

Chairman's Report Q1 2012



النهضة للخدمات ش.م.ع.ع.
Renaissance Services SAOG

On behalf of the Board of Directors, I present the unaudited accounts for Renaissance Services SAOG for the three-month period ended 31 March 2012.

The results and progress achieved in the first quarter of 2012 (Q1) are in line with expectation. In our Annual Report for 2011, we anticipated muted performance in the first half of 2012, followed by strong performance in the second half of the year. This is due to a combination of seasonal factors, planned dry-dock and fleet rationalisation in the Marine business, and ongoing completion of loss-making contracts in the Engineering business, which have their principal impact on Q1 and Q2 performance.

There is progress on many fronts: Completion of the first phase of re-financing; preparation for a Convertible Bond Issue for shareholders' consideration and approval to raise additional capital; completion of organisation change; and strong underlying operational performance and business growth.

Financial performance

	Rial Million		US\$ Million	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Revenue	74.0	68.5	192.2	178.0
EBITDA	16.2	13.9	42.1	36.1
Operating Profit	8.8	9.7	22.9	25.3
Net Profit before minority	2.0	1.7	5.2	4.4

Note:- EBITDA and Net Profit for Q1 2011 includes net provision of Rial 2.2 million related to the contract cancellation in the company's Ship Building operations.

Topaz Marine

Marine Group	Rial Million		US\$ Million	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Revenue	24.9	26.1	64.7	67.8
Operating Profit	5.8	8.8	15.1	22.9

Note:- Q1 2011 includes demobilisation income of Rial 1.1 million

The Marine business shall out-perform 2011 results in 2012 in year-on-year comparisons. However, Q1 and Q2 results shall be below the previous year due to a variety of factors. The scheduled dry-docking of vessels during this period is higher than last year which has a significant impact on revenue and profit performance.

We are also implementing a planned transition of our fleet, with older barges and smaller vessels demobilising from contracts in Kazakhstan. We are planning to dispose of these vessels either inside or outside the Caspian. At the same time two new 190-T AHTS and one new 80-T AHTS have joined the OSV Fleet in the Caspian on contract to BP. The company's Saudi Arabian subsidiary has been awarded a new charter for six 60-T AHTS vessels for Saudi Aramco. The total value of the contract is US\$ 88.7 million and all six vessels shall be deployed during Q2. The vessel charters are for a three-year fixed period and have an additional option for each vessel of two years at Saudi Aramco's discretion.

This is a transition phase of older tonnage leaving the fleet and new tonnage arriving, commissioning and deploying. As a result, there is a hiatus period in Q1 and Q2 of cost without revenue. The outcome shall be positive for the fleet as we continue to focus on building larger, more sophisticated, modern tonnage that meets the safety and technological needs of the International and National Oil Companies that we serve. This is the heart of our growth strategy: While the total number of vessels shall reduce temporarily with the disposal of smaller older tonnage, the new larger tonnage vessels reduce the age-profile and increase the scale and capacity of the OSV fleet, seen in sustained revenue growth each year.

Topaz Engineering

Engineering Group	Rial Million		US\$ Million	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Revenue	21.4	19.1	55.6	49.6
Operating Profit	(1.6)	(1.0)	(4.2)	(2.6)

As we explained in the Annual Report for 2011, the Oil & Gas Engineering business is still working through some legacy loss-making contracts that will have a negative impact performance in the first half of 2012. The last of these projects will be completed in October 2012. The new management team is focused on delivering these projects safely to our clients.

At the same time the company has won several new small to mid-range profitable contracts. The order book currently stands at US\$ 84 million. The restructured business has the right people and processes to return to profitable growth in a vibrant oil & gas market.

In the Marine Engineering business the ship repair division has returned to profit. The ship building division is not yet in profit but is generating operational momentum. The division is building two sister 80-T AHTS vessels for Topaz Marine. The first vessel is currently undergoing sea trials and commissioning for delivery. They are testament to the quality of design and construction capability of the business.

We are considering a variety of options to introduce potential new JV partners into our Engineering business. We are looking at options that would attract capital investment and might increase local content. Some of the interested parties may also bring capacity requirement that would fill the yards with additional work once the current backlog is complete.

Contract Services

Contract Services Group	Rial Million		US\$ Million	
	Q1 2012	Q1 2011	Q1 2012	Q1 2011
Revenue	27.9	23.2	72.5	60.3
Operating Profit	5.4	2.8	14.0	7.3

The Contract Services business has performed well. The company is short-listed in a major integrated facilities management tender. Win or lose, the company is demonstrating capacity and capability to compete on merit in larger and more complex opportunities with international competitors.

Other income for 2012 includes an amount of Rial 1.8 million representing the fair value of certain assets received from a customer of Al Wasita Emirates in 2011 in settlement of amounts due from that customer. The gain was not recognised in 2011 as the amount was not expected to be recovered through the divestment of this subsidiary at the time. However, as the divestment process is not proceeding at this current time, this income is recognised in these consolidated financial statements.

Re-financing and capital raise initiatives

We have taken additional time and achieved success in our re-financing initiatives.

Aligned with the best in Oil & Gas
Safe: No harm to people
Efficient: Cost-effective quality services
Green: No harm to the environment
Local: Serious about local content

We have completed the first phase of refinancing with US\$ 203 million, which releases trapped equity of US\$ 60 million. This meets all our immediate funding requirements in the Marine business. We are planning a second phase of US\$ 57 million later in the year. The separation of the initiative into two phases is better aligned with the timing of our actual needs. It also allows us the scope to accommodate the differing requirements of the financial institutions that partner with us and support our business.

Unaudited Consolidated Statement of Financial Position as at 31 March 2012

	2012	2011
	Rial '000	Rial '000
Non-current assets		
Property, plant and equipment	455,684	403,186
Intangible assets	38,865	38,869
Other non-current assets	3,059	2,182
	497,608	444,237
Current assets	141,756	169,575
Current liabilities	157,310	152,483
Non-current liabilities		
Term loans and leases, excluding current maturities	271,218	250,387
Non-current payables and advances	15,517	17,043
	286,735	267,430
Net assets	195,319	193,899
Equity		
Share capital	28,209	28,209
Treasury shares	(1,704)	(1,704)
Share premium	19,496	19,496
Legal reserve	10,771	10,577
Subordinated loan reserve	5,714	-
Retained earnings	106,528	113,414
Other reserves	(1,550)	(382)
	167,464	169,610
Non-controlling interest	27,855	24,289
Total equity	195,319	193,899

Notes:

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.renaissance-oman.com

* The provision in the year 2011 was made for the net loss related to a contract cancellation by a client in the Company's Ship Building operation.

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Renaissance Services SAOG

- Oil & Gas multinational
- 14,000 employees in over 19 countries
- 2011 revenues in excess of US\$ 0.75 billion

This also allows us to offer opportunity for Islamic financing, for which our marine business is ideally suited.

We had also advised our intention to raise US\$ 70 million for vessels under construction, and US\$ 50 million as a hunting line for growth of the fleet. We have separated this from the main re-financing initiative and have already funded more than 90% of vessels under construction from bridge funding and internal accruals. We expect to complete the financing for these vessels in the near future, which will improve the company's liquidity position further.

We have also made good progress in preparing options for raising capital through a Convertible Bond Issue. We expect to submit a final recommendation for shareholders' consideration and approval at an Extraordinary General Meeting (EGM) on a date to be announced. We expect this shall be during June 2012.

These financing and capital raise initiatives are achieving improved current ratio and gearing ratio following the difficulties experienced last year. With this progress and the underlying strength of our operating businesses we are confident to reaffirm our assurance that those difficulties are behind us. The outlook for 2012 remains positive with most residual matters from 2011 cleared out of our system by 2013. Renaissance businesses are re-focused on what they do best in their solid markets: exceeding customer expectations safely and profitably; delivering operational excellence; and growing the business and shareholder value.

As an Omani public company we are proud to pay tribute and thanks to His Majesty Sultan Qaboos bin Said. The stability and growth of Oman's economy and the pace of its social and economic development, provide a bedrock foundation for our company to thrive and prosper as an international enterprise.

Samir J. Fancy
Chairman

Unaudited Consolidated Statement of Income for the three months ended 31 March 2012

	2012	2011
	Rial '000	Rial '000
Revenue	74,023	68,537
Operating expenses	(57,791)	(51,111)
Administrative expenses	(7,408)	(7,703)
Profit from operations	8,824	9,723
Provision for contract cancellation*	-	(2,237)
Net finance costs	(4,870)	(4,009)
Amortisation	(5)	(5)
Share of loss from an associate	(10)	-
Profit before income tax	3,939	3,472
Income tax	(1,940)	(1,765)
Net profit	1,999	1,707
Net profit attributable to :-		
Shareholders of the Parent Company	782	935
Non-controlling interest	1,217	772
	1,999	1,707

Renaissance Ranked # 28 in the Services Sector across GCC for 2011 by "GCC Achievers League 2012" of Dun & Bradstreet and Gulf News

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