PACC OFFSHORE SERVICES HOLDINGS LTD.

MEDIA RELEASE

FY2017: REVENUE GROWTH DESPITE FURTHER IMPAIRMENTS TO GOODWILL AND FIXED ASSETS

- *Q4 FY2017 revenue up 71% on strong growth in Offshore Accommodation and Offshore Supply Vessels business divisions; FY2017 revenue up 5%*
- *Net loss attributable to shareholders at US$230.3 million for FY 2017, primarily on non-cash impairments to goodwill (*US$57.1 million) *and fixed assets (*US$108.3 million)*, reflecting depressed market conditions*
- *Sustained operational strength: Group secures charter with Chevron U.S.A. Inc. for POSH Xanadu; wins additional long-term charter in Middle East*

Group Financial Performance for Q4 and FY2017

	Quarter ended			Full year ended		
	31 Dec 2017 (US$'000)	**31 Dec 2016 (US$'000)**	**% change**	**31 Dec 2017 (US$'000)**	**31 Dec 2016 (US$'000)**	**% change**
Revenue	62,698	36,665	71	192,237	183,100	5
Gross (loss)/profit	(1,313)	(9,457)	(86)	(13,398)	4,985	N.M.
Impairment of goodwill	(57,125)	(111,178)	(49)	(57,125)	(111,178)	(49)
Impairment of fixed assets ("FA")	(108,255)	(198,950)	(46)	(108,255)	(198,950)	(46)
Share of joint ventures' results	(9,652)	(15,495)	(38)	2,359	(13,814)	N.M.
Net (loss) attributable to Shareholders ("NLAT")	(193,018)	(345,436)	(44)	(230,266)	(371,448)	(38)
NLAT excluding impairments, FA written-off and disposal gain/(loss)	(26,419)	(35,285)	(25)	(61,753)	(61,167)	1
EBITDA	(1,518)	(12,105)	(88)	26,525	23,886	11

**N.M. denotes not meaningful*

SINGAPORE, 20 February 2018 – Offshore marine services provider, PACC Offshore Services Holdings Ltd. ("**POSH**" or the "**Group**"), today reported results for the fourth quarter and full year ended 31 December 2017 ("**Q4 FY2017**" and "**FY2017**" respectively).

For the three months ended 31 December 2017 ("**Q4 FY2017**"), POSH recorded a 71% increase in revenue year-on-year ("**YoY**") to US$62.7 million, mainly driven by the Group's Offshore Accommodation ("**OA**") and Offshore Supply Vessels ("**OSV**") divisions. This was on the back of the long-term charters to the Middle East, vessels chartered to the Shell Prelude project, as well as the continuation of Semi-Submersible Accommodation Vessel ("**SSAV**") POSH Arcadia's charter on the Shell Prelude project.

The Group's share of joint ventures' results registered a loss of US$9.7 million, narrowing from a US$15.5 million loss in Q4 FY2016. This was on higher contribution from POSH Terasea, which was offset by higher impairment of vessels of US$15.5 million across its JVs.

Amid continued challenging conditions across the industry, POSH booked non-cash impairments of US$108.3 million and US$57.1 million to fixed assets and goodwill respectively. Correspondingly, it booked a net loss attributable to shareholders ("**NLAT**") for the period of US$193.0 million, compared to a net loss of US$345.4 million in Q4 FY2016. Excluding the impact from the impairments, fixed assets written-off and disposal gain/(loss), core NLAT would have been US$26.4 million.

For the full year ended 31 December 2017 ("**FY2017**"), revenue rose by 5% YoY to US$192.2 million on higher contribution from most business segments. However, the Group recorded a gross loss of US$13.4 million, compared to a gross profit of US$5.0 million for FY2016 on losses from the OA division. NLAT was US$230.3 million, on account of the impairments taken in Q4 FY2017, offset slightly by the stronger revenue performance. Excluding the impact from the impairments, fixed assets written-off and disposal gain/(loss), core NLAT would be US$61.8 million.

The Group continued to deliver on cost rationalisation in FY2017. General and administrative expenses were reduced by 10% to US$25.0 million, mainly on lower personnel costs.

Finance costs rose 59% to US$22.8 million due to higher interest rates and higher loan balances, the latter mainly to finance the construction of OSV vessels for their long-term charters to the Middle East.

The Group generated a positive net operating cash flow of US$20.3 million for FY2017 with a net gearing of 1.6x times as at 31 December 2017.

Business Segment Performance for Q4 FY2017

	Revenue			Gross (Loss)/Profit		
	Quarter ended			Quarter ended		
	31 Dec 2017 (US$'000)	31 Dec 2016 (US$'000)	% change	31 Dec 2017 (US$'000)	31 Dec 2016 (US$'000)	% change
Offshore Supply Vessels	19,034	16,673	14	(6,104)	(4,881)	25
Offshore Accommodation	35,885	11,828	203	5,182	(2,221)	N.M.
Transportation & Installation	3,251	3,449	(6)	(1,209)	(2,793)	(57)
Harbour Services & Emergency Response	4,528	4,715	(4)	818	438	87

**N.M. denotes not meaningful*

Offshore Supply Vessels ("OSV")

Revenue rose 14% to US$19.0 million due to long-term charters to the Middle East and vessels chartered to the Shell Prelude project. Utilisation was 61% (Q4 FY2016: 62%) during the quarter.

However, the segment recorded a gross loss of US$6.1 million as charter margins were adversely affected by lower average charter rates.

Offshore Accommodation ("OA")

Revenue more than tripled to US$35.9 million as POSH Arcadia continued her charter on the Shell Prelude project, which commenced in mid-August 2017. Three of its Light Construction Vessels ("**LCVs**") were also on charter. Consequently, the segment saw a gross profit of US$5.2 million.

Transportation & Installation ("T&I")

Revenue decreased 6% to US$3.3 million despite utilisation improving to 42% (Q4 FY16: 34%) as charter rates remained low. However, the segment narrowed gross loss to US$1.2 million on lower operating expenses.

Harbour Services & Emergency Response ("HSER")

HSER saw revenue declined 4% to US$4.5 million, largely due to lesser overseas and spot charters for its Harbour Tugs. Gross profit for the period improved by 87% to US$0.8 million.

Outlook and operational updates

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 FY2017, 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 maximising 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.

Captain Gerald Seow, Chief Executive Officer of POSH, said, "Market conditions remain challenging. For POSH, the key to riding out this prolonged downturn is to continue winning the trust and confidence of our clients.

POSH continues to stand apart in our ability to secure a strong pipeline of charters because of our unwavering commitment to service excellence and safety.

2017 was a landmark year for us in supporting our clients to execute several iconic projects, including the Shell Prelude FLNG facility, Ichthys Explorer CPF, Ichthys Venturer FPSO and Egina FPSO – each the world's largest in their class. We started 2018 on a good note after winning another significant charter to provide accommodation support for Chevron's Big Foot TLP project.

Moving forward, we are cautiously optimistic that oil and gas capital expenditure will increase on firmer oil prices and improved financial performance of oil companies. POSH will continue to invest in our people, focus on operational excellence and explore select growth pockets to deliver long-term value for our investors."

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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.