



PACC OFFSHORE SERVICES HOLDINGS LTD.

Registration Number: 200603185Z

PACC OFFSHORE SERVICES HOLDINGS LTD.

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT
FOR THE THREE MONTHS AND FIRST QUARTER ENDED 31 MARCH 2014

Introduction

PACC Offshore Services Holdings Ltd. (POSH) is Asia's largest operator 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 December 31, 2013, the POSH Group (including joint ventures) operated a combined fleet of 112 vessels with another 15 vessels on order, comprising Anchor Handling Tug Supply Vessels, Anchor Handling Tugs, Platform Supply Vessels, accommodation vessels, harbour tugs, crane and deck barges.

The POSH fleet operates worldwide, serving offshore oilfields in Asia, Africa and Latin America. The Company has provided vessels and services for projects involving many of the world's major oil companies, as well as many large international offshore contractors.

The Company's shares were listed and quoted on the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 25 April 2014.

For more information on POSH, please visit www.posh.com.sg.

The initial public offering of the PACC Offshore Services Holdings Ltd. was sponsored by DBS Bank Ltd., Merrill Lynch (Singapore) Pte. Ltd. and Oversea-Chinese Banking Corporation Limited (together, the "Joint Issue Managers"). The Joint Issue Managers assume no responsibility for the contents of this Announcement.

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1(a)(i) An income statement and statement of comprehensive income or as statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	3 Months Ended		
	31-Mar 2014 US\$'000	31-Mar 2013 US\$'000	% change
Revenue	52,928	56,522	-6%
Cost of sales	(37,109)	(44,175)	-16%
Gross profit	15,819	12,347	28%
Other operating income	35,817	15,032	138%
Distribution costs	(353)	(324)	9%
General and administrative expenses	(7,509)	(5,498)	37%
Financing costs	(3,500)	(2,891)	21%
Share of joint ventures' results	(3,196)	2,604	N.M.
Profit before taxation	37,078	21,270	74%
Taxation	(401)	(471)	-15%
Net profit for the period	36,677	20,799	76%
Attributable to:			
Equity holders of the Company	36,677	20,799	76%
Non-controlling interests	-	-	
	36,677	20,799	76%

N.M. denotes "Not Meaningful"

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

	Group	
	3 Months Ended	
	31-Mar 2014 US\$'000	31-Mar 2013 US\$'000
Amortisation of intangible assets	(67)	(56)
Depreciation of fixed assets	(8,911)	(9,617)
Gain on disposal of fixed assets - vessels	32,618	523
Net fair value gain on derivatives	-	9,588
Interest income	3,154	2,961
(Allowance for)/reversal of doubtful debts	(535)	16

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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-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Goodwill	295,303	295,303	-	-
Fixed assets	1,047,388	1,037,610	246,907	208,045
Intangible assets	184	251	79	128
Loans to joint ventures	181,056	191,197	181,056	191,197
Investment in subsidiaries	-	-	432,856	432,856
Investment in joint ventures	45,613	20,072	60,582	60,582
Long-term prepayments	8,702	8,847	-	-
	1,578,246	1,553,280	921,480	892,808
Current assets				
Consumable stores	1,343	1,265	-	-
Receivables and other current assets	75,079	67,845	3,438	2,011
Amounts owing from subsidiaries, joint ventures and fellow subsidiaries	94,965	90,170	836,373	847,465
Loans to joint ventures	29,304	26,089	28,041	26,089
Cash and cash equivalents	12,267	10,552	864	664
	212,958	195,921	868,716	876,229
Fixed assets classified as held for sale	13,378	24,320	-	-
	226,336	220,241	868,716	876,229
Total assets	1,804,582	1,773,521	1,790,196	1,769,037
Non-current liabilities				
Bank borrowings	300,000	300,000	300,000	300,000
Deferred tax liabilities	166	166	-	-
	300,166	300,166	300,000	300,000
Current liabilities				
Payables and accruals	69,131	62,089	11,719	12,605
Advances received from customers	2,638	12,778	-	-
Amounts owing to subsidiaries, joint ventures and fellow subsidiaries	13,836	23,367	58,277	41,984
Amount owing to holding companies	4,106	649	4,106	649
Bank borrowings	510,580	507,426	510,580	507,426
Provision for taxation	3,153	2,751	1,955	1,602
	603,444	609,060	586,637	564,266
Total liabilities	903,610	909,226	886,637	864,266
Equity				
Share capital	530,975	530,975	530,975	530,975
Accumulated profits	369,699	333,022	372,584	373,796
Other reserves	298	298	-	-
Equity attributable to equity holders of the Company	900,972	864,295	903,559	904,771
Total equity	900,972	864,295	903,559	904,771
Total liabilities and equity	1,804,582	1,773,521	1,790,196	1,769,037

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

	As at 31-Mar-2014		As at 31-Dec-2013	
	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000	Secured US\$'000
(i) Amount payable in one year or less, or on demand	510,580	-	507,426	-
(ii) Amount repayable after one year	300,000	-	300,000	-

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	
	3 Months Ended	
	31-Mar-14 US\$'000	31-Mar-13 US\$'000
Cash flows from operating activities		
Profit before taxation	37,078	21,270
Adjustments for:		
Amortisation of prepayment	145	238
Amortisation of intangible assets	67	56
Depreciation of fixed assets	8,911	9,617
Allowance for doubtful debts - trade	535	(16)
Gain on disposal of fixed assets	(32,618)	(523)
Fair value losses on derivatives	-	4,815
Share of joint ventures' results	3,196	(2,604)
Interest expense	3,500	2,775
Interest income	(3,154)	(2,961)
Operating cash flows before working capital changes	17,660	32,667
Changes in working capital		
(Increase)/decrease in consumables	(78)	2,770
Increase in receivables and other current assets	(7,769)	(40,331)
Increase in payables and accruals	12,683	17,700
Increase in amount owing to ultimate holding company (non-trade)	42	-
Cash generated from operations	22,538	12,806
Interest paid	(4,412)	(2,775)
Interest received	1,560	2,961
Income taxes paid	-	(134)
Net cash generated from operating activities	19,686	12,858
Cash flows from investing activities		
Acquisition of intangible assets	-	(38)
Acquisition of fixed assets	(46,017)	(83,401)
Proceeds from disposal of fixed assets	34,283	2,650
Increase/(decrease) in amount owing from joint ventures	116	(16,199)
Interest in joint ventures	-	(8,907)
Net cash used in investing activities	(11,618)	(105,895)
Cash flows from financing activities		
Proceeds from bank borrowings	3,154	100,465
Decrease in amount owing to fellow subsidiaries	(12,922)	(5,813)
Increase/(decrease) in amount owing to immediate holding company	3,415	(1,177)
Net cash (used in)/generated from financing activities	(6,353)	93,475
Net increase in cash and cash equivalents	1,715	438
Cash and cash equivalents at beginning of period	10,552	517
Cash and cash equivalents at end of period	12,267	955

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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.

	Share capital US\$'000	Retained profits US\$'000	Other reserves US\$'000	Equity component of RCPS ¹ US\$'000	Total Equity US\$'000
<u>The Group</u>					
Balance at 1 January 2014	530,975	333,022	298	-	864,295
Total Comprehensive Income for the period	-	36,677	-	-	36,677
Balance at 31 March 2014	530,975	369,699	298	-	900,972
Balance at 1 January 2013	380,975	266,569	298	14,672	662,514
Total Comprehensive Income for the period	-	20,799	-	-	20,799
Balance at 31 March 2013	380,975	287,368	298	14,672	683,313
<u>The Company</u>					
Balance at 1 January 2014	530,975	373,796	-	-	904,771
Total Comprehensive Income for the period	-	(1,212)	-	-	(1,212)
Balance at 31 March 2014	530,975	372,584	-	-	903,559
Balance at 1 January 2013	380,975	365,086	14,672	-	760,733
Total Comprehensive Income for the period	-	9,211	-	-	9,211
Balance at 31 March 2013	380,975	374,297	14,672	-	769,944

¹ RCPS refers to redeemable convertible preference shares.

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 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.

As at 31 March 2013, there were 160,150,000 ordinary shares in issue and 37,500,000 redeemable convertible preference shares ("RCPS") outstanding, each fully convertible into one fully paid new ordinary share.

On 9 December 2013, an aggregate of 37,500,000 RCPS held by the RCPS holders were converted to 37,500,000 ordinary shares.

On 28 March 2014, the Company's shares were consolidated and subdivided resulting in 1,482,375,000 ordinary shares in issue.

Subsequent to the end of the current period reported on, the Company issued a total of 337,625,000 ordinary shares at an issue price of S\$1.15 per share pursuant to its Initial Public Offering.

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.

The total number of issued ordinary shares as at 31 March 2014 and 31 December 2013 were 1,482,375,000 and 197,650,000 respectively. The Company does not hold any treasury shares as of 31 March 2014 and 31 December 2013.

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

Not Applicable.

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 period consistent with those of the audited financial statements for the year ended 31 December 2013 except for those as disclosed in Note 5.

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 2014, 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 2014. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the financial statements.

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	
	31-Mar-14	31-Mar-13
	US cents	US cents
Net profit attributable to equity holders of the Company (US\$'000)	36,677	20,799
(i) Based on the weighted average number of ordinary shares in issue	2.47	1.73
- weighted average number of shares ('000)	1,482,375	1,201,125
(ii) On a fully diluted basis	2.47	1.40
- weighted average number of shares ('000)	1,482,375	1,482,375

The earnings per ordinary share for the period ended 31 March 2013 was computed based on the issued and paid up share capital of 1,201,125,000 ordinary shares. This was a result of the one-into-fifteen share split and two-into-one consolidation completed on 28 March 2014.

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue as at 31 March 2013 has been computed to take into account the dilutive effect arising from the conversion of redeemable convertible preference shares that were converted on 9 December 2013.

Note: The earnings per share disclosed above does not take into account shares subsequently issued pursuant to the Company's Initial Public Offering. Please refer to 1d(ii) for details.

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.

Net asset value per ordinary share :

Group		Company	
31-Mar-14 US cents	31-Dec-13 US cents	31-Mar-14 US cents	31-Dec-13 US cents

Based on 1,482,375,000 (31 December 2013:
 1,482,375,000) ordinary shares in issue

60.78	58.30	60.95	61.04
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The net asset value per ordinary share for the period ended 31 December 2013 was computed based on the issued and paid up share capital of 1,482,375,000 ordinary shares. This was a result of the one-into-fifteen share split and two-into-one consolidation completed on 28 March 2014.

Note: The net asset value per ordinary share disclosed above does not take into account shares subsequently issued pursuant to the Company's Initial Public Offering. Please refer to 1d(ii) for details.

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.**

1st Quarter 2014 ("1Q 2014") vs 1st Quarter 2013 ("1Q 2013")

Income Statement

The Group recorded an increase of 76% in net profit attributable to shareholders to US\$36.7 million in 1Q 2014 as compared to US\$20.8 million in previous corresponding period.

The Group's 1Q 2014 revenue was US\$52.9 million, which was 6% lower than US\$56.5 million in 1Q 2013. The decrease in revenue was due mainly to lower utilisation from Transportation and Installation ("T&I") and Offshore Accommodation ("OA") segments coupled with revenue being recognised by Joint Ventures ("JVs") resulting from transfer of vessels to JVs. The reduction was partially offset by higher revenue registered from Offshore Supply Vessels ("OSV") segment arising from deployment of 4 new Platform Supply Vessels ("PSV") and 1 Anchor Handling Tug Supply Vessel ("AHTS") .

The Group's cost of sales decreased by 16%, from US\$44.2 million in 1Q 2013 to US\$37.1 million in 1Q 2014. This was due mainly to decrease in project costs as a result of fewer lump sum projects in the T&I segment. With some vessels being transferred to JVs, their corresponding costs are now recognised by the JVs.

Income Statement (continued)

The Group recorded higher gross profit of US\$15.8 million in 1Q 2014 as compared to US\$12.3 million in 1Q 2013, representing an increase of 28%. This was due mainly to higher contribution from the OSV segment.

General and administrative expenses increased from US\$5.5 million in 1Q 2013 to US\$7.5 million in 1Q 2014. This was due mainly to higher personnel related and other administrative expenses.

The Group's other operating income increased from US\$15.0 million in 1Q 2013 to US\$35.8 million in 1Q 2014. This increase was due mainly to recognition of gain on sale of 5 vessels, upon completion, to a Joint Venture.

The Group's finance cost increased by 21% from US\$2.9 million in 1Q 2013 to US\$3.5 million in 1Q 2014 due to increase in bank borrowings.

The Group recorded a loss of US\$3.2m in share of JVs' results due mainly to lower revenue in certain JVs and provision of doubtful debts by JVs in Mexico.

Statement of Financial Position

The Group's total assets was US\$1,804.6 million as at 31 March 2014 and US\$1,773.5 million as at 31 December 2013. The increase in total assets was due mainly to additional vessels under construction and increase in investment in JVs. This was partially offset by disposal of older vessels as the Group seeks to optimise its fleet.

As at 31 March 2014, the Group's total liabilities was US\$903.6 million. The decrease in total liabilities of US\$5.6 million was due mainly to completion of sale of a vessel resulting in lower advances received from customers, offset by higher bank borrowings and amount due to holding companies.

Statement of Cash Flows

During 1Q 2014, the Group generated 53.1% higher net operating cashflow to US\$19.7 million as compared to US\$12.9 million during the comparative period. This was due mainly to improvements in working capital management.

The Group's net cash used in investing activities was US\$11.6 million, mainly from payment made for vessels under construction partially offset by proceeds from disposal of vessels during the period.

The Group's net cash used in financing activities was US\$6.4 million, due mainly to reduction of payables for ship building projects.

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.

With oil prices still at robust levels and expected to stay elevated in the longer term, it is expected that there will be continued spending on exploration and production activities. This, in turn, will translate into increase in drilling operations and maintenance activities which require the services of offshore support vessels.

The Group will continue to optimise the mix and number of vessels within its fleet by disposing older and/or lower specification vessels and upgrading existing vessels or acquire and build new vessels with more sophisticated technology or equipment. The Group has expanded into the deepwater offshore accommodation market and has announced a one-year contract worth approximately US\$80.5 million to charter its Semi-Submersible Accommodation Vessel ("SSAV"), the POSH XANADU, currently under construction, to Petrobras beginning December 2014. The contract has an option to extend for another year and if extended, total contract value will be in excess of US\$144 million.

On 21 May 2014, the Group announced that the Mexican State Administrator ("SAE") for Oceanografía, S.A. de C.V. ("OSA") had obtained a court order ordering PEMEX, the Mexican state-owned petroleum company, to stop paying charter hire on vessels chartered by OSA to a trust account established for the benefit of the Group's joint venture, Servicios Marítimos Gosh, S.A.P.I. de C.V. ("GOSH"). GOSH has commenced legal proceedings against SAE's action. Pending resolution of the matter, GOSH's vessels have stopped work and the Group is looking to redeploy the vessels.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(b) Date payable

Not applicable.

(c) Books 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 general mandate has been obtained for the Group to enter into Interested Person Transactions with our Interested Persons as set out in the prospectus of the Company dated 17 April 2014 registered with the Monetary Authority of Singapore. During the period under review, 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
DP Shipbuilding and Engineering Pte Ltd	-	25,801
PaxOcean Engineering Zhousan Co., Ltd	-	4,600
DP Marine Pte Ltd	-	733
PSM Perkapalan Sdn Bhd	-	217
DDW-Pax Ocean Shipyard Pte Ltd	-	189
Midpoint Properties Limited	-	169
PaxOcean Engineering Pte Ltd	136	-
TOTAL	136	31,709

Note: Transactions relating to construction of vessels are reported based on the contract value upon signing and not on progress payments made.

14. Use of IPO net proceeds

As per the Company's SGX announcements on 25th and 29th April 2014, the Company has disbursed the full amount of estimated net proceeds of US\$298.6 million (S\$374.8 million) raised from the Initial Public Offering to reduce its bank borrowings. As at 30 April 2014, the Group's outstanding bank debt amounted to US\$492.4 million.

15. Negative confirmation pursuant to Rule 705 (5).

The Board hereby confirms that to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the three months ended 31 March 2014 to be false or misleading in any material impact.

On behalf of the Board of Directors

Gerald Seow
 Chief Executive Officer/ Director

Teo Joo Kim
 Director

27 May, 2014