



MMA
OFFSHORE

ASX Announcement

24th November 2016

MMA Offshore Limited (“Company”) – 2016 Annual General Meeting – Chairman’s Address and Managing Director’s Presentation

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

Dear Sir/Madam,

Please find **attached** a copy of the Chairman’s Address and Managing Director’s Presentation to be presented to shareholders at today’s Annual General Meeting for the Company.

The results of the 2016 AGM will be released as soon as possible after the meeting.

Kind regards,

MMA OFFSHORE LIMITED

Dylan Roberts
Company Secretary



MMA Offshore Limited 2016 Annual General Meeting Chairman's Address

Year in Review

The Offshore Oil and Gas vessel industry continues to face enormous headwinds with the ongoing low oil price resulting in substantial cuts to spending by oil companies, significantly reducing the amount of work available for vessels. Across the industry, utilisation is at historical lows and day rates have halved. It is estimated that over 20% of the global fleet is currently laid up and vessel operators globally are struggling to remain cash positive.

Unfortunately, MMA is no exception. Our financial performance in FY2016 was significantly impacted by the sustained industry downturn with revenue down 40% and EBITDA down 65%. Last month, we announced to the market that conditions had deteriorated further in FY2017 with full year EBITDA expected to reduce to \$20-25m for the year (down from \$75m in FY2016).

Whilst there has been some positive news on the macro environment recently, with the media reporting that OPEC will debate a proposal to cap production at its meeting next week, there remains uncertainty around the extent of any cut. This positive news has been tempered somewhat by the uncertainty around future US energy policy flowing from the US election result and the overall impact this may have on global oil markets.

MMA's Banking Syndicate continues to remain supportive of the Company despite the ongoing difficult trading conditions in the offshore oil and gas industry. In line with this, the Company has maintained an approach of pro-active engagement with its lender group, with a view to reducing debt over the course of the 2017 financial year. As previously reported, principal

repayments are expected to be funded from the proceeds of the Company's ongoing vessel sales programme, operating earnings and any additional funding options available to the Company. We continue to work through all of these options as a priority and will update shareholders as this progresses. We remain focused on strengthening the Balance Sheet in order to position the Company to take advantage of improved market conditions when they occur.

MMA's vessel sales programme is continuing, but in the current market achieving sales is extremely difficult. The "Installer 10" Accommodation Barge was recently contracted for sale and is currently being delivered to the Middle East, with settlement expected to occur by the end of the year. Including this vessel, MMA has sold a total of 18 vessels, realising proceeds of approximately \$50 million, which is a significant achievement in the current market where few sales are being recorded.

Our focus on reducing costs continues and MMA has undertaken a substantial restructuring programme. Headcount has reduced by over 50% in Australia and 70% internationally since 2014 (excluding vessel crew). Corporate Overhead reduced by \$20m in FY16, down 24% on the previous financial year with substantial further savings to occur in FY17. We have also reduced our direct operating costs through a range of initiatives, including renegotiating with key suppliers, operational efficiency and closely managing the costs on vessels between contracts. We currently have a number of vessels laid up at our Batam and Singapore yards as well as in Africa and the Middle East, minimising the holding costs of these vessels whilst they are not being utilised.

On a positive note, MMA continues to differentiate itself in the market through the quality of its operations and its ability to deliver complex and innovative marine solutions to its clients to meet their needs. This is critical in the current market where competition is fierce for every

available opportunity.

MMA secured a number of significant long-term contracts during the 2016 financial year, including a five year contract with ConocoPhillips and a key multi-vessel production support contract with Woodside. MMA also signed a number of vessel sharing contracts with oil and gas operators in Australia during the year. This was an innovative approach not previously seen in the market but a win-win in the current environment, securing utilisation for MMA's vessels and resulting in cost savings for our clients.

Internationally, whilst the market remains challenging, we were successful in securing and extending a number of key contracts during the year. Importantly, we secured a contract for our newbuild Multi-Purpose Maintenance Vessel, the "MMA Privilege", in West Africa with a major marine contractor for a period of one year firm with a further year in options. We have also increased our presence in the Middle East and are developing our customer relationships in that region.

Our capital expenditure programme is close to completion with the remaining two newbuild vessels, the "MMA Pinnacle" and "MMA Prestige" substantially complete. These vessels are currently being fitted with specialised equipment and will be ready to commence work in the second half of the financial year. MMA's capital expenditure is expected to be minimal over the next two to three years which will greatly ease the pressure on cashflow.

MMA's safety performance has been another positive achievement. The 2016 financial year was our best safety performance on record with a Total Recordable Case Frequency of 0.36 per million hours worked – a world class performance which has been recognised by our clients. Our safety performance is our licence to operate and can serve to differentiate us in this highly competitive market. It is also a key value of our Company that we look after the

safety and welfare of our employees and we will remain focused on maintaining and improving our performance in this area.

Looking forward, there remains significant uncertainty around the timing and extent of a recovery in the oil price. Whilst the short-term outlook remains challenging, the current underinvestment in new supply to offset depleting reserves should eventually result in a supply shortage, which would result in improved market conditions. Given the significant overhang of vessels in the market, there will be a lag before an increase in the oil price will translate into a material improvement in conditions in the offshore vessel market. With that in mind, we expect difficult conditions to prevail for some time to come.

In the current environment, MMA continues to focus on the things within its control, such as operational excellence, innovation, safety performance and cost control. This focus is critical in enabling MMA to sustain a competitive advantage in the current difficult market.

As always, I would like sincerely thank our Managing Director, Jeff Weber, the Senior Management Team and all staff for their dedication and hard work during these very challenging and uncertain times. I would also like to thank my fellow Board members for their valuable contribution and stewardship over the past financial year. Lastly, I would like to thank you, our Shareholders, for your ongoing support as we navigate through this very difficult period.



Managing Director's Presentation

Jeff Weber



Disclaimer



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Summary



- Macro environment for the offshore oil and gas support industry continues to be extremely challenging
- Ongoing uncertainty regarding the oil price outlook due to oversupply
- Vessel utilisation remains under pressure globally
- Day rates are at historical lows
- Supply Base and Slipway activity continues at low levels
- Actively pursuing vessel sales programme in a very difficult market
- Cost reduction programme delivering significant savings in overhead and direct costs
- Focus on operational excellence:
 - Maintaining excellent safety performance
 - Delivering innovative marine solutions securing a number of significant contracts in FY16
- Key objective to reduce debt
- Market will continue to be challenging through FY17 and into FY18



FY16 Financial Result



- **Revenue** \$481.1m ↓ 39.6%
- **EBITDA** \$75.5m ↓ 65.4%
- **EBIT** -\$13.5m ↓ 115.5% (pre-impairment)
- **EPS** -5.4c ↓ 136.0% (pre-impairment)
- **Non-cash impairment charge** \$139m
- **Reported Net Loss After Tax** \$(144.0)m
- **Operating Cash Flow** \$120.2m ↓ 35.2%
- **Cash at Bank** \$49.7m
- **Gearing** 53.9% (post impairment) (FY15 40.8%)



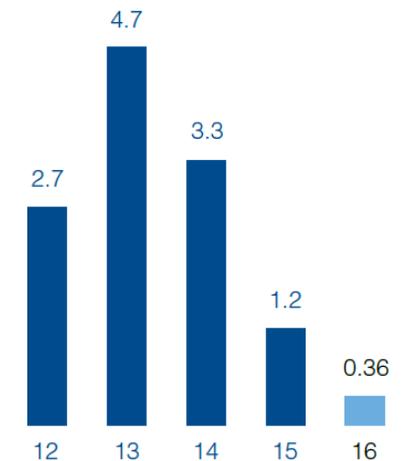
FY16 Safety Performance

MMA continues to achieve improvements in its safety culture and performance.

- Total Recordable Case Frequency improved by 70% to 0.36 in FY16; 89% improvement over the past 3 years
- Target 365 strategy continues to evolve and produce sustainable improvements in safety performance and culture
- Recently launched Target 365 Critical Controls programme focusing on the 8 highest risk activities across the business
- Continuing to focus on improvements to systems and processes and focus on lead indicators
- Meeting or exceeding environmental standards across the organisation



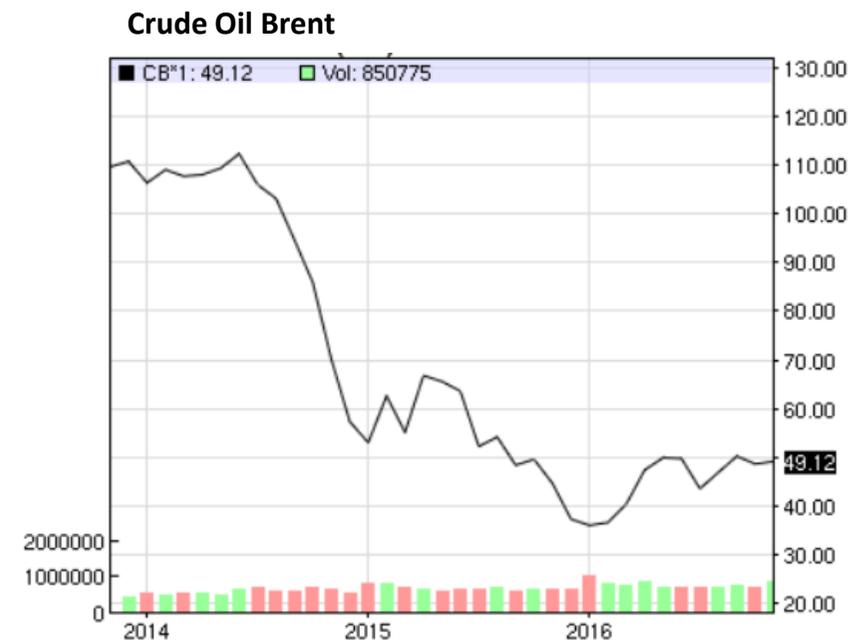
Total Recordable Case Frequency
(per million hours)



Macro Conditions

Challenging conditions due to ongoing low oil price.

- Oil price – Brent currently trading around US\$49 a barrel with a low of \$27 in Feb 2016
 - Recent news that OPEC may seek to cut production but uncertainty around the extent
 - Resilience of US shale oil
 - Supply outstripping demand with significant volumes in storage
- E&P spend – down 50% from 2014 levels
- OSV market – fewer opportunities and reduced rates
 - Significant overhang of vessels in the market
 - Rates down over 50%
 - Utilisation ~55% globally
 - 20% of the global fleet stacked



Source: Nasdaq, 23 Nov 2016

MMA has now sold 18 vessels¹ and continues to focus on its vessel sales programme.

- 18 vessels have now been sold / contracted for a total of approx. A\$50m¹
 - 3 Barges
 - 7 Tugs and smaller vessels
 - 7 AHT / AHTSs (4,000 – 5,150 BHP)
 - 1 Accommodation Barge
- Continuing to focus on rationalising the 5,000 bhp AHTS fleet and other selected vessels
- Vessels are being actively traded in spot market whilst being marketed for sale
- Cost control programme in place for vessels laid up between contracts
- MMA is continually reviewing its vessel sales strategy to accelerate sales, however market conditions remain extremely difficult

¹ Including Installer 10 Accommodation Barge which is contracted for sale and expected to settle in December

Market Outlook – Segments



Continuing lower demand driven by an over supply of vessels is resulting in ongoing challenging conditions for the offshore vessel market.

Production

- Activity related to production support remains consistent albeit at lower rates
- Opportunities relate to new facilities coming online which were sanctioned prior to the current downturn, and the retendering of existing contracts held by competitors
- MMA's focus remains on delivering innovative solutions through new vessel configurations or combinations that deliver cost savings to clients and maintain utilisation of MMA's fleet

Construction & New Projects

- Major construction activities generally only relate to projects sanctioned prior to the market downturn
- Smaller brownfield scopes are beginning to appear which should marginally increase utilisation over time
- Activity in Australia is expected to continue at lower levels as major LNG projects move from construction to commissioning and into production

Exploration

- The offshore operating rig count is at historically low levels in most regions throughout the world
- The Middle East is one of the few areas showing stability as the region continues to maintain production rates
- Recent rig charter enquiries in South East Asia, India and Australia are signs that operators may be looking to take advantage of current low rates



Market Outlook – Regions



All regions are experiencing lower rates and utilisation. Lay-up of vessels continues around the world as vessel owners look to conserve cash.

Region	Vessels	Focus Areas	Market Update
South East Asia	15	Malaysia Myanmar Thailand Brunei	<ul style="list-style-type: none"> Vessel charter rates have stabilised at lower levels with vessel returns now marginal in comparison to laying up MMA's strategy is to ensure that lay-up costs are minimised by using our Batam and Singapore yard facilities whilst ensuring reliable fleet availability at short notice
Australia	20	Australia New Zealand	<ul style="list-style-type: none"> The Australian market is relatively stable in terms of production support Construction work is available in short scopes as existing projects move into commissioning and production phases MMA's ability to maintain a quality spot fleet in the region at a low holding cost is key to responding to market needs. MMA can use its Dampier Slipway as a low cost storage facility
Middle East	11	Saudi Arabia Qatar UAE	<ul style="list-style-type: none"> The Middle Eastern market has recently come under additional pressure as operators move vessels into the region which has forced rates and utilisation lower MMA has increased management capability in the region to improve operating performance and support market penetration
Africa	3	West Africa East Africa	<ul style="list-style-type: none"> West African market remains oversupplied and rates are in most parts below break even. MMA has reduced exposure to the region over the past quarter



Newbuild Vessels



MMA delivered 3 high specification vessels into the fleet during FY16 all of which are on term contracts. The remaining 2 vessels are effectively complete and are being tendered in the IMR market.

Vessel	Details	Completion	Contract
	MMA Privilege Multi-Purpose Work Boat designed for cost effective platform commissioning, field maintenance tasks and coil tubing operations	<ul style="list-style-type: none"> 2H FY16 	<ul style="list-style-type: none"> Commenced 1 + 1 year contract in Cote d'Ivoire in April 2016
	MMA Plover & MMA Brewster High specification Platform Supply Vessels with sophisticated chemical carrying capabilities unique to INPEX's Ichthys LNG project	<ul style="list-style-type: none"> 2H FY16 	<ul style="list-style-type: none"> Contracted to INPEX for Ichthys production support – 5 year contract + 2 x 5 year options
	MMA Prestige ROV Support Vessel designed to offer superior and cost effective Inspection, Maintenance and Repair (IMR) solutions to clients; 100 man accommodation with 100t AHC subsea crane	<ul style="list-style-type: none"> Q1 FY17 	<ul style="list-style-type: none"> Recently fitted with sat dive spread and collaborating with major international offshore diving company to tender for opportunities in SEA
	MMA Pinnacle ROV Support Vessel designed to offer superior and cost effective Inspection, Maintenance and Repair solutions to clients; 100 man accommodation with 150t AHC subsea crane	<ul style="list-style-type: none"> Q2 FY17 	<ul style="list-style-type: none"> Currently being tendered for IMR opportunities in MMA's key regions



Land Based Facilities

Market conditions have also reduced demand at our land based facilities.



Dampier Supply Base	Broome Supply Base	Dampier Slipway	Batam Shipyard	Singapore Offshore Engineering
<ul style="list-style-type: none"> • Chevron contract volumes reduced but activity has stabilised • Reduced vessel visits due to limited drilling in the region • Operation has been significantly restructured in line with reduced activity 	<ul style="list-style-type: none"> • Continuing to support INPEX development drilling • Limited exploration activity in the current market 	<ul style="list-style-type: none"> • New business model implemented with significantly reduced fixed overhead • Encouraging signs of external demand from towage operators 	<ul style="list-style-type: none"> • Substantially completed internal newbuild vessels • Yard is now being used as a cost effective lay-up facility for vessels 	<ul style="list-style-type: none"> • Limited demand for external services in the current environment • Utilising waterfront for vessel lay-ups and internal maintenance work

Cost Reduction



MMA has taken significant steps to reduce its cost base and continues to focus on further reducing costs in the current environment.

- Overhead costs reduced by \$20m in FY16, down 24% on the previous financial year with further savings to occur in FY17
- In addition, achieved significant reductions in direct operating costs:
 - Savings of approximately 25% on key expenditure items through supplier negotiations and re-tendering of key contracts
 - Business efficiency
 - Lay-up programme and strict control of costs on vessels between contracts
- Culture of cost control across the business
- Headcount reduced by over 50% in Australia and over 70% internationally since June 2014 (excluding crew)
- Material salary package reductions for non-marine personnel – base salaries frozen since July 2015 and no short or long term bonuses paid or vested for the past 2 years
- Ongoing focus on reducing cost in all areas of the business whilst maintaining high quality of operations and safety standards



Trading Update



- First quarter broadly in line with expectations for Australia, South East Asia and the Middle East
- West African market very challenging resulting in lower earnings and substantial redeployment costs to move vessels to alternative markets
- MMA Prestige and MMA Pinnacle substantially complete but will not contribute to earnings until 2H FY17
- MMA Plover commenced 5 year + options contract with INPEX in Aug 16 with MMA Brewster to commence in 2H FY17
- Supply Base and Slipway running broadly in line with expectations
- Overhead costs under control and the Company continues to review opportunities for further cost reductions
- Second half anticipated to be stronger with term work commencing and newbuild vessels contributing to earnings
- Whilst the market for the Company's services is extremely difficult to predict at present, expect full year operating EBITDA in the order of \$20-25m
- From an oil market perspective there has been some positive news in the media recently that OPEC may seek to cap production which would support an improvement in the underlying oil price
- Conditions in the OSV market will continue to be challenging through the FY17 but MMA expects to see an improvement in utilisation coming through next financial year as the market expects offshore drilling and construction activity to increase



Sustaining our Competitive Advantage



Given oversupply of vessels in the market, client focus and operational excellence are critical.

- Excellent safety performance
- Building key client relationships – Tier 1 clients
- High level of operational capability – utilisation, reliability, productivity
- Leveraging our technical expertise internationally
- Organisational alignment
- Regional diversification – building high quality operations in all regions
- Sustainable cost reduction
- Long-term financial stability and efficiency



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