

Chairman's Statement Q3 2016

As the oil price crisis continues, 2016 remains a difficult and challenging year for the company. Whether or not oil price starts to rise, we must expect another tough year in 2017 as the oil & gas industry adjusts to what the industry is calling 'The New Norm'.

While we do not under-estimate the impact of these 2015-2017 market conditions on financial performance and asset values; we draw our stakeholders' attention to key facts that provide assurance of our ability to weather the current conditions, and provide positive visibility for the future:

Both of the company's operating businesses (Topaz and Renaissance) have long-term stable contracts that deliver sustainable operating profit.

The company's balance sheet is resilient and liquidity is sustained by positive EBITDA enabling the company to comfortably meet all its financial obligations.

Both operating businesses have secured positive new contract and business positions that will generate significant profitable growth from 2018.

FINANCIAL PERFORMANCE

	Rial Million		USD Million	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Continuing Operations				
Revenue	157.1	179.2	408.1	465.6
EBITDA	54.5	60.0	141.5	155.8
Operating profit	28.7	35.8	74.5	92.9
Net profit/(loss) after tax from continuing operations	0.9	3.9	2.5	10.1
Discontinued operations				
Loss from discontinued operations	(0.1)	(4.5)	(0.3)	(11.7)
Net profit/(loss) after tax	0.8	(0.6)	2.2	(1.6)
Net loss after minority interest	(5.2)	(5.7)	(13.4)	(14.9)

Note:

1. Q3 2015 Net loss is after write-off of unamortized loan arrangement costs of Rial 3.2 million in Topaz
2. Q3 2015 loss from discontinued operations includes capital loss on divestment of Marine Engineering business Rial 2.1 million plus the operating loss of that business of Rial 1.1 million; and the operating loss of Renaissance Contracting Business in Africa of RO 1.3 million.

We are focused on preserving liquidity, cash generation, limiting capital expenditure, controlling and reducing costs and winning new profitable business.

TOPAZ

Continuing operations	Rial Million		USD Million	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenue	83.3	105.5	216.3	274.0
Operating profit	21.2	29.4	55.0	76.4
Net profit/(loss) after tax	(1.6)	2.2	(4.2)	5.7
Net loss after minority interest	(7.7)	(2.9)	(20.1)	(7.5)
<i>Note:</i>				
<i>1. Q3 2015 Net profit is after write-off of unamortized loan arrangement costs of Rial 3.2 million</i>				

The Offshore Support Vessel (OSV) sector has been hit hard by the oil price crisis. Utilization and rate levels are at an all-time low forcing more than a thousand vessels across the industry into lay-up, and driving asset valuations down with them. At the end of the year, Topaz shall carry out its annual valuation of all vessels to assess potential impairment. The lull in the OSV market has persisted for almost two years now causing performance pressure and some recent industry consolidation.

Topaz is affected much like our peers, but stand apart in a few crucial ways: through our Caspian position, our ability to win significant contracts and build backlog, our ability to reduce cost to re-set the business to the current environment, and our prudent liquidity planning.

The company's strategic market position in the Caspian has proven its worth time and again in challenging circumstances and is currently producing healthy cash-flows and showing opportunity for further growth.

The company has secured two very large contracts in Azerbaijan and Kazakhstan that safeguard the company's long-term future at attractive terms in the midst of the crisis. The two recent project awards have added to Topaz's backlog, bringing it to an industry leading US\$1.6bn, and so improving earnings visibility and credit strength in these challenging times for the OSV industry.

The company has driven out US\$37 million of our total cost base over the last 24 months, through efficiencies and cutbacks, without compromising safety or service delivery. These have been tough but necessary decisions in prevailing market conditions. The company is prepared for the new norm in the Oil & Gas industry.

In Q2 we reported Topaz securing a contract to supply and operate vessels for the Tengizchevroil (TCO) joint venture in Kazakhstan. Since then, the contract has grown to include Topaz owning and operating 17 vessels in addition to its appointment as technical

managers of three additional vessels by a consortium comprising Blue Water Shipping A/S and Kazmortransflot (KMTF). The total TCO contract is now worth in excess of US\$550 million to Topaz over a minimum contract period of three years commencing in Q2 2018.

This important contract win has opened many opportunities for Topaz with formidable customers such as Chevron and ExxonMobil, and has opened up strategic paths for achieving a more diversified business platform over the longer term.

Topaz is strategically and financially positioned to navigate the weak markets we expect to persist in 2016 and 2017. Short-term pressure shall affect our current profit performance, but we are assured a positive future thanks to our contract backlog, our Caspian market position, our young fleet, our lean cost-base and our stable balance sheet.

RENAISSANCE

Continuing operations	Rial Million		USD Million	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenue	73.8	73.7	191.7	191.4
Operating profit	7.5	6.4	19.5	16.6
Net profit after tax	5.3	3.4	13.9	8.8
Net profit after minority interest	5.4	3.4	14.1	8.8

We continue to see the effects of the current low oil price on our services businesses. Revenue in the oilfields is lower than the previous year through a combination of lower occupancy, lower expenditure on additional services, cutbacks and price reductions. We are working closely with our clients to achieve more with less, maintaining service standards with no compromise on safety performance.

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. We have had a breakthrough with a new contract in the Utilities Sector with Muscat Electricity Distribution Company SAOC (MEDC) for Meter Reading & Bill Delivery Services (MRBD) for Electricity & Water in Muscat Governorate Zone 1 (Quriyat, Muscat, Amerat and Muttrah). The contract value is > Rials 4 million for 4 years, with this important new client in a new service sector. We have also retained several Soft FM contracts through re-tender to maintain our current contract base going into 2017.

The first phase of our new Renaissance Village in Duqm is now delayed until Q1 2017, due to further delays in utility connection. But the issues causing delay are resolved. 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 continue to compete for major opportunities where we offer our customers significant outsource solutions for their non-core services requirements; to provide them with higher standards and lower costs in these difficult times.

OUTLOOK

Our Outlook sentiments remain unchanged from our Q2 message:

We are coping with adverse market conditions and are expecting those conditions to remain for at least another year. We are adjusting our costs to absorb the realities of the new norm and anticipated additional cost pressures.

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.

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 or retention of many of those contracts. We have sight of potential growth drivers with Duqm for Renaissance, which will build slowly in 2017 and strongly in 2018 and beyond; and with the TCO contract for Topaz with a significant contribution for three years from mid-2018. 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 before we celebrate the 46th National 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