



## MERMAID MARITIME PUBLIC COMPANY LIMITED

บริษัท เมอร์เมต มารีไทม์ จำกัด (มหาชน)

(Reg. No. 0107550000017)

No. 26/28-29, 9<sup>th</sup> Floor Orakarn Bldg., Soi Chidlom, Ploenchit Road,  
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### UPDATE ON MERMAID'S BUSINESS AND OPERATIONS IN VIEW OF COVID-19 AND CRUDE OIL PRICE MOVEMENTS

Mermaid Maritime Public Company Limited ("Mermaid" or the "Company" and together with its subsidiaries, collectively the "Group") would like to update its stakeholders on the impact of the current novel coronavirus disease 2019 ("COVID-19") and the fall in crude oil prices. The World Health Organization declared the outbreak to be a global pandemic on 11 March 2020 and has issued advice including basic protective measures against COVID-19.

It was reported that the price of the US crude oil futures contract for delivery in the month of May 2020 collapsed below US\$0 on Monday, 20 April 2020, a day before the expiry of the contract. This unprecedented market move led to negative prices for the first time in history, amid a COVID-19 induced fall in demand which resulted in storage facilities reaching their limit whilst crude supply remains elevated. The May 2020 futures contract ended the day at minus US\$37.63 a barrel as desperate traders paid to get rid of oil.<sup>1</sup>

The COVID-19 pandemic and falling crude oil prices have already adversely impacted the oil and gas sector, with supply and demand remaining in flux and prices volatile. This uncertainty has brought an end to the industry's gradual recovery since 2014 as we expect our ultimate customers, who are national and international oil and gas companies, to adjust their business plans accordingly and reduce exploration and production activities.

The Group has various offices and business operations in Thailand and the Middle East and we remain committed to maintaining business continuity to meet existing customer commitments. The Group has also been adapting its working practices to comply with applicable regulations to ensure that people movements and interactions comply with government directives to contain the spread of COVID-19. In particular, the Group's priority for the health and safety of its employees have resulted in strict implementation of safe distancing and work from home measures since 17 March 2020.

The impact of the current pandemic and oil price levels is highly uncertain in terms of the length and depth of its economic impact. A material challenge for the Group's business in the Middle East caused by the COVID-19 pandemic is the government-imposed movement restrictions of its crew. Travel restrictions in the Middle East means that crew would either be prohibited from entering or leaving their country of operations and our vessels would be required to spend at least 14 days in quarantine upon entering any country of operation before

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<sup>1</sup> Business Times, Singapore, 21 April 2020, "Oil price crash into negative territory for the first time in history amid pandemic".



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being permitted to work. The Group has been working closely with regional authorities and its customers to reach a solution in such situations which has resulted in limited disruption to our projects and operations to date.

Government departments in the countries the Group operates in have also been closed or are providing only limited services during this time thus resulting in delays on other logistics matters, although none of such situations have resulted in any material adverse impact to the business and operations to date.

All this comes at a time when the Group's two key vessels, the DP2 DSV 'Mermaid Endurer' and DP2 DSV 'Mermaid Asiana' are having to undertake their five-yearly special periodic survey which requires these two vessels to depart from their country of operations to the shipyard, complete their maintenance programs, and then return back to their country of operations.

The movements of these vessels have been impacted by the government-imposed lockdown and quarantine measures in place in those relevant jurisdictions. Mermaid, through its relevant subsidiary, has already invoked a force majeure claim on one customer contract due to late return of one of the vessels caused by such government-imposed restrictions while it continues to provide a chartered-in replacement vessel to that customer during this period thus still performing its contractual obligations to that customer on an uninterrupted basis.

To date, the Group remains focused to meet its obligations to all its customers and such delays have not resulted in material adverse impact to its confirmed orderbook. However, additional costs incurred by the Group arising from the travel restrictions, lockdowns and quarantine measures is expected to impact the financial results for the first half of 2020.

As for the prospects for new customer contracts for the remainder of the year 2020, the Group has already observed an overall reduction in the number of tenders as potential customers review their plans going forward and many have already announced reductions to their expenditure plans. This is expected to contribute to a weaker demand outlook for the Group's services in the immediate term as more competitors compete for fewer work opportunities.

As an offshore services provider, the Group does not hold any physical crude oil inventory and has no investments in oil products. As a result, any impact to the Group would generally be attributable to reduction in the demand for its services from its customers. The Group is currently not facing any material uncertainty concerning the ability to fulfil near-term financial obligations. Insofar as the existing orderbook continues to be confirmed and



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executable, the Company does not expect any financial impairment of its key operating assets at this time.

In view of the current challenging market conditions and limited visibility on how the global crisis will unfold, the Group shall continue to focus on operational excellence and cost controls. The Group has also initiated necessary changes to its headcount in regions where it is not operationally active and shall be cautious in any hire of third-party vessels including any potential acquisitions.

Throughout this time, the health and safety of all the Group's employees remains a key focus as the Group continues to navigate its business and operations through the challenges arising from the COVID-19 situation in order to ensure business continuity.

As mentioned earlier, the impact of the pandemic and oil price levels is highly uncertain in terms of the length and depth of its economic impact and the industry is only at the early stages of this cycle. The Company shall release further announcements as and when there are further material developments in its business and operations.

Please be informed accordingly.

Vincent Siaw  
Executive Vice President & Chief Operating Officer  
Corporate Business Ventures  
26 April 2020