

ASX Announcement

17th October 2016

Trading update

The Listing Manager
Australian Securities Exchange Ltd
Level 4, Stock Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

MMA OFFSHORE LIMITED (“MMA” or “COMPANY”) - TRADING UPDATE

The offshore Oil and Gas vessel services market continues to be under pressure from both a utilisation and rate perspective. This is impacting MMA and its peers across the industry and across the different Oil and Gas regions.

The first quarter of the 2017 Financial Year has been broadly in line with expectations in the Company's Australian, South East Asian and Middle East operations. However, the West African market is extremely challenging at present, so MMA has taken the decision to move some vessels out of this region to the Middle East and South East Asia. This has resulted in lower than expected earnings in this region over that period and substantial redeployment costs.

The two new build vessels, “*MMA Prestige*” and “*MMA Pinnacle*”, are substantially complete. The “*MMA Prestige*” is currently being set up as a Dive Support Vessel with a saturation dive spread and ROV capability. The “*MMA Pinnacle*” has the crane to fit, which will be completed in November 2016. On this basis, the Company does not expect any substantial earnings from these vessels in the first half of the 2017 Financial Year when compared to original expectations. MMA has also sold the “*Jaya Installer 10*” Accommodation Barge, which is positive from a cash perspective but also impacts first half earnings.

The market for the Company's services is extremely difficult to predict, however on the basis of the above, MMA expects that full year operating EBITDA will now be in the order of approximately \$20-25 million.

On a positive note, the Company has managed to firm up the forward order book with some term work and anticipates the second half of the 2017 Financial Year to be stronger than the first half as the new vessels start working and contributing to earnings.

The Supply Base and Slipway earnings are running broadly in line with expectations.



Overhead costs across the business are under control and the Company continues to review opportunities for further cost reductions.

From a market perspective, there has been some positive news with the announcement that OPEC will work to cap production and this has improved the underlying oil price which is the fundamental driver of our business.

As an organisation, MMA is focused on maintaining high quality operations, securing term work for its vessels with good counterparties and managing the lay-up costs of the Company's vessels to improve underlying earnings. The market will continue to be challenging through the 2017 Financial Year but MMA expects to see improvement in utilisation coming through next financial year as offshore drilling and construction activity starts to increase.

For further information please contact:

Mr. Jeffrey Weber, Managing Director +61 8 9431 7431
Mr. Peter Raynor, Chief Financial Officer +61 8 9431 7431

