



النهضة للخدمات ش.م.ع. Renaissance Services SAOG

Renaissance Services SAOG (Renaissance) is an Omani multinational company with core operations focused on providing safe, efficient and quality services predominantly in the oil & gas industry. Renaissance employs over 14,000 people and operates in over 16 countries.

Chairman's Report 2011

On behalf of the Board of Directors, I present the audited accounts for Renaissance Services SAOG for the twelve-month period ending 31 December 2011.

2011 was a difficult year. The company faced unforeseen and unprecedented challenges, which are now behind us. Solutions are in place. Some consequences remain. After 10 successive years of growth and record results, we regard the downturn in 2011 performance as contained and reversed. We have responded to the difficulties and challenges. The company is emerging stronger. In 2012 we anticipate improved stability and growth. Stakeholders recognise and value Renaissance for its growth record. The Marine business and the Contract Services business are world-class, internationally competitive enterprises. Their strength and assured future is of great value to Renaissance shareholders. We have made progress to restore the same viability to the Engineering business in 2012, although we still have work to do to achieve that.

The company ends the year with Rial 653.7 million (US\$ 1.7 billion) of assets and more than Rial 37 million (US\$ 96.2 million) of cash on its balance sheet. We are meeting all financial commitments and obligations. The company invested Rial 90.4 million (US\$ 235 million) in new assets for growth during 2011. Our business is secure, healthy and robust in spite of a torrid year.

Financial performance

In the face of numerous setbacks and one-off financial impacts, the company's revenues continued to grow. This demonstrates the solid and sustainable strength of the Renaissance franchise. Customers appreciate the professionalism of our people, value the quality of our services and rely on the integrity of our assets. We have increased revenue from existing customers and we have opened new income streams with new customers. Stakeholders trust Renaissance companies to exceed customer expectations safely and efficiently. The result is a 14.4% growth in revenue in 2011. Further growth in bottom line shall follow this sustained growth in top line, as we reverse the setbacks and apply efficiency controls to new business gains.

	2011		2010	
	Rial Million	US\$ Million	Rial Million	US\$ Million
Revenue	289.9	753.0	253.4	658.3
EBITDA	64.3*	167.0	71.1	184.7
Operating Profit	37.3	96.9	48.8	126.7
Net Profit	2.3**	6.0	32.3	83.9

Note:
* EBITDA and Operating Profit are before any extraordinary expenses.
** Net Profit is after providing for extraordinary expense of Rial 11.418 million (US\$ 29.7 million), and write back of tax provision of Rial 3.121 million (US\$ 8.1 million).

A series of extraordinary items has impacted profit in 2011. The company has addressed these exceptional issues. The total one-off cost was Rial 11.4 million (US\$ 29.7 million), written off in the Topaz subsidiary. These include write-off of expenses of Rial 3 million (US\$ 7.8 million) for an attempted Initial Public Offering (IPO) of Topaz in London; and a further Rial 8.4 million (US\$ 21.8 million) primarily related to one-off items in the Topaz Engineering business. The impact is offset partially by write back of tax provisions of Rial 3.1 million (US\$ 8.06 million), based on a tax ruling issued by the Supreme Court in Oman on foreign dividends. The downturn in 2011 operating performance is due also to weaker performance in the Engineering business. The Oman-based businesses absorbed higher unplanned employment costs. Finance cost throughout the group increased from Rial 10.3 million (US\$ 26.8 million) to Rial 18.2 million (US\$ 47.3 million). This is a consequence of the financial setbacks in the Topaz business.

Marine

Marine Group	Rial Million		US\$ Million	
	2011	2010	2011	2010
Revenue	112.5	93.2	292.2	242.1
Operating profit	36.2	35.2	94.0	91.4

The Marine business is set to deliver a record performance in 2012. The young age of the 100-vessel Offshore Support Vessel (OSV) fleet (average age 6.5 years), the geography and markets where it operates, and its relevance to the International Oil Companies (IOC) it serves, bode well for the coming year in spite of global economic uncertainty. We expect growth in the Caspian and MENA markets. Following successful 2011 entry to the West Africa market we expect further growth opportunity in 2012. So far, the foray into the Brazil market has been unsuccessful and costly. We have had to take account of additional unseen operating costs for the two vessels deployed in Brazil, which has had further negative impact on the final period result. We are correcting these setbacks in the Brazil market. We are also correcting any other under-performing assets in the fleet. These corrections will allow the positive performance of the majority of the fleet to increase over the year and dominate 2012 results.

Engineering

Engineering Group	Rial Million		US\$ Million	
	2011	2010	2011	2010
Revenue	66.4	65.6	172.5	170.4
Operating profit	(8.5)	3.1	(22.1)	8.1

We have experienced a crisis year of losses and write-offs in the Engineering business. We have taken all necessary measures to contain one-off negative cost impacts and reduce costs. These one-off cost impacts include our exit from some loss-making businesses, such as the investment in a ship repair yard in Kazakhstan. Most important, a new management team is succeeding in getting key engineering projects back on schedule. Setbacks are temporary, so it is important that they are not allowed to dominate the agenda, where the customer must remain our primary focus. Some residual loss-making contracts carry forward into the first half of 2012. At the same time, the company is close to securing several new profitable contract opportunities. We expect performance to move from losses to profit by the half-year; and we are maintaining a target for Engineering to break even over the whole of 2012. We recognise that the full turnaround of the Engineering business is not complete and requires continued effort going into 2012. We shall monitor that process closely and adjust remedial action if necessary. This priority is taking longer than we wish. However, we believe in the business and the people. We have to be a little more patient, but we remain resolute and determined to succeed.

Contract Services

Contract Services Group	Rial Million		US\$ Million	
	2011	2010	2011	2010
Revenue	100.8	84.2	261.8	218.7
Operating profit	13.6	12.6	35.3	32.7

In 2011 we absorbed Rial 5.5 million (US\$ 14.3 million) in unplanned additional costs in the Contract Services business, arising from mandatory increased employment and other costs in the key home market of Oman. In spite of this, the company still achieved profits. The additional costs tempered profit growth and

margin of profitability. Clients in the oil & gas sector allowed claims to mitigate 80% of the cost increases, but the company absorbed 100% of increased costs in all other sectors. This cost impact shall prevail until cyclical renewal of contracts over the next 1 to 5 years. The company has embraced the changes with good grace and takes a positive view that this is an investment in future growth. Oman remains the most important market for this business.

Annus Horribilis 2011

Annus Horribilis is a Latin phrase meaning 'horrible year'. It alludes to John Dryden's poem about London in the year 1666, titled *Annus Mirabilis* ('wonderful year'). In fact, 1666 had been a year of calamity, including the Great Plague and the Great Fire of London. But Dryden saw something to appreciate in the way London faced disaster and avoided even greater disaster. He was inspired by the vigour, courage and resourcefulness of the city in the face of such setbacks.

At the outset, 2011 looked like a potential *Annus Mirabilis* for Renaissance but turned out to be an unprecedented *Annus Horribilis*. We have put these events behind us. We carry some valuable lessons with us. We move on stronger for the experience.

Global events in the first quarter of 2011 conspired to change market sentiment so our planned London listing of Topaz could not go ahead. Subsequent negative impacts on the company, and how we have dealt with those issues, are well-documented in our quarterly statements and other disclosures. Yet the fundamental strengths of our business remain. Through the robust due diligence process of the IPO, a coalition of top professionals - investment banks, legal, accounting, compliance and PR advisors - concurred with our view that Renaissance owns world-class companies, delivering operational excellence to blue-chip clients from key market leadership positions, with visible scope for sustainable profitable growth. That fundamental has not changed.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011

	2011 RO'000	2010 RO'000
Non-current assets		
Property, plant and equipment	454,838	391,555
Intangible assets	38,871	38,855
Other non-current assets	3,174	2,182
	496,883	432,592
Current assets	156,814	129,501
Current liabilities	156,619	122,215
Net current assets	195	7,286
Non-current liabilities		
Term loans and leases	286,886	228,508
Non-current payables and advances	17,025	15,538
	303,911	244,046
Net assets	193,167	195,832
Equity		
Share capital	28,209	28,209
Share premium	19,496	19,496
Treasury shares	(1,704)	(1,704)
Retained earnings and reserves	120,493	126,317
	166,494	172,318
Non-controlling interest	26,673	23,514
Total equity	193,167	195,832

We have strengthened controls and assurance processes to ensure our commitment that all Renaissance business conduct is legal, fair and honest. Potential failings in that standard in some foreign subsidiaries, no matter how immaterial, have been disclosed and self-reported by the company in the relevant jurisdictions. Within the business itself, we are able to state categorically that these matters are behind us.

Key stakeholders in the investor, analyst and regulator communities told us they have come to expect Renaissance to uphold the highest international standards of governance and disclosure. We have developed our policies to ensure we live up to those expectations. One-off negative surprises are not the norm in Renaissance and we have taken steps on risk and compliance to ensure the events of 2011 shall not be repeated. We are ensuring greater transparency in reporting from subsidiaries to the parent company and the Board, which in turn ensures greater speed and transparency of reporting to the market.

We have restructured and streamlined the Topaz business: Topaz Marine and Topaz Engineering are now separate enterprises. Each is an independent legal, financial and operational entity. We have retained the flexibility to house the businesses together or apart in any future IPO or M&A initiative. The Engineering business is structured as two divisions: Topaz Oil & Gas Engineering and Topaz Marine Engineering. We have made substantial reductions in overhead costs at corporate and subsidiary levels. We have increased investment and focus in processes and project management. The Topaz structure is flatter and leaner with increased emphasis and focus on customer service. We have reassessed the basic priorities of the business on the things that matter most to our customers: safety, quality, compliance, efficiency, on-time in-cost project and contract delivery, and developing and empowering outstanding people.

We have also taken steps to ensure the continuing financial strength and stability of the business. We have completed the first phase of the re-financing initiative and

have a signed term sheet in excess of US\$ 200 million. This concludes the material part of the re-financing and has the effect of releasing trapped equity in excess of US\$ 50 million. The second phase shall include funding for vessels under construction and future new investments. We shall conclude this in the coming months. For future financing, numerous bilateral opportunities have arisen, particularly from Islamic Banks that could not participate in the original syndication. The marine business model resonates well with this form of financing.

The company has given a mandate to BankMuscat to raise Rial 40 million (US\$ 104 million) new capital as Zero Coupon Convertible Bonds. We have completed the financial and legal due diligence process. We shall present this capital raise proposal to shareholders for approval in the Extraordinary General Meeting (EGM), scheduled for 25 March 2012. If approved, this new capital shall strengthen the company's balance sheet and provide additional capital for growth. Subscription shall be open to existing and new shareholders.

In the Q3 statement we anticipated announcing the appointment of a new Topaz CEO in Q4. This has not happened yet. We are taking our time with a thorough search process. We are comfortable that the operational leadership in each of the businesses meets our criterion of 'best team in the field'. This allows us time and space to make an appointment that complements the existing team and adds value to the strategic leadership provided by Renaissance.

Outlook

Some consequences remain from the issues we have faced in 2011, which shall be seen in muted performance for the first half of the year, but this should not blind us to the fact that we have resolved the key challenges and are back on a growth path.

In the natural business cycle of Renaissance, performance is always negatively affected in the first half of the year, with seasonal impacts such as ice in the Northern Caspian. This year the major portion of dry-docking for the Marine business is scheduled for the same period, which has a temporary higher cost / lower revenue impact. We are also carrying some loss-making engineering contracts into the first half of 2012.

We have confidence in the turnaround of the Engineering businesses although we have previously been premature in our predictions when that turnaround will be complete. The important point is that the businesses are structured correctly with the right management teams, headed in the right direction. The geographic position of these businesses could not be better, with yards and assets located on both the Arabian Gulf and Indian Ocean seaboard. The investment in project management and better business processes is focused where it should be - on-time in-cost delivery to the customer.

Even with uncertainty in the global economy, industry and market trends look positive for our businesses. Barclays Capital estimates that global exploration and production (E&P) spending in 2012 will be up 10%, with Middle East E&P spending expected to rise 12% due to a pickup in activity particularly in Iraq, Saudi Arabia and Kuwait. This is good news for all our businesses, not just Engineering. The Economist survey of senior executives in the oil & gas industry predicts oil prices shall remain high and benchmark oil prices should still average US\$ 83/barrel one year from now. Renaissance companies show resilience even in times of recession and low oil prices. So these predictions bode well. Added to that, there is specific opportunity ahead for the Marine business in the Caspian, the Northern Gulf and West Africa. In Oman, government infrastructure investment plans offer growth opportunity for Contract Services.

We have no current plans to revive the IPO initiative in 2012, although this remains a realistic ambition for the company - in particular for the Marine business. We believe our priority should be to press ahead with growth in the business and wait for an upturn in global economic sentiment before considering any independent listing. Nevertheless, we still believe individual listing of Renaissance's most valuable assets may offer the most effective way to optimise future growth opportunities, achieve true value recognition and increase shareholder value. A sum-of-parts valuation of the group's individual businesses, based on international comparative multiples in each sector, illustrates the true embedded value of the Renaissance franchise. When the time is right, there is no reason why this value may not be realized, either through listing individual assets, such as the Marine business or Contract Services business, under Renaissance founder ownership, on the appropriate international bourse; or through private placement; or similar value-creation initiatives.

AUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 RO'000	2010 RO'000
Revenue	289,922	253,429
Operating expenses	(221,126)	(176,209)
Administrative expenses	(31,505)	(28,457)
Profit from operations	37,291	48,763
Net finance costs	(18,194)	(10,338)
Net gain on investments	1	3
Share of profit from associate companies	109	368
Other non-operating expenses	(11,418)	-
Amortisation of intangible assets	(33)	(13)
Profit before income tax	7,756	38,783
Income tax	(5,465)	(6,501)
Net profit for the year	2,291	32,282
Net profit attributable to:-		
Shareholders' of the Parent Company	(1,000)	27,648
Non-controlling interest	3,291	4,634
	2,291	32,282

Notes:
1) These audited financial results are subject to approval by shareholders at the Annual General Meeting proposed to be held on 25 March 2012.
2) The audited financial statements will be submitted to the Muscat Securities Market and will also be provided on the company's website, two weeks prior to the date of the Annual General Meeting.

RENAISSANCE SERVICES SAOG
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Appreciation

I would like to thank my fellow Directors for their unwavering support and guidance through a difficult year. The entire Board, wish to thank all our stakeholders who have seen us through this *Annus Horribilis*. Without them our progress would be impossible, with them our future is secure - our shareholders, our business partners, our bankers, our professional advisors (accounting, legal and strategic), suppliers, contractors, and the countries and communities in which we serve. We reserve special thanks for our customers, our employees and our management. Good people throughout this great company of ours have made all the difference in overcoming difficult times - Thank you.

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