Topaz Energy and Marine

Financial Results for the quarter ended 31 March 2015

Dubai, UAE, May 20th, 2015: Topaz Energy and Marine, a leading offshore support vessel company, today announces the results of its subsidiary Topaz Energy and Marine Ltd, Bermuda for the quarter ended 31 March 2015 (in the following referred to as "the period").

	Three Months Ended		
	Q1 2015	Q1 2014	% change
Consolidated Revenue (US$ m)	85.2	89.4	-4.7%
EBITDA (US$ m)	39.4	42.8	-7.9%
EBITDA Margin (%)	*46.3%*	*47.9%*	*-1.6ppt*
Net Profit (US$ m)	1.1	9.2	-88.0%
Net Profit Margin (%)	*1.3%*	*10.3%*	*-9.0ppt*
RONA	*5.1%*	*8.3%*	*-3.2ppt*
Core Vessel Utilization	84.0%	96.1%	*-12.1ppt*

Business Highlights

- Robust performances from Caspian and MENA regions; short-term profit impact in Africa region due to market conditions and investment in fleet.

- Restructure of debt profile completed with $550 million facility: liquidity improved; interest cost lowered and re-payment schedule de-risked.

- One PSV added to the Topaz fleet in Q1.

- Three vessels are under construction (1 MPSV, 1 ERRV and 1 AHTSV) and are expected to enter service in 2015 and 2016.

- Safety performance consistently strong – zero Lost Time Incidents and fatalities.

René Kofod-Olsen, Chief Executive Officer, Topaz Energy and Marine said, "Our businesses in the Caspian and MENA regions, responsible for 85% of total revenue, delivered robust performances for the quarter whilst our Africa operations reflected the investments Topaz is making in its fleet in the region and short-term pricing pressure. Although the market was challenging during the quarter as our clients responded to a lower oil price, we are already beginning to see an increase in client activity across our regions. As the market adjusts, we have been prudent, conserving cash, postponing non-essential fleet upgrades and re-financing a proportion of our debt on enhanced terms whilst controlling costs across the business.

"The favourable terms of our re-financing illustrate the strong growth opportunity of Topaz. Our model of securing medium to long term contracts, our predominant presence in the sustainable development and production phases of the oil extraction cycle and our young fleet of vessels position us very favourably in the market.

"Our focus for the rest of the year will be on winning long-term contracts which will enable Topaz to continue delivering positive returns for our shareholders and investors as well as continued growth above our peer group benchmark. Our expansion in Africa signals the opportunities open to Topaz to pursue growth in new markets. We are now fully registered in our key African markets of Nigeria and Angola, which means we are able to pursue medium to long term contracts rather than the spot business to which we have been restricted to date. We will experience some short-term pressure in Africa as we develop our fleet, but we remain convinced of the long term offshore opportunity the market represents.

"Our exposure to different markets means we are able to manage any short-term market pressure, underlining the strength of Topaz's diversified portfolio. We remain positive about the prospects for growth across our regions; business activity is picking up and we are confident that our strategy and operational excellence will help to deliver a robust performance for 2015."

Financial Review

REVENUE	**Three Months Ended**		**Variance**
	Mar 2015	**Mar 2014**	
Caspian (US$ m)	53.5	51.5	2.0
MENA (US$ m)	19.0	21.7	(2.7)
Africa (US$ m)	5.9	6.6	(0.7)
Subsea (US$ m)	6.8	9.6	(2.8)
Total	**85.2**	**89.4**	**(4.2)**

Revenue for the period at $85.2 million is down 4.7% against corresponding revenue of $89.4 million during the same period last year. This variance relates to: (i) the addition of six new vessels to the fleet resulting in an increase of $5.5 million (ii) better utilization and increase in vessel day rates resulting in an increase of $2.9 million. The increase in revenue was offset by (a) loss of $1.0 million in revenue due to expiration of the long term contract on three vessels working in Saudi (b) revenue loss of $3.7 million due to expiration of the long term contract on one subsea vessel (c) loss of revenue due to vessels in off-hire of $5.6 million and (d) loss of charter revenue of $2.3 million due to sale of one vessel in Q4 2014.

Geographical segments - Revenue

<u>Caspian:</u>

During the period, revenue increased by $2.0 million, or 3.9%, to $53.5 million compared to $51.5 million during the same period last year. This variance is primarily attributed to deployment of one new vessel between the two periods resulting into $3.1 million and better vessel utilization resulting in an increase of $2.0 million. The increase in revenue was offset by loss of $0.9 million from one vessel in dry-dock; lower utilization of two vessels resulting into $1.6 million and lower utilization of barges in Russia resulting into revenue loss of $0.6 million.

MENA:

During the period, revenue decreased by $2.7 million, or 12.4%, to $19.0 million compared to $21.7 million for the same period last year. This decrease is primarily due to revenue loss of $2.3 million from one vessel sold last year and loss of $1.0 million due to expiration of long term contracts of three vessels in Saudi. However this decrease was slightly offset from better utilization on spot contract vessels resulting in $0.6 million of revenue.

Africa:

During the period, revenue decreased by $0.7 million to $5.9 million compared to $6.6 million for the same period last year. While five new vessels deployed between the two periods in West Africa contributed $2.5 million in revenue, lower utilization of three spot vessels operating in West Africa resulted in a decrease of $2.4 million and the expiry of a long term contract of one vessel in Nigeria resulted in a loss of revenue $0.8 million.

Subsea:

During the period, revenue decreased by $2.8 million to $6.8 million compared to $9.6 million for the same period last year. This decrease is mainly due to the expiry of a long term contract of one vessel working in Mexico.

DIRECT COSTS	Three Months Ended		Variance
	Mar 2015	Mar 2014	
Crew cost (US$ m)	19.9	18.0	(1.9)
Technical maintenance (US$ m)	4.9	4.7	(0.2)
Depreciation / Impairment (US$ m)	16.8	14.4	(2.4)
Bareboat charges (US$ m)	2.4	4.1	1.7
Others (US$ m)	9.8	8.9	(0.9)
Total	**53.8**	**50.1**	**(3.7)**

Direct costs for the period increased by $3.7 million, or 7.5%, to $53.8 million compared to $50.1 million for the same period last year.

The increase in depreciation is due to the six new vessels added to the fleet between the two periods.

The saving in bareboat charges is primarily due to the acquisition of four bareboat vessels in Q4 2014.

EBITDA	Three Months Ended		Variance
	Mar 2015	Mar 2014	
Caspian (US$ m)	31.7	28.6	3.1
MENA(US$ m)	8.3	11.1	(2.8)
Africa(US$ m)	(2.7)	-	(2.7)
Subsea(US$ m)	2.9	5.9	(3.0)
Corporate / adj (US$ m)	(0.8)	(2.8)	2.0
Total	**39.4**	**42.8**	**(3.4)**

EBITDA decreased by $3.4 million, or 7.9%, to $39.4 million during the period compared to $42.8 million for the same period last year. This variance relates to: (i) the addition of six new vessels to the fleet between the two periods resulting in an increase of $1.1 million (ii) better utilization and increase in vessel day rates resulting in an increase of $2.3 million (iii) savings in overheads of $2.3 million. The increase in EBITDA was offset by (a) loss of $0.9 million EBITDA due to the expiration of three long term contracts in Saudi (b) EBITDA loss of $3.2 million due to expiration of a long term contract on one subsea vessel (c) loss of $3.4 million EBITDA due to vessels in off-hire and (d) loss of $1.6 million EBITDA due to the sale of one vessel in Q4 2014.

Geographical segments - EBITDA

Caspian:

EBITDA increased by $3.1 million during the period which is mainly due to the addition of one new vessel deployed between the two periods contributing $2.0 million, savings in bareboat costs of two vessels contributing $0.6 million and better utilization on four vessels resulting in $2.2 million. The increase is partially offset by loss of EBITDA of $0.6 million on one vessel in dry-dock and $1.1 million from two vessels with lower utilization.

MENA:

The decrease in EBITDA by $2.8 million is primarily due to EBITDA loss of $1.6 million on one vessel sold last year. The decrease can also be attributed to the expiration of long term contracts on three vessels working in Saudi of $1.1 million.

Africa:

EBITDA loss for the period was $2.7 million due to the lower utilization of four of the five new vessels added in Africa between the two periods of $1.4 million and EBITDA loss of $1.3 million due to expiration of long term contract on one vessel deployed in Nigeria.

Subsea:

During the period, EBITDA decreased by $3.0 million due to the expiration of a long term contract of one vessel working in Mexico.

Administrative Expenses:

Administrative expenses decreased by $2.3 million, or 20.4%, to $8.9 million during the period compared to $11.1 million during the same period last year. The decrease is due to savings in staff and other costs.

Finance costs:

Finance costs increased by $1.2 million, or 8.4%, to $15.3 million during the period compared to $14.1 million during the same period last year. The increase in interest expense was primarily due to interest charges on new drawdowns relating to two vessels operating in the Caspian region and interest charges towards utilization of $20 million of committed lines.

Income tax expense:

Income tax expense increased by $1.3 million, or 27.1%, to $6.1 million during the period compared to $4.8 million during the same period last year, mainly due to provisions for corporate income tax in Turkmenistan.

Cash flow

Cash generation as a percentage of EBITDA has been 120% (Q1 2014: 99%).

The following table sets out breakdown of cash flow for the quarter ended 31 March 2015:

CASH FLOW	Three Months Ended		Variance
	Mar 2015	Mar 2014	
EBITDA	**39.4**	**42.8**	**(3.4)**
Changes in working capital	7.7	(0.5)	8.2
Cash generated from Operations	**47.1**	**42.3**	**4.8**
Cash conversion	120%	99%	
Income tax paid	(5.8)	(3.2)	(2.6)
Interest paid	(3.5)	(5.0)	1.5
Net Cash generated from operating activities	**37.8**	**34.1**	**3.7**
Cash used in investing activities	(14.4)	(148.7)	134.3
Cash provided by financing activities	(7.5)	(30.9)	23.4
Increase/(decrease) in cash and cash equivalents	**15.9**	**(145.5)**	**161.4**

Investing activities primarily included payment towards maintenance Capex of $9.3 million and further investment of $5.1 million towards three vessels under construction. The high cash conversion is mainly due to the collection of overdue debts during the period.

Financing

Type	Maturity	Interest Rate	Repayment	Outstanding as at 31.03.15 *

				USD 000s
Syndicated Conventional Facility	5 yrs.	3 month LIBOR + 4.0%	Quarterly with 35% bullet	123,551
Conventional Facility	7 yrs.	3 month LIBOR + 3.5%	Quarterly with 20% bullet	44,016
Bilateral Islamic Financing	5 yrs.	3 month LIBOR + 3.95%	Quarterly with 33% bullet	16,743
Export Credit Financing	10 yrs.	6 month LIBOR + 2.65%	Half-yearly	15,489
Bilateral Islamic Financing	5 yrs.	5.75%	Quarterly with 35% bullet	14,538
Bilateral Islamic Financing	5 yrs.	6 month LIBOR + 3.5%	Half-yearly with 50% bullet	103,727
Senior Notes	5 yrs.	8.625%	Bullet	340,773
Revolving Credit Facility	2 yrs.	LIBOR + 3.75%		20,000
Total Topaz Loans				**678,837**

*Recorded as per International Financial Reporting Standards (IFRS)

Bank Covenants

The senior secured borrowing arrangements include undertakings to comply with certain financial covenants. As of 31 March 2015, Topaz has complied with all financial covenants.

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

Financial Covenant	Threshold	As at Mar 2015
Net Interest Bearing Debt to EBITDA	**< 4.0:1**	**3.20**
Headroom		*20%*
Tangible Net Worth (US$ m)	**> $450M**	**693**
Headroom		*54%*
Free liquidity (US$ m)	**> $20M**	**66**
Headroom		*232%*
Total Debt/Tangible Net Worth	**<=1.85**	**1.02**
Headroom		*45%*
EBITDA to Interest	**> 3.0:1**	**3.3**
Headroom		*10.5%*
Working Capital (US$ m)	**Positive**	**60**

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 March 2015.

In USD million

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Change Mar'14 v Mar'15
Cash & Cash Equivalents	**24**	**44**	**50**	**63**	**79**	**55**
Floating Rate Senior secured loans	305	335	329	330	323	18
Fixed Rate Senior secured loans	17	16	16	15	15	(2)
Other loans / Senior Notes[1]	339	349	340	340	341	2
Subordinated Shareholding Funding	134	134	134	106	106	(28)
Total debt	**795**	**834**	**819**	**791**	**785**	**(10)**
Total Equity	530	564	579	669	670	128
Total Capitalization	**1,325**	**1,398**	**1,398**	**1,460**	**1,455**	**115**
Net debt	771	790	769	728	706	(65)
Total debt / LTM EBITDA	4.64	4.82	4.48	3.89	3.93	
Net debt / LTM EBITDA	4.50	4.57	4.20	3.60	3.53	

[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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