EXPANDING CAPABILITY THROUGH INNOVATION

GMS

OFFSHORE CONTRACTOR

Gulf Marine Services PLC
Interim Report 2017

COST-EFFECTIVE OFFSHORE SUPPORT SOLUTIONS FOR THE OIL, GAS AND RENEWABLE ENERGY INDUSTRIES

HIGHLIGHTS

Financial Results Summary

- Adjusted EBITDA* of US$ 34.5 million (H1 2016: US$ 70.7 million).
- Cost reduction programme implemented, adjusted EBITDA margin* of 59% (H1 2016: 64%).
- Gross profit of US$ 19.1 million (H1 2016: US$ 53.1 million), adjusted gross profit* of US$ 26.5 million (H1 2016: US$ 67.2 million).
- Adjusted net profit* after taxation of US$ 9.4 million (H1 2016: US$ 41.9 million), adjusted diluted earnings per share* of 2.59 cents (H1 2016: 11.87 cents).
- Net profit after taxation of US$ 0.7 million (H1 2016: US$ 27.8 million), with diluted earnings per share of 0.13 cents (H1 2016: 7.86 cents).
- Impairment of US$ 7.3 million on a 35-year old Small Class SESV, average age of the rest of the fleet is six years.
- Total net borrowings* of US$ 417.0 million (including net bank debt* of US$ 378.2 million) as at 30 June 2017 (30 June 2016: US$ 412.9 million including net bank debt of US$ 371.4 million).
- Total net borrowings subsequently reduced in August 2017 by US$ 38.8 million following the termination of a lease on a Small Class vessel.
- Amended bank facility covenants to provide operational and financial flexibility.
- The Board has decided not to make an interim dividend payment as it believes the cash generated by the business is better utilised for the reduction of bank debt at this stage.

Operational Highlights

- SESV fleet utilisation of 56% in H1 2017 (H1 2016: 89%) showing 10 percentage points' improvement on Q4 2016.
- Three new long-term contracts (mainly from 2018 and beyond) secured in 2017 to date: a 36-month charter in the MENA region, a 26-month charter in Europe and a 15-month charter in Europe. We have also secured two eight-month charters in the MENA region. All contracts include option periods.
- GMS Evolution with cantilever commissioned and ready for operations.
- Expanded GMS operational base in Saudi Arabia to support increased activity.
- Continued excellent safety performance, with zero lost time injuries.

Outlook

- Secured backlog* (including options) as at 31 August 2017 (together with the effect of contracts awarded subsequent to that date) is US$ 193.1 million.
- 2017 guidance for adjusted EBITDA, adjusted net income and year end net debt reiterated.
- Ongoing good levels of tender activity in Europe and parts of the Middle East.

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* Please refer to the Glossary.

The above highlights are based on the Group's adjusted results. A full reconciliation between the adjusted and statutory results is contained in note 4 to the condensed consolidated financial statements.

A WORLD LEADER IN SESVs

About Us

GMS was established in the UAE in 1977 and has successfully expanded its fleet and geographical coverage, from a local operation in Abu Dhabi to become the number one player in the Middle East, and is now the largest operator of advanced self-propelled self-elevating support vessels (SESVs) in the world. The Group listed on the London Stock Exchange in March 2014.

GMS' assets provide a stable platform for the delivery of a wide range of services performed by the Group's clients throughout the lifecycle of offshore oil, gas and renewable energy projects. The vessels are capable of operations in the Middle East, South East Asia, West Africa and Europe.

The Group constructs and maintains its vessels at its yard in Abu Dhabi; its extensive new build programme in recent years has made the GMS fleet the most sophisticated in the industry. The current fleet of SESVs comprises 14 vessels.

Our Offering

The Group's SESV fleet is technically advanced and amongst the youngest in the industry, with an average age of eight years. The SESVs are four-legged vessels that move independently, with no requirement for anchor handling or tug support. They have a large deck space, crane capacity and accommodation facilities that can be adapted to the requirements of the Group's clients.

These 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).

Three classes of vessels serve a range of client needs

Large Class

- 4 units
- Average age: 4 years
- Water depth: 65–80m
- Accommodation for up to 300 people
- Harsh weather capable

Mid-Size Class

- 3 units
- Average age: 2 years
- Water depth: 55m
- Accommodation for up to 300 people
- Harsh weather capable

Small Class

- 7 units
- Average age: 13 years (10 years excl. Naashi)
- Water depth: 45m
- Accommodation for up to 300 people

Expanding capability through innovation

The Group has been at the forefront of pioneering technology for some 40 years, and recently developed an innovative cantilever system that can be fitted to its Large Class SESVs. Successfully commissioned on GMS Evolution in 2017, the new cantilever system will enable the Group to deliver a broader range of services from its vessels and to carry out work that would otherwise be performed by more expensive non-propelled drilling rigs.

GMS Supports:

- Well intervention services and enhanced oil recovery
- Drilling support, completions and testing
- Platform construction, hookup and commissioning
- Platform restoration and maintenance
- Coil tubing, wireline and snubbing
- Well abandonment and decommissioning
- Wind turbine installation and maintenance
- Offshore wind farm substation commissioning and maintenance

GMS Fleet of SESVs

Large Class Vessels	Year of Delivery
GMS Evolution	2017
GMS Enterprise	2014
GMS Endeavour	2011
GMS Endurance	2010

Mid-Size Class Vessels	Year of Delivery
GMS Sharqi	2016
GMS Scirocco	2015
GMS Shamal	2015

Small Class Vessels	Year of Delivery
Pepper	2015
Keloa	2009
Kudeta	2008
Kawawa	2006
Kikuyu	2005
Kamikaze	1999
Naashi	1982

During the period, we were pleased to secure three significant long-term charters in the oil, gas and renewable energy sectors. We have also broadened our range of well intervention services, with our new cantilever capability attracting good levels of interest from potential clients.

While we are certainly seeing improvements in tender activity compared to this time last year, our results reflect the tough market environment. Revenue for the first half of 2017 was US$ 58.5 million (H1 2016: US$ 110.4 million) and adjusted net profit was US$ 9.4 million (H1 2016: US$ 41.9 million). Adjusted EBITDA was US$ 34.5 million (H1 2016: US$ 70.7 million), with an adjusted EBITDA margin of 59% (2016 H1: 64%) achieved.

Demand for our Large Class and Mid-Size Class SESVs continues to be good, with the strategic reshaping of our fleet through our new build programme investment in these larger vessels proving prescient. During 2017 we were pleased to announce three new long-term contract wins for vessels in these classes: a 36-month charter (including options) for a Mid-Size Class vessel in the MENA region that commenced in Q1 2017, and two contracts for Large Class vessels in Europe, one a 26-month charter (including options) and the other a 15-month charter (including options), which are scheduled to commence in Q2 2018. A further two eight-month contracts (including options) were secured for a Large Class vessel and a Mid-Size Class vessel in the MENA region and these charters are currently expected to commence at the end of Q1 2018.

Our clients also confirmed a five-month contract extension (including options) to the end of 2017 for a Mid-Size Class vessel and two contract extensions to the end of Q1 2018 for Small Class vessels; all three vessels are operating in the MENA region.

The secured backlog (including options) as at 31 August 2017 (together with the effect of contracts awarded subsequent to that date) is US$ 193.1 million.

Operations

Health, safety and the environment continue to be a top priority and we have delivered an excellent safety performance, with a total recordable injury rate of zero in H1 2017 (0.06 in H1 2016) and zero lost time injuries incurred (zero in H1 2016). The total number of man hours worked was 2.4 million in H1 2017 (3.3 million man hours in H1 2016).

Utilisation of the SESV fleet improved to 56% for H1 2017 from 46% for Q4 2016. Both the Large Class and Mid-Size Class vessels achieved utilisation above 70% during the period.

We have been encouraged by the demand for our SESVs in Europe, with significant long-term contracts secured for our Large Class vessels in the oil, gas and renewable energy sectors. In the MENA region we expanded our operational base in Saudi Arabia earlier this year to support increased activity. The Group has experienced very little effect on operations as a result of the recent political uncertainty relating to Qatar; we will continue to monitor the situation closely.

The Group has expanded its well services capability through the development of an innovative cantilever system for the Large Class vessels. During the period, our new build SESV GMS Evolution, complete with the cantilever system, was commissioned following successful sea trials and has been delivered ready for operations. We are seeing good interest from IOCs and NOCs looking to reduce costs through the operational efficiency the cantilever system offers. As our new build programme is now complete, we have scaled down the number of construction personnel at GMS, whilst retaining the necessary key technical expertise to support the ongoing operation of our fleet.

I would like to thank everyone at GMS for their hard work and continued commitment to achieving the highest standards across all our operations.

Finance

We maintained our focus on managing the cost base appropriately in this environment and have delivered an adjusted EBITDA margin of just under 60% in the first six months (full year 2016: 60%). This emphasis on cost control will continue with the full year 2017 EBITDA margin anticipated to be above 50%. As announced previously, we have amended our bank facility and further details can be found in the Financial Review. The revised financial covenants provide the Group with the operational and financial flexibility to navigate the current market environment.

During the period we conducted a full impairment review of our fleet. The recoverable amount on a 35-year old Small Class vessel was assessed as lower than its book value and accordingly an impairment charge of US$ 7.3 million has been recorded in the income statement. The average age of the remaining fleet, excluding this vessel, is six years.

The Board has decided not to make an interim dividend payment as it believes the cash generated by the business is better utilised for the reduction of bank debt at this stage. The Board recognises shareholder priorities and dividend payments will be resumed as soon as reasonable financial prudence allows.

Outlook

We continue to see good levels of tender activity in Europe and parts of the Middle East, particularly for our Large Class and Mid-Size Class vessels. Our results will always reflect that the precise timing of contract awards is subject to our clients' own operational requirements, including their tender evaluation processes and project start dates.

The Group reiterates its 2017 guidance of adjusted EBITDA of US$ 58.0 million – 68.0 million. We continue to generate positive operating cash flows, with net debt anticipated to be US$ 360.0 million – 370.0 million at the end of 2017. Adjusted net income in 2017 is expected to be US$ 1.0 million – 10.0 million.

I am confident our industry-leading fleet of SESVs offers our clients the most cost-effective offshore support solutions and that we remain well-positioned to capitalise on further contract opportunities.

Duncan Anderson
Chief Executive Officer
18 September 2017

What differentiates GMS from other operators?

- Pioneering development of Large Class and Mid-Size Class SESVs
- All our SESVs have four legs; this, combined with our dynamic positioning system on our Large Class and Mid-Size Class vessels, helps us to position our vessels very close to the clients' installations and provides a significantly more stable and reliable platform than three-legged jackup vessels
- All our SESVs are self-propelled; they do not need costly support vessels for travel and manoeuvres, saving our clients both time and money
- We design, build and operate our own SESVs. We do not rely on third party shipyards for maintenance and modification
- We are at the forefront of technological innovation; we use our in-house expertise to enhance the design of our vessels and expand our services so that we can provide flexible, cost-effective, offshore support solutions to our clients

FINANCIAL REVIEW

Financial Results Summary

US$ million	H1 2017	H1 2016
Revenue	**58.5**	110.4
Gross profit	**19.1**	53.1
Adjusted gross profit*	**26.5**	67.2
Adjusted EBITDA*	**34.5**	70.7
Net profit	**0.7**	27.8
Adjusted net profit*	**9.4**	41.9
Diluted earnings per share (US cents)	**0.13**	7.86
Adjusted diluted earnings per share (US cents)*	**2.59**	11.87
Interim dividend per share (pence)	**–**	0.41

* Alternative performance measure. Refer to the Glossary on pages 28 and 29 for further details and definitions.

Introduction

The Group's interim results reflect the ongoing challenges being experienced within the oil and gas market. Revenue reduced to US$ 58.5 million (H1 2016: US$ 110.4 million), with the Group achieving an adjusted EBITDA margin of 59% (H1 2016: 64%) assisted by a continued focus on achieving operational efficiencies. Adjusted EBITDA was US$ 34.5 million (H1 2016: US$ 70.7 million). Adjusted net profit after taxation for H1 2017 was US$ 9.4 million (H1 2016: US$ 41.9 million) while adjusted diluted earnings per share was 2.59 cents (H1 2016: 11.87 cents).

We continue to maximise cash conservation through a tight focus on cost management and disciplined capital spending. Deleveraging is a key priority and we expect net debt to reduce by the year end from a peak level of US$ 378.2 million in June 2017.

The Group continues to generate positive operating cash flows. In August 2017 amendments were made to certain loan covenant ratios in order to provide operational and financial flexibility for the business. At 30 June 2017 there were undrawn committed bank facilities of US$ 50.0 million. The net debt level (being bank borrowings less cash) increased to US$ 378.2 million at the period end (31 December 2016: US$ 362.0 million) primarily as a result of the final phase of investment in the new build programme, as well as a reduction in the Group's cash balance. The net debt level at 30 June 2017 excludes finance lease obligations of US$ 38.8 million relating to a leased Small Class vessel, that the Group previously held an option to acquire, which was returned to the lessor in August 2017. The Group's net leverage ratio was 5.4 times adjusted EBITDA at the end of the period (31 December 2016: 3.4 times adjusted EBITDA).

Total capital expenditure for H1 2017 was US$ 18.3 million (H1 2016: US$ 68.4 million). The principal area of investment was additions to assets under the course of construction (capital work in progress) which consists of expenditure on construction of the latest new build vessel Evolution including the new cantilever system. This will conclude the extensive new build programme the Group commenced in 2014.

The following sections discuss the Group's adjusted results as the Directors consider that they provide a useful indicator of underlying performance. The adjusting items are discussed below in this review and reconciliation between the adjusted and statutory results is contained in note 4. It is noted that the H1 2016 comparative figures presented reflect better trading levels compared to more recently as a significant portion of revenue in that period was derived from contracts that had been signed prior to the market downturn and lower oil prices.

Revenue and segmental profit

Revenue was US$ 58.5 million in H1 2017 (H1 2016: US$ 110.4 million). The decrease in revenue in H1 2017 compared to H1 2016 reflects the reduction in average utilisation to 56% (H1 2016: 89%) and overall lower average charter day rates during the period.

The Mid-Size Class vessel segment made the largest contribution to Group revenue with US$ 20.1 million (H1 2016: US$ 18.5 million). Revenue contribution from Large Class vessels was US$ 19.8 million (H1 2016: US$ 39.0 million), US$ 18.6 million for Small Class vessels (H1 2016: US$ 52.0 million) and US$ nil for Other vessels (H1 2016: US$ 0.9 million). The Other vessel segment now consists of one fully impaired accommodation vessel following the disposal of two anchor handling

supply tugs that was completed in H1 2017. The segment profit, being gross profit excluding impairment, depreciation and amortisation was US$ 13.0 million (H1 2016: US$ 39.0 million) for Small Class vessels, US$ 14.1 million (H1 2016: US$ 30.9 million) for Large Class vessels, US$ 14.6 million for Mid-size Class vessels (H1 2016: US$ 12.8 million). There was a loss recorded in the Other vessels segment of US$ 0.03 million (H1 2016: US$ 0.05 million loss).

Cost of sales and general and administrative expenses

Cost of sales, excluding impairment charges, decreased by 26% to US$ 32.0 million (H1 2016: US$ 43.1 million) primarily reflecting the cost saving initiatives during the period including the warm stacking of certain vessels. Although the reduction in revenue was approximately 50% compared to the same period last year, cost of sales, excluding depreciation, amortisation and impairment charges, expressed as a percentage of revenue was limited to 29% in H1 2017 (H1 2016: 25%). General and administrative expenses reduced by 38% to US$ 7.8 million in H1 2017 (H1 2016: US$ 12.7 million). We would expect the amount of general and administrative expenses to stabilise at a somewhat higher level in the remainder of 2017 as certain costs previously capitalised through our new build programme activity will be expensed going forward, as well as increased costs from the expansion of our operations in Saudi Arabia.

The Group recognised an impairment charge in cost of sales during the period of US$ 7.3 million relating to a 35-year old Small Class vessel. Further details of the impairment are given below. There were no other impairments required on the Group's assets.

Adjusted EBITDA

Adjusted EBITDA for the period decreased to US$ 34.5 million (H1 2016: US$ 70.7 million) primarily reflecting the reduction in revenue through a lower level of utilisation and reductions in charter day rates on certain contract awards. The Group's adjusted EBITDA margin in H1 2017 was good overall at 59% (H1 2016: 64%).

Finance costs

Net finance costs in H1 2017, excluding a write-off of unamortised commitment fees of US$ 1.4 million, were lower at US$ 9.7 million (H1 2016: US$ 10.3 million). The write-off of unamortised commitment fees relates to the voluntary early cancellation of a US$ 95.0 million capex loan facility, considered not likely to be required, that would have expired on 31 December 2017. During the period US$ 2.2 million (H1 2016: US$ 1.3 million) of finance costs were capitalised as part of the new build programme as directly attributable costs.

The Group now has no vessels sourced through finance leases following the return of a leased Small Class vessel to its lessor in August 2017 at the end of its five-year lease term.

Taxation

The tax charge for the period was US$ 1.6 million (H1 2016: US$ 0.4 million), representing 69.2% of profit for the period before taxation (H1 2016: 1.3%). The tax charge represents 14.5% of the adjusted profit for the period before taxation. The increase in the effective tax rate arises mainly from a higher weighting of profits and revenue being generated in geographies with higher tax jurisdictions.

Adjusted net profit and earnings per share

The Group recorded an adjusted net profit of US$ 9.4 million in H1 2017 (H1 2016: US$ 41.9 million). The adjusted earnings per share was 2.63 cents (H1 2016: 12.00 cents) during the period while the fully diluted adjusted earnings per share (DEPS) was 2.59 cents (H1 2016: 11.87 cents). Adjusted DEPS is calculated based on adjusted profit after tax and a reconciliation between the adjusted and statutory profit, is provided in note 4.

Dividends

The Board has decided not to make an interim dividend payment as it believes the cash generated by the business is better utilised for the reduction of bank debt at this stage.

Capital expenditure

The Group's capital expenditure during the six-month period ended 30 June 2017 was US$ 18.3 million (H1 2016: US$ 68.4 million). The main area of investment was additions to assets under the course of construction (capital work in progress) which includes expenditure on construction of the final new build vessel Evolution as well as the development of the new cantilever system.

Capital expenditure for the remainder of 2017, excluding any working capital movements or contract specific vessel modifications, is forecast to be less than US$ 5.0 million. No significant capital expenditure is currently anticipated in 2018 and beyond. Any future expenditure are expected to relate to either contract specific requirements and/or necessary fleet maintenance.

Cash flow and liquidity

The Group had positive net cash flows from operating activities in the period, reflected in a net inflow of US$ 12.9 million (H1 2016: net inflow of US$ 63.9 million). The net cash outflow from investing activities for H1 2017 was US$ 9.8 million (H1 2016 net outflow: US$ 111.6 million). The Group's net cash flow relating to financing activities during the period was an outflow of US$ 28.8 million (H1 2016 net inflow: US$ 19.6 million).

Balance sheet

Total current assets at 30 June 2017 were US$ 70.8 million (31 December 2016: US$ 85.5 million). This movement is mainly attributable to the decrease in cash and cash equivalents to US$ 35.9 million (31 December 2016: US$ 61.6 million) and an increase in trade and other receivables to US$ 34.9 million (31 December 2016: US$ 23.9 million). The quality and recoverability of trade receivables are believed to still be strong whilst the cash balance reduction primarily reflects the lower revenues during the period combined with the capital expenditure incurred on the new build programme and debt repayment and interest costs.

Total current liabilities at 30 June 2017 were US$ 479.2 million (31 December 2016: US$ 93.7 million). The increase in current liabilities is mainly attributable to an increase in the current portion of bank borrowings arising from a reclassification required under IFRS of borrowings with scheduled repayments after more than one year of US$ 370.3 million, as discussed further below. There was a reduction in trade and other payables to US$ 22.4 million (31 December 2016: US$ 28.8 million) mainly arising from a lower level of expenditure relating to new build activities during the period.

The combined effect of the above items was a decrease in the Group's working capital and cash balance to negative US$ 408.4 million at 30 June 2017 (31 December 2016: negative US$ 8.2 million). We expect working capital levels to improve as we enter 2018 and beyond.

Total non-current assets at 30 June 2017 were US$ 850.5 million (31 December 2016: US$ 857.2 million). This decrease is primarily attributable to an impairment charge on a Small Class vessel of US$ 7.3 million, as discussed further below. Total non-current liabilities at 30 June 2017 were US$ 3.2 million (31 December 2016: US$ 404.8 million). This decrease reflects the repayments of bank borrowings during the period together with the classification of all bank borrowings as current, as explained above.

Net Debt

The net debt position as at 30 June 2017 was US$ 378.2 million (excluding obligations under finance leases of US$ 38.8 million), compared to US$ 362.0 million as at 31 December 2016 (excluding obligations under finance leases of US$ 40.1 million). Undrawn committed bank facilities were US$ 50.0 million at period end (31 December 2016: US$ 145.0 million).

The net debt level (being bank borrowings less cash) is expected to show some reduction by year end and we anticipate a net debt level of US$ 360.0 million – 370.0 million at that time.

As announced on 9 August 2017, the Group has amended certain covenants as part of its bank facility agreement. The revised covenants increase the maximum permitted net leverage ratio from 5.0 to 5.5 times EBITDA to the end of June 2017, 6.5 times EBITDA to the end of June 2018, 5.0 times EBITDA to the end of December 2018 and then 4.0 times EBITDA thereafter. In addition, the minimum interest cover ratio has been amended from 3.0 times EBITDA to 2.5 times EBITDA at the 31 December 2017 and 30 June 2018 covenant test dates. Certain restrictions would also be applied on dividend payments and discretionary capital expenditure should the net leverage ratio be above specified levels. The Group's net leverage ratio was 5.4 times at period end (31 December 2016: 3.4 times).

Although the covenant amendments (and accordingly covenant compliance) were completed after 30 June 2017, since the net leverage ratio for the year to 30 June 2017, as at the balance sheet date, was in excess of the previous permitted covenant level, the Group is required under IFRS to classify the total loan balance outstanding at 30 June 2017 as due in less than one year. This includes US$ 370.3 million of bank borrowings which are scheduled for repayment after more than one year. These loans are now, following the covenant amendments, expected to be classified as non-current in the next reporting period and will not fall due prior to their original maturity. Note 10 to the condensed consolidated financial statements provides further detail on this matter.

Equity

Shareholders' equity decreased from US$ 443.7 million at 31 December 2016 to US$ 438.5 million at 30 June 2017. The movement is mainly attributed to the 2016 final dividend of US$ 5.2 million which was partly offset by the profit earned during the period.

Property, plant and equipment

During the period the Group undertook an impairment assessment of its entire fleet. An impairment of US$ 7.3 million was identified on a 35-year old Small Class vessel as the recoverable amount of the asset was considered to be lower than its carrying value as at the balance sheet date. The outlook for a vessel of that age in securing work in the current environment in the medium term has deteriorated with clients having a tendency to elect for more modern tonnage.

The impairment loss in the period has been charged to cost of sales in the statement of comprehensive income. The remaining net book value of the vessel as at 30 June 2017 was US$ 3.0 million. No other impairments were identified.

Adjusting items

The Group presents adjusted results, in addition to the statutory results, as the Directors consider that they provide a useful indication of underlying performance. In H1 2017 the adjusting items comprised of a non-cash impairment charge on one Small Class vessel of US$ 7.3 million and the write-off unamortised commitment fees of US$ 1.4 million on a capex loan facility that was cancelled early.

A reconciliation between the adjusted non-GAAP and statutory results is provided in note 4.

Related party transactions

There have been no new material related party transactions in the period and there have been no material changes to the related party transactions described in note 27 to the 2016 annual report.

Risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of 2017. The Directors do not consider that the principal risks and uncertainties have materially changed since the last publication of the annual report for the year ended 31 December 2016. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 19 to 21 of the 2016 annual report which is available at www.gmsuae.com.

- Strategic – The Group is subject to threats from competitor actions or the entrance of new competitors in the market as well as macroeconomic events, including the impact of a sustained period of low oil prices on demand for the Group's services.
- Commercial – The Group benefits from close commercial relations with a limited number of blue chip clients.
- Financial – The Group's success is dependent on its ability to raise finance and service its financial obligations.
- Health, Safety, Security, Environment and Quality – The Group's operations have an inherent safety risk due to our offshore operations.
- Compliance and Regulation – The Group has to appropriately identify and comply with laws and regulations and other regulatory statutes.
- Operational – The Group's assets should operate in the manner intended by management.
- People – The Group's success depends on our ability to attract and retain suitably qualified and experienced personnel.
- Investments – There could be delays in completion, or errors in assessing the impact of new strategic expansion projects or other strategic investments.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2017

	Notes	Six months ended 30 June 2017 US$'000	Six months ended 30 June 2016 US$'000	Year ended 31 December 2016 US$'000
Revenue	3	**58,475**	110,376	179,410
Cost of sales		**(32,018)**	(43,136)	(83,761)
Impairment charge	3	**(7,327)**	(14,162)	(21,307)
Gross profit		**19,130**	53,078	74,342
General and administrative expenses		**(7,808)**	(12,683)	(21,636)
Operating profit		**11,322**	40,395	52,706
Finance income		**29**	42	75
Finance expense		**(11,061)**	(10,342)	(20,181)
Other income/(loss)		**160**	(804)	(759)
Foreign exchange gain/(loss), net		**1,856**	(1,152)	(1,023)
Profit for the period before taxation		**2,306**	28,139	30,818
Taxation charge for the period	5	**(1,595)**	(354)	(1,377)
Profit for the period		**711**	27,785	29,441
Other comprehensive income				
Exchange differences on translating foreign operations*		**(584)**	(122)	(1,378)
Total comprehensive income for the period		**127**	27,663	28,063
Profit attributable to:				
Owners of the Company		**465**	27,796	29,509
Non-controlling interests		**246**	(11)	(68)
		711	27,785	29,441
Total comprehensive income attributable to:				
Owners of the Company		**(119)**	27,674	28,131
Non-controlling interests		**246**	(11)	(68)
		127	27,663	28,063
Earnings per share				
Basic (cents per share)	6	**0.13**	7.95	8.44
Diluted (cents per share)	6	**0.13**	7.86	8.34

* May be reclassified subsequently to profit or loss.

Results in each period are derived from continuing operations.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2017

	Notes	30 June 2017 US$'000	31 December 2016 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**846,758**	852,398
Dry docking expenditure		**3,282**	4,327
Deferred tax asset		**455**	455
Fixed assets prepayments		**–**	66
Total non-current assets		**850,495**	857,246
Current assets			
Trade and other receivables	8	**34,948**	23,945
Cash and cash equivalents		**35,873**	61,575
Total current assets		**70,821**	85,520
Total assets		**921,316**	942,766
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**57,929**	57,929
Share premium account		**93,075**	93,075
Group restructuring reserve		**(49,710)**	(49,710)
Restricted reserve		**272**	272
Capital contribution		**9,177**	9,177
Share option reserve	9	**1,877**	1,702
Translation reserve		**(2,599)**	(2,015)
Retained earnings		**328,475**	333,259
Equity attributable to:			
Owners of the Company		**438,496**	443,689
Non-controlling interests		**432**	560
Total equity		**438,928**	444,249

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2017 continued

	Notes	30 June 2017 US$'000	31 December 2016 US$'000
Non-current liabilities			
Bank borrowings	10	**–**	401,599
Provision for employees' end of service benefits		**3,202**	3,181
Deferred tax liability		**13**	13
Total non-current liabilities		**3,215**	404,793
Current liabilities			
Trade and other payables		**22,375**	28,787
Current tax liability		**3,960**	2,832
Bank borrowings – scheduled repayments within one year	10	**43,716**	22,021
Bank borrowings – scheduled repayments after more than one year	10	**370,310**	–
Obligations under finance leases	10	**38,812**	40,084
Total current liabilities		**479,173**	93,724
Total liabilities		**482,388**	498,517
Total equity and liabilities		**921,316**	942,766

The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2017

	Share capital US$'000	Share premium account US$'000	Restricted reserve US$'000
Balance at 1 January 2017	57,929	93,075	272
Total comprehensive income for the period	–	–	–
Share options rights charge	–	–	–
Dividends paid during the period	–	–	–
Balance at 30 June 2017	**57,929**	**93,075**	**272**

	Share capital US$'000	Share premium account US$'000	Restricted reserve US$'000
Balance at 1 January 2016	57,929	93,075	272
Total comprehensive income for the period	–	–	–
Share options rights charge	–	–	–
Dividends paid during the period	–	–	–
Balance at 30 June 2016	**57,929**	**93,075**	**272**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	Translation reserve US$'000	Retained earnings US$'000	Attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
(49,710)	1,702	9,177	(2,015)	333,259	443,689	560	444,249
–	–	–	(584)	465	(119)	246	127
–	175	–	–	–	175	–	175
–	–	–	–	(5,249)	(5,249)	(374)	(5,623)
(49,710)	**1,877**	**9,177**	**(2,599)**	**328,475**	**438,496**	**432**	**438,928**

Group restructuring reserve US$'000	Share option reserve US$'000	Capital contribution US$'000	Translation reserve US$'000	Retained earnings US$'000	Attributable to the owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
(49,710)	1,409	9,177	(637)	311,760	423,275	628	423,903
–	–	–	(122)	27,796	27,674	(11)	27,663
–	895	–	–	–	895	–	895
–	–	–	–	(6,142)	(6,142)	–	(6,142)
(49,710)	**2,304**	**9,177**	**(759)**	**333,414**	**445,702**	**617**	**446,319**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 June 2017

	Six months ended 30 June		Year ended 31 December
	2017 US$'000	2016 US$'000	2016 US$'000
Net cash from operating activities (note 11)	**12,893**	63,867	126,297
Investing activities			
Payments for property, plant and equipment	**(10,039)**	(109,690)	(147,089)
Proceeds from disposal of property, plant and equipment	**1,210**	55	109
Movement in capital advances	**66**	(71)	195
Dry docking expenditure incurred	**(976)**	(1,895)	(2,594)
Movement in pledged deposits	**–**	–	–
Movement in guarantee deposits	**(82)**	–	81
Interest received	**29**	42	75
Net cash used in investing activities	**(9,792)**	(111,559)	(149,223)
Financing activities			
Bank borrowings received	**–**	75,000	105,000
Repayment of bank borrowings	**(10,999)**	(34,771)	(44,938)
Payment of issue costs on borrowings	**(676)**	(846)	(2,700)
Interest paid	**(10,607)**	(11,610)	(22,166)
Payment on obligations under finance lease	**(1,272)**	(2,050)	(3,519)
Dividends paid	**(5,249)**	(6,142)	(8,010)
Net cash (used)/generated from financing activities	**(28,803)**	19,581	23,667
Net (decrease)/increase in cash and cash equivalents	**(25,702)**	(28,111)	741
Cash and cash equivalents at the beginning of the period	**61,575**	60,834	60,834
Cash and cash equivalents at the end of the period	**35,873**	32,723	61,575

The accompanying notes form an integral part of these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2017

1 Corporate information

Gulf Marine Services PLC (the "Company") is a Company which was registered in England and Wales on 24 January 2014. The Company is a public limited liability company with operations mainly in the Middle East and North Africa, and Europe. The address of the registered office of the Company is 1st Floor, 40 Dukes Place, London EC3A 7NH. The registered number of the Company is 08860816.

The Company and its subsidiaries (collectively the "Group") are engaged in providing self-propelled, self-elevating support vessels which provide the stable platform for delivery of a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities and are capable of operations in the Middle East, South East Asia, West Africa and Europe.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were authorised for issue on 18 September 2017. The condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed consolidated financial statements have been reviewed, not audited. The information for the year ended 31 December 2016, contained in the condensed consolidated financial statements, does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The Company issued statutory financial statements for the year ended 31 December 2016 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Those financial statements were approved by the Board of Directors on 27 March 2017. The report of the auditor on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006. A copy of the statutory accounts for year ended 31 December 2016 has been delivered to the Registrar of Companies.

2 Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim set of condensed consolidated financial statements included in this half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union.

The condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2016. In addition, results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. The condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2017 is not affected significantly by seasonality of results.

Going concern

The Group is expected to continue to generate positive operating cash flows on its own account for the foreseeable future and has in place a committed but undrawn working capital facility of US$ 50.0 million (see note 10).

On the basis of their assessment of the Group's financial position for a period of not less than 12 months from the date of approval of the half year results, the Group's Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they have adopted the going concern basis of accounting in preparing the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2017 continued

2 Basis of preparation continued

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 as disclosed in the annual report, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The following new and revised IFRSs have been adopted in these condensed consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IFRS 12 *Annual Improvements to IFRS Standards 2014-2016 Cycle*

3 Segment reporting

The segment information provided to the Chief Operating Decision Makers for the operating and reportable segments for the period include the following:

	Revenue			Segment profit*		
	6 months ended 30 June		Year ended 31 December	6 months ended 30 June		Year ended 31 December
	2017 US$'000	2016 US$'000	2016 US$'000	2017 US$'000	2016 US$'000	2016 US$'000
Small Class vessels	**18,640**	51,981	76,836	**12,957**	38,969	55,851
Mid-Size Class vessels	**20,054**	18,450	32,959	**14,573**	12,838	18,041
Large Class vessels	**19,781**	39,042	68,701	**14,075**	30,942	53,202
Other vessels	**–**	903	914	**(33)**	(47)	(119)
Total	**58,475**	110,376	179,410	**41,572**	82,702	126,975
Less:						
Depreciation charged to cost of sales				**(13,246)**	(13,441)	(27,151)
Amortisation charged to cost of sales				**(1,869)**	(2,021)	(4,175)
Impairment charge				**(7,327)**	(14,162)	(21,307)
Gross profit				**19,130**	53,078	74,342
General and administrative expenses				**(7,808)**	(12,683)	(21,636)
Finance income				**29**	42	75
Finance expense				**(11,061)**	(10,342)	(20,181)
Other income				**58**	64	88
Gain/(Loss) on sale of asset				**102**	(868)	(847)
Foreign exchange gain/(loss), net				**1,856**	(1,152)	(1,023)
Profit before taxation				**2,306**	28,139	30,818

* Please refer to the Glossary.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in each of the periods. There has been no change in the basis of segmentation or the basis of measurement of segment profit or loss in the period.

4 Presentation of adjusted non-GAAP results

The following table provides a reconciliation between the Group's adjusted non-GAAP and statutory financial results:

	6 months ended 30 June 2017			6 months ended 30 June 2016		
	Adjusted non-GAAP results US$'000	Adjusting items US$'000	Statutory total US$'000	Adjusted non-GAAP results US$'000	Adjusting Items US$'000	Statutory total US$'000
Revenue	**58,475**	**–**	**58,475**	110,376	–	110,376
Cost of sales						
– Operating expenses	**(16,903)**	**–**	**(16,903)**	(27,674)	–	(27,674)
– Depreciation and amortisation	**(15,115)**	**–**	**(15,115)**	(15,462)	–	(15,462)
– Impairment charge*	**–**	**(7,327)**	**(7,327)**	–	(14,162)	(14,162)
Gross profit	**26,457**	**(7,327)**	**19,130**	67,240	(14,162)	53,078
General and administrative						
– Depreciation	**(697)**	**–**	**(697)**	(633)	–	(633)
– Other administrative costs	**(7,111)**	**–**	**(7,111)**	(12,050)	–	(12,050)
Operating profit	**18,649**	**(7,327)**	**11,322**	54,557	(14,162)	40,395
Finance income	**29**	**–**	**29**	42	–	42
Finance expense	**(9,678)**	**–**	**(9,678)**	(10,342)	–	(10,342)
Expensing of loan facility fees**	**–**	**(1,383)**	**(1,383)**	–	–	–
Other income	**58**	**–**	**58**	64	–	64
Gain/(loss) on sale of asset	**102**	**–**	**102**	(868)	–	(868)
Foreign exchange gain/(loss), net	**1,856**	**–**	**1,856**	(1,152)	–	(1,152)
Profit before taxation	**11,016**	**(8,710)**	**2,306**	42,301	(14,162)	28,139
Tax	**(1,595)**	**–**	**(1,595)**	(354)	–	(354)
Net profit	**9,421**	**(8,710)**	**711**	41,947	(14,162)	27,785
Profit attributable to						
Owners of the Company	**9,175**	**(8,710)**	**465**	41,958	(14,162)	27,796
Non-controlling interests	**246**	**–**	**246**	(11)	–	(11)
Earnings per share	**2.63**	**(2.50)**	**0.13**	12.00	(4.05)	7.95
Supplementary non-statutory information						
Operating profit	**18,649**	**(7,327)**	**11,322**	54,557	(14,162)	40,395
Add: Depreciation and Amortisation charges	**15,812**	**–**	**15,812**	16,095	–	16,095
Non-GAAP EBITDA	**34,461**	**(7,327)**	**27,134**	70,652	(14,162)	56,490

* The impairment charge on one Small Class vessel being non-operational in nature has been added back to net profit to arrive at adjusted net profit for the period.

** The expensing of unamortised commitment fees for a capex loan facility that was cancelled in June 2017, being non-operational in nature, has been added back to net profit to arrive at adjusted net profit for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 June 2017 continued

5 Taxation

Tax is charged at 69.2% for the six months ended June 2017 (2016: 1.3%) representing the best estimate of the average annual effective tax rate expected to apply for the full year, applied to the Group's pre-tax income of the six month period.

The withholding tax included in the current tax charge amounted to US$ 0.6 million (six months ended June 2016: US$ 0.1 million).

6 Earnings per share

	6 months ended June 2017 US$	6 months ended June 2016 US$	Year ended 31 December 2016 US$
Earnings for the purpose of basic and diluted earnings per share being profit for the period attributable to owners of the parent (US$'000)	**465**	27,796	29,509
Earnings for the purpose of adjusted basic and diluted earnings per share (US$'000) (see note 4)	**9,175**	41,958	50,816
Weighted average number of shares ('000)	**349,528**	349,528	349,528
Weighted average diluted number of shares ('000)	**354,542**	353,478	354,012
Basic earnings per share (cents)	**0.13**	7.95	8.44
Diluted earnings per share (cents)	**0.13**	7.86	8.34
Adjusted earnings per share (cents)	**2.63**	12.00	14.54
Adjusted diluted earnings per share (cents)	**2.59**	11.87	14.35

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period (as disclosed in the statement of comprehensive income) by the weighted average number of ordinary shares in issue during the period.

Adjusted earnings per share is calculated on the same basis but uses the earnings for the purpose of basic earnings per share (shown above) adjusted by adding back the impairment charge on one Small Class vessel (US$ 7.3 million) and written-off unamortised loan commitment fees (US$ 1.4 million) which have been charged to the income statement. The adjusted earnings per share is presented as the Directors consider it provides an additional indication of the underlying performance of the Group.

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period.

Adjusted diluted earnings per share is calculated on the same basis but uses adjusted profit (note 4) attributable to the equity shareholders of the Company.

The following table shows a reconciliation between basic and diluted average number of shares:

	30 June 2017 000's	30 June 2016 000's	31 December 2016 000's
Weighted average basic number of shares in issue	**349,528**	349,528	349,528
Effect of share options under LTIP schemes	**5,014**	3,950	4,484
Weighted average diluted number of shares in issue	**354,542**	353,478	354,012

7 Property, plant and equipment

	Vessels US$'000	Assets under construction US$'000	Land, building and improvements US$'000	Vessel spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2017	**896,890**	**108,339**	**10,299**	**14,964**	**4,545**	**1,035,037**
Additions	–	18,339	–	–	–	18,339
Transfers	6,432	(6,687)	126	70	59	–
Disposals	(21,587)	–	–	(112)	–	(21,699)
Other*	(1,804)	–	–	–	–	(1,804)
Balance as at 30 June 2017	**879,931**	**119,991**	**10,425**	**14,922**	**4,604**	**1,029,873**
Accumulated depreciation						
Balance at 1 January 2017	**166,595**	**–**	**5,229**	**7,327**	**3,488**	**182,639**
Eliminated on disposals of assets	(20,626)	–	–	(103)	–	(20,729)
Depreciation expense	12,741	–	478	425	298	13,942
Impairment charge	7,220	–	–	43	–	7,263
Balance as at 30 June 2017	**165,930**	**–**	**5,707**	**7,692**	**3,786**	**183,115**
Net Book Value as at 30 June 2017	**714,001**	**119,991**	**4,718**	**7,230**	**818**	**846,758**

* Insurance claim proceeds received relating to the construction of a Mid-Size Class vessel that was delivered in March 2016.

	Vessels US$'000	Assets under construction US$'000	Land, building and improvements US$'000	Vessel spares US$'000	Others US$'000	Total US$'000
Cost						
Balance as at 1 January 2016	**826,101**	**81,436**	**8,719**	**9,889**	**4,138**	**930,283**
Additions	1,280	104,640	–	71	35	106,026
Transfers	70,639	(77,737)	1,580	5,025	493	–
Disposals	(1,130)	–	–	(21)	(121)	(1,272)
Balance as at 31 December 2016	**896,890**	**108,339**	**10,299**	**14,964**	**4,545**	**1,035,037**
Accumulated depreciation						
Balance at 1 January 2016	**119,949**	**–**	**4,650**	**6,472**	**2,951**	**134,022**
Eliminated on disposals of assets	(191)	–	–	(4)	(121)	(316)
Depreciation expense	26,216	–	579	774	658	28,227
Impairment charge	20,621	–	–	85	–	20,706
Balance as at 31 December 2016	**166,595**	**–**	**5,229**	**7,327**	**3,488**	**182,639**
Net Book Value as at 31 December 2016	**730,295**	**108,339**	**5,070**	**7,637**	**1,057**	**852,398**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2017 continued

7 Property, plant and equipment continued

The carrying amount of vessels held under finance leases is US$ 37.7 million (31 December 2016: US$ 38.4 million) which related to a leased Small Class vessel that was returned to its lessor in August 2017 (see note 10).

Included within additions is US$ 2.2 million (31 December 2016: US$ 2.4 million) in respect of capitalised borrowing costs incurred on vessels under construction. The capitalisation rate used to determine this figure was 2.2% per annum (2016: 4.0%).

Impairment Assessment

The Group undertook a full impairment review of its fixed assets as at 30 June 2017. The Group recognised an impairment charge of US$ 7.3 million on a 35-year old Small Class vessel to reduce its carrying amount to its estimated recoverable amount of US$ 3.0 million. The outlook for a vessel of that age in securing work in the current environment in the medium term has deteriorated with clients having a tendency to elect for more modern tonnage. The impairment charge has been expensed in the statement of comprehensive income through cost of sales.

For the purpose of the impairment assessment, each vessel is considered a separate cash-generating unit ("CGU") and management has estimated the recoverable amounts of its vessels based on their value in use. The cash flow projections used in determining the value in use of each CGU were based on forecasts prepared by management taking into account past experience. The average compound annual growth rates ("CAGR") for revenue for the CGUs were assumed as an average upward revision of 7.5% between 2017 and 2022 remaining flat thereafter. The CAGR is dependent on the average utilisation and charter rate of the vessels.

The cash flows have been discounted using a pre-tax discount rate of 11.5% (30 June 2016: 11.5%) which was estimated taking into consideration the weighted average cost of capital of a portfolio of peer group companies with similar assets. The discount rate reflects current market assessments of the time value of money, the risks associated with the cash flows, and the expected levels of leverage. Consideration has also been given to other factors such as currency risk, operational risk and country risk.

8 Trade and other receivables

	30 June 2017 US$'000	31 December 2016 US$'000
Trade receivables	**24,782**	19,289
Accrued income	**5,049**	1,787
Prepayments and deposits	**4,117**	2,349
Advances to suppliers	**115**	128
VAT receivable	**352**	–
Other receivables	**463**	322
Due from related parties	**70**	70
Total	**34,948**	23,945

9 Share option reserve

Share based expenses for the period of US$ 0.2 million (31 December 2016: US$ 0.3 million) relate to awards granted to employees under the Group's Long-Term Incentive Plan (LTIP). The charge is included in cost of sales and, general and administrative expenses in the statement of comprehensive income.

10 Bank Borrowings

Bank borrowings relate to the bank facility provided by a group of six banks, which comprises of term loans and amounts available under revolving working capital facilities.

	30 June 2017 US$'000	31 December 2016 US$'000
Current		
Bank borrowings – scheduled repayments within one year	**43,716**	22,021
Bank borrowings – scheduled repayments after more than one year*	**370,310**	–
Non-current		
Bank borrowings	**–**	401,599
Total borrowings	**414,026**	423,620

* The Group's loan covenants include a net leverage ratio which is calculated as the ratio of net debt to adjusted EBITDA for the previous twelve months. At 30 June 2017 this leverage ratio was calculated as 5.4 times when the covenant at that time was set at 5.0 times. Subsequent to 30 June 2017 (see note 13c), and prior to the approval of the interim report, the Group agreed to increase the net leverage ratio covenant for the 30 June 2017 test date so that the Group will be compliant for that reporting period. Although the Group will not be in breach of any financial covenants as calculated for the 30 June 2017 test, IFRS requires that the total loan amounts outstanding should be disclosed as current liabilities at 30 June 2017 as the Group did not have an unconditional right at that date to defer repayment of these loans beyond twelve months. These loans are expected to be classified as non-current in the next reporting period and will not fall due prior to their original maturity.

The Group has undrawn committed loan facilities at the period end as shown below:

	30 June 2017 US$'000	31 December 2016 US$'000
Working capital facility	**50,000**	50,000
Capex facility	**–**	95,000
Undrawn committed loan facility	**50,000**	145,000

Net debt during the period was as follows:

	30 June 2017 US$'000	31 December 2016 US$'000
Bank borrowings	**414,026**	423,620
Less: Cash at Bank and in hand	**(35,873)**	(61,575)
Total**	**378,153**	362,045

** The net debt figure shown above excludes obligations under finance leases of US$ 38.8 million (2016: US$ 40.1 million) relating to the leased Small Class vessel whose purchase option was not exercised and subsequently was returned to its lessor in August 2017 following the end of its lease period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS for the period ended 30 June 2017 continued

11 Notes to the cash flow statement

	Six months ended 30 June		Year ended 31 December
	2017 US$'000	**2016 US$'000**	**2016 US$'000**
Profit for the year before taxation	**2,306**	28,139	30,818
Adjustments for:			
Depreciation of property, plant and equipment	**13,942**	13,859	28,227
Amortisation of intangibles	**–**	188	375
Amortisation of dry docking expenditure	**1,869**	2,021	4,176
Impairment charge	**7,327**	14,162	21,307
End of service benefits charge	**346**	580	780
End of service benefits paid	**(325)**	(357)	(990)
Provision for doubtful debts	**–**	–	2,287
Recovery of doubtful debts	**(1,537)**	–	–
(Gain)/Loss on disposal of property, plant and equipment	**(102)**	868	847
Share options rights charge	**175**	895	293
Interest income	**(29)**	(42)	(75)
Interest expense	**9,138**	9,923	19,199
Write-off of unamortised loan commitment fees	**1,383**	–	–
Other income	**(58)**	(64)	(88)
Amortisation of issue costs	**540**	419	982
Cash flow from operating activities before movement in working capital	**34,975**	70,591	108,138
(Increase)/Decrease in trade and other receivables	**(9,619)**	11,152	32,962
Decrease in trade and other payables	**(11,996)**	(16,207)	(12,595)
Cash generated from operations	**13,360**	65,536	128,505
Taxation paid	**(467)**	(1,669)	(2,208)
Net cash generated from operating activities	**12,893**	63,867	126,297

12 Capital commitments

Capital commitments as at 30 June 2017 were US$ 1.1 million (31 December 2016: US$ 6.4 million) comprising mainly of capital expenditure which has been contractually agreed with suppliers for future periods for new build vessels or the refurbishment of existing vessels.

13 Events after the reporting period

a) A leased Small Class vessel was returned to its lessor in August 2017 following the end of its lease period. The transaction was previously treated as a finance lease since its inception in August 2012.

b) On 6 July 2017, an additional 176,169 ordinary shares of 10 pence each were issued in respect of the Group's 2014 Long-Term Incentive Plan.

c) On 9 August 2017, the Group amended its bank facility agreement, with the following revised financial covenants:

Covenant Test Date	Maximum Net Leverage Ratio		Minimum Interest Cover Ratio	
	Amended	Previous	Amended	Previous
30 June 2017	5.5	5.0	3.0	3.0
31 December 2017	6.5	5.0	2.5	3.0
30 June 2018	6.5	5.0	2.5	3.0
31 December 2018	5.0	4.0	3.0	3.0
30 June 2019 onwards	4.0	4.0	3.0	3.0

It was agreed with the Group's banking syndicate that certain restrictions would also be applied on dividend payments and capital expenditure should the net leverage ratio be above specified levels.

DIRECTORS' RESPONSIBILITY STATEMENT

Financial information for the period ended 30 June 2017.

We confirm that to the best of our knowledge:

(a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;

(b) the interim management report includes a fair view of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair view of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Duncan Anderson
Chief Executive Officer
18 September 2017

John Brown
Chief Financial Officer
18 September 2017

INDEPENDENT REVIEW REPORT TO GULF MARINE SERVICES PLC

We have been engaged by Gulf Marine Services PLC (the "Company") to review the condensed set of consolidated financial statements of the Company and its subsidiaries (the "Group") in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual consolidated financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London, United Kingdom
18 September 2017

GLOSSARY

Board
The Directors of the Company.

Company
Gulf Marine Services PLC.

GMS
The Gulf Marine Services Group.

Group
The Company and its subsidiaries.

IFRS
International Financial Reporting Standards.

IOCs
International Oil Companies.

MENA
Middle East and North Africa.

NOCs
National Oil Companies.

SESV
Self-elevating support vessel.

Total Recordable Injury Rate
Calculated on the injury rate per 200,000 man hours and includes all our onshore and offshore personnel and subcontracted personnel. Offshore personnel are monitored over a 24-hour period.

Utilisation
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.

Alternative performance measures (APMs) – An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Alternative performance measures are non-GAAP measures that are presented to provide readers with additional financial information that is regularly reviewed by management and the Directors consider that they provide a useful indicator of underlying performance. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Adjusted diluted earnings per share – represents the adjusted profit attributable to equity holders of the Company for the period divided by the weighted average number of ordinary shares in issue during the period, adjusted for the weighted average effect of share options outstanding during the period. The adjusted profit attributable to equity shareholders of the Company is earnings used for the purpose of basic earnings per share adjusted by adding back the impairment charge on one Small Class vessel and written-off unamortised loan commitment fees which have been charged to the income statement in the period.

EBITDA – represents Earnings Before Interest, Tax, Depreciation and Amortisation, which represents operating profit after adding back depreciation and amortisation.

Adjusted EBITDA – represents operating profit after adding back depreciation, amortisation and non-operational impairment charges.

Adjusted EBITDA margin – represents adjusted EBITDA divided by revenue.

Adjusted gross profit – represents gross profit after adding back non-operational impairment charges.

Adjusted net profit – represents net profit after adding back the non-operational impairment charges and written-off unamortised loan commitment fees in H1 2017.

Backlog or secured backlog – represents firm contracts and extension options held by clients. Backlog equals (charter day rate x remaining days contracted) + ((estimated average Persons On Board x daily messing rate)) x remaining days contracted) + contracted remaining unbilled mobilisation and demobilisation fees. Includes extension options.

Interest cover ratio – the ratio of adjusted EBITDA to net finance charges for the previous twelve months.

Net debt or net bank debt – represents the total bank borrowings less cash.

Net leverage ratio – represents the ratio of net debt (bank borrowings less cash) to adjusted EBITDA.

Segment profit – represents gross profit after adding back depreciation, amortisation and non-operational impairment charges.

Total net borrowings – represents total bank borrowings and finance lease obligations less cash.

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CORPORATE INFORMATION

Joint Corporate Broker
Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

Joint Corporate Broker
Barclays
5 The North Colonnade
Canary Wharf
London E14 4BB

Legal Advisers
Linklaters LLP
One Silk Street
London EC2Y 8HQ

Auditors
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Public Relations Advisers
Brunswick Group LLP
16 Lincoln's Inn Fields
London WC2A 3ED

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Registered Office
Gulf Marine Services PLC
1st Floor
40 Dukes Place
London EC3A 7NH

Head Office
Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsuae.com

Board of Directors

Simon Heale
Independent Non-Executive Chairman

Duncan Anderson
Chief Executive Officer

Simon Batey
Senior Independent Non-Executive Director

Richard Anderson
Independent Non-Executive Director

Dr Karim El Solh
Non-Executive Director

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Visit us at **emperor.works** T: +971 (0)56 150 8292

Gulf Marine Services
P.O. Box 46046
Abu Dhabi, UAE
T: +971 (2) 5028888
F: +971 (2) 5553421
E: IR@gmsuae.com