PACC OFFSHORE SERVICES HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200603185Z)

MEDIA RELEASE

POSH REPORTS 1H14 NET ATTRIBUTABLE PROFIT OF US$48.5 MILLION

- *Revenue 5% lower at US$111.2 million due to transfer of deepwater transport & installation operations to JV*
- *Revenue from offshore supply vessels up 26% to US$62.1 million*
- *All business segments except harbour services and emergency response record higher margins*
- *Negative contribution from Mexican JVs*

Singapore, 14 August 2014 – PACC Offshore Services Holdings Ltd. (POSH) today announced Group net attributable profit of US$48.5 million for the first six months ended 30 June 2014 (1H14), up about 1% from US$48.2 million in the previous corresponding period.

Group revenue in the first half fell 5% to US$111.2 million due mainly to the injection of deepwater Transportation and Installation (T&I) operations into a joint venture in 2Q13. Consequently, revenue, which was recorded as part of Group revenue in 1H13, was accounted as share of profit in the joint venture in the current financial year.

Gross profit was unchanged at US$33.4 million while other operating income rose 52% to US$42.4 million. The latter was due to higher gains on disposal of assets.

Net attributable profit would have been higher if not for the negative impact from the Group’s joint ventures in Mexico. The Group's share of profit from Joint Ventures ("JVs") decreased from profit of US$5.9 million in 1H 13 to loss of US$2.9 million in 1H 14 due mainly to negative contribution of US$7.5 million from its Mexican JVs.

All business segments recorded higher gross profit margins in the first six months except for Harbour Services and Emergency Response (HSER), which saw a decline in gross profit margin from 47.6% to 16.6%. This is due mainly to the Group establishing market share with its new harbour towage license and lower salvage income.

Offshore Supply Vessels (OSV) continued to be the Group’s largest contributing segment. Revenue from OSV was up 25.7% to US$62.1 million while revenue for Offshore Accommodation (OA) rose 3.5% to US$13.6 million. T&I and HSER segments recorded lower revenue, down 41.3% to US$24.5 million and 14.0% to US$11.0 million respectively.

POSH Chief Executive Officer Gerald Seow said: “Our first half results show that the quality of our earnings remains sound and our business remains resilient.”

“The double-digit growth in our OSV segment is encouraging and affirms our strategy of growing this business. We will continue to focus on maximising the utilisation of our vessels even as we optimise their mix and number within our fleet.”

“The outlook for our industry remains bright with overall growth in offshore CAPEX expected to be driven by key markets, namely Africa, Middle East & the Caspian region and Australasia. Infield has projected that the CAGR for these regions will be 27.2%, 15.0% and 14.9% respectively. Our ability to generate earnings will allow us to expand and upgrade our fleet with more sophisticated technology and equipment.”

For the second quarter ended 30 June 2014 (2Q14), Group net attributable profit was US$11.9 million, down 57% from US$27.4 million in the previous corresponding quarter. The decline was due to lower operating income, higher expenses and a drop in share of joint ventures’ results. Revenue was US$58.3 million, down 4% from US$60.6 million in 2Q13.

Commenting on the factors that will potentially affect the Group, POSH said that oil prices are expected to stay strong, backed by continued global demand. This will lead to continued expenditure on exploration and production activities, which will require the services of offshore support vessels.

The deepwater expenditure sector is set to grow, driven primarily by Africa and the Americas. Although rising costs has delayed some projects earlier this year, it is expected that spending in deepwater activities will continue to grow but with a more targeted focus. Shallow water activities remains robust with 80% of offshore oilfields to be developed being in shallow waters.

The Group will continue to optimise the mix and number of vessels within its fleet by disposing older and lower specification vessels and and building new vessels with more sophisticated technology and equipment. As at 30 June 2014, the Group's construction-in-progress amounted to US$443.0 million, representing 19 vessels on order to be delivered over the next 2 years. Outstanding committed capital expenditure approximated US$240.0 million. In addition, the Group is planning to commit additional capex approximating US$380.0 million in newbuilds over the next 6 months for fleet expansion.

As at 30 June, Group net assets grew 39.9% to US$1.2 billion against US$864.0 million on 31 December 2013, due mainly to net proceeds of US$296.2 million from the issue of new shares during the IPO. The net proceeds were used to repay short-term bank borrowings. Accordingly, the Group's total bank borrowings stood at US$522.0 million on 30 June, down from US$807.0 million on 31 December 2013.

Group net current liabilities at 30 June was US$92.0 million compared to US$389.0 million on 31 December 2013 due mainly to repayment of short-term loans.

On 18 July 2014, a 50% owned submersible barge sank while undergoing submerging trials in Batam. Plans are underway for the barge to be refloated and undergo repairs. The Group's vessels are insured with policies to cover loss and damage and also any third party liabilities arising out of its vessels operations. The incident is not expected to have a material financial impact on the Group.

In Mexico, the Group's JVs vessels have stopped work as a result of non-payment by Oceanografia. Notwithstanding, the Group continues to work on securing employment of the JVs vessels in Mexico. Recently, the Group has successfully secured a two and a half year charter for one of its vessels to PEMEX.

The Group has recently signed a term sheet with Grupo Pegaso, a Mexican conglomerate. Grupo Pegaso intends to acquire interests in a POSH JV in Mexico.

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About POSH

PACC Offshore Services Holdings Ltd. (POSH) is Asia's largest operator of offshore support vessels, with a diversified fleet servicing offshore oil and gas exploration and production activities. With four distinct operating segments: Offshore Supply Vessels, Transportation and Installation, Offshore Accommodation and Harbour Services and Emergency Response, POSH's offshore support vessels perform anchor handling services, ocean towage and installation, ocean transportation, heavy-lift and offshore accommodation services as well as harbour towage and emergency response services.

As of 30 June 2014, POSH operated a combined fleet of 110 vessels with another 19 vessels on order, comprising Anchor Handling Tug Supply Vessels, Anchor Handling Tugs, Platform Supply Vessels, accommodation vessels, harbour tugs, crane and deck barges.

The POSH fleet operates worldwide, serving offshore oilfields in Asia, Africa and Latin Americaproviding vessels and services for projects involving many of the world's major oil companies, as well as many large international offshore contractors.

For more information on POSH, please visit www.posh.com.sg.

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