



PACC OFFSHORE SERVICES HOLDINGS LTD.

MEDIA RELEASE

POSH POSTS Q3 FY2016 LOSS IN CHALLENGING MARKET CONDITIONS

- Q3 FY2016 revenue at US\$41.6 million; net loss attributable to shareholders of US\$12.9 million amid continued challenging industry conditions
- Generated US\$8.5 million in net operating cash flow for Q3 FY2016, gearing at 0.6x at end September

Group Financial Performance for Q3 and 9M FY2016

	Quarter ended			9 months ended		
	30 Sept 2016 (US\$'000)	30 Sept 2015 (US\$'000)	% change	30 Sept 2016 (US\$'000)	30 Sept 2015 (US\$'000)	% change
Revenue	41,629	80,397	(48)	146,435	209,004	(30)
Gross (loss)/profit	(1,436)	18,380	NM	14,442	40,840	(65)
Share of joint ventures' results	(57)	873	NM	1,681	2,857	(41)
Net (loss)/profit attributable to Shareholders	(12,936)	12,579	NM	(26,012)	18,710	NM

*NM denotes "Not Meaningful".

SINGAPORE, 4 November 2016 – Offshore marine services provider, PACC Offshore Services Holdings Ltd. ("**POSH**" or the "**Group**"), today reported results for the 3rd quarter ended 30th September 2016 ("**Q3 FY2016**").

Amid continued challenging conditions across the industry, the Group recorded a 48% decline in revenue year-on-year ("**YoY**") to US\$41.6 million. This was mainly due to lower contribution from its major business divisions on lower utilisation and charter rates. As a result, POSH reported a gross loss of US\$1.4 million.

Share of joint ventures' results saw a loss of US\$57,000 primarily on lower contribution from POSH Terasea. The Group also booked other expenses of US\$0.4 million during the period, mainly due to losses on vessels disposal compared to a gain in the previous corresponding period.

Overall, POSH reported a net loss attributable to shareholders of US\$12.9 million, compared to a net profit of US\$12.6 million in Q3 FY2015.

For the 9 months ended 30 September 2016 (“9M FY2016”), revenue decreased by 30% YoY to US\$146.4 million on lower charter rates and utilisation across its major business segments. Correspondingly, gross profit fell 65% to US\$14.4 million.

The Group’s share of joint ventures’ results fell by 41% to US\$1.7 million mainly on an allowance made for doubtful debts. For 9M FY2016, POSH booked a net loss attributable to shareholders of US\$26.0 million, versus a net profit of US\$18.7 million in the previous corresponding period.

The Group generated net operating cash flow of US\$39.1 million for 9M FY2016, with a net gearing of 0.6 times as at the end of September 2016.

Business Segment Performance for Q3 FY2016

	<u>Revenue</u>			<u>Gross (Loss)/Profit</u>		
	Quarter ended			Quarter ended		
	30 Sept 2016 (US\$'000)	30 Sept 2015 (US\$'000)	% change	30 Sept 2016 (US\$'000)	30 Sept 2015 (US\$'000)	% change
Offshore Supply Vessels	16,907	37,996	(56)	(4,370)	5,322	NM
Offshore Accommodation	15,154	26,943	(44)	1,815	10,912	(83)
Transportation & Installation	3,902	7,248	(46)	15	840	(98)
Harbour Services & Emergency Services	5,666	8,210	(31)	1,104	1,306	(15)

Offshore Supply Vessels (“OSV”)

Revenue declined by 56% to US\$16.9 million mainly due to lower charter rates and utilisation. Lower day rates during this period were a result of discounted rates on existing contracts and reduced rates for new ones. Correspondingly, the segment registered a gross loss of US\$4.4 million.

Offshore Accommodation (“OA”)

Revenue decreased by 44% to US\$15.2 million mainly due to the lower charter rate for its POSH Xanadu semi-submersible accommodation vessel (“**SSAV**”) upon its contract extension, as well as the early termination of two contracts and lower utilisation overall. As a result, gross profit for the period decreased to US\$1.8 million.

Transportation & Installation (“T&I”)

Revenue decreased by 46% to US\$3.9 million primarily on lower charter rates and utilisation as oil companies continued to cut back on capital expenditure. As a result, gross profit decreased to US\$15,000.

Harbour Services & Emergency Response (“HSER”)

HSER reported a 31% decline in revenue mainly due to lower revenue from salvage jobs during the period. Gross profit for the period was U\$1.1 million.

Outlook and commentary

Capital expenditure by oil majors has remained low with oilfield operators choosing not to invest or to postpone them. This lack of new investments will continue to exert downward pressure on vessel utilisation and charter rates. The operating environment remains challenging and this will affect the Group’s performance for the foreseeable future.

With the depressed market condition, the Group expects the carrying value of the goodwill arising from the acquisition of PSA Marine’s offshore business in 2007 and the carrying value of the Group’s fleet of vessels will be impaired. While the impairment amount is to be finally determined by year end, it is expected that these impairments will have a material adverse impact on the Group’s financial results for 4th Quarter FY2016 and 12 months ending 31 December 2016.

Captain Gerald Seow, Chief Executive Officer of POSH, said, “Our financial performance in Q3 FY2016 reflected the continued challenges facing our industry. We expect that the business environment for the remainder of 2016 and 2017 will remain challenging and could potentially deteriorate further.

However, we maintained a sound balance sheet and remain focused on extracting cost efficiencies and driving utilisation rates. We believe in the long-term fundamentals for our industry, especially for operators with a modern fleet of vessels like ours. Together with our track record of operational excellence, we will be well positioned when the market recovers eventually.”

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About PACC Offshore Services Holdings (“POSH”)

PACC Offshore Services Holdings (“POSH”) is listed on the Singapore Exchange and is one of the largest Asia-based international operators of offshore support vessels, and among the top five globally, with a diversified fleet providing marine support services to the offshore oil and gas industry.

The Group’s four key business segments are:

Offshore Supply Vessels (“OSV”) – supports mid- to deep-water operations of rigs and oilfield operators (exploration and construction phases)

Offshore Accommodation (“OA”) – operates a fleet of offshore accommodation vessels providing a range of solutions for offshore construction, modification & maintenance, and decommissioning activities

Transport & Installation (“T&I”) – supports marine contractors in construction and maintenance of oilfield infrastructure and pipelines

Harbour Services & Emergency Response (“HSER”) – operates a fleet of harbour tugs actively engaged in supporting harbour towage operators. A joint venture also provides heavy lift services to shipyards engaged in the construction, repair and conversion of ships, offshore drilling units, other offshore structures, topside production and processing facilities.