



PACC OFFSHORE SERVICES HOLDINGS LTD.

Registration Number: 200603185Z

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE FOURTH QUARTER AND THE YEAR ENDED 31 DECEMBER 2017

Introduction

PACC Offshore Services Holdings Ltd. ("POSH") is one of Asia's largest operators 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 31 December 2017, the POSH Group (including joint ventures) operated a combined fleet of 125 vessels with another vessel on order, comprising Anchor Handling Tug Supply Vessels, Anchor Handling Tugs, Maintenance Utility Vessels, Platform Supply Vessels, Light Construction Vessels, Accommodation Vessels and Harbour Tugs.

The POSH fleet operates worldwide, serving offshore oilfields in Asia, Australasia, Africa, Middle-East and Latin America, providing 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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1(a)(i). *Group Income Statement*

	Group					
	Quarter ended			12 Months ended		
	31-Dec-17 US\$'000	31-Dec-16 US\$'000	% Change	31-Dec-17 US\$'000	31-Dec-16 US\$'000	% Change
Revenue	62,698	36,665	71%	192,237	183,100	5%
Cost of sales	(64,011)	(46,122)	39%	(205,635)	(178,115)	15%
Gross (loss)/profit	(1,313)	(9,457)	-86%	(13,398)	4,985	NM
Other expenses						
Impairment of goodwill	(57,125)	(111,178)	-49%	(57,125)	(111,178)	-49%
Impairment of fixed assets	(108,255)	(198,950)	-46%	(108,255)	(198,950)	-46%
Other operating income	140	4,720	-97%	3,155	7,335	-57%
Distribution costs	(418)	(279)	50%	(1,146)	(1,002)	14%
General and administrative expenses	(6,003)	(6,616)	-9%	(24,955)	(27,627)	-10%
Allowance for doubtful debts	(1,303)	(2,584)	-50%	(3,221)	(13,768)	-77%
Bad debts written-off	-	(1,882)	NM	-	(1,882)	NM
Finance costs	(6,629)	(4,115)	61%	(22,847)	(14,412)	59%
Share of joint ventures' result	(9,652)	(15,495)	-38%	2,359	(13,814)	NM
Loss before taxation	(190,558)	(345,836)	-45%	(225,433)	(370,313)	-39%
Taxation	(2,385)	371	NM	(4,828)	(1,271)	280%
Net loss for the period	(192,943)	(345,465)	-44%	(230,261)	(371,584)	-38%
(Loss)/profit attributable to:						
Equity holders of the Company	(193,018)	(345,436)	-44%	(230,266)	(371,448)	-38%
Non-controlling interests	75	(29)	NM	5	(136)	NM
	(192,943)	(345,465)	-44%	(230,261)	(371,584)	-38%
Note:						
Net loss for the period	(192,943)	(345,465)	-44%	(230,261)	(371,584)	-38%
Less:						
Impairment of goodwill	(57,125)	(111,178)	-49%	(57,125)	(111,178)	-49%
Impairment of fixed assets	(108,255)	(198,950)	-46%	(108,255)	(198,950)	-46%
Fixed assets written-off	-	(64)	NM	-	(505)	NM
(Loss)/gain on disposal of fixed assets	(1,219)	41	NM	(3,133)	352	NM
	(166,599)	(310,151)	-46%	(168,513)	(310,281)	-46%
Net (loss) excluding the above items	(26,344)	(35,314)	-25%	(61,748)	(61,303)	1%

NM denotes "Not Meaningful".

1(a)(ii). Profit before taxation is arrived at after (charging)/crediting the following significant items.

	Group			
	Quarter ended		12 Months Ended	
	31-Dec-17 US\$'000	31-Dec-16 US\$'000	31-Dec-17 US\$'000	31-Dec-16 US\$'000
Amortisation of intangible assets	(103)	(4)	(128)	(33)
Depreciation of fixed assets	(16,929)	(19,487)	(63,625)	(69,626)
Exchange gain/(loss)	395	143	(180)	226
Fixed assets written-off	-	(64)	-	(505)
(Loss)/gain on disposal of fixed assets	(1,219)	41	(3,133)	352
Impairment of fixed assets	(108,255)	(198,950)	(108,255)	(198,950)
Impairment of goodwill	(57,125)	(111,178)	(57,125)	(111,178)
Interest income	466	542	1,980	2,259
Interest expense	(6,629)	(4,115)	(22,847)	(14,412)
Allowance for doubtful debts	(1,303)	(2,584)	(3,221)	(13,768)
Bad debts written-off	-	(1,882)	-	(1,882)

1(a)(iii). Consolidated Statement of Comprehensive Income

	Group					
	Quarter ended			12 Months ended		
	31-Dec-17 US\$'000	31-Dec-16 US\$'000	%	31-Dec-17 US\$'000	31-Dec-16 US\$'000	%
Net loss for the period	(192,943)	(345,465)	-44%	(230,261)	(371,584)	-38%
Other comprehensive loss: Items that may be reclassified subsequently to profit or loss						
Cash flow hedges-fair value gain	4,497	7,485	-40%	1,695	5,600	-70%
Other comprehensive income for the period	4,497	7,485	-40%	1,695	5,600	-70%
Total comprehensive loss for the period	(188,446)	(337,980)	-44%	(228,566)	(365,984)	-38%
Total comprehensive loss for the period attributable to:						
Equity holders of the Company	(188,521)	(337,951)	-44%	(228,571)	(365,848)	-38%
Non-controlling interests	75	(29)	NM	5	(136)	NM
	(188,446)	(337,980)	-44%	(228,566)	(365,984)	-38%

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1(b)(i). **A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Goodwill	-	57,125	-	-
Fixed assets	1,111,975	1,184,927	346	96,638
Intangible assets	95	12	-	-
Due from joint ventures	31,877	21,834	27,050	21,834
Investment in subsidiaries	-	-	112,493	331,616
Investment in joint ventures	80,668	63,189	35,989	44,507
Receivables and other non-current assets	1,616	1,982	-	-
Derivatives	7,295	5,600	1,261	-
	1,233,526	1,334,669	177,139	494,595
Current assets				
Consumables	3,609	1,677	-	-
Receivables and other current assets	83,203	79,626	5,877	3,443
Due from subsidiaries, joint ventures and related companies	76,398	72,013	806,581	860,585
Cash and cash equivalents	17,088	15,058	12,511	3,850
	180,298	168,374	824,969	867,878
Fixed assets classified as held for sale	-	2,547	-	-
	180,298	170,921	824,969	867,878
Total assets	1,413,824	1,505,590	1,002,108	1,362,473
Non-current liabilities				
Bank borrowings	584,461	439,225	295,000	200,000
Deferred tax liabilities	475	414	-	-
	584,936	439,639	295,000	200,000
Current liabilities				
Payables and accruals	110,295	73,561	19,254	20,259
Advances received from customers	849	198	-	-
Due to subsidiaries, joint ventures and related companies	65,695	31,806	37,275	51,429
Due to holding company	196	195	196	195
Bank borrowings	184,464	269,107	161,400	248,487
Provision for taxation	7,178	2,821	2,623	2,128
	368,677	377,688	220,748	322,498
Total liabilities	953,613	817,327	515,748	522,498
Equity				
Share capital	827,201	827,201	827,201	827,201
Treasury shares	(1,447)	(1,828)	(1,447)	(1,828)
Accumulated (losses)/ retained profits	(373,205)	(142,939)	(340,788)	14,602
Other reserves	7,726	5,898	1,394	-
	460,275	688,332	486,360	839,975
Non-controlling interest	(64)	(69)	-	-
Total equity	460,211	688,263	486,360	839,975
Total liabilities and equity	1,413,824	1,505,590	1,002,108	1,362,473

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1(b)(ii). Aggregate amount of the Group's borrowings and debt securities.

	As at 31-Dec-17		As at 31-Dec-16	
	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000	Secured US\$'000
(i) Amount payable in one year or less, or on demand	161,400	23,064	248,487	20,620
(ii) Amount repayable after one year	295,000	289,461	200,000	239,225

1(c). A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	Quarter Ended		12 Months Ended	
	31-Dec-17 US\$'000	31-Dec-16 US\$'000	31-Dec-17 US\$'000	31-Dec-16 US\$'000
Cash flows from operating activities				
Loss before taxation	(190,558)	(345,836)	(225,433)	(370,313)
Adjustments for:				
Amortisation of prepayments	91	91	364	364
Amortisation of intangible assets	103	4	128	33
Depreciation of fixed assets	16,929	19,487	63,625	69,626
Grant of equity-settled share options to employees	36	-	133	-
Fixed assets written off	-	64	-	505
Bad debts written off	-	1,882	-	1,882
Allowance for doubtful debts-trade	1,303	2,584	3,221	13,768
Impairment of fixed assets	108,255	198,950	108,255	198,950
Impairment of goodwill	57,125	111,178	57,125	111,178
Loss/(gain) on disposal of fixed assets	1,219	(41)	3,133	(352)
Shares of joint ventures' results	9,652	15,495	(2,359)	13,814
Interest expense	6,629	4,115	22,847	14,412
Interest income	(466)	(542)	(1,980)	(2,259)
Unrealised exchange gain	(29)	(104)	(181)	(320)
Operating cash flows before working capital changes	10,289	7,327	28,878	51,288
Changes in working capital				
Increase in consumables	(1,624)	(721)	(1,932)	(872)
Increase in receivables and other current assets	(814)	(3,274)	(6,987)	(27)
(Decrease)/increase in due to related companies	(898)	-	2,231	-
(Decrease)/increase in payables and accruals	(3,414)	(1,846)	17,947	1,226
Cash generated from operating activities	3,539	1,486	40,137	51,615
Interest paid	(5,858)	(2,909)	(21,553)	(14,139)
Interest received	322	541	2,171	2,256
Income taxes paid	(58)	14	(410)	(1,512)
Net cash (used in)/generated from operating activities	(2,055)	(868)	20,345	38,220
Cash flows from investing activities				
Acquisition of intangible assets	(70)	(1)	(211)	(16)
Acquisition of fixed assets	(15,296)	(71,074)	(91,571)	(171,049)
Proceeds from disposal of fixed assets	598	10	4,445	2,239
Increase in due to related companies	152	-	51	-
Decrease/(increase) in due from joint ventures	1,018	(9,164)	8,254	(4,587)
Increase in interest in joint venture	-	-	(20)	-
Net cash used in investing activities	(13,598)	(80,229)	(79,052)	(173,413)

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	Group			
	Quarter Ended		12 Months Ended	
	31-Dec-17 US\$'000	31-Dec-16 US\$'000	31-Dec-17 US\$'000	31-Dec-16 US\$'000
Cash flows from financing activities				
Capital injection from non-controlling interest of a subsidiary	-	-	-	67
Purchase of treasury shares	-	-	(38)	(159)
Dividends paid	-	-	-	(6,704)
Proceeds from bank borrowings	16,805	80,898	60,593	148,602
Increase/(decrease) in due to joint ventures and related companies	-	1,280	-	(5,265)
Increase/(decrease) in due to holding company	10	79	1	(389)
Net cash generated from financing activities	16,815	82,257	60,556	136,152
Net increase in cash and cash equivalents	1,162	1,160	1,849	959
Effect of exchange rate changes on cash and cash equivalents	29	104	181	320
Cash and cash equivalents at beginning of period	15,897	13,794	15,058	13,779
Cash and cash equivalents at end of period	17,088	15,058	17,088	15,058

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1(d)(i). A statement (for the issuer and group) showing either (i) all the changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to Shareholders of the Company							Non-controlling interest US\$'000	Total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Accumulated (losses)/ retained profits US\$'000	Hedging reserve US\$'000	Employee share option reserves US\$'000	Exchange reserves US\$'000			
The Group									
Balance at 1 Jan 2017	827,201	(1,828)	(142,939)	5,600	-	298	(69)	688,263	
Treasury shares reissued pursuant to employee share options plans	-	419	-	-	-	-	-	419	
Purchase of treasury shares	-	(38)	-	-	-	-	-	(38)	
Grant of equity-settled share options to employees	-	-	-	-	97	-	-	97	
Loss for the period	-	-	(37,248)	-	-	-	(70)	(37,318)	
Other comprehensive loss	-	-	-	(2,802)	-	-	-	(2,802)	
Total comprehensive loss for the period	-	-	(37,248)	(2,802)	-	-	(70)	(40,120)	
Balance at 30 Sep 2017	827,201	(1,447)	(180,187)	2,798	97	298	(139)	648,621	
Grant of equity-settled share options to employees	-	-	-	-	36	-	-	36	
Loss for the period	-	-	(193,018)	-	-	-	75	(192,943)	
Other comprehensive income	-	-	-	4,497	-	-	-	4,497	
Total comprehensive loss for the period	-	-	(193,018)	4,497	-	-	75	(188,446)	
Balance at 31 Dec 2017	827,201	(1,447)	(373,205)	7,295	133	298	(64)	460,211	

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	Attributable to Shareholders of the Company						Non-controlling interest US\$'000	Total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Accumulated (losses)/ retained profits US\$'000	Hedging reserve US\$'000	Employee share option reserves US\$'000	Exchange reserves US\$'000		
The Group								
Balance at 1 Jan 2016	827,201	(1,669)	235,213	-	-	298	-	1,061,043
Purchase of treasury shares	-	(159)	-	-	-	-	-	(159)
Incorporation of a subsidiary	-	-	-	-	-	-	67	67
Dividends paid	-	-	(6,704)	-	-	-	-	(6,704)
Loss for the period	-	-	(26,012)	-	-	-	(107)	(26,119)
Other comprehensive loss	-	-	-	(1,885)	-	-	-	(1,885)
Total comprehensive loss for the period	-	-	(26,012)	(1,885)	-	-	(107)	(28,004)
Balance at 30 Sep 2016	827,201	(1,828)	202,497	(1,885)	-	298	(40)	1,026,243
Purchase of treasury shares	-	-	-	-	-	-	-	-
Loss for the period	-	-	(345,436)	-	-	-	(29)	(345,465)
Other comprehensive income	-	-	-	7,485	-	-	-	7,485
Total comprehensive loss for the period	-	-	(345,436)	7,485	-	-	(29)	(337,980)
Balance at 31 Dec 2016	827,201	(1,828)	(142,939)	5,600	-	298	(69)	688,263

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<u>The Company</u>	Share capital US\$'000	Treasury shares US\$'000	Retained profits/ Accumulated (losses) US\$'000	Hedging reserves US\$'000	Employee share option reserves US\$'000	Total US\$'000
Balance at 1 Jan 2017	827,201	(1,828)	14,602	-	-	839,975
Treasury shares reissued pursuant to employees share option plans	-	419	-	-	-	419
Purchase of treasury shares	-	(38)	-	-	-	(38)
Grant of equity-settled share options to employees	-	-	-	-	97	97
Loss for the period	-	-	(9,965)	-	-	(9,965)
Other comprehensive income	-	-	-	(1,063)	-	(1,063)
Total comprehensive loss for the period	-	-	(9,965)	(1,063)	-	(11,028)
Balance at 30 Sep 2017	827,201	(1,447)	4,637	(1,063)	97	829,425
Grant of equity-settled share options to employees	-	-	-	-	36	36
Loss for the period	-	-	(345,425)	-	-	(345,425)
Other comprehensive income	-	-	-	2,324	-	2,324
Total comprehensive loss for the period	-	-	(345,425)	2,324	-	(343,101)
Balance at 31 Dec 2017	827,201	(1,447)	(340,788)	1,261	133	486,360
Balance at 1 Jan 2016	827,201	(1,669)	218,079	-	-	1,043,611
Purchase of treasury shares	-	(159)	-	-	-	(159)
Dividends paid	-	-	(6,704)	-	-	(6,704)
Loss for the period, representing total comprehensive loss for the period	-	-	(6,524)	-	-	(6,524)
Balance at 30 Sep 2016	827,201	(1,828)	204,851	-	-	1,030,224
Purchase of treasury shares	-	-	-	-	-	-
Loss for the period, representing total comprehensive loss for the period	-	-	(190,249)	-	-	(190,249)
Balance at 31 Dec 2016	827,201	(1,828)	14,602	-	-	839,975

1(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issue of equity securities, issue of shares for cash or consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at end of the current financial period reported on and as at end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous period reported on.

Movement in the Company's treasury shares during the three months ended 31 December 2017 was as follows:

	Number of shares
Balance as at 1 October and 31 December 2017	<u>6,359,600</u>

As at 31 December 2017, 6,359,600 treasury shares were held by the Company (31 December 2016: 8,052,900) representing 0.4% (31 December 2016: 0.4%) of the total number of issued shares (excluding treasury shares).

1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

Total number of issued ordinary shares (excluding treasury shares) as at 31 December 2017 was 1,813,640,400 (31 December 2016: 1,811,947,100).

1(d)(iv). A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the year ended 31 December 2017, the Company reissued 1,873,000 (31 December 2016: nil) treasury shares to its eligible employees upon vesting of shares released under the Company's Performance Share Plan.

1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

None.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The financial statements for the period under review have not been audited or reviewed by the auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied accounting policies and methods of computation in the financial statements for the current reporting year consistent with those of the audited financial statements for the year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reason for, and the effect of, the change.

On 1 January 2017, the Group and the Company adopted all new and revised FRSs and interpretation of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and INT FRSs did not result in significant changes to the Group's and the Company's accounting policy.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding year, after deducting any provision for the preference dividends; (a) Based on weighted average number of shares and (b) On a fully diluted basis (detailing any adjustments made to the earnings)

	Group			
	Quarter Ended		12 Months Ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Net loss attributable to equity holders of the Company (US\$'000)	(193,018)	(345,436)	(230,266)	(371,448)
Weighted average ordinary shares for calculation ('000)				
- Basic	1,813,640	1,811,947	1,813,720	1,812,001
- On fully diluted basis	1,813,640	1,811,947	1,813,720	1,812,001
Loss per ordinary shares ("EPS") (US cents)				
(i) Based on weighted average number of ordinary shares issued	(10.64)	(19.06)	(12.70)	(20.50)
(ii) On fully diluted basis	(10.64)	(19.06)	(12.70)	(20.50)

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group		Company	
	As at 31-Dec-17	As at 31-Dec-16	As at 31-Dec-17	As at 31-Dec-16
Net asset value (US\$'000)	460,211	688,263	486,360	839,975
Total number of ordinary shares issued ('000)	1,813,640	1,811,947	1,813,640	1,811,947
Net asset value per ordinary shares (US cents)	25.37	37.98	26.82	46.36

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -**
 (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Income Statement

4th Quarter 2017 ("Q4 FY17") vs 4th Quarter 2016 ("Q4 FY16")

	Revenue			Gross Profit			Gross Profit Margin	
	Q4 FY17 US\$ '000	Q4 FY16 US\$ '000	% Change	Q4 FY17 US\$ '000	Q4 FY16 US\$ '000	% Change	Q4 FY17 %	Q4 FY16 %
Offshore Supply Vessels ("OSV")	19,034	16,673	14%	(6,104)	(4,881)	25%	-32%	-29%
Offshore Accommodation ("OA")	35,885	11,828	203%	5,182	(2,221)	NM	14%	-19%
Transportation & Installation ("T&I")	3,251	3,449	-6%	(1,209)	(2,793)	-57%	-37%	-81%
Harbour Services and Emergency Response ("HSER")	4,528	4,715	-4%	818	438	87%	18%	9%
	62,698	36,665	71%	(1,313)	(9,457)	-86%	-2%	-26%

The Group registered a 71% increase in revenue to US\$62.7 million as compared to US\$36.7 million in Q4 FY16. This was mainly due to higher contribution from OSV and OA segments.

OSV

OSV segment revenue increased by 14% to US\$19.0 million (Q4 FY16: US\$16.7 million) due to long-term charters to the Middle East and vessels chartered to the Shell Prelude project. Utilisation in Q4 FY17 was 61% (Q4 FY16: 62%). While revenue has improved, the contribution margin was lower due to lower average charter rates which resulted in gross loss of US\$6.1 million (Q4 FY16: Gross loss US\$4.9 million).

OA

OA segment revenue increased by 203% to US\$35.9 million (Q4 FY16: US\$11.8 million) as POSH Arcadia, a Semi-Submersible Accommodation Vessel ("SSAV") continued her charter on the Shell Prelude project. Three of the Light Construction Vessels ("LCVs") are under charter while one remained idle during the quarter. Consequently, the segment registered gross profit of US\$5.2 million in Q4 FY17 instead of gross loss of US\$2.2 million in Q4 FY16.

T&I

While utilisation improved to 42% (Q4 FY16: 34%), charter rates remained low. Hence, T&I segment revenue decreased by 6% to US\$3.3 million (Q4 FY16: US\$3.4 million). With the lower operating expenses in current quarter, the segment registered a lower gross loss of US\$1.2 million in Q4 FY17 (Q4 FY16: US\$2.8 million).

Income Statement (cont'd)

4th Quarter 2017 ("Q4 FY17") vs 4th Quarter 2016 ("Q4 FY16") (cont'd)

HSER

HSER revenue decreased by 4% to US\$4.5 million (Q4 FY16: US\$4.7 million) mainly due to lower overseas and spot charters for Harbour Tugs. Gross profit improved by 87% to US\$0.8 million (Q4 FY16: US\$0.4 million).

General & administrative ("G&A") expenses and other income

G&A expenses decreased by US\$0.6 million or 9% to US\$6.0 million (Q4 FY16: US\$6.6 million) mainly due to lower personnel expenses incurred in Q4 FY17.

Impairment of fixed assets and goodwill for Q4 FY17 was US\$108.3 million and US\$57.1 million respectively, compared to US\$198.9 million and US\$111.2 million in Q4 FY16.

Finance costs increased by 61% or US\$2.5 million due to higher loan balance and higher interest rates in Q4 FY17. The higher loan balance was mainly due to financing for the construction of OSV vessels for the long-term charters in the Middle East.

The Group's share of results from joint ventures ("JVs") registered a loss of US\$9.7 million in Q4 FY17 compared to US\$15.5 million in Q4 FY16. This was mainly due to higher impairment of vessels (Q4 FY17: US\$15.5 million) compared to last year (Q4 FY16: US\$12.5 million), offset by higher contribution from POSH Terasea.

The Group recorded a lower net loss attributable to shareholders of US\$193.0 million in Q4 FY17 compared to US\$345.4 million in Q4 FY16.

12 Months ended 31 December 2017 ("FY17") vs 12 Months ended 31 December 2016 ("FY16")

	Revenue			Gross Profit/(loss)			Gross Profit Margin	
	FY17	FY16	%	FY17	FY16	%	FY17	FY16
	US\$ '000	US\$ '000	Change	US\$ '000	US\$ '000	Change	%	%
Offshore Supply Vessels ("OSV")	74,975	74,230	1%	(11,095)	(12,457)	-11%	-15%	-17%
Offshore Accommodation ("OA")	81,755	72,027	14%	(6,368)	14,627	NM	-8%	20%
Transportation & Installation ("T&I")	14,123	15,992	-12%	(327)	(1,559)	-79%	-2%	-10%
Harbour Services and Emergency Response ("HSER")	21,384	20,851	3%	4,392	4,374	0%	21%	21%
	192,237	183,100	5%	(13,398)	4,985	NM	-7%	3%

During the year, the Group registered revenue of US\$192.2 million (FY16: US\$183.1 million), a 5% increase or US\$9.1 million. This was mainly due to higher contribution from across the major business segments. However, the Group recorded gross loss of US\$13.4 million in FY17 compared to gross profit of US\$5.0 million in FY16 due to losses from OA segment.

OSV

Although the current market is slowly picking up, the market remains competitive and this led to lower charter rates and utilisation across all vessels in the OSV segment. In FY17, the segment registered revenue of US\$75.0 million (FY16: US\$74.2 million) mainly due to contribution from vessels currently working in the Middle East. The segment recorded lower gross loss of US\$11.1 million in FY17 (FY16: US\$12.5 million) due to lower operating expenses.

Income Statement (cont'd)

12 Months ended 31 December 2017 ("FY17") vs 12 Months ended 31 December 2016 ("FY16") (cont'd)

OA

OA segment revenue increased by 14% to US\$81.8 million (FY16: US\$72.0 million) mainly due to contribution from POSH Arcadia ("SSAV") offset by lower revenue contribution from POSH Xanadu ("SSAV") which ended its charter in March 2017 and was not working for the remaining year, together with lower utilisation of other accommodation vessels. However, the segment recorded gross loss of US\$6.4 million in FY17 compared to gross profit of US\$14.6 million in FY16 mainly due to higher operating expenses.

T&I

T&I segment revenue decreased by 12% to US\$14.1 million (FY16: US\$16.0 million) mainly due to lower charter rates. With the lower operating cost in FY17, gross loss was lower at US\$0.3 million (FY16: US\$1.6 million).

HSER

HSER segment registered a 3% increase in revenue to US\$21.4 million (FY16: US\$20.9 million) mainly due to higher revenue from Heavy Lift, salvage and diving revenue offset by lower charters for Harbour Tugs. Gross profit remained flat at US\$4.4 million in FY17 due to higher operating costs and depreciation expenses as new vessels were added to the division.

General & administrative ("G&A") expenses and other expenses/income

G&A expenses decreased by 10% or US\$2.7 million to US\$25.0 million (FY16: US\$27.6 million) mainly due to lower personnel expenses incurred in FY17.

Finance costs increased by 59% or US\$8.4 million to US\$22.8 million (FY16: US\$14.4 million) mainly due to higher interest rates and higher loan balance in FY17. The higher loan balance was mainly due to financing for the construction of OSV vessels for the long-term charters to the Middle East.

The Group's share of profit from joint ventures' was US\$2.4 million in FY17 (FY16: losses of US\$13.8 million) mainly contributed from POSH Terasea in FY17 with the completion of several major towage and positioning projects off-set by impairment of vessels of US\$15.5 million (FY16: US\$12.5 million) across the JVs.

The Group's net loss attributable to shareholders was US\$230.3 million in FY17 as compared to US\$371.4 million in FY16.

Statement of Financial Position

The Group's net asset was US\$460.2 million as at 31 December 2017.

Goodwill of US\$57.1 million allocated to T&I segment was fully impaired in FY17.

Fixed assets decreased by US\$73.0 million mainly due to vessels impairment, partially offset by payment for vessels under construction. Increase in receivables and other current assets were mainly due to higher turnover days in the period.

The Group has net current liabilities of US\$188.4 million mainly due to bank borrowings due within one year.

Statement of Cash Flows

The Group generated net operating cash flow of US\$20.3 million in FY17 compared to US\$38.2 million in FY16. The lower net operating cash flow was mainly due to higher operating expenses and interest expenses in FY17.

Net cash used in investing activities of US\$79.1 million in FY17 (FY16: US\$173.4 million) was mainly due to payment for vessels under construction.

The Group's net cash generated from financing activities in FY17 was US\$60.6 million mainly due to proceeds from bank borrowings (FY16: US\$136.2 million) to finance new vessels.

9. *Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.*

None.

10. *A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

Whilst there is some positive sentiment in the market, with oil prices averaging above US\$50 per barrel in 2017, offshore oil production activities remain subdued. Day rates remain under pressure, mainly due to an oversupply of vessels.

Nevertheless, there remain pockets of growth in this challenging market. Specifically for the Middle East, eight Engineering, Procurement, Construction and Installation (“EPCI”) projects were awarded by Saudi Aramco in 2017. This is the highest number of EPCI contracts awarded by Saudi Aramco since the market downturn began in 2014.

As at Q4 2017, ten POSH vessels have been deployed to the Middle East on long term charters, with another three to be deployed progressively in Q1 and Q2 FY2018. This includes a newly awarded charter secured in Q4 FY2017 for a firm period of five years, with options to extend. In addition, LCV POSH Enterprise was deployed to provide accommodation support for an EPCI contractor.

Upon the arrival of the Shell Prelude Floating Liquefied Natural Gas (“FLNG”) facility at the Prelude field off the North West coast of Australia in August 2017, SSAV POSH Arcadia commenced her charter, providing accommodation support for the hook-up and commissioning phase of the project. Our clients are pleased with her excellent uptime performance and extended her contract into Q2 FY2018.

SSAV POSH Xanadu was awarded a contract by Chevron U.S.A. Inc. (“Chevron”) to provide accommodation support for the hook-up and commissioning of the Chevron’s Big Foot tension-leg platform (“TLP”) in the Gulf of Mexico. This charter will commence in Q1 FY2018.

POSH Terasea commenced the towage of the Egina FPSO from South Korea in Q4 FY2017, and successfully delivered the vessel to the owner, TOTAL Nigeria, in January 2018.

The Group will continue to focus on safety excellence, while improving its cost competitiveness and maximizing its fleet utilisation. To widen its market reach and provide better and more responsive support to our clients overseas, several overseas offices in key growth markets will be established, while existing overseas offices will be strengthened.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Not Applicable

(c) Date payable

Not Applicable

(d) Book closure date

Not Applicable

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current period reported on.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Pursuant to Rule 920(2) of the listing manual of the SGX-ST, a renewal of general mandate has been obtained for the Group to enter into Interested Person Transactions with our Interested Persons as set out in the circular to the shareholders of the Company dated 10 April 2017. During the year ended 31 December 2017, the following Interested Person Transactions were entered into by the Group

Name of interested person	Aggregate Value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate Value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	US\$' 000	US\$' 000
KSL Corporate Services Pte Ltd	-	2,243
DP Shipbuilding & Engineering Pte Ltd	-	3,153
GWC Commercial Pte Ltd	-	3,923
DDW PaxOcean Shipyard Pte Ltd	-	486
Manis Shipping Pte Ltd	-	986
PaxOcean Engineering Zhoushan Co., Ltd	-	1,839
PaxOcean Engineering Zhuhai Co., Ltd	-	1,313
PACC Ship Managers Pte Ltd	-	199
TOTAL	-	14,142

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14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements with comparative information for the immediately preceding year**

<u>Year ended 31 December 2017</u>	OSV US\$'000	OA US\$'000	T&I US\$'000	HSER US\$'000	Total US\$'000
Revenue	74,975	81,755	14,123	21,384	192,237
Segment results	(19,178)	(15,026)	(6,796)	2,530	(38,470)
Share of joint ventures' results	(10,656)	-	15,672	(2,657)	2,359
Impairment of fixed assets	(78,717)	(21,533)	(7,149)	(856)	(108,255)
Impairment of goodwill	-	-	(57,125)	-	(57,125)
Interest income					1,980
Interest expense					(22,847)
Taxation					(4,828)
Unallocated other income, net					(481)
Unallocated general and administrative expenses					(2,594)
Loss for the year					<u>(230,261)</u>
Assets					
Segment assets	526,380	647,657	131,665	73,830	1,379,532
Unallocated assets					34,292
Total assets					<u>1,413,824</u>
Liabilities					
Segment liabilities	102,460	40,767	6,039	7,293	156,559
Unallocated liabilities					797,054
Total liabilities					<u>953,613</u>
Other information					
Depreciation	30,736	24,149	6,356	1,829	63,070
Additions to non-current assets	62,396	481	42,345	4,618	109,840
<u>Year ended 31 December 2016</u>	OSV US\$'000	OA US\$'000	T&I US\$'000	HSER US\$'000	Total US\$'000
Revenue	74,230	72,027	15,992	20,851	183,100
Segment results	(25,018)	(921)	(7,905)	2,293	(31,551)
Share of joint ventures' results	(8,775)	-	(2,588)	(2,451)	(13,814)
Impairment of fixed assets	(163,061)	(18,577)	(17,312)	-	(198,950)
Impairment of goodwill	(111,178)	-	-	-	(111,178)
Interest income					2,259
Interest expense					(14,412)
Taxation					(1,271)
Unallocated other income, net					695
Unallocated general and administrative expenses					(3,362)
Loss for the year					<u>(371,584)</u>
Assets					
Segment assets	553,492	650,524	198,623	74,583	1,477,222
Unallocated assets					28,368
Total assets					<u>1,505,590</u>
Liabilities					
Segment liabilities	64,284	12,381	8,491	8,932	94,088
Unallocated liabilities					723,239
Total liabilities					<u>817,327</u>
Other information					
Depreciation	38,699	21,395	7,423	1,576	69,093
Additions to non-current assets	89,064	59,465	23,398	4,685	176,612

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to paragraph 8.

16. A breakdown of sales as follows:-

	GROUP		
	FY17 US\$'000	FY16 US\$'000	Increase/ (decrease) %
(a) Sales reported for the first half year	76,755	104,806	-27%
(b) Operating loss after tax before deducting minority interests reported for the first half year	(27,536)	(13,167)	109%
(c) Sales reported for second half year	115,482	78,294	47%
(d) Operating loss after tax before deducting minority interests reported for second half year	(202,725)	(358,417)	-43%

17. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or a chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13).

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the Company confirms that there is no person occupying managerial position in the Company or any of its principal subsidiaries, who is a relative of a director or a chief executive officer or substantial shareholder of the Company.

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

On behalf of the Board of Directors

Kuok Khoon Ean
Chairman

Gerald Seow
Chief Executive Officer/Director

20 February 2018