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Renaissance Services SAOG

Chairman's Report Q3 2015

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

Our group today

The Renaissance Group has now completed the delivery of its One Group, Two Companies strategy: an ambitious programme we began in 2012, to divest our outlying activities and concentrate on our twin core strengths.

The last step in this divestment programme was taken in September, with the sale of our marine engineering business in UAE.

From this point, each of the two companies in the group has a clear focus and distinct strategy:

Topaz Energy and Marine will build on its strengths, operating our fleet of Off-Shore Support Vessels (OSV).

Renaissance will operate our accommodation villages in the oil and gas fields of Oman, and develop its increasing sophistication as a facilities management business.

Group financial performance

	Rials Million		USD Million	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Continuing Operations				
Revenue	**179.3**	182.2	**465.7**	473.2
EBITDA	**58.7**	65.1	**152.5**	169.1
Operating profit	**34.6**	43.8	**89.9**	113.8
Net Profit after tax from continuing operations	**2.6**	15.4	**6.7**	40.0
Discontinued operations				
Profit/(loss) from discontinued operations	**(3.2)**	1.7	**(8.3)**	4.4
Net profit/(loss)	**(0.6)**	17.1	**(1.6)**	44.4

Notes:

1. *Q3 2015 EBITDA and operating profit are after one-off receivables provision of Rials 1.9 million (Q3 2014: Rials 1.0 million) and loss on sale of a vessel Rials 0.5 million.*
2. *Q3 2015 net profit from continuing operations is after write-off of unamortised loan arrangement costs of Rials 3.2 million in Topaz.*
3. *Q3 2015 loss from discontinued operations includes capital loss on divestment of Rials 2.1 million, plus the operating loss of that company of Rials 1.1 million.*

In a global market that is still adjusting to the steep decline in oil prices, many of our operations have performed well this quarter. The net profit before one-off charges for 2015 is Rials 8.1 million (2014 Rials 16.4 million). The relatively stable revenues and operating profits are a signal of our company's strengths, but this performance is marred by serious losses through our nascent West African assets. We are just now seeing West African business begin to change and we welcome increasing activity in our newest region.

The final divestment of the Marine Engineering business also brought with it a capital loss of Rials 2.1 million and an operating loss of Rials 1.1 million, compounding the overall operating loss in this business.

You cannot control cyclical or sudden extraneous events but we can adjust our business model to cope with the challenges they deliver to survive and thrive. Our relentless focus has five distinct features: safety and quality stands at the top of our priorities; the strength and durability of our balance sheet has seen the successful closure of numerous financial initiatives, which vastly improve our debt amortisation profile at competitive financing rates – the comfort and confidence of our financial stakeholders being paramount; we equate our top line to the ultimate value of our franchise – we are working with our customers to give them market competitive rates in return for longer term guarantee of tenure and future escalation options which deliver long-term cash flow. The industry dynamics are reducing the cost base of the business which added to greater efficiencies is bringing down costs albeit at a slower rate than immediate margin adjustments and the understandable alarm in reactions of customers at the start of the year. This will flow through in 2016; and finally, the industry will consolidate and we are keeping a close eye on those events to respond to opportunity when it arises.

In all of the above, material progress has been made and many of the successful initiatives disclosed; but the focus continues.

Group asset performance

The group is running two major capex programmes, constructing its accommodation village in Duqm and expanding the Qarn Alam village too. This quarter, we also announced the acquisition of two new, modern Subsea vessels that will join the fleet in 2017 so that we can maintain our OSV market advantage in terms of youth and efficiency. Across the OSV market, under-utilised assets are seeing their value decrease – average worldwide market utility is in the 45-55% band. This is good reason to retain the financial freedom to take up any judicious expansion opportunity.

However, the low oil price and consequent under-utilisation may affect the value of some of the OSV assets we already hold. While strategic redeployment has seen some assets getting back to work, some have not, so far, and if this continues into the fourth quarter of 2015 we may face asset value impairments to conform to IFRS requirements. This, and any other provisioning, is expected to be in the range of 5-7% of their USD 1.3 billion value. The group total assets stand at USD 2.0 billion.

TOPAZ
ENERGY AND MARINE

The Offshore Support Vessel (OSV) fleet, providing marine solutions to the global energy industry.

Financial performance

	Rials Million		USD Million	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Revenue	**105.5**	111.2	**274.0**	288.8
Operating profit	**29.4**	37.5	**76.4**	97.4

Note:

Q3 2015 operating profit is after one-off receivables provision of Rials 0.8 million (Q3 2014: Rials 1 million) and loss on sale of a vessel Rials 0.5 million.

The OSV market continues to struggle. The new normal we are seeing will expect us to be profitable at lower margins. But this is the world we have expected since the oil price drop last year, so we are adapting.

So far this year, our Caspian home market has seen 98% utilisation – almost full service. Activity and inquiries into our business have defied the global trend to maintain a brisk pace during the quarter and we are working closely with our partners to further extend our long-term contracts.

In MENA, we continue to do well: utilisation remains high at 88% and our decision to move two vessels, the Johor and Addax, has proved successful, as these vessels are seeing robust spot employment in the region; pressure comes from inconsistent performance of rate levels here. However, an excellent result was the securing of a long-term contract of 4 K-class vessels with Aramco, for the next 3-5 years.

In West Africa we are starting to see more activity – overall, this has been a better quarter than the last for the region – but the basic fact is that we have incurred serious losses this year in this region, which is dragging the OSV fleet's overall performance.

النهضة
Renaissance

The facilities management and "Renaissance Villages" accommodation business.

Financial performance (previously reported as CSG)

	Rials Million		USD Million	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Revenue	**73.9**	71.0	**191.9**	184.4
Operating profit	**7.5**	8.5	**19.5**	22.1

Note:

Q3 2015 operating profit is after one-off receivables provision of Rials 1.1 million.

We have mobilised several new contracts in our Facilities Management business this year.

The low oil price continues to exert pressure on occupancy in the Renaissance accommodation villages in Oman's oil and gas fields. However, the overall Oman business remains solid with reasonable growth prospects over the foreseeable future.

We are still suspending our West African operations, where difficulty in having our payment terms met means we have written-off Rials 1.1 million.

In our flagship Duqm project, the Shareholder meetings for the new Duqm companies were held in October and heard that construction continues on target, despite some adjustments to ensure the continued excellence of our safety record and meet the challenges of unfavourable climatic conditions.

Group outlook

We made it clear that this was going to be a difficult year as it has proved. We expect a new normal to emerge and there are nascent signs that the market for the OSV industry is bottoming out. Perversely, we expect growth in our facility management business through increased outsourcing of non-core services as government and industry try and adapt to the new normal and bring down costs.

During this year we have taken charges that affect our P&L and will continue to do so through to the year end. Aside of the operating loss in the sale of a business all material one-off charges will not involve the movement of cash. This is not to make light of the reduction in the NAV, but to merely point out that we fully intend to put the business on a realistic footing so that all our stakeholders can better judge value and potential.

We have no expectation of any material improvements in oil prices, and have adapted our model to a lower oil price for the foreseeable future. We do however believe that all this effort will begin to show through positively next year.

Samir J. Fancy

Chairman

UNAUDITED FINANCIAL RESULTS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	2015 Rial '000	2014 Rial '000
Non-current assets		
Property, plant and equipment	**593,926**	568,457
Intangible assets	**32,965**	31,952
Other non-current assets	**5,423**	2,805
	632,314	603,214
Current assets	**125,801**	130,643
Current liabilities	**88,541**	104,866
Equity settled mandatory convertible bonds - current portion	569	-
Net current assets	**36,691**	25,777
Non-current liabilities		
Term loans and senior notes, excluding current maturities	**339,778**	345,060
Equity settled mandatory convertible bonds	**21,021**	38,948
Non-current payables and advances	**15,586**	9,289
	376,385	393,297
Net assets	**292,620**	235,694
Equity		
Share capital	**29,065**	28,209
Treasury shares	**(3,446)**	(1,704)
Share premium	**21,045**	19,496
Legal reserve	**9,605**	9,603
Subordinated loan reserve	**21,429**	17,143
Retained earnings	**83,735**	112,517
Other reserves	**(138)**	120
	161,295	185,384
Perpetual notes	**47,129**	-
Minority interest	**84,196**	50,310
Total equity	**292,620**	235,694

CONSOLIDATED STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	2015 Rial '000	2014 Rial '000
Continuing Operations		
Revenue	**179,330**	182,197
Operating expenses	**(125,421)**	(120,022)
Administrative expenses*	**(19,327)**	(18,330)
Profit from operations	**34,582**	43,845
Net finance costs**	**(24,265)**	(21,215)
Amortisation	**(140)**	(23)
Profit before income tax	**10,177**	22,607
Taxation	**(7,609)**	(7,192)
Profit for the period from continuing operations	**2,568**	15,415
Profit/(loss) for the period from discontinued operations***	**(3,185)**	1,698
Profit/(loss) for the period	**(617)**	17,113
Net profit/(loss) attributable to:-		
Shareholders of the Parent Company	**(5,745)**	11,640
Non-controlling interest	**5,128**	5,473
	(617)	17,113

** Administration & general expenses for the period ended 30 September 2015 include one-off receivables provision of Rial 1.9 million (2014: Rial 1.0 million).*

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

**** Profit/(Loss) from discontinued operations for the period ended 30 September 2015 include capital loss of Rial 2.1 million on sale of Marine Engineering Division (2014: Include profit of Rial 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

RENAISSANCE SERVICES SAOG
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