



**PACC OFFSHORE SERVICES HOLDINGS LTD.**

**MEDIA RELEASE**

**POSH POSTS FY2016 LOSS ON IMPAIRMENTS AMID CHALLENGING OPERATING ENVIRONMENT**

- *FY2016 net loss attributable to shareholders of US\$371.4 million, after providing for US\$310.1 million on non-cash impairments (goodwill \$111.2 million, fixed assets \$198.9 million)*
- *Generated positive net operating cash flows of US\$38.2 million for FY2016*

**Group Financial Performance for Q4 and FY2016**

	Quarter ended			Full year ended		
	31 Dec 2016 (US\$'000)	31 Dec 2015 (US\$'000)	% change	31 Dec 2016 (US\$'000)	31 Dec 2015 (US\$'000)	% change
<b>Revenue</b>	36,665	71,816	(49)	183,100	280,820	(35)
<b>Gross (loss)/profit</b>	(9,457)	17,186	NM	4,985	58,026	(91)
<b>Impairment of fixed assets</b>	(198,950)	(21,437)	828	(198,950)	(21,437)	828
<b>Impairment of goodwill</b>	(111,179)	(127,000)	(12)	(111,179)	(127,000)	(12)
<b>Share of joint ventures' results</b>	(15,495)	(12,383)	25	(13,814)	(9,526)	45
<b>Net loss attributable to Shareholders ("NLAT")</b>	(345,436)	(149,669)	131	(371,448)	(130,959)	184
<b>Net (loss)/profit attributable to shareholders excluding impairment of goodwill and fixed assets</b>	(35,307)	(1,232)	NM	(61,319)	17,478	NM

*\*NM denotes not meaningful*

**SINGAPORE, 21 February 2017** – Offshore marine services provider, PACC Offshore Services Holdings Ltd. ("**POSH**" or the "**Group**"), today reported results for the fourth quarter ended 31<sup>st</sup> December 2016 ("**Q4 FY2016**").

**For the three months ended 31 December 2016 ("Q4 FY2016")**, POSH recorded a 49% decline in revenue year-on-year ("**YoY**") to US\$36.7 million amid continued challenging conditions across the industry. This was mainly due to lower utilisation and charter rates across its major business segments. As a result, POSH reported a gross loss of US\$9.5

million. Share of joint ventures' results saw a loss of US\$15.5 million primarily on lower contribution and impairments made on joint venture vessels.

Overall, POSH reported a net loss attributable to shareholders ("NLAT") of US\$345.4 million, compared to a net loss of US\$149.7 million in Q4 FY2015. The results were primarily impacted by impairments of US\$111.2 million and US\$198.9 million to goodwill and vessels respectively during the quarter. Stripping out impairments of fixed assets and goodwill, which are non-cash in nature, operational NLAT for the period was US\$35.3 million, compared to a NLAT of US\$1.2 million in the previous year.

***For the full year ended 31 December 2016 ("FY2016")***, revenue decreased by 35% YoY to US\$183.1 million on lower charter rates and utilisation across its four major business segments. Correspondingly, gross profit fell 91% to US\$5.0 million.

Due primarily to impairments of fixed assets and goodwill of US\$310.1 million, net loss attributable to shareholders for FY2016 was US\$371.4 million. Excluding these impairments, operational NLAT was US\$61.3 million, compared to an operational profit of US\$17.5 million for FY2015.

The Group generated a positive net operating cash flow of US\$38.2 million for FY2016.

### **Business Segment Performance for Q4 FY2016**

	<u>Revenue</u>			<u>Gross (Loss)/Profit</u>		
	Quarter ended			Quarter ended		
	31 Dec 2016 (US\$'000)	31 Dec 2015 (US\$'000)	% change	31 Dec 2016 (US\$'000)	31 Dec 2015 (US\$'000)	% change
Offshore Supply Vessels	16,673	33,945	(51)	(4,881)	4,633	NM
Offshore Accommodation	11,828	26,801	(56)	(2,221)	10,364	NM
Transportation & Installation	3,449	5,973	(42)	(2,793)	540	NM
Harbour Services & Emergency Services	4,715	5,097	(7)	438	1,649	(73)

#### **Offshore Supply Vessels ("OSV")**

Revenue declined by 51% to US\$16.7 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\$4.9 million.

#### **Offshore Accommodation ("OA")**

Revenue decreased by 56% to US\$11.8 million mainly on lower charter rates and utilisation for its shallow water vessels, as well as lower rates for its POSH Xanadu semi-submersible accommodation vessel ("SSAV") upon its contract extension. As a result, the segment registered a gross loss of US\$2.2 million.

**Transportation & Installation (“T&I”)**

Revenue decreased by 42% to US\$3.4 million primarily on lower charter rates and utilisation. As a result, the segment reported a gross loss of US\$2.8 million.

**Harbour Services & Emergency Response (“HSER”)**

HSER reported a 7% decline in revenue mainly due to lower salvage revenue. Gross profit for the period was US\$438,000.

**Outlook and commentary**

The outlook for the oil and gas sector continues to remain depressed and the timing of recovery is uncertain. Whilst OPEC had reached an agreement to cut oil production in Nov 2016, supply and demand balances are still slow to return to equilibrium. Offshore oilfield development capex remains subdued.

The Group will continue to focus on managing costs and maximizing the utilization of its fleet. Two of its twelve vessels contracted with an oil major in the Middle East have commenced charter with the remaining ten vessels to be deployed progressively in 2017.

**Captain Gerald Seow, Chief Executive Officer of POSH**, said, “While our financial performance was impacted by the persistent weakness in the oil and gas services industry, our strong balance sheet and ability to continue generating positive operating cash flow in FY2016 reflects our underlying operational resilience.

“We expect market conditions to remain challenging in 2017. We will maximise utilisation of our vessels as long as it generates positive EBITDA. We will be prudent in our cash management and continue driving cost rationalisation and operational excellence to position ourselves for the longer-term recovery.”

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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.