

4 May 2015

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

Dear Sir/Madam,

**RE: MMA OFFSHORE LIMITED - TRADING UPDATE**

As foreshadowed in the Company's Half Year Results Announcement on 23<sup>rd</sup> of February, market conditions both in Australia and internationally have been challenging in the second half of FY2015 as the impact of ongoing low oil prices is felt across the offshore support industry. Trading activity for the March 2015 quarter was below expectations and this is expected to continue through the June quarter. As a result, MMA anticipates its underlying second half earnings for the 2015 financial year will be significantly lower than reported first half earnings.

**Market Update**

*Australian Vessels*

Activity in Australia has continued to soften as construction project work scopes complete and oil companies reduce discretionary spending. Utilisation for the Australian fleet declined sharply in the March quarter to approximately 60% as compared to 82% in the first half. In addition, day rates have reduced by approximately 10% to 15% as a result of increased competition and clients renegotiating contract rates.

Fleet utilisation during the June quarter is anticipated to remain at a similar level to the March quarter.

We continue to service our existing production and construction support contracts and are tendering new opportunities for both short and long term contracts. Opportunities for new work scopes for the Wheatstone, Prelude and Ichthys Projects are expected over the next 12 months.

### *International Vessels*

The International vessel market is very challenging with a number of projects and campaigns being cancelled or deferred and others being re-tendered to achieve lower pricing.

Average utilisation for the international fleet was 60% for the March quarter, down from an average of 72% for the first half. Day rates for both new and existing contracts have also been under pressure and have reduced by 15 to 30% across MMA's international operating regions.

Several long-term contracts have been reduced in term or have not been extended as anticipated and a number of contracts have been renegotiated at lower rates in order to maintain utilisation.

We expect market conditions to remain subdued during the June quarter with vessel availability high in all categories and competition intense for the opportunities that are available.

However, we continue to secure new shorter term contracts, albeit at lower rates, which should maintain utilisation at around current levels for the June quarter.

### *Dampier Supply Base*

The Dampier Supply Base experienced a softer than expected March quarter with monthly wharf visits down approximately 30% on the first half and lower general Supply Base activity. This reduced level of activity is expected to continue into the June quarter due to delays in some drilling programmes and generally lower offshore activity.

A number of ongoing Supply Base contracts are currently under negotiation and we continue to actively work to secure additional clients on the Base.

Based on current activity levels, we expect that second half earnings will now be lower than reported first half earnings.

### *Dampier Slipway*

The Slipway had a relatively strong March quarter and solid activity is expected to continue through to the end of the financial year.

### *Broome Supply Base*

The Broome Supply Base is operating in line with expectations.

Woodside recently completed drilling as expected and the Base continues to support Shell and INPEX's drilling programmes.

### **Restructuring and Cost Reduction Programme**

In February 2015, MMA commenced a restructuring programme to reduce overheads and optimise the organisational structure in line with anticipated activity levels. In addition to reducing casual and contract labour, approximately 65 permanent positions have or are in the process of being made redundant in Australia.

Internationally restructuring has occurred at the Singapore shipyard with a total of 23 positions being made redundant.

As announced in the Half Year results presentation, MMA is targeting \$15 million in annualised cost savings or productivity improvements and is progressing well towards this target.

### **Vessel Sales Programme**

MMA has earmarked a number of vessels for sale as part of its fleet optimisation programme, however, concluding sales in the current market is proving difficult. To date, sales agreements have been signed on two barges and we are continuing to negotiate sales contracts on further vessels. We remain focussed on this programme and continue to follow all sales leads.

### **Balance Sheet**

The Balance Sheet remains strong with cash at bank of approximately \$140 million as at the end of April 2015 and gearing of 36% based on net debt / equity. The Company continues to operate within the terms and conditions of its debt facilities.

### **Outlook**

A number of factors will impact the full year result for the 2015 financial year. However, based on trading for the March 2015 quarter, MMA expects that its full year underlying earnings will be similar to FY2014 reported earnings. There has been some recent firming of the oil price, albeit at very low comparative levels, which is encouraging for



the future, but on present indications the Company expects trading conditions to remain soft into FY2016.

For further information please contact:

Mr. Jeffrey Weber, Managing Director – (08) 9431 7431

Mr. Peter Raynor, Chief Financial Officer – (08) 9431 7431

