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Renaissance Services SAOG

Chairman's Statement Q3 2012

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG for the nine-month period ended 30 September 2012.

This quarter we have made significant progress in resolving the issues that continue to temper growth and profitability in 2012.

Performance growth indicators are positive. Increase in revenue is +9.7%; EBITDA +17.6%; Operating Profit +13.6%; and Net profit +52.8% in comparison with the previous year. The outcomes would be significantly better without the losses in the Engineering business. These losses are Rial 6.6 million (USD 17.1 million) at the operating profit level and Rial 7.4 million (USD 19.2 million) at the net profit level.

In the Q2 report we advised the success of the first phase of refinancing and the capital raised by Mandatory Convertible Bond (MCB) through rights issue. As intended, these initiatives have strengthened the company's liquidity position to meet all current needs. The MCB held in Treasury provide a readily available option to raise further equity as and when required for growth investments. The company is working on the second phase of refinancing, and long-term financing options, which shall strengthen the liquidity position further.

Financial Performance

	Rial Million		USD Million	
	Q3 2012	**Q3 2011**	**Q3 2012**	**Q3 2011**
Revenue	226.1	206.0	587.9	535.6
EBITDA	51.4	43.7	133.6	113.6
Operating Profit	29.3	25.8	76.2	67.1
Net Profit before minority	8.1	5.3	21.1	13.8

Note:-

1) *EBITDA and Net Profit for Q3 2011 is after provision of Rial 1.8 million relating to a contract cancellation in the company's Ship Building Operations.*

Loss-making contracts are affecting the Engineering businesses. These contracts impact overall performance in 2012. The current Engineering management team has corrected the causes of the problem; has implemented preventive measures to ensure no repetition; is closing out the contracts in a professional manner; and is delivering all new business on time and in cost. The change in management and structure of the Engineering businesses over the past 16 months is working.

However, we do have to absorb the consequences of the contracts entered into in 2010, which are causing losses in this year. With the turnaround in business delivery we are confident the negative impact of Engineering shall not recur in 2013. At the same time, we are actively engaging in merger and acquisition and divestment initiatives that have the potential to be very positive for these businesses. Reversing and stopping the Engineering losses shall have an immediate positive impact on profit performance for the group in 2013.

For this reason I would like to focus this quarterly report primarily on our Engineering businesses. Our clients and those of us inside the company can see the positive progress. Our clients deserve to hear from the board of Renaissance that we are committed to delivering their projects safely and on time; and that we have in place the organization and resources to do so. Our shareholders, financial institutions and other stakeholders deserve explanation of what has happened and assurance that the financial impact is ring-fenced in 2012.

Engineering Group

Engineering Group	Rial Million		USD Million	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Revenue	58.8	56.7	152.7	147.3
Operating profit	(6.6)	(5.1)	(17.1)	(13.2)

Engineering operating losses at the end of Q2 were Rial 2.8 million. Losses have increased by Rial 3.8 million in Q3. This increase is arising in the accelerating final stages of the loss-making contracts.

New organization

In mid-2011 we reorganized Topaz. We separated Topaz Marine (The offshore support vessel fleet, OSV, business) from Topaz Engineering. We flattened the structure. We removed two layers of overhead: the Topaz Corporate Office; and the subsidiary Topaz Engineering overhead. We divided Topaz Engineering into two business divisions: Topaz Oil & Gas Engineering Division (TOGD) and Topaz Marine Engineering Division (TMED). Put simply, TOGD builds and repairs assets and infrastructure for the Oil & Gas industry; and TMED builds, services and repairs assets for the Marine industry. We added additional resources to improve HSE, quality and compliance, systems and process control, engineering capability and project management. The best talent remained with the company. High-quality new talent joined the company. The streamlined organization is focused on the customer: Delivering projects safely and efficiently, on-time and in-cost, from a base of accurate and compliant bids.

Performance

There was a legacy of seven problem contracts for the new management teams to sort out: Five in TOGD with an aggregate value > USD135 million; and two in TMED with an aggregate value > USD50 million.

TOGD has recovered time in all five projects. Four of the projects are complete to client satisfaction. One of those finished on time at break even. One large project remains and current prognosis is completion in early Q1 2013.There have been problems with outsourced engineering design that has revealed increased volume and unplanned costs as the year has progressed. However, TOGD is working with its client towards a successful conclusion.

TMED has recovered time in both projects. One project is complete and the other is scheduled for completion in November 2012.

The current losses are happening on the watch of the current management teams at TOGD and TMED. However, the reality is that the seeds of these losses were sown under the previous structure. The current team is delivering recovery and solution. That is not to say there are no errors made in the current structure – of course there are. All organizations are living and learning organisms. Above all, there is a priority focus to deliver these projects to the clients, safely, and at the earliest possible date.

There is positive news. All new business won in 2012 has either completed or is progressing on time and in cost. TOGD's plan to re-enter the rig repair market this year is an excellent example of this. Clients have been delighted with the safe, efficient and timely turnaround of rig repair projects. Without the legacy contracts TOGD has achieved break-even for the year. TMED would have recorded a much smaller loss than is the case. We are confident that profitable performance shall return once management and resource bandwidth is free of these legacy projects.

Divestment / potential merger initiatives

We are pursuing an initiative that may lead to divestment of the TOGD business. The due diligence process is in progress and the outcome shall be subject to final offer, partner approval and board approval. The outcome of this initiative shall be clear in this year. If it happens, divestment would be completed either at end of Q4 2012 or Q1 2013. What is clear from the process so far is that others share our positive view of the business and the people once the current burden has passed.

For TMED we do not have a current 'live' initiative. The industry is ripe for consolidation. Within TMED, the marine repair business is profitable and the ship-building (for medium sized vessels) has just won a major contract to build 10-vessel crew boat/pilot boats for a major oil & gas client in the region, and a ferry for the Government of Sharjah. The business is well-placed to grow through merger, acquisition or divestment and we have opened some tentative dialogue with like-minded owners.

What is the prognosis for 2013?

Both TOGD and TMED have clear and realistic plans for profit in 2013. However, we should consider the prognosis for break-even of the Engineering businesses, with zero impact on the ongoing, and growing, profitability of the rest of the group.

TOGD requires revenue of USD92 million to break even. 2012 sales shall be just short of this. Order book backlog for 2013 is currently USD29.8 million, which is still too low at only 32% of break-even. However, we expect this number to rise by year-end. The company has USD755 million of un-awarded bids and USD359 million of budget quotes in the sales pipeline. We are buoyed by the high level of customer satisfaction and the on time in-cost delivery of all new business gained this year. Once management bandwidth is free of the legacy contracts, we are confident 2013 performance shall be positive.

TMED requires revenue of USD107 million to break even. The Marine Repair business does not function on backlog, but based on historical reality and track record trends we can be confident of revenues > USD55 million in that business. The ship-building business has a current order book backlog of USD45 million, of which USD26 million is for 2013. This shows TMED has visibility of 75% of its break-even revenue for 2013 and a substantial sales pipeline that shows confident potential of exceeding break-even. In the GCC market alone the sales pipeline shows bids of USD125 million value, in which we are competing strongly, due to be awarded within Q1 of 2013.

We still have work to do to close out the negative issues that have beset the Engineering businesses. The consequences of earlier errors have caused negative impact on 2012 performance. That impact shall not recur in 2013.

What else could go wrong?

We are determined that our stakeholders should have absolute clarity that the problems of the Engineering businesses shall not impact 2013 as they have done in 2012. There will be continuing losses through to end Q4. Before year-end, we expect clear visibility of any further provisions or contingencies required for any project spill-over into Q1 2013. This includes a potential claim from a former client, which we had disclosed in my Q2 report of 2011. This refers to work carried out by a sub-contractor on a contract completed in 2010. We are in amicable and professional dialogue with the client to bring this matter to a close in this year.

We are confident of two things: First, that in spite of all these issues in Engineering the company will still be profitable this year. Second, that the Engineering issues shall be resolved to have no impact in 2013. Either, through the success of the M&A/Divestment initiatives; or, through the positive prognosis of performance at break even or better.

Marine Group

Marine Group	Rial Million		USD Million	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Revenue	86.0	82.4	223.4	214.0
Operating profit	26.0	26.2	67.5	68.1

Note:-

1) *Q3 2011 includes net mobilization and demobilization income of Rial 3.1 million (Q3 2012 :Rial 40K).*

We see continued positive progress in the OSV fleet business. Q3 performance has been muted due to delays in deployment of four vessels, but this should not detract from the underlying trend of performance improvement.

In Q2 we reported that Caspian Challenger and Caspian Endeavour were joining our fleet on a charter basis with an option to buy during the contract period. The owner had responsibility for a technical services contract, which fell short of performance and caused delay to deployment. We took over the technical services work and changed the contract to a pure bareboat charter arrangement. This has solved the problem and the vessels are now out on hire and performing well.

We also suffered from delayed deployment of two brand new 80-T vessels. One is now due to start operating in the Caspian during Q4 and the other shall deploy to West Africa by year-end. The delay has had an effect on Q3 performance, but nevertheless, both vessels are a welcome addition to our fleet.

In the Q2 report we announced the appointment of René Kofod-Olsen as CEO of Topaz Energy and Marine. He has since taken up his post on 6 August 2012. We now have a formidable team of industry expertise at the corporate level of the OSV business. There is a legacy of under-performing investments made in 2010 and this is one of the challenges the Topaz Marine team is dealing with. But with a fleet of high-performing assets also in place, the prognosis for the future is positive.

Contract Services Group

Contract Services Group	Rial Million		USD Million	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Revenue	77.0	70.5	200.0	183.1
Operating profit	12.2	7.7	31.7	20.0

Note:-

1. *2012 includes Rial 1.8 million relating to fair value of assets received against settlement of due from a customer.*

The summer is a quieter period for the Contract Services Group (CSG) with downtime in education sector operations. In Q2 we reported problems with lower occupancy in some of the company's Permanent Accommodation for Contractors (PAC) operations in Oman's oilfields. This has been largely resolved with full support from our client. The CSG team is working on several interesting potential projects for further growth in 2013.

Outlook

The main priority for Q4 is closing out the Engineering issues to ensure the impact is confined to 2012, with minimum residual overflow of issues into early 2013.Without the Engineering losses, net profit for the group for Q3 would be Rial 15.5 million (USD40.3 million). This illustrates the underlying profitability of the rest of the group.

For general business outlook it is worth repeating my message at the half-year: Despite global economic challenges, there is a sense of optimism and confidence across the oil and gas industry. International demand for oil and natural gas means that commodity values remain high, despite political tensions in a number of regions, more demanding exploration and production environments and the resultant impact of rising costs on operators. Regardless of these factors, the industry is vibrant. The Caspian, MENA, West Africa and Brazil are regions that show great promise and longevity. Renaissance businesses are positioned well.

The timing of our reporting cycle coincides with the 42nd National Day of the Sultanate of Oman. As an Omani public company we are proud to pay tribute and thanks to His Majesty Sultan Qaboos bin Said. The stability and growth of Oman's economy and the pace of its social and economic development, provide a bedrock foundation for our company to thrive and prosper as an international enterprise.

Samir J. Fancy
Chairman