,398	1,460	115
Net debt	636	771	790	769	728	92
Total debt / LTM EBITDA	4.93	4.64	4.82	4.48	3.89	
Net debt / LTM EBITDA	3.89	4.50	4.57	4.20	3.60	

¹ Recorded as per International Financial Reporting Standards (IFRS)

Operational Review

2014 has seen continued strong growth across the Group's activities with consistently high fleet utilization in our key markets of the Caspian and MENA.

In the Caspian, after encountering some initial delays during 2014, two vessels have begun transitioning to the Shah Deniz-2 Project in Azerbaijan. Turkmenistan is delivering solid results with good growth prospects for 2015. Results from Kazakhstan and Russia showed higher utilization during the period and the high utilization is projected to continue in 2015 as demand is strong, driven by work to repair the Kashagan pipeline in Kazakhstan.

Results in the Mena region exceeded last year's performance due to robust operational delivery boosted by the profit generated on the sale of the vessel Muscat. The vessel sold was an ageing asset that did not have a natural home in the Topaz fleet going forward and as such was identified as a divestment candidate.

The Global region delivered strong growth during the year as five new vessels entered the market with an additional vessel to enter service in Q1 2015. New partnerships have been progressed in Angola and Nigeria which will position Topaz to secure new medium and long-term contracts

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

Outlook

Results for 2014 demonstrated continued stability and improvement against the same period last year.

We, like the rest of the market, are feeling the headwinds caused by the lower oil price. In 2015, we must ensure a relentless focus on winning term contracts for vessels working in the spot market, which will in turn drive high commercial and operational utilization and profitability. However, the strong foundations of our strategy remain: our revenue is largely driven by long-term contracts; our modern fleet makes Topaz a compelling proposition for clients; our focus on operating in the development and production phases of the oil extraction cycle provides a market of dependable revenue opportunity and visibility.

We are constantly seeking new investment opportunities for our growth markets with a highly disciplined approach. We expect that in this period of market weakness, significant distressed opportunities will emerge, but we always remain conservative and vigilant.

2015 will require us to continue to be flexible and agile in our thinking and planning, but, we also feel that it will continue to provide us with possibilities for continued growth across all the regions.

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 seven years. Topaz is a subsidiary of Renaissance Services SAOG, a publicly traded company on the Muscat Securities Market, Oman.

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