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Thalassa Holdings Limited - THAL Trading Update for WGP Group Ltd
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Thalassa Holdings Ltd

(Reuters: THAL.L, Bloomberg: THAL:LN)

("Thalassa", "the Company" or "the Group")

Trading Update for WGP Group Ltd ("WGPG")

The Board of Thalassa ("the Board") today issues a trading update for its wholly owned subsidiary WGPG following successful completion of the autumn Permanent Reservoir Monitoring programmes in the North Sea.

Notwithstanding the continued 'difficult' trading conditions in the oil and gas industry, the Board is pleased to report that it expects WGPG results for the year ended 31 December 2016 to exceed previous estimates indicated by the Company in its announcement of 19 September 2016 for Revenue and Profit Before Taxation ("PBT") of \$10.5m and \$1.1m, respectively. These improvements are the result of the \$2m in late data sales announced on 10 October 2016, increased operational days and vigorous cost management.

The Board is therefore raising its estimate for WGPG Revenue to \$13.9m and PBT to \$1.6m. This estimate incorporates substantial provisions for higher personnel related costs, and contingencies for maintenance repair and replacement, as well as for equipment upgrades that have been identified and will be incurred in 2016. Due to the challenge of quantifying the above mentioned costs at this juncture, the Board has taken a very conservative view on provisions which it would hope are in excess of final requirement and which could result in a further increase in PBT of up to \$1.5m.

Duncan Soukup, Chairman commented:

"Whilst WGPG is not immune to the fall in the price of oil, it is gratifying to note that the Board's quick and incisive response to this collapse has been vindicated. I am happy to report that WGPG's focus on operational performance, client service and vigorous cost management to reflect substantially lower budgeted revenues has resulted in positive margin expansion during 2016 as revenues progressively exceeded internal forecasts.

The Board is extremely pleased with the operating results achieved in unquestionably difficult circumstances. As painful and disruptive as the staff redundancy programme was at the end of 2015 and in early 2016, it was unfortunately entirely necessary and appropriate given the dire state of the industry.

Margin improvements of the magnitude achieved in 2016 are unlikely to be repeated in 2017 as WGP's staffing levels have been cut to reflect current market conditions. Nonetheless, the Board is confident, barring a sustained collapse in the price of oil below \$40 bbl., that the outlook for 2017 is positive and that WGP can build upon its long term contracts in the North Sea, respond to increased order enquiry and continue to selectively grow its business profitably.

The Board will update the market on Thalassa's 2016 outlook once the full impact of costs at WGP have been finalised."

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