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Renaissance Services SAOG

Chairman's Statement Q1 2014

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG for the three-month period ending 31 March 2014.

The company has made good progress in the first quarter of the year (Q1).

In this period, we have made capital investments of Rial 58 million (USD 150.8 million), principally for growth and renewal in the Topaz Offshore Support Vessel (OSV) fleet. This completes the deployment of funds for growth raised as non-amortised debt by Topaz in 2013 through the successful Bond issue on international capital markets.

The Contract Services Group (CSG) has won important new contracts with Ministry of Health (MoH) in Oman, due to commence operations in June 2014. CSG has also completed the construction tender process and the financial structure for the flagship 16,000-bed Duqm Contractors Accommodation project that shall be a major growth driver. Work has already started on-site at Duqm for the earth works and piling; and the main construction contracts shall be awarded shortly.

We are investing for growth in the current year and the long-term sustainable future.

The company has completed the divestment of the Media and Communications businesses as part of our ongoing programme to place discontinuing businesses under positive new ownership, while we implement our 'One Group: Two Companies' strategy, focused on Topaz and CSG.

Financial performance

	Rial Million		**USD Million**	
	2014	**2013**	**2014**	**2013**
Continuing Operations				
Revenue	56.4	58.5	146.5	151.9
EBITDA	19.4	19.1	50.4	49.6
Operating profit	12.7	11.7	33.0	30.4
Net Profit after tax from continuing operations	**3.8**	**5.0**	**9.9**	**13.0**
Discontinued operations				
Profit/(Loss) from discontinued operations	1.6	(0.2)	4.2	(0.5)
Net profit for the year	**5.4**	**4.8**	**14.1**	**12.5**

Note:
1. *2013 EBITDA and Operating profit include one-off receivables provision of Rial 0.2 million and gain of Rial 1.1 million from sale of a vessel. 2013 EBITDA is also after gain on other investments of Rial 0.7 million.*

Continuing operations are achieving growth in Operating profit and temporary lower PAT. This is partly because the cost of the Topaz bond has greater visible impact in the early part of the year; but this will be superseded by growth in revenue and profit as the new assets are fully deployed.

Topaz

	Rial Million		USD Million	
	2014	**2013**	**2014**	**2013**
Revenue	34.4	34.9	89.4	90.6
Operating profit	10.8	9.0	28.1	23.4

Note:-

1. *2013 Revenue includes Rial 2.1 million and Operating profit includes gain of Rial 1.1 million from sale of a vessel.*

Topaz has achieved a positive Q1, in spite of revenue pressure arising from a number of ships off-hire for scheduled dry docking. This is perfectly normal in the business cycle of an OSV company.

Caspian Voyager is mobilizing as planned for BP in Azerbaijan; and two new vessels have joined the fleet: *Topaz Seema* (in February) and *Topaz Xara* (in March). These new assets shall contribute to performance as the year progresses.

Meanwhile, the utilization of our modern fleet remains high. In the Caspian, *Topaz Legend* and *Topaz Glory* have deployed to Turkmenistan for a 4 to 6 months assignment for ILK Construction. In MENA, Maersk Oil Qatar has extended the contract for *Topaz Salalah* for another year; while *Topaz Jumeirah* and *Topaz Jafiliya* shall both deploy on a six-month assignment for Qatar Petroleum commencing in May. In the Global fleet, *Topaz Faye* commenced a six-month contract with a global oil major in Nigeria from April 2014; and *Topaz Commander* has two consecutive contracts lined up, both in the North Sea and with reputed clients. These contracts illustrate the vibrancy of the business in terms of viable short term assignments; underpinned by the stability of a large number of long-term contracts in the Caspian.

Contract Services Group (CSG)

	Rial Million		USD Million	
	2014	**2013**	**2014**	**2013**
Revenue	22.0	23.9	57.1	62.1
Operating profit	2.6	3.4	6.8	8.8

Note:-

1. *2013 Operating profit is after one-off receivables provision of Rial 0.2 million.*

As expected, CSG has achieved lower revenue and operating profit compared with 2013 due to the discontinued operations in Afghanistan and the loss of former PDO and SQU contracts in June of last year.

However, the company has won a Rial 37 million (USD 96.2 million) contract award for providing Catering, Cleaning, Laundry and Pest Control services to MoH at 34 hospitals throughout Oman. This constitutes > 85% of the entire MoH hospital services market. This award doubles the company's current MoH volume. The contract commences in June 2014 for a period of 3 years.

The Permanent Accommodation for Contractors (PAC) projects in the PDO oil & gas fields continue to perform well. Marmul PAC is the exception, with occupancy at a low 40%; but we are working this matter through with our client and anticipate reporting restored higher occupancy in due course.

The company shall shortly commence offering shares in the Duqm PAC Project, with priority given to local community investors from the Duqm area and the Al Wusta region; and then to Omani Pension Funds.

In Oman, in 2013, CSG spent 45.6% of a total spend of Rial 46.3 million on In-Country Value (ICV) – measured as spend on products made in Oman and services provided by skilled Omanis. In 2014, CSG hopes to increase the ICV spend > 50%. As part of that effort, CSG has launched an initiative to raise the volume of ICV spend on Omani Small and Medium Enterprises (SME), by creating awareness of opportunities in the company's supply chain and providing assistance to SMEs to compete for the business without compromising on speed, quality and price.

Discontinued operations

We have divested the Media and Communications businesses to Muscat Overseas, as we keep our pledge to find dynamic new ownership for our discontinuing businesses that shall be positive for both the customers and employees of those businesses. The Board would like to place on record our thanks to the United Media Services (UMS) team in building a market leadership position over the years of Renaissance stewardship. We wish them and the new owners every success for the future, in which we look forward to playing a role as a delighted customer.

The divestment has had a positive impact on the profit & loss performance of discontinued businesses:

	Rial Million		**USD Million**	
	2014	**2013**	**2014**	**2013**
Oil & Gas Engineering – Divested in Q3 2013	-	(0.1)	-	(0.3)
Education & Training (National Training Institute LLC) – Divested in Q4 2013	-	0.3	-	0.8
Media and Communications – Divested in Q1 2014	1.8	0.1	4.7	0.3
Other discontinuing businesses	(0.2)	(0.5)	(0.5)	(1.3)
Total	**1.6**	**(0.2)**	**4.2**	**(0.5)**

Two businesses remain in this category: Our majority investment in National Hospitality Institute SAOG (NHI), which achieved profit in Q1; and our ownership of the Marine Engineering Division (MED – formerly known as Topaz Marine Engineering). In MED the Ship Repair business is profitable and the Boat Building business continues to make losses; but performance is improving. We shall advise on progress of our initiatives for these businesses when we have any material development to report.

Outlook

The coincidence of dry-docking of major assets has a temporary impact on performance in the current period, but this is part of normal cyclical business and should not detract from the positive progress we are making towards our stated goals of growth in revenue and profit this year. We assure you of the continued calm confidence and prudent optimism outlined in our annual report.

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