Chairman's Statement Q1 2018

النهضة
Renaissance

OVERVIEW

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG, for the three-month period ending 31 March 2018.

This quarter the company has returned to marginal profit. The industry turbulence created by the oil price crisis is stabilising. The company has a platform for growth and a programme to restore and create value.

In this quarter the company published its seventh annual Sustainability Report. Our commitment to sustainability strengthens the company's DNA: operating safely; growing efficiently; planning green; and delivering locally. This ensures safe, efficient and innovative service solutions for our customers. It also underwrites our path to growth and the creation of long-term sustainable stakeholder value.

As performance improves during 2018, we are considering strategic options to enhance value in Topaz; and initiatives to diversify and accelerate growth in our Renaissance services business.

FINANCIAL PERFORMANCE

Group Consolidated

	Rial Million		USD Million	
	Q1 2018	Q1 2017	**Q1 2018**	Q1 2017
Revenue	**51.6**	46.6	**134.0**	121.0
EBITDA	**17.2**	15.6	**44.7**	40.6
Operating profit	**8.5**	7.4	**22.1**	19.2
Net profit/(loss) after tax	**0.9**	(1.0)	**2.3**	(2.5)
Net profit/(loss) after minority interest	**0.2**	(2.5)	**0.5**	(6.4)

We expect margins to remain tight in the first half of the year, and grow in the second half of the year.

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.

TOPAZ
ENERGY AND MARINE

The global Offshore Support Vessel (OSV) Company

	Rial Million		USD Million	
	Q1 2018	Q1 2017	**Q1 2018**	Q1 2017
Revenue	**25.4**	22.4	**66.0**	58.2
EBITDA	**12.5**	12.0	**32.5**	31.2
Operating profit	**6.1**	5.4	**15.8**	14.2
Net loss after tax	**(1.2)**	(1.3)	**(3.1)**	(3.4)
Net loss after minority interest	**(2.2)**	(3.0)	**(5.7)**	(7.9)

Given market circumstances, Topaz delivered an acceptable result, with a revenue of Rials 25.4 Million (USD 66 Million) and EBITDA of Rials 12.5 Million (USD 32.5 Million), up 13% and 4% respectively, compared to the same period in 2017. With an EBITDA margin of 50%, Topaz continues to significantly outperform its peer group. Importantly, the utilisation of Topaz's core fleet improved to 84% in Q1 2018 - 22%-points above the same period in 2017, and a testament to the close relationships which Topaz has with key customers in the Exploration and Production (E&P) industry. The utilisation was positively impacted by all ships in Turkmenistan being operational since late 2017, by 90% utilisation of the Africa fleet, and 78% utilisation of the MENA/Subsea fleet. However, rates continue to drag results and will take a little longer to improve.

Most market commentators predict a more stable oil price period and OSV market conditions are modestly improving as we move further into 2018. Nonetheless, they remain challenging, right across our business. We see 2018 as the year the Topaz performance stabilises and, quarter by quarter, improves its performance, with the TengizChevroil contract in H2. We continue to rebuild the value that we have lost and to diligently pursue new growth opportunities as they arise.

Topaz and its shareholders believe that it is the right time to consider the Company's strategic options in relation to growth and capital enhancement. Although the company has been severely affected by the crisis, it has proved itself by bringing innovative marine logistics solutions to the market, and creating a new industry model for the future. Topaz must now take advantage of its status as a key market leader. All options are being considered, including inorganic and capital market transactions such as an offering of securities in the Company. At this stage, no decision has been taken to proceed in any particular direction, and any transaction in the future would be subject to meeting the Company's strategic criteria as well as market conditions at the time.

In Q2 we plan to divest five aging OSVs which have been in lay-up mode for three years. The company has evaluated the cost of bringing them back in to active service, will largely outweigh the benefit. This will further reduce the average age of the total fleet. We anticipate this may lead to a non-cash write down of c. Rials 3.3 Million (USD 8.5 Million) on disposal, raise cash, and cease ongoing cold stack costs of Rials 0.2 Million (USD 600K) per month.

النهضة
Renaissance

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

	Rial Million		USD Million	
	Q1 2018	Q1 2017	**Q1 2018**	Q1 2017
Revenue	**26.2**	24.1	**68.1**	62.7
EBITDA	**4.7**	3.6	**12.2**	9.4
Operating profit	**2.4**	1.9	**6.2**	5.0
Net profit after tax	**1.7**	1.1	**4.4**	2.8
Net profit after minority interest	**2.0**	1.3	**5.2**	3.4

This quarter the company has achieved good outcomes in a number of competitive tenders; securing important contract retentions and new business awards. This has been supported by stable performance and high occupancy in the Renaissance PDO Villages. However, this is offset by continuing losses in the fledgling UAE operations and Renaissance Village Duqm during the occupancy build-up phase. We are working to turn these to profit during this year.

Contracts retained include BP Khazzen, Daleel Petroleum and Occidental Mukhaizna. We announced a major contract award from Oman's Ministry of Health (MoH) valued at Rials 47.9 Million (USD 124.5 Million) over three years. This represents 100% retention of our previous MoH contracts and a number of new awards. Other new contracts include services to ORPIC in Muscat and Sohar; and classified short-term military contracts. Total contract awards won in competitive tender this year are valued at Rials 89.6 Million (USD 232.9 Million), of which 88% is retention and extension of existing business.

Occupancy at Renaissance Village Duqm is c. 3,400 residents at 20%. Break-even threshold is 47%, which we expect to cross in 2018. The timing of significant occupancy growth depends on progress of the next major project in Duqm, which is the Oman-Kuwait Joint Venture to build Duqm Refinery (DRPIC). DRPIC has laid the foundation stone for the project, and has awarded Engineering, Procurement and Construction (EPC) contracts in three packages to three EPC consortia. The next steps are for DPRIC to close out the Final Investment Decision (FID) and issue Notice to Proceed (NTP) to the EPC contractors. We expect this may happen in late June.

Some EPC Contractors and some of their nominated sub-contractors are in an advanced stage of preparation, in anticipation of NTP. In all cases, these clients are engaged with us to secure our guarantee of room availability against their guarantee of occupancy, once they receive NTP. We anticipate we may need to invest in some room conversions and accommodation expansion to meet the demand demographic.

Meanwhile we must be patient, secure in the knowledge Duqm Refinery is going ahead shortly. We applaud the work of DRPIC and its shareholders, Oman Oil Company (OOC) and Kuwait Petroleum International (KPI), to bring the project to this stage. This will be a game-changer for Duqm, spawning new projects upstream and downstream of the Refinery. It is a catalyst for economic diversification and sustainable growth of the Special Economic Zone at Duqm (SEZAD). We wish success to our entire Duqm family.

In Norway, our subsidiary NOC has been awarded services contracts for 2 Transocean rigs to mobilise later this year, after handover from the incumbent contractor. This adds to the 9 rigs already served: 5 rigs for Maersk; and 4 Transocean/ Songa rigs; which shall now increase to 6. This strengthens NOC's status as the leading provider of offshore catering, housekeeping and laundry services in the Norwegian sector of the North Sea.

OUTLOOK

Topaz has an industry-beating contract backlog of Rials 0.6 Billion (USD 1.5 Billion). The Renaissance contract services backlog (excluding the Renaissance Villages) has risen from Rials 58.1 Million (USD 151 Million) to Rials 129.7 Million (USD 337.2 Million) at the end of this first quarter.

We said 2018 would be a transitional year. This is proving to be the case. There are still challenges, and there may be volatility. But the trend is positive.

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 31 MARCH 2018

	2018	2017
	RO '000	RO '000
Non-current assets		
Property, plant and equipment	**617,846**	618,310
Intangible assets	**30,710**	35,166
Other non-current assets	**4,961**	8,888
	653,517	662,364
Current assets	**112,073**	105,052
Current liabilities	**97,148**	89,219
Advance from a customer*	**30,109**	-
Equity settled mandatory convertible bonds - current portion	**-**	11,994
Net current assets	**(15,184)**	3,839
Non-current liabilities		
Term loans and senior notes, excluding current maturities	**360,429**	356,735
Non current payables and advance*	**96,095**	89,853
	456,524	446,588
Net assets	**181,809**	219,615
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	**(23,505)**	22,979
Other reserves	**(874)**	(1,009)
	47,378	80,579
Perpetual notes	**46,799**	46,799
Non-controlling interest	**87,632**	92,237
Total equity	**181,809**	219,615

* 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 107.7 million, Rial 30.1 million is estimated to be recovered over next 12 months and is classified as current liability in Q1 2018 (2017: Nil). Balance amount of advance Rial 77.6 million (2017: Rial 68.2 million) is included under Non current payables and advance.

UNAUDITED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED 31ST MARCH 2018

	2018	2017
	RO '000	RO '000
Revenue	**51,616**	46,587
Operating expenses	**(34,612)**	(31,092)
Depreciation	**(8,470)**	(8,106)
Profit from operations	**8,534**	7,389
Net finance costs	**(7,075)**	(6,604)
Profit before tax	**1,459**	785
Taxation	**(585)**	(1,751)
Profit/(loss) for the period	**874**	(966)
Net profit /(loss) attributable to :-		
Shareholders of the Parent Company	**206**	(2,483)
Non-controlling interest	**668**	1,517
	874	(966)

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 **www.renaissanceoman.com**

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