**MTQ CORPORATION LIMITED**
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**FOR IMMEDIATE RELEASE**

# 2QFY17 losses due to prevalent weakness in activity

- Depressed activity levels in the oilfield and subsea sectors continue
- Improved Bahrain performance despite pricing pressures
- Proposed disposal of Engine Systems division, strengthening balance sheet

**Singapore, 28 October 2016 –** SGX Mainboard-listed MTQ Corporation Limited ("MTQ" or "Group"), an established regional engineering, maintenance and subsea services group, reported today its results for the three months and six months ended 30 September 2016 ("2QFY2017" and "1HFY2017" respectively).

| Financial Highlights | 2QFY2017 | 2QFY2016 | Chg | 1HFY2017 | 1HFY2016 | Chg |
|---|---|---|---|---|---|---|
| | SGD'000 | SGD'000 | % | SGD'000 | SGD'000 | % |
| **Revenue** | 24,819 | 46,244 | (46) | 59,463 | 95,509 | (38) |
| **Gross Profit** | 4,222 | 11,104 | (62) | 12,108 | 22,991 | (47) |
| ***Gross Profit Margin*** | *17.0%* | *24.0%* | | *20.4%* | *24.1%* | |
| **Other Income** | 368 | 2,029 | (82) | 544 | 2,440 | (78) |
| **Other Operating Expenses** | (4,688) | (6,817) | 31 | (9,167) | (12,703) | 28 |
| **Staff Costs** | (5,863) | (7,178) | 18 | (12,128) | (15,372) | 21 |
| **Finance Costs** | (335) | (479) | 30 | (684) | (978) | 30 |
| **Share of Results of Joint Venture** | 279 | (29) | n/m | 161 | (329) | n/m |
| **Loss From Continuing Operations, net of tax** | (5,523) | (586) | (842) | (8,187) | (3,203) | (156) |
| **Loss attributable to Owners of the Company** | (4,325) | (501) | (763) | (6,509) | (2,832) | (130) |

**Financial Review**

The Group reported S$24.8 million revenue for 2QFY2017, a decrease of 46% year-on-year ("yoy") due to low activity levels in the oilfield and subsea divisions as well as some projects deferrals in the subsea division. Activity levels in Bahrain remained healthy with a slight improvement in gross profit margin despite pricing pressures. Overall, the Group's gross profit margin for 2QFY2017 was lower as a result of an overall decrease in revenue and pricing pressures.

Costs continue to taper off, but at a slower pace compared to the decline in revenue.

The results from our Binder Indonesian joint venture improved on the back of increased orders from pipe support contracts won last year as well as some urgent jobs contracted in 2QFY2017.

The Group recorded a net loss from continuing operations of S$5.5 million for the quarter. Comparative results were affected by insurance claims recorded in 2QFY2016.

| **Cash flows** | **2QFY2017** | **2QFY2016** | **1HFY2017** | **1HFY2016** |
|---|---|---|---|---|
| | **SGD'000** | **SGD'000** | **SGD'000** | **SGD'000** |
| **Net cash from/(used in):** | | | | |
| - **Operating activities** | 880 | 1,747 | 6,336 | 5,147 |
| - **Investing activities** | (332) | (1,703) | (565) | (6,302) |
| - **Financing activities** | (1,017) | (4,184) | (1,416) | (5,575) |
| **Net change in cash & cash equivalents (inclusive of exchange rate effects)** | 311 | (2,323) | 4,685 | (5,298) |
| **Cash and cash equivalents at end of financial period** | 29,652 | 38,837 | 29,652 | 38,837 |

The Group had a net cash outflow of S$2.2 million from operations before working capital for the period due to the losses recorded. Working capital changes, however, resulted in positive overall operating cash flows for the quarter. Investing cash flows remained minimal during the period. Financing wise, there was a dividend paid by Neptune group during the period resulting in a cash outflow of S$658k to non-controlling interests.

The Group's cash of S$29.7 million is an increase of S$4.7 million from S$25.0 million as at 31 March 2016. Net gearing remains conservative and relatively unchanged through this period.

| Balance Sheet | 30 Sept 2016 | 31 Mar 2016 |
|---|---|---|
| | SGD’000 | SGD’000 |
| **Net current assets** | 68,655 | 66,444 |
| **Net assets** | 105,270 | 113,374 |
| **Bank borrowings and finance leases** | 43,974 | 44,087 |
| **Shareholder’s funds** | 98,672 | 105,664 |
| **Net gearing**[1] | 15.2% | 14.4% |
| **Net assets value per share**[2] | 64 cents | 68 cents |

[1] *Net gearing ratio is calculated based on net debt divided by net capitalization. The Group includes within its net debt, bank borrowings and finance lease payable, less cash and cash equivalents. Net capitalization refers to net debt plus total equity.*

[2] *Net assets value is calculated based on the Group’s net assets after deducting the non-controlling interest, divided by the total number of issued shares excluding treasury shares as at the end of the financial period.*

As announced on 27 October 2016, the Group is expecting an improvement to net tangible assets and a significant reduction in net debt gearing from the Proposed Disposal, thus further strengthening the balance sheet and providing more financial flexibility to the Group in the current environment.

## Results & outlook

Commenting on the financial results and outlook, Mr Kuah Boon Wee, Group Chief Executive Officer said,

***“We continued to see weak subsea demand in all operating areas except in the Middle East where activity remains robust.***

***We will look to focus on growing our business in the Middle East. Overall recovery will require an improvement in activity levels, especially in the South East Asia/Australia region, where sentiment remains muted.***

***While we remain attentive to cash conservation and labour utilization, the disposal of the Engine Systems business will help to further improve the balance sheet, weather the current down-turn and capitalise on new opportunities.”***

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**About MTQ Corporation Limited (Bloomberg Code: MTQ.SP)**

Established in 1969, **MTQ Corporation Limited ("MTQ")** specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations. Well-known for its broad experience for over 30 years and commitment to service quality, MTQ is the authorised working partner for some of the world's largest OEMs in drilling equipment, and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards. The Premier group, in additional to repair and manufacture of oilfield equipments, is also supplier of oilfield equipment and tools manufactured by some of the leading global brands. Neptune Marine Services Limited is located in Perth, Western Australia, and has operational presence in the UK and Asia. Neptune provides engineering services to offshore oil and gas, marine and renewable energy industries with a focus on subsea and topside services. In 2014, MTQ expanded into the design and manufacturing of proprietary and custom-built pipe support and pipe suspension solutions for the oil & gas sector through Binder Group Pty Ltd, which has production facilities in Perth and Indonesia.

For more information, please log on www.mtq.com.sg

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