



2018 Chairman's Report

On behalf of the Board of Directors, I present the audited accounts for Renaissance Services SAOG, for the financial period ending 31 December 2018.

In 2018 the company returned to profit. For 2019, our two businesses – TOPAZ and RENAISSANCE – have each secured revenue growth. Political and economic volatility, both global and regional, continues to present challenges. We are sensitive to risk and alert to opportunity. We continue to consider options for increasing capital and improving liquidity in TOPAZ. We have committed further capital to extend the RENAISSANCE Village Duqm concept, increasing occupancy capacity from 16,960 to 18,655. We continue to drive continuous improvement in safety, standards and service offerings in both companies. We continue to innovate to ensure both businesses are increasingly agile, efficient, and customer-centric.

RENAISSANCE GROUP - Financial performance

	Rial Million		USD Million	
	2018	2017	2018	2017
Continuing Operations (before one-off charges)				
Revenue	244.0	194.6	633.8	505.5
EBITDA	93.9	60.0	243.9	155.8
Operating profit	54.7	24.9	142.1	64.7
Net profit/ (loss) after tax from continuing operations (before Impairments and other one-off charges)	16.0	(10.7)	41.6	(27.8)
Impairments and other charges (Note 1)	(5.0)	(36.0)	(13.0)	(93.5)
Net profit/ (loss) after tax from continuing operations	11.0	(46.7)	28.6	(121.3)
Discontinued operations				
Loss from discontinued operations*	-	(0.1)	-	(0.3)
Net profit/ (loss) after tax for the year	11.0	(46.8)	28.6	(121.6)
Net profit/ (loss) for the year after minority interest	6.8	(44.5)	17.7	(115.6)

* Loss from discontinued operation in 2017 relates to Marine Engineering Division

**Note 1 – The undernoted table reflects the details of Renaissance Group
Impairments and other charges**

	Rial Million		USD Million	
	2018	2017	2018	2017
Topaz				
Impairment of vessels (net of tax adjustment)	(1.6)	(24.2)	(4.2)	(62.8)
Loss on sale of vessels	(3.4)	-	(8.8)	-
Fair value change in derivative liability	-	(0.6)	-	(1.5)
Refinancing costs of Senior Notes	-	(7.3)	-	(19.0)
Impairment of goodwill	-	(3.0)	-	(7.8)
Total- Topaz	(5.0)	(35.1)	(13.0)	(91.1)
Renaissance				
Impairment of goodwill	-	(0.9)	-	(2.4)
Total- Renaissance	-	(0.9)	-	(2.4)
Total - Renaissance Group	(5.0)	(36.0)	(13.0)	(93.5)

The impairment in the value of vessels across the global Offshore Support Vessel (OSV) fleet, triggered by the oil price crash of 2014/15, has had a major impact on results over the past four years. The impact in 2018 was less marked, with improved utilization across most markets. TOPAZ achieved a market – leading 86% utilization of its core fleet in 2018.

Visibility of earnings generation and vessel utilization is positive for 2019, due to the safety, modernity and relevance of the TOPAZ fleet; and the stability of strategic partnerships and long-term contracts with blue-chip International Oil Companies (IOC) and National Oil Companies (NOC) clients. Positive cash flow performance ensures the company continues to meet all its financial obligations.

TOPAZ

	Rial Million		USD Million	
	2018	2017	2018	2017
Revenue	135.6	94.2	352.2	244.8
EBITDA	73.2	45.4	190.1	117.9
Operating profit	45.2	18.4	117.4	47.8
Net profit / (loss) after tax	10.6	(10.2)	27.6	(26.5)
Net profit / (loss) after minority interest	4.4	(14.3)	11.4	(37.2)

Note: The above profit numbers are before impairments and other one-off charges

TOPAZ is a global powerhouse in marine logistics, with the vision of being the champion provider of marine and logistics solutions to the global offshore industry.

Whilst market conditions are improving, continued volatility and uncertainty about the oil price may temper the speed of recovery. Nevertheless, IOCs and NOCs are announcing planned increases in capex and E&P activity. This is good news for TOPAZ.

The unprecedented turmoil in the industry over the past four years have proven that TOPAZ is both agile and experienced in navigating volatility. Our portfolio of vessels, despite the global OSV fundamental valuation reset, our geographic footprint, disruptive innovation and leadership position in home markets, together with the flexibility of our operating model, have enabled and will enable us to adapt well to future challenges.

In 2018 TOPAZ returned to profit. Of particular note is the company's strong Q4 result, which sets a new benchmark for sustainable and profitable growth going forward.

Throughout the downturn TOPAZ has continued to invest with confidence in its future: Growing and developing best-in-industry teams throughout the organization, in crews, support staff and our executive complement. We have continued to invest in our fleet, in further digitalization of our fleet, our systems, processes and innovation, to raise standards and drive down costs for both the company and our clients.

The outstanding progress we have made in 2018 shall underpin further positive impact in 2019 and the years ahead:

We have extended our flagship contract with BP in Azerbaijan until 2025. Two new Subsea vessels – *Topaz Tiamat* and *Topaz Tangora* – are ready for delivery in Q1 to serve secured contracts in the oil & gas and renewables sectors respectively. We have a combination of new vessel and bareboat options to meet growing demand from our Saudi Arabian and West African clients. The fleet of 20 vessels to serve the TengizChevroil (TCO) marine logistics contract through the Russian Inland Waterways into Kazakhstan was built and fully mobilized by the end of 2018. TOPAZ contract backlog has increased to a record US\$1.7 Billion - the highest by far of any of its peers globally.

As stated our Board is committed to developing an optimal long-term capital structure for TOPAZ. This will de-leverage the balance sheet, strengthen liquidity and provide funds for growth opportunities. Throughout 2018 we have reported that the company is taking professional advice to consider a variety of capital raising, equity offering or M&A initiatives; with a number of processes under consideration. We continue that work into 2019. We shall make the right decision once we believe we have achieved the right option in the right market conditions.

In summary, TOPAZ enters 2019 delivering strong growth, with the TCO Project at full capacity, growing demand in Caspian, West African and MENA markets, long-term secure contract positions in Azerbaijan, and new subsea vessel capacity in the fleet.

RENAISSANCE

	Rial Million		USD Million	
	2018	2017	2018	2017
Revenue	108.4	100.4	281.6	260.7
EBITDA	20.7	14.6	53.8	37.9
Operating profit	9.5	6.5	24.7	16.9
Net profit after tax *	6.7	2.8	17.3	7.4
Net profit after minority interest	8.1	4.6	21.0	12.0

Note: Net profit after tax for 2018 is after Rial 2.6 million loss in Renaissance Village Duqm (2017: Rial 3.5 million). Net profit for 2017 is before goodwill impairment of Rial 0.9 million.

RENAISSANCE is a market leading Services Solutions business in Oman, which is delivering growth by combining the cost advantage of our scale with a strategy to diversify our services, sectors and geography. The outsourcing culture is improving, and the addressable market is growing.

Our portfolio of services is increasing, with expanded solution offerings in four areas: Integrated Facilities Management (IFM); Soft FM; Hard FM; and Accommodation Solutions through our Renaissance Village brand – a design, build, own, operate solution for raising standards of lifestyle and welfare for workforces, at competitive cost, through economies of scale.

In 2018 we achieved a 100% record in major contract retention and extension, along with new contract gains. We won contracts to support the joint military exercise for Saif Saree'a at Duqm, MAM and Shaffa. We maintained high occupancy levels at all Renaissance Villages in PDO's oil and gas fields. We extended our contract tenure in major IFM contracts with BP Khazzan and Al Mouj. We increased our market share in competitive tender for contract services to the Ministry of Health Hospitals.

We have completed two years of initial occupancy build-up at Renaissance Village Duqm and we enter our first year of full-scale operations in 2019. With secured occupancy in hand, we shall pass break-even in Q1 and reach maximum current capacity (> 16,000 beds) by Q3. We are exploring expansion options to meet high excess demand in late 2019 and beyond.

We divested 100% ownership of our Norwegian subsidiary, Norske Offshore Catering (NOC), realising a capital gain of Rials 650K, having achieved equity IRR of 35%. We can be proud of our 12-year stewardship of NOC, and we wish the new owners and all our NOC colleagues every success in the future.

Our progress in growing our presence in the UAE market is slower than we would wish. We have restructured the organization there and believe we can create a larger customer base and establish profitability in 2019.

We have expanded the executive team and management bandwidth to drive innovation and further growth.

In our services diversification programme, we have won a breakthrough contract with be'ah for waste collection services in Al Wusta and SEZAD, through our JV partnership with Sager of Italy. The contract mobilizes in late 2019.

We have strengthened our Hard FM capabilities and established the *ProTek* brand to develop our traditional B2B service offerings into quality B2C homecare services. This is creating a high standard of maintenance and repair services for businesses and homes, at affordable cost, while creating good technical jobs for a predominantly Omani team.

RENAISSANCE performance will grow in 2019 just based upon rising occupancy at Renaissance Village Duqm. We remain focused on capturing further growth opportunities through demand for our Accommodation Solutions; our ongoing diversification strategy; and our digital strategy to drive efficiency and innovation for our company and our customers.

Environment, Social Responsibility, and Governance (ESG)

Sustainability is embedded in our corporate culture and underpins everything we do, from our dedication to best practice in Quality, Health, Safety and Environment (QHSE), to creating value for all our stakeholders. We remain committed to making a positive contribution to the communities in which we operate and supporting Oman's national development objectives.

Commitment to sustainability at the Renaissance Group starts with our Board and permeates the entire organization, backed by my personal vigilance and support. We seek to be transparent and disclose our achievements and challenges, through our annual sustainability reports aligned to the Global Reporting Initiative (GRI).

In 2018, at RENAISSANCE, we improved our safety performance, working throughout 2018 without Lost Time Incident (LTI), extending our record to 30 Million man-hours; we increased our procurement spend with local suppliers to 64%; we welcomed more Omani nationals to our senior management team and we continued to support the government's efforts on Omanisation and national skill development.

At TOPAZ, we had zero LTIs for the third consecutive year, extending our record to 14.7 Million man-hours; we expanded our flagship Self-Verification Programme (SVP) and recruited 350 new employees from local communities.

There is always room for continuous improvement. In 2018, RENAISSANCE adopted a 5-year roadmap to guide us on our sustainability journey into the future. Through these initiatives, we seek to enhance our sustainability-driven culture within the organization and embed internal processes to manage more effectively our Environmental, Social and Governance (ESG) impacts.

As an Omani company, we aim to contribute to sustainable development in the country. We want to set an example in progressive growth through focus on our values and maintaining strong stakeholder relationships. We carry that same philosophy into each country where we establish a home market presence.

Outlook

Our expectations for 2019 are very positive, with growth and margin improvement building every quarter. The pipeline of new opportunity is encouraging and our focus on growth, whilst managing efficiencies and cash gives us confidence. Dealing with the long-term capital structure for TOPAZ is a priority.

While the visible prospects for our operating companies offers encouragement, we remain mindful of the risk of headwinds arising from global and regional economic and political uncertainty.

The markets in which we serve are affected directly or indirectly by turmoil wherever it arises: from trade wars to Brexit; from conflicts in the region to the oil price rollercoaster. Whatever prevails, in all our key markets, there is a compelling need for greater economic diversification and an expanded role for the private sector.

In a chaotic world, we stand ready to offer our bedrock of trusted experience, upon which we continue to build a portfolio of innovative solutions.

Tribute

On behalf of the Board of Directors, I 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