Chairman's Statement H1 2018

OVERVIEW

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG, for the six-month period ending 30 June 2018.

Our 2018 performance is progressing in line with our previous statements and the advice provided in our quarterly stakeholder meetings for investors, analysts and stakeholders: We said H1 results would be better than the previous three years of the Oil Price crisis; but at PAT levels, results would be marginal at plus or minus break even. This is proved in today's results.

We also said, in H2 of 2018 we would deliver meaningful improvement in profit each quarter. We also said, in 2019 we shall return to our track record of meaningful profit securing a path of sustainable growth.

As you would expect, we remain cautious – and advise caution to our stakeholders: The improved market outlook remains volatile in an uncertain world order. Even though we operate in stable markets serving a portfolio of blue chip clients, we must watch our progress step by step. But do not doubt our focus and determination to restore lost value from the turbulence of the last three years and to build ever-improving growth and shareholder value in the years ahead.

FINANCIAL PERFORMANCE

Group Consolidated

	Rial Million		USD Million	
	H1 2018	H1 2017	**H1 2018**	H1 2017
Revenue	**111.0**	92.7	**288.3**	240.8
EBITDA	**38.3**	28.7	**99.5**	74.4
Operating profit	**20.8**	11.6	**54.0**	30.0
Net profit/(loss) after tax	**1.7**	(5.8)	**4.4**	(15.1)
Net profit/(loss) after minority interest	**0.4**	(8.1)	**1.0**	(21.1)

Note: H1 2018 EBITDA and Operating profit are before loss on sale of vessels Rial 2.3 million.

The improvement in profit, even after the Rial 2.3 million loss on sale of vessels, should be considered in a positive light. Throughout the downturn, and always, this company will not shy away from the correct decision that, in this case, raises cash from non-performing assets that we recognise shall not recover value in new market conditions; even if that decision is at the cost of short-term one-off negative impact in P&L performance. We continue to rationalise the fleet and may expect some similar impact in H2.

With ever-improving EBITDA and Operating Profit, we continue to generate positive cash-flow to ensure the financial stability of the business and the ability to meet all our financial obligations.

Our global Offshore Support Vessel (OSV) Company

	Rial Million		USD Million	
	H1 2018	H1 2017	**H1 2018**	H1 2017
Revenue	**58.2**	44.5	**151.2**	115.5
EBITDA	**29.5**	22.2	**76.6**	57.7
Operating profit	**16.6**	8.9	**43.1**	23.1
Net loss after tax	**(1.5)**	(5.2)	**(3.9)**	(13.4)
Net loss after minority interest	**(3.4)**	(8.2)	**(8.8)**	(21.4)

Note: H1 2018 EBITDA and Operating profit are before loss on sale of vessels Rial 2.3 million.

Given the prevailing market circumstances, Topaz delivered an acceptable result, with Q2 revenue of Rial 32.8M (US$85M) and EBITDA of Rial 17M (US$44M), up 49% and 69% respectively, compared with the same period in 2017. We are also demonstrating continuous improvement compared with Q1 2018, with revenue up 29% and EBITDA up 33%. Topaz EBITDA margin of 52% (up 6% compared with the same period in 2017) continues to significantly outperform its global peer group.

Critically, utilization of Topaz's core fleet improved to 86% in H1 2018 – 23% above the same period in 2017. This is testament to Topaz close relationships with key customers in the E&P industry. We see solid improvement in utilization of Africa, MENA and the Subsea fleet during Q2, and the full impact of six vessels operational in Turkmenistan for Dragon Oil since late 2017. As always, we stand ready to increase our fleet size to meet increasing demand from our long-standing customers. In addition, we continue the ramp-up of the Module Carrying Vessels (MCV) for our major marine logistics contract with TengizChevroil, with six ships at the full operational rate at the end of Q2.

Most market commentators predict a stable oil price period, and OSV market conditions continue to improve modestly as we move into the second half of 2018. Nonetheless, general trading conditions remain challenging across our business, with a consequent legacy of low day rate, which we expect to stabilize and grow in the near term with increased utilization.

We still view 2018 as a year of stabilization with quarter to quarter improvement in performance. Our core focus remains on rebuilding the value lost during the prolonged downturn while diligently pursuing new growth opportunities as they arise.

The global OSV industry continues to consolidate, as witnessed by the proposed Tidewater/GulfMark Offshore merger. Topaz continues to consider all strategic options, including inorganic and capital market transactions such as an offering of securities in the Company. We have appointed professional advisers to guide us on options to reach the best decision. At this stage, no decision has been taken to proceed in any particular direction. Any transaction in the future would be subject to meeting the Company's strategic criteria based on market conditions at the time; strengthening the company's capital base; and avoiding the import of unnecessary risk

Our Services Business: Integrated Facilities Management (IFM); Soft FM; Hard FM; and Turnkey Accommodation Solutions under the Renaissance Village brand.

	Rial Million		USD Million	
	H1 2018	H1 2017	**H1 2018**	H1 2017
Revenue	**52.8**	48.2	**137.1**	125.2
EBITDA	**8.8**	6.5	**22.9**	17.0
Operating profit	**4.2**	2.7	**10.9**	7.0
Net profit after tax	**2.7**	1.2	**7.0**	3.0
Net profit after minority interest	**3.4**	1.9	**8.8**	4.9

Quarter on quarter performance is down with the seasonal impacts of the Holy Month of Ramadan and the holidays, which is the normal course of our business every year. Year on year performance is improving.

The contract services business has won new contracts or retained existing contracts to the value of Rial 90M (US$ 234M) so far this year. These contracts secure and increase our market presence and contract backlog in our services to key client sectors in Healthcare, Oil & Gas, Defence and Utilities.

We are also growing our Hard FM services, including launching a new Homecare Maintenance service in H2; which will complement our B2B Hard FM contracts. The brand will be called ProTek, which is a B2C model to answer demand for high quality, cost-effective services in the home; with simplified call-off through a bespoke user-friendly App or friendly Omani operated 24/7 Call Centre.

Our new flagship project, Renaissance Village Duqm, has made losses in H1 during the ongoing occupancy build-up period. Visibility is profitable in H2. This project is delivering cash profit at the EBITDA level, and based on known occupancy demand we anticipate crossing into profit at the PAT level from Q4 .

We are investing Rial 3.2M (US$ 8.3M) in conversions of some facilities to align with specific demand demographics from secured clients; and to increase revenue yield from each converted facility. We thank our valued co-investors in the property company, who have unanimously approved their pro-rata participation in this initiative. The current project sits on 197K m² of land, and we have earlier secured a further 70K m² of expansion land for which we are considering new development to cater for sustainable high-occupancy demand and long term bespoke requirements.

We have believed in the potential of Duqm and its potential for Oman from the outset. Our stakeholders and partners have shared in our belief and vision for a high-quality, low-cost accommodation lifestyle solution for contractors, businesses and workforces. Renaissance Village Duqm is a key enabler for the entire Duqm project.

As current visibility becomes reality, this will justify the faith shown by our stakeholders in Renaissance commitment to medium to long-term investment programmes, even during economic downturn, that yield no short-term reward but are essential for future growth and competitiveness.

The Renaissance Villages in the PDO concession areas, providing permanent accommodation for contractors, were a similar venture at the outset. In 2018 occupancy remains high and performance remains stable and positive. PDO is predicting increased activity over the coming years with projects of various sizes.

OUTLOOK

H1 2018 progress is encouraging. H2 2018 and 2019 outlook is improving. We have weathered a storm of unprecedented turbulence in our core industries and key economic markets. So we approach the future mindful of the uncertain world order; secure and reassured in our key stakeholder relationships; proud and appreciative of the talent, energy and commitment of our people; optimistic about the potential of our two businesses; confident in our financial stability, governance and fiscal prudence; cautious but courageous in tackling measured risk and opportunity.

TRIBUTE

On behalf of the board of directors, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for his leadership and support to create a business environment that enables our company to thrive and prosper in our home market and compete with the very best in markets abroad.

Samir J. Fancy
Chairman

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	2018 RO '000	2017 RO '000
Non-current assets		
Property, plant and equipment	**629,504**	622,371
Intangible assets	**30,549**	34,980
Other non-current assets	**4,926**	5,099
	664,979	662,450
Current assets	**135,056**	105,250
Current liabilities	**112,239**	95,643
Advance from a customer *	**39,124**	-
Equity settled mandatory convertible bonds - current portion	**-**	11,994
Net current assets	**(16,307)**	(2,387)
Non-current liabilities		
Term loans and senior notes, excluding current maturities	**365,472**	353,109
Non-current payables and advance*	**102,518**	92,172
	467,990	445,281
Net assets	**180,682**	214,782
Equity		
Share capital	**36,727**	29,878
Treasury shares	**(6,853)**	(5,163)
Share premium	**26,937**	22,302
Legal reserve	**12,446**	10,163
Subordinated loan reserve	**2,500**	1,429
Retained earnings	**(23,304)**	17,340
Other reserves	**(870)**	(1,009)
	47,583	74,940
Perpetual notes	**46,799**	46,799
Non-controlling interest	**86,300**	93,043
Total equity	**180,682**	214,782

* Topaz, a subsidiary of Renaissance Services SAOG, received premobilisation funding from Tengizchevroil (TCO) towards the Offshore Marine Module Transport Contract. Premobilisation funds have been used to fund capital expenditure for building vessels for the contract. TCO is recovering this advance from the amount payable to Topaz for transportation services. Out of total outstanding balance of advance Rial 123.2 million, Rial 39.1 million is estimated to be recovered over next 12 months and is classified as current liability in H1 2018 (2017: Nil). Balance amount of advance Rial 84.1 million (2017: Rial 69.8 million) is included under Non-current payables and advance.

UNAUDITED CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	2018 RO '000	2017 RO '000
Revenue	**110,965**	92,723
Operating expenses	**(73,051)**	(64,381)
Depreciation	**(17,081)**	(16,779)
Profit from operations	**20,833**	11,563
Loss on sale of vessels	**(2,329)**	-
Net finance costs	**(15,098)**	(13,791)
Profit/(loss) before tax	**3,406**	(2,228)
Taxation	**(1,741)**	(3,570)
Profit/(loss) for the period	**1,665**	(5,798)
Net profit /(loss) attributable to:		
Shareholders of the Parent Company	**407**	(8,122)
Non-controlling interest	**1,258**	2,324
	1,665	(5,798)

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 **Website: www.renaissanceservices.com**

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