

Gulf Marine Services PLC
(‘Gulf Marine Services’, ‘GMS’, ‘the Company’ or ‘the Group’)

2019 ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

The Company advises that the 2019 Annual Report, the Notice of the 2020 Annual General Meeting and Proxy Form are being made available to shareholders electronically today, 29 May 2020. The 2019 Annual Report and the Notice of 2020 Annual General Meeting will be available shortly on the Company's website at www.gmsuae.com.

In accordance with Listing Rule 9.6.1R, copies of these documents are being submitted to the UK Listing Authority via a National Storage Mechanism and will shortly be available to the public for inspection at <https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism>.

In accordance with Disclosure Guidance and Transparency Rule 6.3.5, additional information is set out in the appendices to this announcement. This information is extracted from the 2019 Annual Report. The appendices should be read in conjunction with the Company's Full Year 2019 Results Announcement, issued at 07:00 on 1 May 2020, RNS Number 5839L. This material is not a substitute for reading the full 2019 Annual Report.

Mailing of the 2019 Annual Report, Notice of the 2020 Annual General Meeting and Proxy Form to shareholders will commence shortly.

The Company will hold its Annual General Meeting (the ‘AGM’) at 12:00 noon on Tuesday, 30 June 2020. Further details are included in the Notice of the Notice AGM. In light of prevailing public health advice and following the compulsory measures imposed by the UK Government in response to the COVID-19 pandemic, among other things, prohibiting non-essential travel and public gatherings of more than two people (the ‘COVID-19 Measures’), shareholders should not attempt to attend this year’s AGM in person. The Board will be implementing the following changes to the usual AGM arrangements:

- The Company expects only one Director and another GMS designated shareholder representative to be in attendance at the venue for quorum purposes to conduct the business of the meeting.
- No other Directors will be present in person.
- Shareholders will not be permitted to attend the Company’s AGM in person and, if they attempt to do so, will be refused entry to the meeting in line with the COVID-19 Measures and under the Company’s Articles.
- There will be no update on trading or other management statements given at the AGM, although a trading and operations update will be published on the Company’s website in advance of the AGM.
- Shareholders are encouraged to submit questions about the business of the AGM in advance of the meeting by email and, in so far as relevant to the business of the meeting, questions will be responded to by email and taken into account as appropriate at the meeting itself.

- In the event that our meeting arrangements change subsequent to publication of this notice of AGM, the Company will publish details on its website at <http://www.gmsuae.com> and, if practicable, issue a further communication via a regulatory news service.
- Voting at the AGM will be by way of a poll so that all the votes cast in advance by shareholders appointing the Chairman of the Meeting as their proxy to vote on their behalf, can be taken into account. Shareholders have one vote for each ordinary share held when voting on a poll and this procedure ensures that every vote can be cast.
- The results of the AGM will be announced as soon as practical after it has taken place.

Shareholders wishing to vote on any of the matters of business at the AGM are therefore strongly encouraged to:

1. Submit their votes (as soon as possible) in advance of the meeting through the proxy and electronic voting facilities and to appoint the Chairman of the meeting as their proxy for this purpose.
2. Submit any questions in connection with the business of the meeting in advance to the Company Secretary at cosec@gmsuae.com.
3. Look out for any updates in connection with the arrangements for the AGM via RNS and on the Company's website.

Appendix A

Statement of Directors' Responsibilities

The following responsibility statement is repeated here solely for the purpose of complying with DTR 6.3.5. This statement relates to and is extracted from page 79 of the 2019 Annual Report.

These responsibilities are for the full 2019 Annual Report and not the extracted information presented in this announcement or otherwise.

"We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- all relevant information for report preparation was provided to the external auditor.

The Directors of the Company and their responsibilities as at 30 April 2020 are set out below:

Tim Summers, Executive Chairman
 Steve Kersley, Chief Financial Officer
 Mike Turner, Senior Independent Non-Executive Director
 Dr Shona Grant, Independent non-executive Director

Appendix B

Principal risks and uncertainties

The following has been extracted from pages 21 to 24 of the 2019 Annual Report:

The rating of the principal risks facing the Group in the short to medium term are set out below, together with the mitigation measures. These risks are not intended to be an exhaustive analysis of all risks.

Risk	Mitigating factors and actions
<p>1 Liquidity and debt servicing</p>	
<p>Due to the Group's current level of debt, relative to cash flow and EBITDA, it faces the risk that:</p> <ol style="list-style-type: none"> 1. It might be unable to service capital and interest obligations as they fall due. 2. It might fail to meet its covenant obligations at the relevant testing dates. <p>This would precipitate an event of Default under the Loan Agreements, which would, in turn, give lenders the right to accelerate repayment of the outstanding loans, and then exercise security over the Group's assets, should immediate payment not be made. This would trigger an insolvency.</p> <p>In that context, the business is highly exposed to short-term liquidity management risks arising from potential:</p> <ol style="list-style-type: none"> 1. Increases in interest rates, which further increase debt service obligations. 2. Unexpected increases in working capital (particularly through inability to collect receivables). 3. Supplier disruption due to high level of supplier overdues. <p>If access to bonding facilities is restricted, precipitated by the current funding difficulties, then our cash flows will be impacted, either through the requirement to cash collateralise bonds or turn away business.</p>	<p>Renegotiation of bank facilities</p> <p>The Group has agreed a non-binding term sheet to amend and extend bank facilities with its Lending Group. If the documentation is completed by 30 June 2020 as expected, this will reduce the severity of existing covenant tests, while extending the tenor for the repayment of principal. It will also deliver access to adequate working capital facilities and bonding.</p> <p>Liquidity management</p> <p>The Group has significantly reduced overdue receivables and continues to manage liquidity carefully through focusing on receivables collections and managing the timing of supplier payments. Short term cash flow, through to the finalisation of the loan deal, is tight.</p> <p>The need to complete binding loan documentation in respect of the Group's restructured banking facilities and the Group's tight short-term liquidity position indicate a material uncertainty that may cast significant doubt as to the Group's ability to continue as a going concern. Notwithstanding this material uncertainty, the Directors believe that based on the progress made to date in this regard, there is good reason to believe that final loan documentation will be completed in a timely</p>

fashion; and that the Group's working capital and liquidity position can be managed effectively. Refer to Note 3 of the consolidated financial statements.

Cost management

The Group has implemented a comprehensive cost reduction programme, removing over US\$ 13 million of annualised costs in order to generate higher EBITDA and increased cash to service debt. Continual review of costs and search for further efficiencies is ongoing.

Hedging strategies

The Group has taken out hedges to help mitigate the risk of volatility of interest rates. See Note 10 of the consolidated financial statements for further details.

2 Inability to secure an appropriate capital structure – equity

A continuing low share price driven by not having a suitable long-term debt profile may prevent GMS from raising sufficient levels of equity to get an acceptable capital structure solution.

Renegotiation of the debt facilities (discussed above) will provide a platform for rebuilding confidence in equity holders by giving the business time to deliver its turnaround plan, without the risk of lenders precipitating an insolvency.

Beyond that, the delivery of lower operating costs and higher utilisation, through improved efficiencies, safe and reliable operations and building strong customer/stakeholder relationships, will be key to driving improved profitability and cash flow, which is expected to deliver shareholder confidence and a higher share price.

3 Oil and Gas Market

Despite the current drop in global oil demand arising from COVID-19, the Middle East Oil and Gas market is active, with new vessels entering the market from Far Eastern shipyards offering attractive financing structures in order to reduce high levels of inventory of completed vessels. An increase in supply could lead to lost opportunities to charter our vessels.

This in turn could reduce our ability to secure contracts.

MENA NOCs have introduced local content requirements as part of their tender processes

Business segment and geographical diversity

The Group has established businesses outside its core Middle Eastern markets (particularly in the North Sea), and outside of oil and gas (renewables).

Targeting

We target contracts that align with availability of vessel spec and that comply with client requirements.

Market knowledge and operational expertise

<p>designed to giving preference to suppliers that commit to improving their local content and levels of spend and investment in-country. This may prevent GMS from winning contracts or lead to financial loss and/or reduction in margins on existing contracts which will ultimately impact cash flows and profitability.</p> <p>The change in ownership/structures for North Sea oil and gas businesses could lead to changes in client requirements or demand for our services, which we may not be able to meet and therefore our customer base may reduce, and contracts may be lost.</p>	<p>The Group has a track record of established long-term relationships in the MENA region and North West Europe, which provides an understanding of our clients' requirements and operating standards.</p> <p>Modification flexibility for clients</p> <p>Our vessels are built to be as flexible as possible allowing us to compete for a wide share of the market, helping us to maximise utilisation levels and charter day rates. The Group is capable of modifying assets to satisfy client requirements and can do so in its own yard where appropriate.</p> <p>We embrace local content requirements with a long history of operating for NOCs in the Middle East.</p>
<p>4 Operations: inability to deliver safe and reliable operations</p>	
<p>The Group may suffer commercial and reputational damage from an environmental or safety incident involving our employees, visitors or contractors.</p> <p>Inadequate preparation for emergency situations such as pandemics, natural disasters, geopolitical instability, could have a negative impact on our business.</p> <p>Insufficient insurance coverage may lead to financial loss. This is generally relevant but also specifically in relation to the relocation of our vessels.</p>	<p>Safety awareness</p> <p>Safety and reliability are top priorities and are underpinned by our HSEQ management system and strong safety-focused culture. Management ensures appropriate safety practices and procedures; disaster recovery plans and the insurance coverage of all commercial contracts are in place.</p> <p>Training and compliance</p> <p>Our employees undergo continuous training on operational best practices.</p> <p>Scheduled maintenance</p> <p>The Group follows regular maintenance schedules on its vessels and the condition of the vessels is consistently monitored.</p> <p>Business continuity plan</p> <p>The Group has in place a business continuity management plan which it regularly maintains.</p> <p>Insurance</p> <p>The Group regularly liaise with insurance brokers to ensure sufficient coverage.</p>
<p>5 Customer concentration</p>	
<p>The Group is reliant on a limited number of NOCs, IOCs and international EPC clients. If one of our clients were to move away from us to a</p>	<p>Continuous communication with clients</p> <p>The Group maintains strong relationship with its clients through continuous communication and a history of providing safe and reliable services.</p>

<p>competitor, this would lead to changes in our contract profile and pipeline and expose us to losses.</p>	<p>Business Segment and Geographical Diversity The Group has established businesses outside its core Middle Eastern markets (particularly in the North Sea), and outside of oil and gas (renewables). It is actively looking to diversify its market footprint.</p>
<p>6 Legal, economic, and political conditions</p>	
<p>Political instability in the regions in which we operate (and recruit from) may adversely affect our operations.</p> <p>Continuing uncertainty surrounding trade arrangements following the UK's exit from the European Union ('Brexit') and potential legislative changes results in increased uncertainty over future policy, and regulation in the United Kingdom, which could impact Group operations</p>	<p>Emergency response planning and insurance For all our major assets and areas of operation, the Group maintains emergency preparedness plans. We regularly review the insurance coverage over the Group's assets to ensure adequate cover is in place.</p> <p>Workforce planning and monitoring Workforce planning and demographic analysis is completed in order to increase diversity.</p> <p>Brexit We support the free movement of goods, services and people. Management continue to monitor the status of the UK Government's negotiations, changes in legislation and future policies.</p>
<p>7 People</p>	
<p>Attracting, retaining, recruiting and developing a skilled workforce is key.</p> <p>Losing skills or failing to attract new talent to our business has the potential to undermine performance.</p> <p>Inadequate succession planning and lack of identification of critical roles may result in disruption if the related personnel leave the Group.</p>	<p>Communication Communication aligns towards our common goals. Feedback from employees is actively sought, using employee surveys. A Board member is explicitly tasked with monitoring the level of engagement and alignment across the organisation.</p> <p>Remuneration Policy The Short Term Incentive Plan (STIP) has been restructured around a single Business Scorecard to ensure all staff are incentivised around a single set of common goals. In December 2019 we completed the first formal Employee Survey and results are being evaluated and appropriate actions are being implemented.</p> <p>Equal opportunities GMS are engaged in fair and transparent recruitment practices. We have a zero-tolerance</p>

policy towards discrimination and we provide equal opportunities for all employees.

Resource planning

The Group is in the process of identifying critical roles and preparing plans to ensure smooth transition in case of changes in personnel.

8 Cyber crime – security and integrity

Phishing attempts result in inappropriate transactions, data leakage and financial loss. The Group is at risk of loss through financial cybercrime.

Cybersecurity monitoring and defence

GMS operates multi-layer cybersecurity defences which are monitored for effectiveness to ensure they remain up to date.

We engage with 3rd party specialists to provide security services.

9 Compliance and regulation

Non-compliance with anti-bribery and corruption regulations could damage stakeholder relations and lead to reputational and financial loss.

Failure to appropriately identify and comply with laws and regulations and other regulatory statutes in new and existing markets could lead to regulatory investigations.

Code of conduct

The Group has a Code of Conduct which includes anti-bribery and corruption policies and all employees are required to comply with this Code when conducting business on behalf of the Group. Employees are required to undergo in-house training on anti corruption. All suppliers are pre-notified of anti-bribery and corruption policies and required to confirm compliance with these policies.

Regulations

A central database is maintained which documents all our policies and procedures which comply with laws and regulations within the countries in which we operate. On specialist topics, we make use of external advisors, where appropriate. In 2019 we appointed a dedicated Company Secretary to help monitor compliance, in particular, with regard to UK legal and corporate governance obligations.

External Review

Our Internal Audit function helps ensure compliance with GMS policies, procedures, internal controls and business processes. The Group's vessels are also audited by external bodies such as the American Bureau of Shipping (ABS).

10 Failure to meet customers' requirements

There is a risk that the Group's fleet capabilities no longer match with changing client requirements.
Failure to deliver the specifications and expected performance could lead to reputational damage and impact our ability to win work.

Flexibility and innovation

We respond directly to client feedback, which allows us to bid on a wide range of contracts.

Vessel monitoring

The Group has procedures in place such as the Planned Maintenance System to ensure that the vessels undergo regular preventative maintenance. The Group's robust operating standards result in minimal downtime.

11 COVID-19 pandemic

There is a health and safety risk to staff, both onshore and offshore, who come in contact with confirmed cases.

There is the risk that offshore staff will be unable to board or leave Group vessels, given restrictions on movement placed by the countries in which we operate.

There is the risk that onshore staff will be unable to work as normal due to mandatory health and safety restrictions, placed by Government, including quarantine and travel restrictions.

Disruption might be caused to the supply chain, caused by the impact of COVID-19 on our suppliers' operations.

The impact of COVID-19 and the resultant adverse impact on oil prices, on our client's financial position might lead to loss of new business development opportunities, the re-negotiation of existing contracts, or failure of clients to pay.

Hygiene measures

We have implemented extensive hygiene control and prevention measures across the fleet and for our onshore staff. Our clients have adopted similar measures, in many cases in compliance with strict Government directives in force across the countries in which we operate.

Offshore rotations

Crew change restrictions are in place to protect offshore staff from exposure to infection.

Remote working

Onshore staff are working virtually from their homes, with only a skeleton workforce in our main office.

Supply chain

We have reviewed our supply chain to ensure we can make alternative arrangements, in the event of supply disruption. In most critical cases we have UAE based alternatives.

Customer base

76% utilisation has already been secured on committed contracts in 2020. Demand in the Middle East remains robust with core customers continuing with extensive tender programmes. 12 of our 13 vessels are now based in the Middle East. Most of our major customers are well capitalised National or International Oil Companies.

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