



Renaissance Services SAOG

CHAIRMAN'S REPORT

On behalf of the Board of Directors, it gives me great pleasure to present to you the unaudited accounts for Renaissance Services SAOG for the six-month period ending 30 June 2008 (H1). The financial results for H1 are positive in comparison to the same period last year and in terms of the company's plans for 2008; as the strategic investment programme behind our marine and oil & gas services businesses in international markets, is achieving and exceeding objectives.

	H1 (Jan-Jun) 2008		H1 (Jan-Jun) 2007	
	R.O. Million	US\$ Million	R.O. Million	US\$ Million
Revenue	108.4	281.5	84.6	219.8
EBITDA	30.3	78.8	18.6	48.4
Operating Profit	15.8	41.1	12.2	31.8
Net Profit	15.3	39.6	7.1	18.5

The Net profit of RO 15.3 million includes a net capital gain of RO 4.8 million arising from the divestment of the group's technology businesses, as announced in the first quarter (Q1). EBITDA of RO 30.3 million also includes RO 6 million from this divestment. In comparison with the same period last year revenue has increased by 28%; profit from operations has increased by 29%; EBITDA without capital gain has increased by 30%, and with capital gain has increased by 62.6%; Net profit without capital gain has increased by 47%, and with capital gain has increased by 114.7%. Operating margins at 14.6% are similar to last year's margins of 14.4%. This is in spite of severe inflationary pressure on costs, in particular affecting employment and living costs across all businesses and food consumable costs in the contract services businesses.

Renaissance operates internationally, with business activities in more than 16 countries and more than 10,000 employees. Our largest presence is in the Middle East and the Caspian, but we have growing operations further afield in SE Asia, Africa and Europe. Our home market of Oman generates some 25% of our revenues; and in Oman and abroad, more than 75% of our revenues are from services to the oil & gas sector. Within this wide geography and these broad commercial demographics, we have in fact reduced the complexity of our business structure over recent years. Renaissance has two major core business groups: Marine & Engineering (MEG) and Contract Services (CSG). There is a third group, comprising a portfolio of investments and other operating businesses in Media and Training, that are in robust health and positioned for growth, but have been earmarked for divestment as non-core activities.

We believe in very flat and efficient structures focused on meeting customer needs and exceeding customer expectations safely and profitably. So similarly, each of our two principal business groups is streamlined with responsibly independent structures and clarity of business focus. MEG has marine businesses which collectively own and operate an offshore support vessel fleet that has grown to 91 vessels in 2008; and engineering businesses delivering quality oil & gas fabrication and maintenance, and specialist afloat ship repair services. CSG has services businesses providing large-scale catering and related life support services; and facilities management businesses delivering turnkey contract services including build, own and operate facilities establishment projects.



DMS Courageous, now on charter with Rasgas, Qatar

As a collective business the market capitulation of Renaissance surpassed a valuation of US\$1 billion for the first time in the current financial period. Our Marine & Engineering Group (MEG) is on course to surpass that value in its own right, based just on the current identified strategic investment programme, and the existing portfolio of long and short-term contracts in hand. It is also our belief that our Contract Services Group (CSG) can be placed on a fast-track growth programme to achieve a similar value as an individual enterprise. This will require us to support the CSG businesses with an investment and expansion programme similar to the one we have implemented for MEG, that is unfolding so successfully at present. In that case, we had used the cash generation of the CSG services businesses to provide MEG with a platform for sustained economic growth. The MEG growth path is now self-sustaining and with strong cash surpluses we can now turn our attention to meaningful investment behind CSG.

CSG has developed from a traditional contract catering company into an international, world-class, multi-skilled facilities management company that provides turnkey solutions for major projects and



Jacket with Helideck, built by Adyard, Abu Dhabi



sophisticated infrastructure. CSG facility management enables clients to focus on their primary business, while creating environments that provide greater comfort, safety and sustainability in the places where people live or work. CSG has developed this competence at a time when the region is investing heavily in infrastructure development and there is greater awareness that people, facilities, organisations and projects require best of class facilities management that delivers winning solutions safely, efficiently and profitably. Our investment strategy in CSG, shall focus primarily in supporting organic growth in major facility management projects, regionally and internationally.

This has already started with the recent announcement that CSG has been awarded two new contracts by Petroleum Development Oman LLC (PDO) to build, own and operate new Permanent Accommodation for Contractors (PAC) facilities in Oman's interior oilfields at Marmul and Bahja. The long-term contracts run until 2044 and the contract value of the initial 5-year period is in excess of RO 35 million (US\$ 91 million). Renaissance is investing some RO 33 million (US\$ 86 million) in establishing the facilities. Once construction and other



Permanent Accommodation for Contractors (PAC) at Qarn Alam, Oman

project contracts are finalised, operations are expected to commence in 2010. The Marmul facility will have 512 rooms and the Bahja facility 304 rooms, with both sites having room for further expansion. Through the PDO PAC initiatives Oman has been at the forefront of raising living conditions and occupational health for workforces. Similar initiatives are being adopted by governments and large corporations in other markets. The Renaissance PAC concept and design provides a cost-effective quality solution for this increasing demand; and the company is well placed to offer this solution in other markets.

Meanwhile, investment in growth continues apace in the marine and engineering businesses with US\$200 million invested in the first 6 months of the year, including the acquisition of Doha Marine Services (DMS) announced in Q1. As we continue our strategy to increase the size and reduce the age profile of the offshore support vessel fleet, the Board has approved orders for several new vessels including a 5,150 bhp DP1 AHTSV from Berjaya Shipyard in Malaysia for delivery in November 2009; a 4,400 bhp AHT for delivery in March 2009; an order for four 5,150 bhp DP1 AHTSV from Coastal Shipyard, being built in Fuzhou in China, for delivery in May, June, August and October of 2010. There is also an order placed for a Sormec 460/3s Marine Crane for the DMS Conqueror for delivery in March 2009; as well as an order placed with our own subsidiary Nico Craft for a 30m CAT for delivery in December 2008.

These new orders serve to underwrite the future, while the ongoing build programme is driving current growth. The latest acquisition, TOPAZ Jebel Ali, a 5,150 bhp AHTSV, has now arrived in Dubai and commenced term charter with Dubai Petroleum. This has enabled the TOPAZ Jumeirah to be released to commence a term charter with TOTAL in Qatar; and the NICO Shindagha has been sold, as we wish to dispose of the older tonnage while it still has useful life in other applications.

The Caspian Qala is ready and on passage to Baku to commence a 7 year charter with 3 one year options for BP for a contract value of US\$92m commencing in Q3. Also in Azerbaijan the company has confirmed charter extensions of 5 managed vessels for a minimum 12 months to June 2009, at a contract value of US\$22m representing an increase in charter rates of 15%. In Kazakhstan the Saipem pipeline project has confirmed the option on 13 vessels for the 2009 season, and a contract extension is being negotiated for 2010 and 2011. The Saipem offshore construction project has confirmed the option on 3 vessels for 2009, and is reviewing an extension for 2010.

Pipe lay and construction activity in the North Caspian waters is expected to continue long into the future, for which the company has a fleet of purpose built shallow draft vessels.

The company has taken delivery of the first 2 of 8 ice class shallow draft barges being built to provide year round logistic support for Agip KCO in the Kashagan field. The first barge to be delivered was built by our own Adyard in Abu Dhabi. Adyard continues to consolidate its reputation with blue chip Oil and Gas customers including SBM, ConocoPhillips, Oman Pearl, Chiyoda and Technip with the delivery of six major projects that were loaded out from its Mussafah facility. These included modules, offshore living quarters, jackets and platforms while a Modular Offshore Production Unit is still under fabrication. NicoCraft continues its success in aluminium boat

building with 6 boats being concurrently built and with negotiations at an advanced stage for 5 crew boats and an option for 5 more for Azerbaijan scheduled for delivery in 2009-2010. The engineering businesses in oil & gas fabrication and maintenance and afloat ship repair are all enjoying yet another busy year operating at capacity; and the company is considering options of investing in increasing capacity by taking additional waterfront space in strategic markets within the Gulf. In Oman, the contract services group has been awarded life support services contracts by Schlumberger for 6 rigs; which follows major new contract mobilisations in both the defence and health sectors.

Throughout the group we continue to enjoy success in our commitment to develop local workforces in the markets where we serve. In Azerbaijan local workforce content exceeded 85% for the first time, which includes the milestone of one vessel operating safely and efficiently with a 100% local crew. Meanwhile, for the Gulf fleet, NICO World has signed an agreement with the International Maritime College in Oman to take 12 first year cadets from Oman for 2 months this summer to give initial sea time; and 12



Team Muscat with new 25T sub-sea crane

on the brink of recession with oil prices remaining high. Yet the demand for safe, reliable, efficient services remains an economic imperative for the clients and markets that we serve at both extremes of the economic pendulum: both in times of buoyant growth and times of economic constraint; both in times of high and low oil prices.

Unaudited Financial Results

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2008

	2008 RO '000	2007 RO '000
Non-current assets		
Property, plant and equipment	202,127	133,698
Intangible assets	33,132	34,287
Long-term investments	11,231	3,232
Deferred tax asset	1,666	1,211
	248,156	172,428
Current assets	106,826	73,280
Current liabilities	104,540	69,858
Non-current liabilities		
Term loans and leases, excluding current maturities	118,631	66,977
Non-current payables and advances	8,104	12,884
	126,735	79,861
Net assets	123,707	95,989
Capital and reserves		
Share capital	24,530	22,300
Treasury shares	(1,704)	(1,687)
Share premium	25,146	28,052
Reserves	7,974	7,105
Retained earnings	59,736	39,089
Exchange gain on investments in foreign subsidiaries	321	129
	116,003	94,988
Minority interests	7,704	1,001
Total equity	123,707	95,989

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

	2008 RO '000	2007 RO '000
Revenue	108,392	84,614
Operating expenses	(79,056)	(60,663)
Administrative expenses	(13,515)	(11,721)
Profit from operations	15,821	12,230
Net finance costs	(3,343)	(3,102)
Amortisation	(40)	(43)
Profit on sale of a subsidiary	6,029	-
Share of profits of associate companies	540	45
Net investment gains	-	1
Profit before income tax	19,007	9,131
Income tax	(3,748)	(2,027)
Net profit	15,259	7,104
Net profit attributable to: Shareholders of the Parent Company	14,337	7,043
Minority interests	922	61
	15,259	7,104

Notes:

- The complete accounts will be sent by mail to shareholders within 7 days of receipt of the request.
- The complete set of accounts can be accessed on www.renaissance-oman.com

RENAISSANCE SERVICES SAOG P.O. Box 1676, PC 114, Muttrah, Sultanate of Oman. Website: www.renaissance-oman.com

second year cadets for 2 years to give final sea time. It is hoped that some of these young Omani Officers will make a career with our fleet. Onshore, the Contract Services Group has commissioned a new batch of 68 trainees to undergo 6 months vocational training at National Hospitality Institute (NHI).

Our commitment to support the communities in which we serve continues in all our operational markets. For example, in this quarter we have supported an initiative by Sultan Qaboos University Hospital (SQUH) - College of Medicine and Health Sciences, by providing a contribution of RO 54,000/- (US\$140,000) towards sending 10 female nursing trainees for internship in Canada to complement their training under the teaching hospital's nursing programme.

The market factors prevailing at the half-point of the year remain challenging, but this only serves to illuminate the resilience and flexibility of our services businesses in variable market conditions. Inflation is an economic threat in all the markets that we serve; and is having a temporary impact on our service contracts while rate



CSG providing operation & maintenance services in Oman

adjustments catch up, dependent on individual contract terms and conditions. Beyond rising employment and materials costs we have witnessed significant increases in real estate costs. With this in mind, the contract services business has invested RO 1.5 million (US\$3.9 million) in acquiring the office premises adjacent to the corporate head office in Muscat. Infrastructure and other resource shortages continue to challenge our markets in general and the oil & gas sector in particular; and many key economies in the world teeter

Notwithstanding the current global market turbulence, our largest markets in the Middle East and the Caspian continue to enjoy dynamic and sustained economic growth.

We continue to work closely with our professional, strategic and industry advisors to ensure we have the best professional advice on growth and value creation. The scale of our enterprise today means we are constantly considering value creation propositions that may develop into firm initiatives, if we are satisfied they are in the best interest of our shareholders. Premature pronouncements on specific initiatives may be misleading to investors and, in some cases, may be detrimental to the opportunity under consideration. However, we shall always issue instant public statements to all stakeholders whenever a material development is maturing or certain.

Renaissance businesses are responding superbly to the powerful forces shaping the economies we serve and the opportunities that abound in our chosen markets. The clear delineation of the marine & engineering and contract services businesses, provides the focus we need to maximise their independent potential. Greater cash flows from our strong asset base allow Renaissance to increase investment in future growth and sustain our record for rewarding shareholders. The strength of our businesses; the quality and talent of our people; the trust of our loyal blue-chip customers; the confidence of our financial, legal and professional advisors; and the continued support of our shareholders, provide your board with a platform to make the big strategic choices in the best interests of all our stakeholders. After a strong first-half performance, the second half of the year beckons, filled with great opportunity and potential.

We thank His Majesty Sultan Qaboos bin Said whose wise leadership has brought stability, progress, prosperity and opportunity to our home market of Oman. This has provided the platform upon which an Omani company like Renaissance has been able to establish world-class credentials at home in order to seek opportunity abroad and challenge the very best in international competition.

Samir J. Fancy
Chairman