

CHAIRMAN'S STATEMENT – H1 2011

On behalf of the Board of Directors, it is my duty and privilege to present to you the interim accounts for Renaissance Services SAOG for the six-month period ending 30 June 2011.

This report charts the story of one of the most troubled periods in our company's history. In this statement I provide a clear and transparent explanation of the issues and challenges before us. I seek to illustrate the temporary one-off nature of some specific and potential impacts arising from this period. And I seek to demonstrate the clear and decisive action we are taking to overcome these obstacles and restore the company on its path of progress.

The fundamental strengths and value of Renaissance remain intact and there is every reason to be confident for the future ahead of us.

Financial Performance

	Rial Million		US\$ Million	
	H1 2011	H1 2010	H1 2011	H1 2010
Revenue	132.8	117.8	344.9	306.0
EBITDA	30.1	29.7	78.2	77.1
Operating Profit	17.2	18.5	44.7	48.1
Net Profit before minority	3.4	11.7	8.8	30.4

Note:- Net Profit for H1 2011 includes net provision of Rial 1.8 million related to the contract cancellation in the company's Ship Building Operations. In March 2011, the provision was Rial 2.2 million which is now reduced to Rial 1.8 million based on the actual outcome as of 30 June 2011.

Financial performance is affected negatively by losses in the Engineering business, unusual low utilisation of four major vessels in Q1 2011 (Q1) in the Marine business, and increased employment costs in the Contract Services business due to a national paradigm shift in terms and conditions of employment in Oman. The impact on Contract Services will be mitigated by changes in contract terms over H2 2011 (H2); and the temporary Q1 challenges for the Marine business have passed. The challenges facing the Engineering business are not over but there are signs of improving outlook as the year progresses. While EBITDA and operating profit performance are holding up and improving, there are also one-off impact costs affecting net profit.

Marine Group

Marine Group	Rial Million		US\$ Million	
	H1 2011	H1 2010	H1 2011	H1 2010
Revenue	54.5	40.8	141.6	106.0
Operating profit	19.0	13.6	49.4	35.3

The Marine business is performing positively, but still below the level expected for the investments in additional vessels we have made. Performance is improving following the exceptional low utilisation of

major vessels in Q1. Independent market analysts confirm day rates and utilisation are improving in H2 and shall remain strong in 2012. There remains opportunity for further growth in the company's existing markets of the Caspian and MENA, while developing a growing profitable presence in West Africa.

Engineering Group

Engineering Group	Rial Million		US\$ Million	
	H1 2011	H1 2010	H1 2011	H1 2010
Revenue	35.7	35.7	92.7	92.7
Operating profit	(4.0)	1.1	(10.4)	2.9

The Engineering business has been restructured into two divisions in place of the previous four: Topaz Fabrication & Construction (TFC) and Topaz Maintenance Services (TMS) have combined as Oil & Gas Engineering; and Topaz Marine Repair (TMR) and Topaz Ship Building (TSB) have combined as Marine Engineering. There is an urgent increased focus on competitive tendering and winning. Several new small to medium Engineering projects have been won totaling US\$ 22 million, including the US\$ 9 million ENOC shutdown for later this year. The sales pipeline is good with very positive prospects on some large opportunities that could significantly improve outlook and backlog for 2012. This is essential to stop the losses currently afflicting this business that had risen as high as US\$ 3 million per month before being arrested and reversed.

Contract Services Group

Contract Services Group	Rial Million		US\$ Million	
	H1 2011	H1 2010	H1 2011	H1 2010
Revenue	43.9	36.9	114.0	95.8
Operating profit	3.8	5.1	9.9	13.2

The slow build-up in the new oilfield accommodation facilities at Marmul and Bahja in Oman is now over and the facilities are finally reaching anticipated levels of utilisation. In addition, some new contract gains, and investment in extending other oilfield facilities, will bring further performance improvement in H2. The company has invested heavily in an accelerated Omanisation programme over and above its ongoing national workforce development programme. At the same time the company has implemented improved terms and conditions for Omani employees. These cost increases are being mitigated on a day-by-day basis. Oil & Gas sector clients are allowing claims of up to 80% of increased employment costs and 50% of increased leave cycle costs. Gradually all cost increases shall be mitigated through a combination of claims and the re-contracting cycle in which contract terms are recalibrated to prevailing market realities.

Problems uncovered in subsidiary Topaz Group

We have uncovered some serious issues in the Topaz Group. These include weak financial performance, particularly in the loss-making engineering business; information not disclosed to the Board; evidence of breaches in our Code of Business Conduct- which we have moved quickly to investigate and stamp out; and several one-off issues that are causing temporary financial losses. If not arrested, these matters could damage the company's reputation and sap morale. Each of these problems is being tackled and solutions are being implemented.

The better news is that there remains substance to the Topaz business in the fundamental drivers of the oil & gas industry it serves, in its viable and valuable assets, its clients, its geographical strategic market positions, and its people.

Swift remedial action taken

The former Topaz CEO stepped down from his post with immediate effect on 30 May 2011. Although he is no longer attending the office, he remains available for information reference through a six-month notice period ending 30 November 2011. His obligations of confidentiality are enduring and he is committed not to join direct competing businesses in the industry for three years, without company consent.

Renaissance has taken over direct management of Topaz as distinct from its previous holding company oversight role. Renaissance shall maintain this direct management role until the problems are resolved and the Topaz organization is stabilized again under trustworthy specialized industry leadership. We must not only solve these matters but put in place preventive measures to ensure they may never happen again.

Effective 30 May 2011, Renaissance Services Group CEO, Stephen Thomas, has taken direct responsibility as interim Topaz CEO in addition to his Renaissance group-wide responsibilities. He has performed this interim role once before in 2006/7, when he oversaw the successful integration of the BUE businesses into Topaz following acquisition.

We had allowed the organisation to grow in preparation for the larger business that would have emerged after the proposed IPO. Unfortunately, the leadership model deployed was a command and control functional hierarchy. The new management has moved quickly to change the structure of the company with a priority to focus on the customer and drive decision-making as close as possible to where the action is, in the line businesses themselves, close to the customer. Quick initiatives are under way to restore earnings and cash flow. Every effort is being made to maintain or enhance the reputation of the business.

In terms of cost-saving and restructuring, resignations have been accepted from the Topaz Finance Director and the COO of Topaz Engineering. The entire Corporate HR department has been removed. Savings in the Topaz corporate office alone shall amount to an annualized value of US\$ 3 million and planned annual expenditure of a further US\$ 2 million has been cancelled. In addition, a restructure of the Engineering business is removing surplus headcount of >100 people. The impact of these cost savings will be felt in full in 2012 after notice periods and demobilization costs are absorbed in 2011. The whole organisation is now leaner and flatter with power and effectiveness restored to the businesses.

All loss-making operations are either subject to immediate closure or under close scrutiny for swift turnaround initiatives. The Doosan Babcock JV has been discontinued and we have formally notified our intention to withdraw from the MOBY boat yard operation in Kazakhstan. The sustainable viability of some smaller divisions of the business remains in question; but a final decision on the future of those divisions is suspended while current projects are honoured and completed.

The new interim CEO has conducted an extensive programme of visits to all the outposts of the business—by customer, country, offices, worksites, yards, vessels and workforce accommodation. During

these visits, he has focused on the necessity for all leaders in the business to be visible to customers and employees; and walk the talk, especially on HSE, business ethics, empowerment, and winning.-His reports are extremely encouraging, stating that there are professional people throughout the Topaz organization doing an excellent job, and responding very positively to the flatter empowered structure. Topaz is getting back to basics in line with the Renaissance operating mantra: Striving to exceed customer expectations, safely, efficiently and profitably.

Potential one-off negative impact issues

We have already provided the full impact of Rial 1.8 million (US\$ 4.7 million) for the cancellation of a shipbuilding contract. In addition to this, the following items may have a potential one-off impact in this year, dependent on actual outcomes, and the success of our efforts to mitigate these issues. The impact may be as high as US\$ 30 million. We shall of course be challenging these issues to mitigate the impact to the minimum possible. It is our intent that these matters should be resolved or provided for in this year. The issues are as follows:

The insurance claims, relating to storm damage affecting engineering projects in Fujairah, are progressing well and there may be minimal impact from these events. In the meantime work is progressing well to get the affected projects back on track.

There is a potential cost to the company's withdrawal from the loss-making MOBY venture in Kazakhstan.

Welding work carried out directly by the company's Engineering business has a reputation of the highest quality. However, a client is claiming against the Engineering business for alleged poor welding testing work carried out by a sub-contractor on a major project finished last year. The client has pulled the performance bond totalling US\$ 1.75 million. The client has indicated this matter may be subject to further claims. We have the potential to offset this by counter claiming against the sub-contractor. However, at this stage, it is inappropriate to make further public comment on potential outcomes in case this may compromise our position.

Breaches in Code of Business Conduct

Renaissance is committed to conducting business legally and professionally under the highest standards of business ethics and moral code. This same high standard is expected and required of all Renaissance subsidiary companies and people working at every level throughout the group.

In the process of announcing and implementing a new Code of Business Conduct in Topaz, the company uncovered circumstances suggesting financial misconduct in one of the Topaz subsidiaries abroad. The company immediately appointed and instructed independent auditors to carry out an investigation. External legal advisers were also appointed. This investigation centred on the use of approximately US\$ 2.9 million of cash in the business, which is fully provided in the accounts. The investigation uncovered evidence of fraud, ethical misconduct and control weaknesses over a number of years. All inappropriate practices have been stopped immediately and control weaknesses have been addressed. The Finance Manager of the overseas subsidiary in question has been summarily dismissed. In light of these findings the company extended the investigation across all Topaz businesses. The investigation is at an early stage but some further similar concerns have arisen. It is our intention to bring these matters to the attention of the appropriate authorities in the relevant jurisdictions where applicable.

We have learned a lesson from this: Our corporate 'Renaissance Values' message on business ethics has not been made with the necessary emphasis and clarity. This is being rectified through the new Code of Business Conduct, which does not allow room for any misunderstanding of the company's business ethics policy, and imposes zero tolerance for any future breaches of its high standards.

The Topaz IPO

In Q1 the company decided to postpone the proposed London FTSE listing of our 100% subsidiary Topaz Energy and Marine. This was primarily due to negative market sentiment arising from popular unrest in the Middle East, the tragic natural disaster events in Japan, and the economic bailout issues in various EU economies. Since then the prevailing crises in the Middle East, particularly Syria and Libya; brinkmanship in the potential US debt default crisis; and genuine concerns about potential double-dip global recession have made that market sentiment even worse.

However, what is now clear, is that whatever external factors may affect sentiment, the problems we have encountered internally in Topaz need to be fully resolved before any further contemplation of a listing. At the March 2011 AGM we had requested a one-year mandate from shareholders for the Board to take any final decision on pricing and timing of a listing. As recorded in the AGM minutes, I had specifically requested this longer mandate due to market-driven uncertainty in timing of the IPO. If an IPO does not take place during the term of the mandate, the costs of the process, which total US\$ 8 million, will be written off.

Due to the delay we are in active discussions with our lead banks for the re-financing plan and initial indications suggest a positive outcome. The exercise aims to improve liquidity, maturity, and provide additional financing for growth.

The new Topaz structure is creating very clear organizational demarcation between Topaz Marine and Topaz Engineering as separate independent businesses. The re-financing initiative shall also de-link connections between the two entities. This shall most likely mean that the two entities may be listed separately over different timescales of preparation. This shall also remove any sector confusion for valuation: Topaz Marine is a pure OSV (Offshore Support Vessel) business; Topaz Engineering is a pure OFS (Oil Field Service) business, with marine engineering capabilities. In this scenario, it is possible the Topaz Marine business would be ready for listing first, possibly enhanced in scale by any appropriate M&A opportunity arising.

Taking responsibility

There has been an alarming swing in outlook for Topaz as a thriving enterprise on the brink of a London listing to a company beset by the range of serious negative issues I have outlined in this report. We are confident that the setback is temporary and that we have got a firm hold of the issues. We are also convinced that the solution is for Renaissance to take full control of the direct management of the company for an interim period. Nevertheless, even with the decline arrested, we must learn the valuable and salutary lessons of this troubled period and ensure the same cannot happen again.

Indeed there was real substance to the business with accelerated growth driven by significant investment, financed by a combination of parent company equity, parent company mezzanine debt and bank financing. New contracts won, new assets (primarily vessels) bought, built and commissioned were

all very real stories of a growing enterprise on the move. The fact that growth was slower than planned and returns on investment lower than expected were explained away by the worst global recession in living memory. This screen masked the deep-seated fault line running through a corporation that had taken its eye off the business itself. It is clear that the former management team at Topaz has failed to identify some crucial negative impact issues believing they might get resolved in the outcome of the IPO.

Outlook

The remedial work being carried out in the Topaz business will take a toll of time and effort, but we fully expect to see the fruits of that focus in improving operating performance in H2 and building a tangible platform of backlog in the business for 2012. Regional and global market conditions are, at best, uncertain; but we remain positive about the market fundamentals of the industry in which we operate. We are battling through a troubled period but we can see ourselves emerging from this wiser and leaner, ready to seize upon the opportunities that lie ahead. We are getting back to business as usual, determined to reassert the reputation for success and growth that is the tradition and track record associated with Renaissance. We also assure all our banking partners and other stakeholders that all agreed and committed payments will be made on time, and we are continuing to invest in our core businesses. In the first six months of 2011, the company has invested over Rial 30.7 million (US\$ 80 million). Although this is a slowing down of the original investment plan, it underlines our continued commitment to investing for growth, whenever it is prudent to do so.

Problems do occur in businesses. We have had a magnificent run of 10 consecutive years of record profits – 40 successive quarters in which we have guided you transparently on our progress, our plans and, yes, our problems. This half-year report has had to focus more sharply on current problems rather than on progress. Be assured we have these problems under control and we will soon be back on a path of progress more commonly associated with Renaissance. We must not allow these temporary difficulties to blind us to the true value of this business. The assets of the company are US\$ 1.6 billion. There is deeply embedded value in this business. These problems will pass and Renaissance shall prevail.

We remain thankful to His Majesty Sultan Qaboos bin Said, who has been a rock of stability at home and abroad. Oman's stability under His Majesty's leadership provides the platform for a company like Renaissance to grow and prosper as a world-class internationally-competitive enterprise.

Samir J. Fancy
Chairman