



Chairman's Report H1 2015

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG for the six-month period ending 30 June 2015.

The short leash that global politics keeps on the price of a barrel of oil continues to affect many markets, so our new business in West Africa is sharing that market's difficulty in activating its considerable reserves.

The strength of our Caspian position and comparative stability in MENA keeps revenue flowing to our oil and gas businesses and we are continuing to see accommodation and service business volumes grow in Oman. Across the group, our contract backlogs guarantee significant cash flows in the long term, and financial markets continue to have confidence in our plans and our potential.

There is no doubt that this is a tough year for us, and the second half of 2015 is likely to remain challenging. Nevertheless, we remain confident in our long term strategies, committed to delivering excellence for our clients and primed to take advantage of the right opportunities.

Financial performance

	Rial Million		USD Million	
	H1 2015	H1 2014	H1 2015	H1 2014
Continuing Operations				
Revenue	117.9	117.3	306.1	304.7
EBITDA	36.6	41.5	95.1	107.8
Operating profit	21.0	27.6	54.5	71.7
Net profit/(loss) after tax from continuing operations	(1.3)	9.1	(3.4)	23.6
Discontinued Operations				
Profit/(loss) from discontinued operations	(0.6)	1.8	(1.6)	4.7
Net profit/(loss)	(1.9)	10.9	(4.9)	28.3

Note:

1. H1 2015 EBITDA and operating profit are after one-off receivables provision of RO 1.9 million (H1 2014: RO 0.7 million)

2. H1 2015 net loss is after write-off of unamortised loan arrangement costs of RO 3.2 million in Topaz

Revenue is holding up at a similar level to last year. EBITDA is down by 11.8%. Nevertheless, positive EBITDA shows the businesses are generating strong and healthy cash flows. Higher finance costs, and aggressive margin squeezes, continue to put pressure on overall net profit. In addition, we are making provisions of RO 1.9 million for potentially vulnerable receivables in Topaz and Renaissance.

The company has successfully raised USD 125 million from Perpetual Bonds at a coupon of 7.9%. These bonds are listed on the Irish Stock Exchange. The bonds will be part of the total equity in the balance sheet, and the coupon payment on the bonds will also be routed through the balance sheet. The proceeds from the Notes will be used to buyback 2/3rd of the total Mandatory Convertible Bonds (MCB). The company's buyback programme is good for shareholders, as it reduces dilution risk for them, and also for MCB holders as it provides them an option to exchange their MCBs for cash. The first repurchase of MCBs (1/3rd of the total MCBs) is completed, and the second buyback is expected to be completed by the first week of September 2015.

The internal fundamentals of the two businesses in our group are strong: sound financing, sustainable cash flows, and industry-leading operations. We are confident, although never complacent, that the right strategies are in place for our businesses to deliver.

Topaz

	Rial Million		USD Million	
	H1 2015	H1 2014	H1 2015	H1 2014
Revenue	67.5	71.3	175.3	185.2
Operating profit	17.9	23.4	46.5	60.8

Note:

H1 2015 operating profit is after one-off receivables provision of RO 0.8 million (H1 2014: RO 0.7 million)

Clients throughout the upstream offshore oil and gas supply chain are putting pressure on contract rates in response to the current lower oil price environment. As a result of low offshore activity, demand for offshore support vessels is, in line with projects being paused, restructured and cancelled, reduced across the board. Compounded by oversupply in certain vessel segments, this demand weakening has resulted in utilisation and consequently day-rates softening.

Topaz is yet again proving itself more resilient thanks to its long term contracts with leading international and national oil and gas producers, geographical positions in the Caspian and MENA and a young and technologically relevant fleet.

Nearly USD 1bn of secured contract backlog with blue-chip clients, first-class market positions, a healthy balance sheet and our young and efficient fleet will see us through this OSV market downturn.

In response to clients' increasing focus on cost and reduction of activity, the company's commercial efforts in existing markets and with existing and new clients have intensified, and management is in continuous dialogue with many of its leading clients.

Our operating cost, although consistently well managed and competitive, has been even further reduced.

Notwithstanding such market turbulence, Topaz progresses its strategic plan vigorously and has successfully established itself in the two most important markets in West Africa during 2015. The company believes that its now established Angolan

and Nigerian positions are the right footholds in the vast and growing West African market, and that the investments made during 2014 and 2015 will pay dividends as markets stabilize and grow again.

During the second quarter, Topaz concluded a USD 550 million financing initiative that involved refinancing of its senior secured bank debt. This initiative significantly improves Topaz's interest cost, pushes out its debt maturities and relaxes its covenants. However, it has meant that the company has had to write-off USD 8.3 million of unamortised fees related to the outgoing facilities; this non-cash charge is reflected in the second quarter's income statement as presented here. Being able to execute such a large refinancing exercise in this challenged market speaks volumes of Topaz's standing with regional and international banks, and the strength of our balance sheet and business model.

In June, we installed ABS Nautical Systems fleet management software on 58 of our OSVs. The system plans maintenance work more efficiently, so minimising downtime and reducing the costs associated with dry-docking. The system also offers extra safeguards for health and safety – the wellbeing of staff remains the number one priority across all our businesses.

Although Topaz currently has very limited commitments to expansionary capex, we will not shy away from judicious expansion opportunities that will inevitably present themselves during this challenging time. The company fundamentally believes that there will be pockets of outperformance in the OSV industry, both geographically and in certain vessel segments, and that the best companies will find a way to exploit those opportunities. Topaz has the financial firepower, and clarity of direction, to allow itself to venture and grow through this crisis.

Renaissance (previously reported as Contract Services Group - CSG)

	Rial Million		USD Million	
	H1 2015	H1 2014	H1 2015	H1 2014
Revenue	50.3	45.9	130.6	119.2
Operating profit	4.6	5.7	12.0	14.8

Note:

H1 2015 operating profit is after one-off receivables provision of RO 1.1 million



Despite a generally tough market and our tangential exposure to oil prices, our financial performance so far is on par with last year. Our business is growing in our home market of Oman, but this is offset by costs and losses in our developing markets.

We have secured the contract to provide facilities management at BP's Khazzan project camps. These services are mobilizing in August 2015 and the initial USD 48 million contract duration will be 29 months, with the possibility of an extension for a further two years.

The tough global oil price makes itself felt in our accommodation business, where lower contractor volumes are affecting our occupancy levels in the Permanent Accommodation for

Contractors (PAC) facilities in Oman's oil fields. PAC occupancy is at 79% year-to-date and down to 76% at the end of June. This compares with average occupancy of 83% in 2014.

We have suspended our operations in West Africa due to delays in payment by some clients and the overall downturn in the market. We are also not getting early traction in our business development initiatives focused on other GCC markets, but primarily UAE. As a result, our international operations are operating at a loss in this year.

Construction of the new Duqm accommodation facility and expansion at our Qarn Alam facility continues on time and in budget. Looking ahead, our occupancy expectations continue to predict that these projects will significantly increase the volumes of our accommodation business from 2016 onwards.

In May, we welcomed His Excellency Salim bin Nasser bin Said Al Afi, Undersecretary, Ministry of Oil & Gas, to inaugurate our pilot Solar Project at our Fahud accommodation facility. This is a pioneering energy efficiency project, using a solar cell structure to provide shade to our parking area. The solar generation provides much of the power required by the facility and brings a considerable environmental benefit – the equivalent of not driving 4.5 million kilometres.

Renaissance has also been exploring the efficiencies of greener solutions to waste management, introducing a system for composting food waste instead of sending it to landfill. One of our teams attended the Global Green Awards in Berlin, Germany, to accept an award for this initiative, which will lower our overall carbon footprint by around 45%.

Outlook

The recent dip in oil prices have dampened any prospect of a better second half of the year, akin to a perfect storm; clearly trading conditions will remain difficult for Topaz. Renaissance, through its contract services, continues to track its previous year's operating results.

Staying with the storm analogy, management has worked closely with its customers and maintained the top line and related cash flows whilst pruning costs as aggressively as is safely permissible. Major emphasis has been placed on the company's balance sheet. There have been massive corporate actions relating to the capital and debt structures, all of which have been concluded with spectacular success relative to the circumstances.

The Stone Age did not end because we ran out of stone and the age of oil will not end for the same reason. The dynamics of the industry have changed but oil will remain as important as ever before. Later in the year, as the new normal around this industry emerges, we will be able to make thoughtful assessments of asset values and any impairment that needs to be addressed.

In such storms, it will ultimately be about winners and losers. Asset dislocations produce great value propositions. We are confident that given our solid balance sheet, we will take advantage of the many emerging opportunities. But most important, is the belief that we are now positioned to withstand the challenges and emerge bigger and stronger. We do not intend to waste a good crisis.

Tribute

The recent celebration of the 45th Renaissance Day was enhanced by the presence in the country of His Majesty Sultan Qaboos and news of his continued recovery to good health. We remain grateful to His Majesty for the confidence he gives to Omani companies like us to go out and compete with the best in the world in both home and international markets.

Samir J. Fancy
Chairman

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	2015 Rial '000	2014 Rial '000
Non-current assets		
Property, plant and equipment	594,263	558,556
Intangible assets	33,020	31,958
Other non-current assets	2,810	3,536
	630,093	594,050
Current assets	134,938	139,739
Current liabilities	100,116	106,474
Equity settled mandatory convertible bonds - current portion	22,129	-
Net current assets	12,693	33,265
Non-current liabilities		
Term loans and senior notes, excluding current maturities	341,586	349,430
Equity settled mandatory convertible bonds	40,925	38,948
Non-current payables and advances	16,688	9,550
	399,199	397,928
Net assets	243,587	229,387
Equity		
Share capital	28,209	28,209
Treasury shares	(1,704)	(1,704)
Share premium	19,496	19,496
Legal reserve	9,605	9,603
Subordinated loan reserve	21,429	17,143
Retained earnings	84,812	108,245
Other reserves	(181)	43
	161,666	181,035
Non-controlling interest	81,921	48,352
Total equity	243,587	229,387

UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	2015 Rial '000	2014 Rial '000
Continuing Operations		
Revenue	117,865	117,274
Operating expenses	(83,519)	(77,530)
Administrative expenses*	(13,321)	(12,123)
Profit from operations	21,025	27,621
Net finance costs**	(16,994)	(13,871)
Amortisation	(75)	(15)
Profit before income tax	3,956	13,735
Taxation	(5,265)	(4,599)
Profit/(loss) for the period from continuing operations	(1,309)	9,136
Profit/(loss) for the period from discontinued operations***	(605)	1,785
Profit/(loss) for the period	(1,914)	10,921
Net profit/(loss) attributable to:		
Shareholders of the Parent Company	(4,668)	7,368
Non-controlling interest	2,754	3,553
	(1,914)	10,921

* Administrative expenses for the period ended 30 June 2015 include one-off receivables provision of RO 1.9 million (2014: RO 0.7 million).

** Finance charges for the period ended 30 June 2015 include write-off of unamortised loan arrangement costs RO 3.2 million in Topaz.

*** Profit from discontinued operations for the period ended 30 June 2014 include profit of RO 1.8 million from the divestment of Media and Communication Group.

Note:

1) The complete accounts will be sent by mail to shareholders within 7 days of receipt of the request.

2) The complete set of financial results can be accessed on www.renaissanceoman.com

