



Chairman's Statement Q1 2016

OVERVIEW

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG, for the three-month period ending 31 March 2016 (Q1).

FINANCIAL PERFORMANCE

In 2016, oil prices continue to fluctuate below US\$40 per barrel and this exerts pressure on our performance. We are taking steps to mitigate the impact by improving efficiency and working with clients to reduce costs for them and for us, although never below the levels of safety and quality that our clients expect from the Renaissance Group.

	Million OMR		Million USD	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Continuing operations				
Revenue	56.3	58.3	146.2	151.4
EBITDA	20.6	18.8	53.5	48.8
Operating profit	11.9	11.0	30.9	28.6
Net profit after tax from continuing operations	2.7	1.2	7.0	3.1
Discontinued operations				
Profit/(Loss) from discontinued operations	-	-	-	-
Net profit	2.7	1.2	7.0	3.1



The global Offshore Support Vessel (OSV) company



	Million OMR		Million USD	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Revenue	29.9	32.8	77.7	85.2
Operating profit	8.3	8.6	21.6	22.3

The BP contract extension in Azerbaijan, which we reported last month in our Annual Report, has been recognised by the prestigious Seatrade Awards as 'Global Deal of the Year'. The contract extends the tenure of 14 vessels working in the production phase of Azerbaijan's oilfields, until 2023, representing nearly 35% of Topaz revenue. The longevity and scope of the contracts make this the single most significant contract of its kind signed in the OSV industry. The longevity of all our Caspian contracts, including our vessels working in the development phase of Azerbaijan's gas fields, creates a unique platform of stability for our company that is a key factor why Topaz is outperforming industry peers globally during this extremely difficult period for the whole OSV sector.

In MENA, we are experiencing severe price pressure and increased competition in the spot market; with vessels transferring from the Asian market. Nevertheless, our overall performance is sustained, again, by stable contracts with blue chip oil & gas clients in Saudi Arabia, Qatar and UAE. This includes the deployment of a new vessel, the *Topaz Mamlaka*, deployed in Q1 under a new contract for Aramco in Saudi Arabia.



The Africa market remains a challenge and we have been moving some vessels from African waters to assignments in MENA and the Caspian. However, the six remaining vessels in Africa are generating moderately higher revenues than at the end of 2015. The temporary lay-up of two vessels does affect revenue; but this is insignificant in comparison with the lay-up of over a thousand vessels in the global industry. In this context, Topaz continues to perform well through this worldwide industry crisis.

Vessel utilisation levels during Q1 reflect the overall status and performance of each of our core markets: Azerbaijan 96%; other Caspian markets 68%; MENA 68% and Africa 58%. These are lower utilisation levels than we would wish, but they still compare well with many other OSV markets around the globe.

It is now a cliché to assert that times of great difficulty are also times of great opportunity, and the landmark BP contract bears witness to this. The company is also a serious contender in a major contract opportunity with another international oil company in one of our key markets, where Topaz is strongly placed to offer a very safe and efficient solution to the client. If successful, this contract shall bring further significant growth and transformational change to the company in the years ahead.

This should be understood in the light of the current oversupply in the Offshore Vessel capacity globally, which continues to dampen vessel valuation with tonnage being offered at distressed

levels. We continue to be watchful of the market forces driving asset valuation and are relentlessly pushing our fleet for suitable deployment in our core market.

In the meantime, the company has made progress in delivering cost savings and efficiencies for existing clients. While the benefit of these savings are shared with clients, the outcomes make Topaz safe, efficient and relevant on a sustainable basis at lower oil prices.

The Topaz bond which is listed internationally continues to trade in the top decile of its peer group demonstrating recognition of the company's credit strength and performance globally.



Our Renaissance Villages (Accommodation Solutions) and Facilities Management Brand



	Million OMR		Million USD	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Revenue	26.5	25.5	68.8	66.2
Operating profit	3.6	2.4	9.4	6.2

With low oil prices, the Renaissance Villages (known as PACs in Oman's oilfields) are still experiencing depressed occupancy. Although, 73% occupancy overall is still positive, it is some 10% below normal occupancy levels before the fall in the oil price.

The Oman government's unwavering support for the Duqm development is positive news for our flagship Renaissance Village Duqm, which remains on target and within budget to open its first phase in mid-2016. The challenge now is to build up occupancy as soon as the facilities open. The facilities offer contractors and other workforces high standards at lower costs, achieved through the scale and longevity of the project. Through projects such as this, in collaboration with our company, the Oman government and SEZAD are leading the way in setting the highest standards for how to care for and accommodate workforces with humanity and dignity, while keeping costs efficient and competitive.

The Duqm project shall be an engine for growth in the years ahead. Other growth opportunities are flowing more slowly than we would wish, as many clients are choosing to renegotiate existing contract extensions for lower rates rather than test the competitive tendering market. Nevertheless, the company is participating in some major bids that may have a very positive impact in the coming years, if successful.

Renaissance did execute one short-term contract in January this year, with an international military exercise. All clients involved expressed great appreciation for the company's ability to deploy and mobilise major infrastructure for large numbers on a short term basis – and back up a first class facility with excellent food, accommodation and other life support services. This success reminds us and our clients of our international capability in

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	2016 Rial '000	2015 Rial '000
Non-current assets		
Property, plant and equipment	574,805	591,709
Intangible assets	32,998	32,820
Other non-current assets	4,045	2,506
	611,848	627,035
Current assets	114,250	138,636
Current liabilities	90,075	113,303
Equity settled mandatory convertible bonds - current portion	584	21,890
Net current assets	23,591	3,443
Non-current liabilities		
Term loans and senior notes, excluding current maturities	327,165	327,683
Equity settled mandatory convertible bonds	21,007	41,164
Non-current payables and advances	23,327	14,200
	371,499	383,047
Net assets	263,940	247,431
Equity		
Share capital	29,065	28,209
Treasury shares	(3,445)	(1,704)
Share premium	21,045	19,496
Perpetual notes	46,799	-
Legal reserve	9,884	9,605
Subordinated loan reserve	20,000	21,429
Retained earnings	53,877	88,606
Other reserves	(1,081)	(157)
	176,144	165,484
Non-controlling interest	87,796	81,947
Total equity	263,940	247,431



providing such services; and we continue to work at attracting similar opportunities.

We also see the need to work harder at getting the message across that a company such as ours, with a full Integrated Facilities Management (IFM) capability and a suite of Soft FM and Hard FM services, is a major solution provider in driving efficiencies across all non-core services for governments, industries, companies and institutions. Here in Oman and elsewhere in the region there is still a tendency to issue short-term piecemeal contracts for each service discipline; instead of aligning with IFM service providers to deliver holistic and dramatic cost savings while maintaining or enhancing standards. Doing more for less.

OUTLOOK

Our business challenge is to sustain operating performance in the face of expectation that the oil price will keep up its pressure through a large part of 2017 and we have taken the right steps to be in the best position to do so. We continue our relentless focus on our balance sheet and credit strength, long-term contracts and building our backlog with stable businesses, and overall dominance in key markets. These are the important factors that provide confidence to all stakeholders and in particular the financial institutions whose comfort is of paramount importance in delivering ultimate shareholder value.

We have no control on all the extraneous factors that are impacting our business today. In our market we have no direct comparisons to be benchmarked. If however we look to other international markets particularly in the oil and gas sector we will compare in the top quartile of performance. The oil industry is not going away, and as the industry revives and new projects emerge, it will not be about price alone. The oil majors will first and foremost seek reliable partners who will deliver and last the course. That is where we strive to position ourselves and the emphasis is beginning to pay.

Attracting customers early to our Renaissance Village business in Duqm shall be a key issue for performance in Q3 and Q4 of this year. While major contract opportunities are few, both Topaz and the Renaissance Services businesses are actively developing one or two significant opportunities that shall have a major transformational impact in the years ahead, if successful. We are cautiously optimistic that these may bear fruit in the coming months.

TRIBUTE

As an Omani public company we are proud to pay tribute and thanks to His Majesty Sultan Qaboos bin Said, whose guidance and wisdom in managing the affairs of Oman continue to mean this country provides us with the right foundation for our company to thrive, prosper and compete successfully as an international enterprise.

Samir J. Fancy
Chairman

UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2016

	2016 Rial '000	2015 Rial '000
Continuing Operations		
Revenue	56,343	58,383
Operating expenses	(35,840)	(39,551)
Depreciation	(8,606)	(7,787)
Profit from operations	11,897	11,045
Net finance costs	(6,720)	(6,998)
Profit before tax	5,177	4,047
Taxation	(2,485)	(2,841)
Profit for the period from continuing operations	2,692	1,206
Profit/(loss) for the period from discontinued operations	(6)	17
Profit for the period	2,686	1,223
Net profit attributable to:		
Shareholders of the Parent Company	451	(728)
Non-controlling interest	2,235	1,951
	2,686	1,223

Note:
1) The complete accounts will be sent by mail to shareholders within 7 days of receipt of request.
2) The complete set of financial results can be accessed at www.renaissance.om

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