

## Chairman's Report H1 2016

### 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 2016.

Oil price remains comparatively low and this continues to affect our business performance; but has not affected our ability to make important contract gains that will deliver superior performance in the years ahead.

### FINANCIAL PERFORMANCE

	Rial Million		USD Million	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>Continuing operations</b>				
Revenue	107.8	117.8	280.0	305.9
EBITDA	38.0	37.9	98.7	98.4
Operating profit	21.1	22.2	54.9	57.7
Net profit/(loss) after tax from continuing operations	2.7	(0.1)	7.1	(0.1)
<b>Discontinued operations</b>				
Loss from discontinued operations	(0.1)	(1.8)	(0.2)	(4.6)
<b>Net profit/(loss) after tax</b>	<b>2.7</b>	<b>(1.9)</b>	<b>6.9</b>	<b>(5.0)</b>
<b>Net loss after minority interest</b>	<b>(1.5)</b>	<b>(4.7)</b>	<b>(3.9)</b>	<b>(12.1)</b>

Note:

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

The company has completed the buyback of the third and final tranche of Mandatory Convertible Bonds (MCB). In this third tranche initiative, the company has secured buyback of 46% of MCBs.



	Rial Million		USD Million	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>Continuing operations</b>				
Revenue	57.7	67.5	149.8	175.3
Operating profit	15.4	17.9	40.1	46.5
Net profit/(loss) after tax	0.3	(1.2)	0.8	(3.1)
Net loss after minority interest	(3.9)	(3.9)	(10.1)	(10.1)

Note:

1. H1 2015 Net loss is after write-off of unamortised loan arrangement costs of RO 3.2 million

The Offshore Support Vessel (OSV) sector appears one of the worst-affected within the oil & gas industry in the prevailing oil price crisis. There are more than 1,000 OSVs in lay-up throughout the industry's global fleet. This is reflected in the lay-up of over 300 of the rigs and floaters, which the OSVs serve. So of course Topaz is also affected.

While our core markets in the Caspian are stable, MENA and Africa are under pressure due to the migration of vessels from the dormant Asian market, under-cutting rates at a time when market activity is already depressed. As a result there is ever-increasing need for companies to cold-stack vessels; and the industry, including Topaz, shall have to again review vessel valuations and potential impairment at the end of the year.

In spite of this, Topaz continues to outperform its global peers. This is because Topaz has shown prudence and foresight in the structure of both its business model and financial model. The company is demonstrating a unique capability within its industry to absorb the negative impact thrown at it and emerge resilient and strong. The strength of the balance sheet, constant focus on robust liquidity planning, and a contract backlog of US\$1.6 billion are just some of the reasons both Moody's and S&P reaffirmed Topaz's core ratings.

While we may be disappointed in the affect upon current profit performance; which may continue like this throughout 2016 and 2017; we are reassured by industry comparisons and significant new contract gains that assure a positive future.

In Q1 we advised you that the BP contract extension in Azerbaijan – which extends the contract tenure of 14 vessels until 2023 – had been recognised by the prestigious Seatrade Awards as 'Global Deal of the Year'. Long-term contracts such as these underwrite Topaz stability through this crisis.

In Q2 we have announced that Topaz, in consortium with Blue Water Shipping A/S, secured a contract to supply and operate 15 vessels for the Tengizchevroil (TCO) joint venture in Kazakhstan for a contract value in excess of US\$350 million.



One of the 15 Module Carrying Vessels (MCV) to be commissioned by Topaz

Under the terms of the agreement, Topaz will commission the construction of 15 newly designed Module Carrying Vessels (MCVs). The vessels will commence work in Q2 2018 for a minimum contract period of three years.

The innovative vessels have been designed in collaboration with Vard Shipyard Group, and crafted to navigate through river systems as they transport modules and cargoes through the Russian waterways to the Tengiz oilfield in Kazakhstan. The first tranche of investment in these vessels commenced in Q2.



Topaz's Caspian Protector in operation

Contract gains of this kind, and Topaz's continuing ability to invest in its future in these most trying times, demonstrate the underlying strength of the company in extraordinary market conditions.

If we remain patient today, the platform is secure for reward tomorrow.



	Rial Million		USD Million	
	H1 2016	H1 2015	H1 2016	H1 2015
<b>Continuing operations</b>				
Revenue	50.2	50.3	130.3	130.6
Operating profit	5.7	4.3	14.8	11.2
Net profit after tax	4.2	2.3	10.9	6.0
Net profit after minority interest	4.2	2.3	10.9	6.0

Q2 is a period where annual impacts on performance occur with reduced summer occupancies and seasonal changes in operations during the Holy Month of Ramadan. Q1 also included some one-off short term contracts.

We continue to see the effects of the current low oil price on our services businesses. Occupancy in the oilfields remains 10% lower than the previous year. Also many tenders, due to be issued this year, have not come out to market competition; as government entities and other clients choose to issue contract extensions to incumbents in exchange for reduction of current price. That said, we do have a number of major bids and business proposals submitted and under consideration by clients. If successful, these include some opportunities of large scale that could have a positive impact.

Our strategy to diversify our services, sectors and geographies is delivering a broader opportunity base for our competencies in Integrated Facilities Management (IFM), Soft FM and Hard FM; and over time this shall out-weigh the current lack of activity in the traditional re-tender process.



Renaissance catering facility in Muscat

### UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	2016 Rial '000	2015 Rial '000
<b>Non-current assets</b>		
Property, plant and equipment	602,571	594,263
Intangible assets	33,117	33,020
Other non-current assets	3,604	2,810
	<b>639,292</b>	630,093
<b>Current assets</b>	<b>108,556</b>	134,938
<b>Current liabilities</b>	<b>86,210</b>	100,116
Equity settled mandatory convertible bonds - current portion	594	22,129
<b>Net current assets</b>	<b>21,752</b>	12,693
<b>Non-current liabilities</b>		
Term loans and senior notes, excluding current maturities	330,312	341,586
Equity settled mandatory convertible bonds	20,997	40,925
Non-current payables and advances	45,877	16,688
	<b>397,186</b>	399,199
<b>Net assets</b>	<b>263,858</b>	243,587
<b>Equity</b>		
Share capital	29,065	28,209
Treasury shares	(3,445)	(1,704)
Share premium	21,045	19,496
Perpetual notes	46,799	-
Legal reserve	9,884	9,605
Subordinated loan reserve	20,000	21,429
Retained earnings	51,936	84,812
Other reserves	(1,103)	(181)
	<b>174,181</b>	161,666
Non-controlling interest	89,677	81,921
<b>Total equity</b>	<b>263,858</b>	243,587

The company has acquired an 80% controlling stake in Emirates Taste Catering Services LLC (ETC) in Abu Dhabi, UAE; to be effective 1 September 2016. While this acquisition is not of material size, ETC has an excellent reputation with a number of secured contracts providing services from a central production unit (CPU) to various commercial outlets, factories, schools and other clients. ETC represents a slight diversification from our traditional contract services business, which shall continue to be developed in Abu Dhabi through Renaissance Facilities Management Services LLC (RFMS); while ETC has potential to grow in the niche market operated from a first class CPU. The acquisition gives us a profitable base from which to develop the market.



Progress at the flagship Renaissance Village in Duqm

We shall open the first phase of our new Renaissance Village in Duqm in the second half of the year. We expect occupancy build-up to be slow in the initial months of operation. Duqm remains a bright area of activity in the economy with projects progressing, albeit a little slower than planned. We expect our Duqm project to be an ever-increasing engine for growth in 2017 and the years ahead.

### OUTLOOK

In the oil-based economies where we operate we expect growth will slow and remain sluggish in 2016 and 2017. Governments will take further measures to raise money and spend less to balance the fiscal books. Clients shall continue to look for ways to reduce costs and new projects shall be fewer and farther between. So our major challenge is to sustain the safe navigation of this difficult period ahead in these next two years.

However, our businesses are riding out the severe downturn in the oil and gas reliant economies: We are out-performing peer group companies through our volume of long-term stable contracts and the recent extension of many of those contracts. We have sight of potential growth drivers from 2017 in Duqm for Renaissance, and from 2018 with the TCO contract for Topaz. While new opportunities are tough to win, our strategies are working and gradually offering our businesses a broader opportunity platform.

### TRIBUTE

This statement is being issued shortly after we have celebrated the 46th Renaissance Day in Oman. We pay tribute to His Majesty Sultan Qaboos for his leadership in the development of Oman over that time into a modern and growing economy and a haven of security and peace.

Samir J. Fancy

Chairman

### UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	2016 Rial '000	2015 Rial '000
<b>Continuing Operations</b>		
<b>Revenue</b>	<b>107,793</b>	117,781
Operating expenses	(69,910)	(79,963)
Depreciation	(16,745)	(15,614)
<b>Profit from operations</b>	<b>21,138</b>	22,204
Net finance costs	(13,849)	(16,994)
<b>Profit before tax</b>	<b>7,289</b>	5,210
Taxation	(4,564)	(5,265)
<b>Profit/(loss) for the period from continuing operations</b>	<b>2,725</b>	(55)
Loss for the period from discontinued operations	(58)	(1,859)
<b>Profit/(loss) for the period</b>	<b>2,667</b>	(1,914)
<b>Net profit/(loss) attributable to</b>		
Shareholders of the Parent Company	(1,484)	(4,668)
Non-controlling interest	4,151	2,754
	<b>2,667</b>	(1,914)

Note:

- The complete accounts will be sent by mail to shareholders within 7 days of receipt of request.
- The complete set of financial results can be accessed at [www.renaissance.om](http://www.renaissance.om)