

CEO's Review of Operations

DEAR FELLOW SHAREHOLDERS,

2018 marks another consecutive year of declining revenue for offshore marine contractors despite the stabilisation of crude oil prices and uptick in number of projects sanctioned. This is primarily due to the time lag between Final Investment Decisions ("FID") and the execution of offshore exploration & production ("E&P") and construction. The increasing macro-economic volatility and persistent vessel oversupply have also further hampered recovery in the sector.

Nevertheless, we are hopeful that projects sanctioned in the past two years will materialise and accelerate as we move into 2019 and beyond. Already, we are seeing offshore construction activities beginning to eventuate in key regions such as the Middle East and Latin America.

Against this backdrop, POSH reported a 56% year-on-year ("YoY") increase in revenue for FY2018. Net loss attributable to shareholders ("NLAT") more than halved to US\$98.3 million YoY, notwithstanding non-cash vessel impairment of US\$49.5 million, which are reflective of the prevailing challenges in our industry.

Operationally, we continued to set ourselves apart in 2018 through continued emphasis on service and safety excellence across projects. We also executed on our strategy to capture select growth opportunities, making successful inroads into the subsea and offshore renewables space, while remaining disciplined in managing our costs.

Sustaining our track record of excellence

In 2018, semi-submersible accommodation vessels ("SSAVs") POSH Xanadu and POSH Arcadia delivered stellar performance for their respective charters supporting the Chevron Big Foot Tension Leg Platform ("TLP") and Shell Prelude Floating Liquefied Natural Gas ("FLNG") facility. Both vessels achieved zero Lost Time Injury ("LTI") and near 100% gangway uptime in spite of challenging conditions at sea and the projects' technical complexities. In the same year, POSH Xanadu was also awarded an eight-month contract with Petrobras, with an extension option for additional eight months.

Besides the strong performance by our SSAVs, we managed to secure noticeably healthier charter rates for our four Light Construction Vessels ("LCVs") and three Multi-Purpose Support Vessels ("MPSVs") in the Offshore Accommodation ("OA") fleet. The secured charters include jobs in the walk-to-work ("W2W") sector to support offshore maintenance work – a validation of our strategy to focus on maintenance-related requirements. Specifically in 4Q2018, we saw utilisation for these seven vessels reach 90%.

In the Middle East, POSH Saudi deployed 13 vessels on long-term charters for a National Oil Company. This included 12 Offshore Supply Vessels ("OSV") and 1 OA vessel. I am proud to share that we have achieved 97% utilisation for these vessels.

POSH also made encouraging progress in our new businesses, as we strive to move up the value chain and into new growth areas. Within six months of incorporation, POSH Subsea won its maiden contract to support Subsea Umbilicals, Risers & Flowlines ("SURF") operations. Moving forward, we have invested in a Saturation ("SAT") Dive System which meets the latest International Marine Contractors Association ("IMCA") and Oil and Gas Producers ("OGP")-468 standards for integration on one of our MPSVs. This will enable POSH Subsea to undertake a wider scope of subsea operations.

Similarly, shortly after its launch, POSH Kerry Renewables – a joint venture with Kerry TJ Logistics dedicated to serving the offshore renewables sector in Taiwan – won the first of several contracts during the construction phases of offshore wind. With this experience under our belt, we are now better placed to fulfil the increasing requirements that will be issued as many of these wind farms enter into the commissioning and operations phases.

People underpin our winning strategy

The ability to maintain our operational excellence ultimately lies in the hands of our people. This is why we continued to invest in training opportunities for POSH employees. In 2018, we ramped up our rigorous training calendar to provide our people exposure to new opportunities

and learnings and ensure that each person upgrades their skills to be more effective.

We also started a dedicated training program to groom a pool of integrated ratings who can undertake both deck and engine operations. This initiative enhances our manpower productivity and reduces our operating costs.

Foundations for the future

Our relentless pursuit for operational and service excellence over the years has made us the partner of choice for many clients. We will continue to leverage our core competency and established reputation as we deepen our footprint in new growth sectors and become an even more integrated offshore marine services provider.

In 2019, we will also increase our local presence in key markets such as Asia, Africa and the Middle East in order to be closer to our clients. This will also reduce exposure to intermediary risks and further safeguard your interests as our shareholders.

Even as we face several macro-economic and geo-political uncertainties in the year ahead, I am confident that our differentiated business proposition will see POSH navigate prevailing challenges. My team and I are fully committed to you, our shareholders, in steering the course ahead. With strong hands at the helm, and your enduring support, we are hopeful to ride out these challenges and propel POSH forward.

Chief Executive Officer Captain Gerald Seow

