

## Gulf Marine Services PLC

### CONTRACT AND OPERATIONAL UPDATE

Gulf Marine Services (LSE: GMS), the leading provider of advanced self-propelled self-elevating support vessels (SESVs) serving the offshore oil, gas and renewable energy sectors, provides the following contract and operational update for the period 1 July 2016 to 30 September 2016.

GMS continues to focus on maximising vessel utilisation<sup>1</sup> in the current market environment and has achieved a utilisation level across the SESV fleet of 78% for the nine-month period to the end of Q3 2016. There is some evidence of an increase in flow of tender opportunities both in the Middle East and Europe which, if the Group's tendering is successful, should help fleet utilisation.

A letter of intent was announced on 30 August 2016 for an 18-month contract (including options) that is anticipated to commence in Q2 2017 for a Large Class vessel in Europe. The completed legal documentation is expected this month.

An agreed option period that has been shortened by approximately three months to accommodate a client's revised work programme has now been exercised for a Large Class vessel currently operating in Europe. The vessel is expected to come off charter in early 2017 and it is currently anticipated it will then proceed, after certain minor modifications, to the contract described above.

The secured backlog at 1 November 2016, reflecting the above option exercise, is US\$ 137.3 million (as shown in the table below).

<i>Secured backlog<sup>2</sup> as at 1 November 2016</i>	<i>Firm</i>	<i>Options</i>	<i>Total</i>
<i>(US\$ millions)</i>			
	<i>57.7</i>	<i>79.6</i>	<i>137.3</i>

### Financial Position

As discussed in the 2016 Interim Results, a series of cost-saving initiatives has been implemented, including efficiencies in the supply chain, crew costs and overhead base (primarily through reorganisation and rationalisation). Vessels that are off hire are being maintained in readiness for rapid deployment at a cost of around US\$ 2000 per vessel per day at the Group's yard in Abu Dhabi, which represents a much lower cost compared to third party shipyards and ports. The Group will continue to manage its cost base appropriately in the current environment.

As at the end of Q3 2016, the Group had net debt of approximately US\$ 366.9 million (excluding obligations under finance leases of around US\$ 41 million) together with undrawn bank facilities of US\$ 175 million. Underlying trading remains broadly in line with previously issued guidance for 2016 results. Year end net debt is still expected to be around US\$ 395 million (excluding finance lease obligations) and reducing thereafter.

### **Development of New Services**

The Group has successfully developed a cantilever system that can be fitted directly onto the decks of its SESVs. The cantilever system will enable GMS to significantly increase the level and type of well intervention activities that can be carried out from its vessels to include operations that have traditionally been performed by more expensive non-propelled drilling rigs. A Large Class vessel with an installed well workover cantilever is scheduled to be ready for operations, subject to receipt of all necessary HSSEQ clearances, from the end of Q1 2017 onwards.

Construction of the Large Class vessel GMS Evolution remains within budget and on schedule for delivery at the end of Q4 2016, completing the new build programme. There are no current plans to increase the fleet size beyond this.

### **Duncan Anderson, Chief Executive Officer of GMS, said:**

“I am pleased to see a strengthening in tender opportunities and I am confident we can offer the right cost-effective and highly efficient offshore support solutions for our clients’ operations. I am especially pleased we will soon be able to provide an even greater range of low cost well intervention services with the introduction of a cantilever system on our vessels. Our leading operational experience and increasing flexibility should allow us to capitalise on more opportunities as the markets begin to recover.”

<sup>1</sup> Utilisation is defined as the percentage of available days in a relevant period during which an SESV is under contract and in respect of which a customer is paying a day rate for the charter of the SESV.

<sup>2</sup> Secured backlog consists of firm contracts and options held by clients.

This announcement contains inside information.

John Brown  
Company Secretary (responsible for arranging the release of this announcement)  
Gulf Marine Services PLC  
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### **Notes to Editors:**

Gulf Marine Services PLC ('GMS', 'the Company' or 'the Group'), a company listed on the London Stock Exchange, was founded in Abu Dhabi in 1977 and has become the leading provider of advanced self-propelled self-elevating support vessels (SESVs) in the world. The fleet serves the oil, gas and renewable energy industries from its offices in the United Arab Emirates, Saudi Arabia, Malaysia and the United Kingdom. The Group's assets are capable of serving clients' requirements across the globe, including the Middle East, South East Asia, West Africa and Europe.

The GMS SESV fleet of 14 vessels is technically advanced and amongst the youngest in the industry, with an average age of eight years. The vessels support GMS' clients in a broad range of offshore oil and gas platform refurbishment and maintenance activities, well intervention work and offshore wind turbine maintenance work (which are opex-led activities) and offshore oil and gas platform installation and offshore wind turbine installation (which are capex-led activities).

The SESVs are four-legged vessels and are self-propelled, which means they do not require tugs or similar support vessels for moves between locations in the field; this makes them significantly more cost-effective and time-efficient than conventional offshore support vessels without self-propulsion. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of the Group's clients. A cantilever system, which can be fitted to the decks of GMS' Large Class and Mid-Size Class vessels, will be available to clients for the first time in 2017. Developed in partnership with leading Norwegian designer Dwellop A.S., the innovative cantilever allows GMS to significantly increase the level and type of well intervention activities that can be carried out from its vessels to include operations that have traditionally been performed by more expensive non-propelled drilling rigs.

The fleet is categorised by size into Large Class vessels (operating in water depth of up to 80m, with crane capacity of up to 400 tonnes and accommodation for up to 300 people), Mid-Size Class vessels (operating in water depth up to 55m, with crane capacity of up to 150 tonnes and accommodation for up to 300 people) and Small Class vessels (operating in water depth of up to 45m, with crane capacity of up to 45 tonnes and accommodation for up to 300 people). A further Large Class vessel will be delivered at the end of 2016 on completion of the Group's new build programme.

Demand for GMS' vessels is predominantly driven by their premium capabilities, underpinned by the need to maintain ageing oil and gas infrastructure and the increasing use of enhanced oil recovery techniques to offset declining production profiles.

[www.gmsuae.com](http://www.gmsuae.com)

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