

Chairman's Report



النهضة للخدمات ش.م.ع.
Renaissance Services SAOG



On behalf of the Board of Directors, it gives me great pleasure to present to you the interim accounts for Renaissance Services SAOG for the three-month period ending 31 March 2011.

The events of this first quarter (Q1) of 2011 can only be described as extraordinary. Global, regional and local events have had varying affects upon us in the markets where we operate. The clamour for political reform across the Arab world; turmoil in the Maghreb, including regime change in Egypt and Tunisia and uprising in Libya; the consequences of the tragic natural disasters in Japan; and the ongoing European sovereign debt crisis, have been among the major world news stories of these first three months of the year. Some of these issues pose challenges and carry implications for our company. But when we face any challenge, this company has a culture and a track record of turning obstacles into opportunities.

Financial Performance

	Rial Million		US\$ Million	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Revenue	68.5	55.9	178.0	145.3
EBITDA	13.9	13.9	36.1	36.1
Operating Profit	9.7	8.4	25.3	21.9
Net Profit before minority	1.7	5.3	4.4	13.8

Note: EBITDA and Net Profit for Q1 2011 includes net provision of Rial 2.2 million (US\$ 5.7 million) related to the contract cancellation in the company's Engineering Operations.

The company has increased operating profit, EBITDA has been flat and PAT has fallen due to a combination of one-off events, seasonal factors and inflationary pressure. Increases in finance costs and tax charges have also affected PAT. However, the continued growth of operating profit and the company's strong and positive cash flow provide tangible assurance of the underlying strength of the business. As at Q1 2011, the company has assets of US\$ 1.6 billion on its balance sheet.

Renaissance has achieved record profits for each of the last 10 years, in spite of variable year-on-year comparisons in individual quarters. This remains our objective for 2011. In terms of visibility, this challenge is extremely difficult, but it may still be possible. We anticipate more performance pressure in Q2, but as usual in the cyclical pattern of our business, a far stronger performance in H2.

Marine

	Rial Million		US\$ Million	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Revenue	26.1	19.3	67.8	50.1
Operating profit	8.8	6.1	22.9	15.8

While progress in the Marine business is positive, we have experienced some uncharacteristic downtime in utilisation of four larger vessels. This will happen from time to time between contract assignments in our MENA operations, but it is unusual for four major vessels to coincide lower utilisation in this manner. The vessels in question are now back out on hire. As usual, the company's long-term contracts in the Caspian sustain performance during such times, although there have been fewer higher revenue anchor handling assignments than anticipated. Overall, however, the Offshore Support Vessel (OSV) business industry fundamentals remain sound and positive. Market conditions in Q1 have been on par with H2 2010; but independent industry analysis still anticipates strengthening day rates and higher vessel utilisation as the year progresses. Likewise, we anticipate improving performance in the coming quarters.

Engineering

	Rial Million		US\$ Million	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Revenue	19.1	17.1	49.6	44.4
Operating profit	(1)	0.4	(2.6)	1.0

The Engineering business has not performed as planned in Q1. In addition to Rial 1 million (US\$ 2.6 million) losses in this business segment, we have also reported a net provision of Rial 2.2 million (US\$ 5.7 million) related to a court case, arising from a 2007 contract cancellation in the company's engineering operations. We have made a separate full and transparent disclosure of this matter.

It is extremely rare for our company to resort to litigation; and it is not common for the company to require one-off unplanned provisions. While such losses are not repeatable and do not affect underlying operational performance, we do strive to avoid unexpected unpleasant surprises. However, in a business of this size and scale, no matter the quality of stewardship and oversight, by the law of averages the unexpected will happen from time to time. In this regard, the Engineering business is facing two other issues that may result in further unplanned financial impact. These involve operational challenges in a currently unprofitable marine repair JV in Kazakhstan; and a Force Majeure claim due to a natural calamity in a fabrication project in Fujairah. I do not wish to expand further on these matters at this stage out of respect for all parties involved. Premature public discussion may also compromise the best possible outcomes. However you may be sure with Renaissance that we shall always keep you fully informed of our problems as well as our performance, our plans and our progress.

In this respect, on the positive side, the Engineering businesses have the largest contract backlog volume since the start of the global economic downturn of the last 2+ years. Tendering activity is growing decisively as industry E&P spends continue to increase and it just needs one or two major contract gains to reverse the current disappointing trend in this business. Q2 performance for Engineering will still be muted but we do envisage a brighter outlook and turnaround in H2.

Contract Services

	Rial Million		US\$ Million	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Revenue	23.2	17.6	60.3	45.7
Operating profit	2.8	2.3	7.3	6.0

The Contract Services business has performed well in spite of facing its own extraordinary and unprecedented challenges. There has been a paradigm shift in employment costs for national workforce in our home market of Oman, including an increase in the statutory minimum wage and a separate significant increase in terms and conditions for national employees in the oil & gas sector. Renaissance already paid employees above the minimum market norms, but we are a large employer and we have over 1,500 employees in blue collar jobs, where the differential of changes has been greatest. The cost impact of the changes we have implemented is annualised at c. Rial 3 million (US\$ 7.8 million).



Renaissance holds its 15th AGM

Q1 2011 Highlights

News

- Renaissance named a star performer among MSM 30 index stocks in the year 2010
- Renaissance's marine subsidiary acquires two vessels employed on three-year contracts with oil & gas major Petrobras in Brazil
- Renaissance's education subsidiary NTI expands into Saudi Arabia and secures a strategic joint venture with a renowned oil & gas construction company



Topaz Marine acquires new vessel assets

- Omani cadets at the International Maritime College receive seafaring training by Renaissance's marine subsidiary
- Renaissance's Contract Services Group announces 500+ job opportunities for Omani talents

People

- Ms. Ekaterina Sharashidze is appointed to the Renaissance Board of Directors in place of Mr. Rishi Khimji



Contract Services Group's Omanisation programme gathers steam

Social Responsibility

- Renaissance sponsors a national drive for proper child nutrition organised by Oman's Ministry of Health and UNICEF branch
- Renaissance makes a donation to "Magic Bus" children's charity
- Renaissance and its companies participate in Earth Hour 2011

We have been pleased that these changes have been made without any industrial action or disruption in our services to our clients. Some of the sectors we support are key to national interest and community welfare. There have been isolated incidents of staff considering work stoppage, given the infectious atmosphere and sentiment prevailing. But in all cases open dialogue has prevented any action. Indeed, employees have acknowledged their trust in the company's commitment to their welfare and well-being. At all levels they are engaging in the quid pro quo of how we can increase efficiency and productivity in our work to mitigate cost impact.

These changes will result in broader inflationary pressure across the economy; and they come at a time when The Economist global commodity price index shows food cost inflation up by 43.2% year-on-year to April. So the Contract Services business is being affected during this year in its two major cost areas of people and consumables. That said, it is a business where inflationary pressure eventually washes out in cyclical re-tendering and new contracts. The company is totally committed to the development of local workforces in all its businesses and has embraced these changes as a real opportunity to retain, attract, develop and train an increasingly professional Omani workforce. For the services arm of the Renaissance group, this approach bodes well for the future.

Renaissance Services SAOG

Oil & Gas multinational
11,000 employees in over 16 countries
2010 revenues in excess of US\$ 0.65 billion

The Topaz IPO

The major event of Q1 was the company's decision to postpone the proposed London FTSE listing of our 100% subsidiary Topaz, which houses both the Marine and Engineering businesses. In 2010, we injected a further US\$ 204 million into Topaz (US\$ 100 million as new equity and US\$ 104 million as subordinated debt). This was to ensure that the company's organic growth programme could continue uninterrupted and would not be dependent upon timing of our broader long-term capital raise programme. This also provided us with flexibility on optimum timing, to ensure achieving a value that is fair to both existing Renaissance shareholders as well as new investors in the IPO. For this reason, at the AGM, we sought a mandate of 12-months to decide on both pricing and timing, and we remain grateful to shareholders for the trust they have placed in us in approving that mandate.

By the end of March, unrest in the Middle East, the tragic natural disaster events in Japan, and the Portugal economy bail-out created negative sentiment and reduced appetite for new IPOs in markets across Europe. In such circumstances the argument for delaying our IPO was compelling. We were confident of genuine investor interest in our business, but we could not be certain of converting that interest into investment at that particular time of market uncertainty. We still hold the view that a London main market listing of Topaz offers the most effective way to optimise future growth opportunities and increase shareholder value. At this point in time, while we are alert to alternative opportunities, it remains our intention to proceed with the IPO when we consider the conditions and timing are appropriate.

The positives from the IPO process are manifold: Investors had an extremely positive view of the company and its people. One particular success is the

quality and caliber of the top industry leaders attracted to serve on our Board – they have given an unqualified vote of confidence in our prospects for success by agreeing to continue with us through to IPO and beyond. The forensic due diligence process has given us tangible proof that the company owns a subsidiary that would immediately qualify as a FTSE 250 company, with the scalability and ambition to become a FTSE 100 company. If and when the IPO proceeds, Renaissance, as an MSM listed Omani enterprise, shall be the primary shareholder of a substantial FTSE enterprise.

We are working on learning lessons from the debates and challenges that emerge in the white heat of professional, market and media scrutiny in a robust due diligence process. We were tested in fire and we were not found wanting; but we shall strengthen and temper the many good points made to us to improve our structure and our growth agenda. We shall be even stronger next time.

I cannot overstate my gratitude for the level of effort and commitment put in by the entire team that worked on the IPO process. Although, the flipside, which should not be underestimated, is the inevitable diversion of management focus that comes with implementing such an intense professional programme, in unison with a team of world class Investment Bankers, Lawyers, Financial Advisors and other experts. The good news is that work was not wasted and will be put to use in a less-intensive process when we proceed. More importantly, the management team can now re-focus its full attention on running the business. How we perform this year shall provide important further track record to potential investors who now already know us and retain great interest in our story.

- Aligned with the best in Oil & Gas:
- Safe:** No harm to people
- Efficient:** Cost-effective quality services
- Green:** No harm to the environment
- Local:** Serious about local content

Outlook

The remarkable events of Q1 both inside the company and in the world at large have challenged us as never before. Yet we remain confident and resolute in our ability to deliver performance for sustained growth and value. We did not build this company for this period of unprecedented change and challenge, we built it to last for all seasons. The underlying fundamentals of our business model show that our confidence is well placed even in the face of these extraordinary times.

We remain thankful to His Majesty Sultan Qaboos bin Said, who has been a rock of stability at home and abroad in the current shifting sands of the Middle East geopolitical landscape. Oman's stability under His Majesty's leadership provides the platform for a company like Renaissance to grow and prosper as a world-class internationally-competitive enterprise.



Samir J. Fancy
Chairman

Unaudited Consolidated Statement of Financial Position as at 31 March 2011

	2011 Rial '000	2010 Rial '000
Non-current assets		
Property, plant and equipment	403,186	289,271
Intangible assets	38,869	34,021
Other non-current assets	2,182	2,595
	444,237	325,887
Current assets	169,575	114,227
Current liabilities	152,483	105,280
Non-current liabilities		
Term loans and leases, excluding current maturities	250,387	144,117
Non-current payables and advances	17,043	20,463
	267,430	164,580
	193,899	170,254
Net assets		
Equity		
Share capital	28,209	28,209
Treasury shares	(1,704)	(1,704)
Share premium	19,496	19,496
Legal reserve	10,577	10,440
Retained earnings	113,414	92,864
Other reserves	(382)	(62)
	169,610	149,243
Non-controlling interest	24,289	21,011
Total equity	193,899	170,254

Notes:

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

Unaudited Consolidated Statement of Income for the three months ended 31 March 2011

	2011 Rial '000	2010 Rial '000
Revenue	68,537	55,946
Operating expenses	(51,111)	(42,008)
Administrative expenses	(7,703)	(5,493)
Profit from operations	9,723	8,445
Provision for contract cancellation*	(2,237)	-
Net finance costs	(4,009)	(2,025)
Amortisation	(5)	(2)
Profit before income tax	3,472	6,418
Income tax	(1,765)	(1,121)
Net profit	1,707	5,297
Net profit attributable to:-		
Shareholders of the Parent Company	935	4,688
Non controlling interest	772	609
	1,707	5,297

* The provision is made for the net loss related to a contract cancellation by a client in the company's Engineering Operations.

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