THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS DEFINED IN ARTICLE 7 OF THE MARKET ABUSE REGULATION NO. 596/2014 AND IS DISCLOSED IN ACCORDANCE WITH THE COMPANY'S OBLIGATIONS UNDER ARTICLE 17 OF THOSE REGULATIONS

31 May 2017

LAMPRELL PLC
("Lamprell" and with its subsidiaries the "Group")

Proposed joint venture relating to the Maritime Yard within the King Salman International Complex for Maritime Industries & Services

Further to the announcements of 26 January 2016 and 1 June 2016, Lamprell (ticker: LAM), a leading provider of diversified fabrication, engineering and contracting services to the global energy industries, is pleased to announce that it has, through a wholly owned subsidiary, entered into a conditional agreement with Saudi Aramco Development Company (a wholly-owned subsidiary of Saudi Arabian Oil Company, the national oil company of the Kingdom of Saudi Arabia) ("Saudi Aramco"), the National Shipping Company of Saudi Arabia ("Bahri") and Hyundai Heavy Industries Co. Ltd. ("HHI") pursuant to which the parties thereto have agreed to participate in a joint venture ("JVCo") with respect to the establishment, development and operation of a maritime yard for the construction, maintenance and repair of offshore drilling rigs and vessels (the "Maritime Yard") which is to form part of the complex known as "The King Salman International Complex for Maritime Industries & Services" in the eastern province of the Kingdom of Saudi Arabia, (the "Transaction").

Highlights

- Provides a critical point of entry to the Saudi market with exposure to Saudi Aramco, the world's largest oil company
- Enables Lamprell to diversify its global reach and to broaden its sector and product expertise
- Strengthens Lamprell's position as a leading fabricator in the region
- Increases access to revenue-generating opportunities and production efficiencies:
  - JVCo is expected to subcontract some of the rig component fabrication work to Lamprell's UAE yards during the construction phase of the Maritime Yard
- Opportunity to pre-qualify with Saudi Aramco to bid from its existing UAE facilities for a significant pipeline of non-rig Saudi work under the Long-Term Agreement and General Bid Slate programmes
- The Company has received written confirmation from Lamprell Holdings Limited (which holds 33.12 per cent. of Lamprell's existing issued share capital as at 30 May 2017) of its intention to vote in favour of the Transaction at the General Meeting

Project Overview

- When fully constructed, the Directors expect that the Maritime Yard will be the largest in the Arabian Gulf in terms of production capacity and scale. The Directors expect the Maritime Yard to be partially operational by 2019 and fully operational by 2022.

- The area of the Maritime Yard is expected to be approximately 4.3 square kilometres extending along the coast of Ras Al-Khair. It will comprise four main production zones (being zones A-D).

    - The JV Partners or their specified affiliates will enter into a call-off services agreement and a secondment agreement under which, *inter alia*, they will agree to provide certain services to JVCo pursuant to agreed statements of work.

        - Through the provision of personnel and expertise the Group will provide certain services and technical support at the Maritime Yard. Lamprell will be the technical partner for Zones A and D, being the zones that will provide maintenance, repair and overhaul ("MRO") services for jackup drilling rigs and commercial vessels, and the construction of jackup drilling rigs, respectively.

        - HHI will be the technical partner for Zones B and C, being the zones that will construct and undertake MRO services for offshore support vessels and that will construct commercial vessels, respectively.

- Saudi Aramco's parent company, Saudi Arabian Oil Company, will enter into a master offtake agreement with JVCo under which it will agree to purchase, or procure the purchase, from JVCo of a minimum of 20 jackup drilling rigs (equating to two rigs per year for 10 years based on the prevailing and competitive market prices), as well as offshore support vessels and MRO services for jackup drilling rigs and offshore support vessels operating on Saudi Arabian Oil Company's offshore assets, subject to certain conditions.

- Bahri will enter an offtake agreement with JVCo under which Bahri will agree to purchase from JVCo not less than 75 per cent. of its commercial vessel requirements over ten years, being a minimum of 52 commercial vessels (including a significant number of VLCCs), and MRO services for such vessels based on the prevailing and competitive market prices, subject to certain conditions.

- JVCo will be run by a nine-member board of managers and, subject to the terms of the Shareholder's Agreement, Lamprell will be entitled to appoint two of the nine members.

Financial Overview

- Lamprell to invest up to a maximum of US$ 140 million over the course of the construction of the Maritime Yard from existing financial resources and future cash flows and will hold 20 per cent. of JVCo's issued share capital (subject to the terms of the Shareholder's Agreement).

- Saudi Aramco to invest up to a maximum of US$ 350.7 million, Bahri to invest up to a maximum US$ 139.3 million and HHI to invest up to a maximum US$ 70.0 million, they will hold 50.1 per cent., 19.9 per cent and 10.0 per cent. of JVCo's issued share capital, respectively (subject to the terms of the Shareholder's Agreement).

- The aggregate cost of constructing the Maritime Yard is expected to be approximately US$ 5.2 billion, of which approximately US$ 3.5 billion will be funded by the Government of the Kingdom of Saudi Arabia to establish, prepare and construct the site and shared infrastructure. The remaining cost of up to US$ 1.7 billion, relating to the specific requirements of each zone, will be funded by JVCo.

- Saudi Industrial Development Fund ("SIDF") has provided commitment letters pursuant to which it has agreed in principle to enter into a SAR3.75 billion (approximately US$ 1 billion) debt facility agreement with JVCo for the purpose of funding JVCo's financial requirements primarily in respect of the establishment and development of the Maritime Yard but also for the ongoing operation of the Maritime Yard.

Strategic Highlights

- The investment is consistent with Lamprell's strategy of broadening its client base and addressable markets, and developing strategic partnerships; The Directors expect Lamprell's investment in JVCo to generate an equity rate of return in excess of Lamprell's weighted average cost of capital.

- The investment in JVCo is expected by the Directors to:

    - provide access to the attractive Saudi market and to Saudi Aramco as a strategic partner;

    - strengthen Lamprell's position in the new-build jackup drilling rig sector, enabling it to expand into complementary areas (such as MRO services for vessels);

    - enable Lamprell to generate revenue, and benefit from efficiencies resulting from the rig building and other activities and services to be performed at the Maritime Yard:

        - JVCo is expected to subcontract out some of the rig component fabrication work of the first two jackup drilling rigs under the Saudi Arabian Oil Company master offtake agreement to Lamprell whilst the Maritime Yard is being constructed; and

        - Lamprell will seek to commit to subcontract certain of the work to be undertaken by its UAE yards to JVCo with the aim of benefiting from the Maritime Yard's expected efficiencies in scale, purchasing power and productivity.

- As part of the selection of Lamprell as the preferred technical partner for Zones A and D and through Saudi Aramco's working with the Company as part of the due diligence and project assessment, Lamprell is also in the process of seeking to pre-qualify with Saudi Aramco to enable the Company to bid from its existing UAE facilities for a significant pipeline of non-rig Saudi work under Saudi Aramco's Long-Term Agreement and General Bid Slate programmes.

The Transaction is conditional, *inter alia*, on the approval of Lamprell's shareholders ("Shareholders"). It is expected that the Company will post a circular to Shareholders today with details of the Transaction and giving notice of the General Meeting to be held at 7th Floor, Jumeirah Emirates Tower, Sheikh Zayed Road, Dubai, United Arab Emirates at 10.00 a.m. (UAE time) on 26 June 2017 (the "Circular"). The Circular will be made available at www.Lamprell.com.

Christopher McDonald, Chief Executive, Lamprell, commented:

"We are excited to announce this transformational transaction which will not only make Lamprell a participant in potentially one of the largest yards in the Arabian Gulf but also provide access to the most important market in the industry and one of the largest players in the sector. The transaction will enable growth in scale beyond Lamprell's capability as a stand-alone entity and will allow the Company to strengthen its competitive position through efficiencies, diversification and broader reach.

Participation in the Maritime Yard also secures access to one of a limited number of companies globally that we believe will be receiving orders for and building new jackup drilling rigs in the near-to-medium term with significant component parts of the first two jackup drilling rigs expected to be subcontracted to Lamprell.

The transaction is aligned with the Board's long-term vision of broadening the Company's client base and addressable markets and developing strategic partnerships, and we look forward to working with our JV Partners to establish the Maritime Yard."

Webcast and conference call

A webcast and conference call for analysts and investors will be held at 11.00 a.m. this morning. Please contact Investor Relations for details at nerikssen@lamprell.com.

A replay facility will be made available later today on the Company's website: www.lamprell.com.

This summary should be read in conjunction with the full text of this announcement.

Investec Bank plc is acting as financial adviser and sponsor to Lamprell on the Transaction.

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Proposed joint venture relating to the Maritime Yard within the King Salman International Complex for Maritime Industries & Services

1. Introduction

The Lamprell board of directors announce today that the Company's wholly-owned subsidiary, Maritime Offshore Limited ("**Maritime Offshore**"), has entered into an agreement with Saudi Aramco Development Company (a wholly-owned subsidiary of Saudi Arabian Oil Company, the national oil company of the Kingdom of Saudi Arabia) ("**Saudi Aramco**"), the National Shipping Company of Saudi Arabia ("**Bahri**") and Hyundai Heavy Industries Co. Ltd. ("**HHI**") pursuant to which the parties thereto (the "**JV Partners**") have agreed to participate in a joint venture with respect to the establishment, development and operation of a maritime yard for the construction, maintenance and repair of offshore drilling rigs and vessels (the "**Maritime Yard**") which is to form part of the complex known as "The King Salman International Complex for Maritime Industries & Services" (the "**Complex**"). It is intended that a new limited liability company will be established under the laws of the Kingdom ("**JVCo**") by the JV Partners to operate, maintain and manage the Maritime Yard.

Due to (i) the size of the Group's significant financial commitment to the proposed joint venture in relation to the size of Lamprell; and (ii) the nature of certain terms of the Transaction (including certain exit provisions under which the Group could be required to sell its interest in the proposed joint venture in circumstances in which the Company may not have sole discretion), the Transaction is classified under the listing rules made by the FCA under section 73A of FSMA (the "**Listing Rules**") as a class 1 transaction and accordingly requires the approval of Shareholders. The General Meeting will be convened for the purpose of approving the Transaction and will be held at 7th Floor, Jumeirah Emirates Tower, Sheikh Zayed Road, Dubai, United Arab Emirates at 10.00 a.m. (UAE time) on 26 June 2017.

The Board considers the Transaction to be in the best interests of Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the ordinary resolution to approve the Transaction (the "**Resolution**") at the General Meeting, as those Directors holding Ordinary Shares intend to do (or procure to be done) in respect of the Ordinary Shares in which they have a beneficial interest.

2. Background to and reasons for the Transaction

2.1 *Background to the Transaction*

The King Salman International Complex for Maritime Industries & Services is a commercial maritime project located in Ras al-Khair in the eastern province of the Kingdom. The Complex is intended to help drive the Kingdom's economic diversity and growth, and localise energy sector industries through the creation of a number of projects that will provide the cornerstone for the growth and development of supply chains. It also is intended to position the Kingdom as a technological centre with world class expertise in the field of marine engineering and construction in the region in furtherance of the Kingdom's "Vision2030" strategy.

The Government of the Kingdom has supported this strategic national project by agreeing to fund the infrastructure for the Complex and by commissioning Saudi Aramco to lead the implementation of the project in line with the Government's vision for the Complex. Saudi Aramco's studies for the establishment of a giant maritime industries complex began in early 2013 and involved discussions with various potential partners in relation to different aspects of the Complex.

The "anchor project" within the Complex will be the Maritime Yard. It is proposed that the Maritime Yard will be established by the JV Partners, led by Saudi Aramco and operated, managed and maintained by JVCo, providing construction, maintenance and repair of offshore drilling rigs and vessels (as well as potentially other business streams in the longer term).

As the Maritime Yard will include areas dedicated to the construction of jackup drilling rigs and the provision of maintenance, repair and overhaul ("**MRO**") services for jackup drilling rigs, Saudi Aramco required a partner with the necessary expertise and experience in the new build jackup drilling rig sector. In November 2015, Saudi Aramco initiated discussions with Lamprell as a potential partner specifically in relation to the development and operation of this rig fabrication area and on 25 January 2016, Lamprell signed a memorandum of understanding with Saudi Aramco, Bahri and HHI in connection with the proposed joint participation by the parties in the Maritime Yard.

Following a period of initial due diligence and assessment of the project by Saudi Aramco, Bahri, HHI and Lamprell, the JV Partners entered into a joint development agreement on 31 May 2016. Since the signing of the joint development agreement and given the complexity of the proposed project, the JV Partners have conducted extensive analysis of the strategic and financial viability of the project and have undertaken significant preparatory steps towards the establishment of the proposed joint venture. The JV Partners have incurred certain costs in connection with these preparatory steps, which costs will be set off against, and thereby reduce, their respective investment commitments to JVCo.

On 29 November 2016, the King of Saudi Arabia, Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud inaugurated the Complex, which was named in his honour as the "King Salman International Complex for Maritime Industries & Services". The proposed Maritime Yard remains the "anchor project" within the Complex and negotiations between the JV Partners in relation to the Maritime Yard concluded on 31 May 2017 with the entry by them into the Shareholders' Agreement pursuant to which Lamprell (through Maritime Offshore) and the other JV Partners have committed (subject to Shareholder approval and fulfilment of certain other conditions precedent) to participation in the joint venture with respect to the establishment, development and operation of JVCo and the Maritime Yard.

2.2 *Reasons for the Transaction*

Over recent years, one of the principal elements of Lamprell's strategy has been to focus on its existing offering, namely new build jackup drilling rigs, offshore platforms, module construction, and oil and gas contracting services which includes the refurbishment and conversion of jackup drilling rigs and land rig services. Subsequent to its capital raising in 2014, the Company has undertaken a comprehensive yard investment programme upgrading and modernising equipment and work areas, warehouses, workflows and processes, and adding major fabrication systems. These enhancements were part of an overall capital investment programme under which Lamprell has successfully implemented a series of cost saving measures and productivity improvements designed to ensure that its yards remain amongst the most competitive in the world. The Directors believe that the success of these programmes has been an important factor in ensuring that Lamprell's position and reputation has been maintained and has also been beneficial to the conversion of a significant proportion of its bid pipeline, with Lamprell winning six new build jackup drilling rig orders in the year ended 31 December 2014 as well as a number of other smaller awards. These included significant awards from a subsidiary of Shelf Drilling Ltd., and from Ensco Intercontinental GmbH, Petrofac Emirates L.L.C. and the National Drilling Company of Abu Dhabi. The Directors believe that the successful delivery of rigs under these orders has also served to enhance Lamprell's reputation for its expertise and track record in the new build jackup drilling rig market.

As part of Lamprell's focus on its existing offering, it has made considerable efforts towards diversifying its bid pipeline portfolio and broadening its client base and addressable markets. In September 2016, Lamprell entered into a US$85 million contract with Jacktel AS, a wholly-owned subsidiary of Master Marine AS, for the fabrication of the extended legs and new suction caissons as part of the upgrade of a mobile operating unit to be used as an accommodation service vessel operating offshore of Norway. In November 2016, Lamprell entered into a US$225 million contract with ScottishPower Renewables for the fabrication of multiple jackets and piles for the East Anglia One Offshore Wind Farm offshore of the United Kingdom. These were both new client wins for the Group.

Therefore, the Board believes that the Transaction is firmly aligned with Lamprell's overall strategy and core strengths and will benefit Lamprell by (i) providing access to the attractive Saudi market and to Saudi Aramco as a strategic partner; (ii) strengthening its position in the new build jackup drilling rig-building sector and enabling it to expand into complementary areas (such as MRO services, for vessels); and (iii) enabling it to generate revenue and benefit from efficiencies resulting from the rig building and other activities and services to be performed at the Maritime Yard.

(a) *Access to the Saudi market and Saudi Aramco*

The Transaction will provide the Company with a critical entry point into the Saudi market which, despite its long-standing regional presence in the Middle East, Lamprell has not accessed to a material extent to date. It will also significantly increase the Company's exposure to Saudi Aramco, the world's largest oil company, which has not been a material customer of the Group to date.

Saudi Arabia is one of the world's largest oil and gas producers and holder of approximately 18 per cent. of the world's proven petroleum reserves as at 31 December 2015 (*source: OPEC Annual Statistical Bulletin 2016*). While other markets have seen and are expected to continue to experience significant cuts or limited growth in capital expenditure in the sector, oil and gas activity and spending in Saudi Arabia has remained and is expected to remain relatively strong based upon the latest available data (*source: Wood Mackenzie Ltd 2017*).

Saudi Aramco, as the national oil company of the Kingdom, is expected to play a key role in supporting the continued strength of the Saudi energy market and has stated that it expects to spend more than US$300 billion over the next decade, targeting 70 per cent. local content by 2021, including spending on infrastructure and projects to maintain oil capacity. The Directors believe as a result of this drive for localisation, under the proposed "In-Kingdom Total Value Add" programme (a programme designed to drive domestic value creation and maximize long-term economic growth) there is potential for positive pricing dynamics if a substantial proportion of products are produced in Saudi Arabia using the supply chain within the Kingdom. Further, in December 2016, Saudi Aramco announced joint ventures with each of Nabors Industries Ltd. and Rowan Companies plc to create two new national businesses focused on onshore and offshore drilling, respectively. Saudi Aramco has stated that these joint ventures will invest US$6 billion to US$7 billion to purchase onshore rigs and offshore jackup rigs, manufactured in Saudi Arabia by its manufacturing joint ventures (including JVCo). The Directors believe that the jackup drilling rig count will remain stable in Saudi Arabia for the foreseeable future, with the Kingdom requiring an average of 40-45 jackup drilling rigs per year during the period to 2025. Currently there are 44 jackup drilling rigs operating in the Kingdom, with two owned directly by Saudi Aramco (*source: IHS Petrodata March 2017*).

Therefore, through its participation in JVCo, Lamprell expects to benefit from Saudi Aramco's plans to invest in the new build jackup drilling rig market. This expectation is underpinned by a master offtake agreement in the first instance, pursuant to which Saudi Aramco's parent company, Saudi Arabian Oil Company, will agree to purchase, or procure the purchase, from JVCo of a minimum of 20 jackup drilling rigs, subject to certain conditions and as further described below.

As part of the selection of Lamprell as the preferred technical partner for the areas of the Maritime Yard dedicated to the construction of jackup drilling rigs and provision of MRO services for jackup drilling rigs, and through Saudi Aramco's work with the Company as part of the due diligence and project assessment, Lamprell is also in the process of seeking to pre-qualify with Saudi Aramco to enable the Company to bid from its existing UAE facilities for a significant pipeline of non-rig Saudi work under Saudi Aramco's Long-Term Agreement ("**LTA**") and General Bid Slate programmes.

Under the LTA programme, contractors enter into long-term agreements with Saudi Aramco to bid for offshore oil and gas producing platforms, tie-in platforms, pipelines, power cables, and all the related facilities required under the current master plan for Saudi Aramco's offshore fields. LTA contracts usually have a fixed duration with the option to be extended. Currently, there are only five companies that have entered into agreements under the LTA programme. The General Bid Slate is a panel of registered contractors who can be technically and commercially pre-qualified for specific scopes of work. Upon successful pre-qualification, those contractors can be considered in future contracting opportunities for that specific scope of work. Work under the LTA programme amounted to over US$4 billion in 2016.

While no assurance can be given that Lamprell will be successful in pre-qualifying and pre-qualification does not assure Lamprell of any additional work from the LTA or General Bid Slate programmes, the Directors believe that if the Company was to pre-qualify that it could be competitive in such bids based on its deep technical expertise and extensive commercial knowledge from working in the Middle East for more than 40 years and its prior experience of constructing platforms, jackets and similar modules. Accordingly, the Directors believe that by becoming a strategic partner to Saudi Aramco, Lamprell would be able to gain access to and the opportunity to win new business in the short- and medium-term for its UAE yards. It is also consistent with Lamprell's strategic objective of growing its broader engineering, procurement and construction capabilities in the offshore platform sector.

(b) *Strengthening its position in the new build jackup drilling rig sector and expansion into complementary areas*

Lamprell will play an active role in the ramp up of the Maritime Yard as the technical partner responsible for providing expertise in managing and operating the areas of the Maritime Yard dedicated to the construction of jackup drilling rigs and provision of MRO services for jackup drilling rigs, as well as supporting JVCo's marketing activities, including through the introduction to potential clients.

As a condition under the Shareholders' Agreement, Lamprell Energy Limited (and the other JV Partners) will enter into a secondment agreement under which JVCo may request employees from the Group (and from the other JV Partners) be seconded to JVCo, subject to the availability of suitably qualified employees. Group secondees will be fully integrated into JVCo and the Maritime Yard and able to receive training from both the Group and JVCo to enable them to contribute more effectively. Secondees will be appointed for an initial one-year term, which may be renewed annually by JVCo for at least four years, or for such other term as the Group and JVCo may agree. JVCo will sponsor all non-Saudi national secondees and bear the costs of obtaining and maintaining required work permits, residency permits and/or visas for potential secondees and their dependents. JVCo will pay to the Group agreed rates for the provision of services by Group secondees, such rates to be dependent on the category of employee and which are expected to cover the remuneration payable by the Group to those secondees (which are not already paid by JVCo to the secondees). JVCo may also be required by law to pay specified employment costs and benefits to non-Saudi national secondees. The Group otherwise remains responsible for payment of all remuneration to its seconded employees. The costs for which Lamprell will be responsible under the secondment agreement are not expected to be material. JVCo will also be able to subcontract a proportion of work to, and second its Saudi national workers to gain the necessary skills by working in, the Company's existing facilities in the United Arab Emirates. The Directors believe that this will be beneficial for JVCo because it will be able to generate revenue through this subcontracted work which, while the Maritime Yard's operations are ramping up, might not otherwise be able to be done at the Maritime Yard, and its employees will get direct and relevant training and experience working at fully operational yards.

As a result of the Transaction, and through participation in JVCo, the Directors believe that Lamprell will have exposure to a globally significant yard, with the Maritime Yard expected by Lamprell to be one of very few yards in the MENA region producing new rigs in the near-to-medium term. In the longer term, the Directors expect the Maritime Yard to focus on the Saudi and Middle Eastern markets, whilst Lamprell's yards in the United Arab Emirates will continue to focus on the wider international market as well as Middle Eastern markets. The Directors believe that this potential for increased activity across multiple markets should enable Lamprell to further expand its expertise in new build jackup drilling rig building which, in turn, should mean that Lamprell is well-placed to maintain its position as a leader in the new build jackup drilling rig sector, particularly in light of increasingly competitive market dynamics, and to bolster its reputation as a partner of choice.

(c) *Revenue generation and production efficiencies*

Ultimately, the Directors believe that the Transaction will enable Lamprell to extract value from its participation in JVCo through increased access to revenue generating opportunities and production efficiencies.

Since the collapse of energy prices in 2014, Lamprell has been operating against the backdrop of a challenging market environment with capital expenditure reductions across the oil and gas sector resulting in project delays and cancellations. In addition, as of March 2017, IHS Petrodata reported a negative outlook for the jackup drilling rig market with utilisation rates of 58 per cent. globally and 67 per cent. in the Middle East in March 2017. Some market analysts have predicted that the oil and gas sector will not begin to recover until late 2018. As a result, the new build jackup drilling rig market has been and continues to be particularly weak, caused by, amongst other things, excess supply and substantial reductions in global spending in offshore oil and gas projects. This has resulted in a very limited number of new orders globally since 2014. There were three new build jackup drilling rig orders in 2015 (of which Lamprell was awarded one) and, in 2016, there were no new orders reported. A recovery in the jackup drilling rig market, which will be subject to a variety of factors including supply and utilisation levels, should eventually lead to a recovery in the market for new build jackup drilling rigs. However, the placement of orders for new jackup drilling rigs is expected to lag any recovery in the market by several years.

It is a condition under the Shareholders' Agreement that Saudi Aramco's parent company, Saudi Arabian Oil Company enter into a master offtake agreement pursuant to which it will agree to purchase, or procure the purchase, from JVCo of a minimum of 20 jackup drilling rigs (equating to two rigs per year for 10 years), as well as offshore support vessels and MRO services for the jackup drilling rigs and offshore support vessels operating on Saudi Arabian Oil Company's offshore assets, subject to certain conditions. The purchase price of each rig will be based on the prevailing and competitive market prices and calculated in accordance with best industry practice estimating processes. Against an uncertain and challenging market backdrop, Lamprell expects that JVCo will be one of a more limited number of companies globally that will be receiving orders for and building new jackup drilling rigs in the near-to-medium term, with the first orders from Saudi Arabian Oil Company (or its nominated party) expected in 2018 (ahead of any expected recovery of the overall market for new build jackup drilling rigs).

While its operations ramp up, JVCo is expected to subcontract out some of the rig component fabrication work that cannot yet be completed at the Maritime Yard. The Directors anticipate that if the Transaction is approved at the General Meeting and the Shareholders' Agreement becomes unconditional, Lamprell will be awarded interim subcontracted work from JVCo comprising significant component parts of the first two jackup drilling rigs to be constructed at the Maritime Yard. The Directors believe that this would be mutually-beneficial for the Maritime Yard and for Lamprell in that the JVCo would develop its own operational capabilities sooner and Lamprell would generate subcontract project revenues.

In addition, under the terms of the Shareholders' Agreement, Lamprell will seek to commit to subcontract certain of the work to be undertaken by its UAE yards to JVCo. The Directors believe that subcontracting work to the Maritime Yard will enable Lamprell to benefit from the Maritime Yard's expected efficiencies in scale, purchasing power and productivity, while also helping to accelerate development of the Maritime Yard, improve productivity there and ultimately improve both Lamprell's and JVCo's prospects for revenue generation, particularly in the early years of the Maritime Yard.

3. Information on the Complex, the Maritime Yard and the joint venture

3.1 *The Complex*

The Complex is to be located in Ras Al-Khair which is located approximately 90 kilometres to the north of the Jubail Industrial City on the Kingdom's east coast. Ras Al-Khair's location gives it a strategic and logistical advantage because of its proximity to oil and gas production and shipping facilities in the Eastern Province of the Kingdom.

As set out above, the Complex is intended to help drive the Kingdom's economic diversity and growth, and localise energy sector industries and is also intended to position the Kingdom as a technological centre with world class expertise in the field of marine engineering and construction in the region. The Complex is planned to be the base for a number of different maritime industrial and service businesses.

Saudi Aramco has indicated that the Ras Al-Khair area may in the future include an institute for maritime studies, research and development, with specialised curricula focusing on professions associated with the maritime industry. Saudi Aramco has also indicated that plans are in place to build a new institute specialising in the development and training of young Saudis to work at the site, and develop the maritime industry in general. These plans are outside of the scope of JVCo.

3.2 *The Maritime Yard*

The Maritime Yard is the anchor project within the Complex. It will be designed to be able to meet the construction needs of offshore oil and gas rigs, offshore support vessels, very large crude carriers ("**VLCCs**"), and a variety of maritime equipment and commercial vessels, in addition to the provision of MRO services for all these products. Ultimately, it is expected to become a platform for integrated industries through the establishment of major development projects, and to help attract domestic and foreign investments, as well as new business projects.

When fully constructed, the Directors expect that the Maritime Yard will be the largest maritime yard in the Arabian Gulf in terms of production capacity and scale. The Directors currently expect that the Maritime Yard will become partially operational in 2019 and fully operational by 2022.

(a) *The Zones*

The area of the Maritime Yard is expected to be approximately 4.3 square kilometres, extending along the coast of Ras Al-Khair. It will comprise four main production zones (collectively, the "**Zones**") as described below.

- The first zone ("**Zone A**") will be dedicated to providing MRO services for jackup drilling rigs and commercial vessels. It is expected to have an area of 1.0 square kilometre comprising dry docks, wharves, finger piers and a ship lift. Zone A is expected to have the capacity by 2030 to service 15 rigs and 116 vessels annually. Partial construction of Zone A is expected to complete by July 2021 and final construction is expected to complete by September 2022.

- The second zone ("**Zone B**") will be dedicated to the construction of, and providing MRO services for, offshore support vessels. It will have an area of 0.49 square kilometres and contain one wharf. Zone B is expected to have the capacity by 2030 to construct 47 new offshore support vessels and service approximately 116 offshore support vessels annually. Partial construction of Zone B is expected to complete by September 2021 and final construction is expected to complete by March 2022.

- The third zone ("**Zone C**") will be dedicated to the construction of commercial vessels. It is expected to have an area of 1.83 square kilometres comprising dry docks, quay walls, wharves and finger piers. Zone C is expected to have the capacity by 2030 to construct 18 commercial vessels of different types annually. Partial construction of Zone C is expected to complete by January 2020 and final construction is expected to complete by October 2020.

- The fourth zone ("**Zone D**") will be dedicated to the construction of jackup drilling rigs. It is expected to have an area of 1.0 square kilometre and contain one wharf. Zone D is expected to have the capacity by 2030 to construct four jackup drilling rigs annually. Partial construction of Zone D is expected to complete by May 2019 and final construction is expected to complete by April 2020.

(b) *Land and infrastructure*

The land at Ras al-Khair on which the Maritime Yard will be located is being developed by Saudi Aramco. It is a condition under the Shareholders' Agreement that an agreement for lease be entered into between Saudi Aramco and JVCo, pursuant to which Saudi Aramco will be responsible for the works at the Maritime Yard to be funded by the Government. This includes dredging the harbour basin and part of the approach channel, part of which will be used to reclaim land for the Maritime Yard, building the marine structures, workshops (other than blasting and painting chambers), warehouses, offices and living quarters, and establishing utility and road access.

JVCo will be responsible for the works at the Maritime Yard relating to the specific requirements of the Zones. This includes building the blasting and painting chambers, engineering and procurement of process equipment, and equipment installation, utility tie-ins, testing and commissioning. The Directors expect that these works will be carried out by appropriately qualified construction contractors.

The aggregate cost of constructing the Maritime Yard is expected to be up to approximately US$5.2 billion, approximately US$3.5 billion of which will be funded by the Government to establish, prepare and construct the site and shared infrastructure. The remaining cost will be funded by JVCo.

Subject to Saudi Aramco completing its works at the Maritime Yard and being granted the necessary rights by the Government to act as landlord to JVCo, the land and shared infrastructure of the Maritime Yard will be leased by Saudi Aramco to JVCo. The lease will have an initial 50-year term at a total cost of US$38.5 million per annum in respect of the lease of the infrastructure and US$458,933 per annum in respect of the lease of the land, and will be renewable for a further 50 years, subject to agreement of the terms of such renewal. The lease will commence only once all four Zones have been handed over to JVCo following issuance of sectional taking over certificates for each Zone, which is expected to occur on a staggered basis with the final handover not expected to occur until 2022 (although the handover dates are not fixed and remain subject to the award of engineering, procurement and construction packages by Saudi Aramco as landlord in respect of the works to be undertaken to construct the yard). Until such handover occurs, subject to the status of Saudi Aramco's own works on the site, Saudi Aramco receiving necessary consents and certain other conditions, if requested by JVCo, Saudi Aramco will use reasonable endeavours to grant JVCo access to the various Zones to undertake the work necessary towards preparation for the Zones becoming operational. The additional conditions to early access to the Zones include there being no additional cost to Saudi Aramco, that such access does not materially affect the ability of Saudi Aramco to complete its own works and that such access would not breach relevant health and safety laws.

Saudi Aramco will be responsible for all initial capital infrastructure works at the Maritime Yard, as well as replacement of the major works (e.g. dredging, quay walls and wharfs) once they have reached the end of their operational lives. JVCo will be responsible for the ongoing repair and maintenance of the capital infrastructure works. Certain of the infrastructure, such as the access road, yard basin, channel and breakwaters, may be made accessible by other tenants of the Complex under the terms of separate agreements entered into between such other tenants and JVCo.

3.3 ***JVCo***

Pursuant to the terms of the Shareholders' Agreement, the JV Partners have agreed to establish JVCo as a limited liability company under the laws of the Kingdom to operate, maintain and manage the Maritime Yard. The Shareholders' Agreement has an initial term of 60 years, and shall automatically renew for a term of 40 years and may be renewed for further periods thereafter, unless any JV Partner provides written notice of its intention not to renew at least 24 months prior to the end of the initial term or renewed period. The non-renewing JV Partner shall transfer all of its interest in JVCo to those JV Partners wishing to renew the term. If no JV Partners wish to renew the term, they shall use commercially reasonable efforts to sell JVCo or its business or, failing which, to resolve to dissolve JVCo upon expiry of the relevant term.

The JV Partners will capitalise JVCo through shareholdings and/or subordinated shareholder loans to JVCo. Following satisfaction of the initial capital contributions to be made by each of the JV Partners under the Shareholders' Agreement, JVCo will have an initial share capital of the Saudi Riyals equivalent of US$100 million, comprised of 100,000 shares of the Saudi Riyals equivalent of US$1,000 each. The JV Partners have agreed to make an aggregate maximum financial commitment (including the provision of any subordinated shareholder loans) of US$700 million, with each JV Partner subject to its own aggregate maximum commitment amount.

It is a condition under the Shareholders' Agreement that the relevant JV Partners enter into certain other commercial agreements in connection with operation of the Maritime Yard, including the following:

- a master offtake agreement between Saudi Aramco's parent company, Saudi Arabian Oil Company, and JVCo under which Saudi Arabian Oil Company will agree to purchase, or procure the purchase, from JVCo of a minimum of 20 jackup drilling rigs (equating to two rigs per year for 10 years) as well as offshore support vessels and MRO services for the jackup drilling rigs and offshore support vessels operating on Saudi Arabian Oil Company 's offshore assets, subject to certain conditions;

- an offtake agreement between Bahri and JVCo under which Bahri will agree to purchase from JVCo not less than 75 per cent. of its commercial vessel requirements over ten years, being a minimum of 52 commercial vessels (including a significant number of VLCCs), and MRO services for such vessels, subject to certain conditions; and

- a call-off services agreement and a secondment agreement each between JVCo, Saudi Aramco, Bahri, HHI and Lamprell Energy Limited under which, *inter alia,* the Group will provide certain services and technical support at the Maritime Yard, including through the provision of personnel and expertise.

Based on the financial model for JVCo compiled in conjunction with the JV Partners, the Directors expect work from Saudi Arabian Oil Company and Bahri, inclusive of the above offtake agreements, to account for approximately 45 per cent. of the Maritime Yard's revenue in the period from 2018 to 2030.

3.4 ***Financing***

Saudi Industrial Development Fund ("**SIDF**") has provided four commitment letters dated 21 November 2016 to Saudi Aramco (on behalf of JVCo, when established) pursuant to which it has conditionally agreed to enter into a 20-year facility agreement to provide a SAR3.75 billion (approximately US$1 billion) term loan (the "**SIDF Facility Agreement**") to JVCo for the purpose of funding JVCo's financial requirements primarily in respect of the establishment and development of the Maritime Yard but also for the ongoing operation of the Maritime Yard.

Subject to the passing of the Resolution at the General Meeting, the Company's aggregate maximum financial commitment (including the provision of any subordinated shareholder loans) under the Shareholders' Agreement will be US$140 million, to be phased as the construction of the operating elements of the Maritime Yard progresses, which is expected to take place during the period up until 2022.

4. Information on the JV Partners

4.1 *Saudi Aramco and Saudi Arabian Oil Company*

Saudi Aramco Development Company is a wholly-owned subsidiary of Saudi Arabian Oil Company, the national oil company of the Kingdom.

Saudi Arabian Oil Company is a fully integrated, global petroleum and chemicals enterprise. Over the past 80 years, Saudi Arabian Oil Company has become a world leader in hydrocarbons exploration, production, refining, distribution and marketing. It manages proven conventional crude oil and condensate reserves of 261.1 billion barrels with average daily crude production of 10.2 million barrels per day and stewardship of natural gas reserves of 297.6 trillion standard cubic feet (*source: Saudi Aramco Annual Review 2015*). Headquartered in Dhahran, Saudi Arabia, with offices and operations throughout the Kingdom, Saudi Arabian Oil Company employed more than 65,000 workers worldwide as of the year ended 31 December 2015.

Saudi Aramco is leading the global partnership for the establishment of the Maritime Yard. Under the terms of the Shareholders' Agreement, following the making in full of its financial commitment to the joint venture, Saudi Aramco will hold a number of shares representing 50.1 per cent. of JVCo's total issued share capital. Subject to certain exceptions arising from minority right protections in the Shareholders' Agreement, Saudi Aramco will have a controlling vote on JVCo's governing board of managers and as a shareholder of JVCo.

It is a condition under the Shareholders' Agreement that Saudi Aramco enters into various other commercial agreements, including the agreement for lease of the land on which the Maritime Yard is to be located and that Saudi Aramco's parent company, Saudi Arabian Oil Company, enters into a master offtake agreement pursuant to which it will agree to purchase, or procure the purchase, from JVCo of a minimum of 20 jackup drilling rigs (equating to two rigs per year for 10 years), as well as offshore support vessels and MRO services for the jackup drilling rigs and offshore support vessels operating on Saudi Arabian Oil Company 's offshore assets, subject to certain conditions.

4.2 *Bahri*

The National Shipping Company of Saudi Arabia was established in 1978 and is one of the largest providers of maritime services globally. Bahri and its subsidiaries purchase, charter and operate vessels for the transportation of crude oil, chemicals, dry bulk and general cargo.

Bahri owns and operates a fleet of double hull VLCCs, chemical carriers, dry bulkers and multipurpose Ro-Ro vessels. Bahri presently owns approximately 36 VLCCs, including one VLCC designated as a floating storage unit, 4 multipurpose Ro-Ro vessels and 1 Aframax, 26 chemical carriers, 5 product tankers, 5 dry-bulk tankers and 6 general cargo ships. It has an operational fleet deadweight of approximately 1.39 million tons. Bahri has entered into an agreement with Hyundai Samho Heavy Industries to build 10 VLCCs which are expected to be delivered during 2017 and 2018.

Bahri is 22 per cent. owned by the Public Investment Fund of the Government of the Kingdom and 20 per cent. owned by Saudi Aramco. Its shares are admitted to trading on the Saudi Stock Exchange (Tadawul).

Under the terms of the Shareholders' Agreement, following the making in full of its financial commitment to the joint venture, Bahri will hold a number of shares representing 19.9 per cent. of JVCo's total issued share capital.

In addition, it is a condition under the Shareholders' Agreement that Bahri enters into an offtake agreement under which it will agree to purchase from JVCo not less than 75 per cent. of its commercial vessel requirements over ten years, being a minimum of 52 commercial vessels (including a significant number of VLCCs), and MRO services for such vessels, subject to certain conditions.

As one of the world's largest shipping companies, Bahri is expected to play an important role in the localisation of the maritime transport industry and services in the Kingdom, leveraging its decades-long experience and the size and diversity of its operations.

4.3 ***HHI***

Hyundai Heavy Industries Co., Ltd. was established in 1972, having grown into one of the world's leading heavy industries companies and the world's largest shipbuilding company. Headquartered in Ulsan, South Korea, HHI has seven business divisions, including shipbuilding, offshore & engineering, industrial plant & engineering, engine & machinery, electro & electric systems, construction equipment and green energy. HHI has delivered more than 1,971 ships to 298 shipowners in 52 countries since 1972. HHI employed over 25,000 people as of the year ended 31 December 2015.

Under the terms of the Shareholders' Agreement, following the making in full of its financial commitment to the joint venture, HHI will hold a number of shares representing 10.0 per cent. of JVCo's total issued share capital.

HHI, like Lamprell, is one of the technical JV Partners and it is a condition under the Shareholders' Agreement that HHI enters into a call-off services agreement and a secondment agreement with JVCo and the other JV Partners under which, *inter alia,* it will provide certain services and technical support at the Maritime Yard, including through the provision of personnel and expertise. HHI will be the technical JV Partner in respect of Zones B and C.

4.4 ***Lamprell***

Under the terms of the Shareholders' Agreement, following the making in full of its financial commitment (being a maximum commitment of US$140 million) to the joint venture, Lamprell, through its wholly owned subsidiary Maritime Offshore, will hold a number of shares representing 20.0 per cent. of JVCo's total issued share capital.

Lamprell is one of the two technical JV Partners and it is a condition under the Shareholders' Agreement that Lamprell Energy Limited enters into a call-off services agreement and a secondment agreement with JVCo and the other JV Partners under which, *inter alia,* the Group will provide certain services and technical support at the Maritime Yard, including through the provision of personnel and expertise. Lamprell will be the technical JV Partner in respect of Zones A and D.

Lamprell will provide a guarantee, through its wholly-owned subsidiary Lamprell Energy Limited, of the obligations, commitments, undertakings, representations, warranties, indemnities and covenants of Maritime Offshore under the Shareholders' Agreement (capped at its aggregate maximum commitment of US$140 million until such time as Maritime Offshore becomes an obligor under the Group's existing facilities).

5. **Summary of the principal terms of the Transaction**

On 31 May 2017, Maritime Offshore, Saudi Aramco, Bahri and HHI entered into the Shareholders' Agreement in relation to the proposed joint venture between the JV Partners with respect to the establishment, development and operation of the Maritime Yard. The Shareholders' Agreement sets out the rights and obligations of each of the parties thereto in relation to the formation and governance of JVCo, a special purpose vehicle to be established as a limited liability company under the laws of the Kingdom by the JV Partners. It is intended that JVCo will develop, operate, maintain and manage the Maritime Yard.

Under the terms of the Shareholders' Agreement, the Company has conditionally agreed, *inter alia*:

- to invest an aggregate maximum of US$140 million for a 20.0 per cent. ownership interest in JVCo;
- certain exit provisions under which (i) it is limited from transferring, assigning or otherwise disposing of its ownership interest in JVCo prior to the later of (x) expiry of an initial 10-year period; and (y) all Zones in the Maritime Yard having achieved operational independence (being, in respect of each Zone, when it has completed a new-build project for a non-JV Partner customer);

and (ii) it may be required to sell all of its ownership interest in JVCo in the event of a change of control;

- exclusivity provisions under which it is subject to (i) certain non-compete obligations; and (ii) requirements to seek to subcontract certain work to JVCo from its UAE yards;
- that Lamprell Energy Limited will enter into a call-off services agreement and a secondment agreement under which the Group will provide certain services and technical support at the Maritime Yard, including through the provision of personnel and expertise; and
- that Lamprell Energy Limited will provide a guarantee of the obligations, commitments, undertakings, representations, warranties, indemnities and covenants of Maritime Offshore under the Shareholders' Agreement (capped at its aggregate maximum commitment of US$140 million until such time as Maritime Offshore becomes an obligor under the Group's existing facilities).

Due to (i) the size of the Group's significant financial commitment to the proposed joint venture in relation to the size of Lamprell; and (ii) the nature of certain terms of the Transaction (including certain exit provisions under which the Group could be required to sell its interest in the proposed joint venture in circumstances in which the Company may not have sole discretion), the Transaction is classified under the Listing Rules as a class 1 transaction and accordingly requires the approval of Shareholders.

Completion of the Transaction is conditional upon, *inter alia*, approval of the Resolution by Shareholders at the General Meeting and the satisfaction or waiver of the other conditions precedent within one-year from the date of the Shareholders' Agreement.

If the Resolution is not passed, the Shareholders' Agreement will terminate and the JV Partners will not proceed with the Transaction. If the Resolution is passed, but the other conditions under the Shareholders' Agreement are not satisfied or (where applicable) waived, the Transaction will be incapable of completing. In either case, the Company will not be obligated to fulfil any of its commitments under the Shareholders' Agreement (including its financial commitments. However, the Company will remain liable for its share of costs incurred under the terms of the memorandum of understanding and the joint development agreement entered into by the JV Partners in 2016. Lamprell's share of such costs will be pro rata to its equity interest in JVCo and, as at 31 December 2016, was approximately US$2.2 million.

6. Financial effects of the Transaction

6.1 *Lamprell's financial commitment*

The Company's financial commitment to JVCo is expected to be met out of the Company's existing cash resources and cash flows generated through trading activities and will be phased over the contruction period.

As described above, subject to the passing of the Resolution at the General Meeting, the Company has committed to invest an aggregate maximum of US$140 million (which amount is subject to set-off for costs already incurred, as described below) in JVCo, such investment to be phased as the construction of the operating elements of the Maritime Yard progresses, which is expected to take place during the period up until 2022. Based on Lamprell's current expectations of JVCo's financial requirements, its investment in the financial year ending 31 December 2017 is expected to be fixed at US$20 million, net of historic costs (which as at 31 December 2016 were approximately US$2.2 million), with the largest forecast contributions to JVCo of approximately US$38 million and approximately US$32 million expected in 2018 and 2019, respectively, but these amounts could vary depending upon JVCo's cash requirements and the associated capital contribution profile agreed by the JV Partners. If any other JV Partner defaults on its obligation to make further capital contributions up to its respective maximum, Lamprell and the other non-defaulting JV Partners would be required to cover the shortfall in capital contributions in proportion to their respective ownership interests up to their respective maximums. Lamprell will not be obligated to invest (by way of equity contribution and/or subordinated shareholder loans) more than its aggregate maximum commitment of US$140 million. However, in certain limited circumstances outside of Lamprell's control, Lamprell may be requested to make further capital injections in excess of this maximum commitment.

Although Lamprell has the financial resources to repay its existing facilities, it has obtained waivers from its lenders in relation to certain of its financial covenants to provide additional financial flexibility.

Based on the financial model for JVCo compiled in conjunction with the JV Partners, the Directors expect Lamprell's investment in JVCo to yield an equity internal rate of return in excess of its weighted average cost of capital.

The Company has already incurred costs in connection with the memorandum of understanding and the joint development agreement in 2016. Under the terms of the joint development agreement, costs incurred by the JV Partners will be transferred to JVCo (subject to the Shareholders' Agreement becoming unconditional). Therefore, the Company's aggregate financial commitment to JVCo will be reduced by the amount of costs incurred by the Company in connection with the joint venture prior to the date of entry into the Shareholders' Agreement.

If the Shareholders do not approve the Resolution, the Shareholders' Agreement will terminate and the JV Partners will not proceed with the Transaction. If the Resolution is passed, but the other conditions under the Shareholders' Agreement are not satisfied or (where applicable) waived, the Transaction will be incapable of completing. In either case, the Company will not be obligated to fulfil any of its commitments thereunder (including its financial commitments). However, the Company will remain liable for its share of costs incurred under the terms of the memorandum of understanding and the joint development agreement entered into by the JV Partners in 2016. Lamprell's share of such costs will be pro rata to its equity interest in JVCo and, as at 31 December 2016, was approximately US$2.2 million.

6.2 *Expected profit/loss and dividends*

The Company will recognise its proportionate share of JVCo's profit and/or loss in the Group's financial statements. Based on the financial model for JVCo compiled in conjunction with the JV Partners, the Directors expect JVCo's first profitable year to be 2020, with approximately US$101 million of cumulative losses to be recorded by JVCo before then and the largest JVCo losses expected in 2019. Subject to JVCo having sufficient retained earnings, the Directors expect Lamprell will receive dividends from JVCo no earlier than Lamprell's financial year ending 31 December 2022. The proposed terms and conditions of the SIDF Facility Agreement include a restriction on payment of dividends by JVCo in excess of the lower of (i) 25 per cent. of JVCo's paid in capital; and (ii) the amount to be repaid under the SIDF Facility Agreement in the relevant fiscal year. Therefore, any step change in dividend payments is expected to occur following repayment of the amounts borrowed under the SIDF Facility Agreement.

The Directors' expectations regarding JVCo's ability to generate profit and distribute dividends are subject to change and may depend on a variety of factors outside of its control, in particular the fulfillment of the obligations of Saudi Arabian Oil Company and Bahri to purchase rigs and vessels produced by JVCo under their respective offtake agreements.

6.3 *Accounting treatment*

The Company will not consolidate JVCo in the Group's financial statements but will account for it using the equity method of accounting. Therefore, the Company will recognise its share of JVCo's earnings, losses and/or changes in capital in the Group's financial statements.

In addition, the Company's investment in joint ventures will increase on the Company's balance sheet to reflect the subscription of shares of JVCo and any provision of subordinated shareholder loans. There will also be a corresponding decrease in cash as the Company makes its contributions to JVCo.

6.4 *Exclusivity provisions*

Under the terms of the Shareholders' Agreement, Lamprell has agreed that for a period starting on the date of the Shareholders' Agreement and ending:

(i) on the earlier of (x) the date it or any of its affiliates ceases to hold any shares in JVCo and (y) termination or expiry of the Shareholders' Agreement; and

(ii) for a further three year period following the relevant date in (i) above in relation to any existing yard and for a further period of one year following the relevant date in (i) above in relation to any new yard,

neither it nor its affiliates will, without the consent of the other JV Partners:

(iii) construct, control, own or operate or otherwise be directly or indirectly interested in (whether as trustee, principal, agent, shareholder, unit holder or similar capacity) any yard conducting any business similar to or competitive with the business activities of JVCo or its subsidiaries, namely the construction, maintenance and repair of offshore drilling rigs, offshore supply vessels and/or commercial vessels, within the MENA region (subject to certain caveats and excluding the United Arab Emirates); or

(iv) solicit or persuade any person, corporation or entity which is a customer or client of JVCo or a member of its group, or who was previously a customer or client thereof within the prior 18 months, to cease conducting business with JVCo or a member of its group.

Lamprell may control or operate (but not engage in any of the other acts set out in (iii) above) projects involving the manufacture and/or MRO of offshore drilling rigs only, provided that its involvement in any and all such projects shall conclude prior to the commercial operation date of Zone A or Zone D, whichever is earlier.

This exclusivity covenant is subject to certain *de minimis* thresholds and does not apply to on-going activities of the Group commenced prior to the entry into the Shareholders' Agreement and disclosed in writing to the other JV Partners.

6.1 ***Technical shareholder support***

Under the terms of the Shareholders' Agreement, Lamprell as a technical partner also has agreed, until Zone A and Zone D have achieved operational independence (being, in respect of each Zone, when it has completed a new-build project for a non-JV Partner customer), to use good faith efforts to support JVCo to enable it to independently conduct marketing activities in relation to the relevant Zones which efforts shall include, at the request of JVCo:

- supporting efforts to obtain relevant certifications;
- providing on-the-job training for JVCo's marketing personnel;
- introducing the Maritime Yard and JVCo to its existing and potential clients and to seek to have any solicitation of interest or invitation to bid for work directly related to Zone A and Zone D from such clients extended to JVCo;
- supporting JVCo to qualify and/or pre-qualify with its existing and potential clients to participate in bids and submissions for work directly related to Zone A and Zone D; and
- actively include the commercial representatives of the Maritime Yard and JVCo in their respective marketing activities, to a practicable and reasonable extent, in relation to its own business to the extent they relate directly to offshore rigs, offshore vessels and commercial maritime vessels.

In addition, Lamprell as a technical partner has agreed that, until Zone A and Zone D have achieved operational independence (being, in respect of each Zone, when it has completed a new-build project for a non-JV Partner customer), it will use good faith efforts to include JVCo in any bid proposal for and, subject to feasibility, will seek to subcontract work to JVCo with respect to:

- any MRO work on any offshore drilling rig, offshore support vessel or commercial vessel located in or transiting through the Arabian Gulf (other than offshore drilling rigs currently, and only for so long as they are, used for drilling in UAE waters), the Arabian Sea, Gulf of Aden or Red Sea, provided that the aggregate contract value of such work is in excess of US$3 million (subject to indexation); and
- any new-build construction of offshore drilling rigs, offshore support vessels or commercial vessels which are ordered by an entity residing in, or which Lamprell knows or should reasonably have known are destined for use by an entity in, the MENA region (excluding the United Arab Emirates).

The Directors believe that work subcontracted by Lamprell to JVCo will ultimately be able to be done more cost efficiently at the Maritime Yard than in Lamprell's yards given potential economies of scale and purchasing power and, therefore, would have an overall positive effect on the Group's financial performance as a result of improved margins and competitiveness. However, in the event the Maritime Yard is not more efficient than Lamprell's yards, in order to maintain margins at its UAE yards, Lamprell may be required to pass through JVCo's additional costs to its customers or accept lower margins in order for its pricing to remain competitive and to ultimately win the work.

7. **Current trading and future prospects**

Set out below is the text extracted from the Company's announcement on 24 March 2017 containing its current trading and outlook.

- The Group has restructured its overhead to remain competitive in lower price environment; tight cost control measures will be a high priority in 2017 as the Group looks to maintain its lower cost base.
- The Group is well-positioned to respond to an improvement in its core energy markets, with a strong balance sheet, a sustained robust cash position and its core competencies retained.
- The Group is working to bring the Maritime Yard opportunity to a successful conclusion.
- A further jackup rig was delivered to the National Drilling Company of Abu Dhabi post-period end and the remaining two will be delivered in first half of the financial year ending 31 December 2017 with both projects progressing as planned.
- There are two new major projects scheduled to ramp up in the second quarter of the financial year ending 31 December 2017.
- 14 rigs are currently stacked in Lamprell's facilities on behalf of clients offering potential refurbishment works in the event of redeployment of the rigs.
- As previously announced, revenues for the financial year ending 31 December 2017 currently expected to be in the lower half of the US$400-500 million range in the absence of large project deliveries in the second half of the financial year.

As announced by the Company, the two remaining jackup rigs due to be delivered to National Drilling Company in the first half of the financial year ending 31 December 2017 were delivered in February 2017 and April 2017.

8. **General Meeting**

A notice convening an extraordinary general meeting of the Company to be held at 7th Floor, Jumeirah Emirates Tower, Sheikh Zayed Road, Dubai, United Arab Emirates at 10.00 a.m. (UAE time) on 26 June 2017 and setting out the details of the Resolution will be included in a circular expected to be posted to Shareholders today. The purpose of the General Meeting is to seek Shareholders' approval for the Transaction.

9. **Voting intentions**

The Company has received written confirmation from Lamprell Holdings Limited (which holds 33.12 per cent. of Lamprell's existing issued share capital as at 30 May 2017) of its intention to vote in favour of the Transaction at the General Meeting.

10. **Recommendation**

The Board considers the Transaction to be in the best interests of Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution, as each of John W. Kennedy and Antony Wright intend to do in respect of their own beneficial holdings, amounting to an aggregate of 1,641,393 Ordinary Shares (representing approximately 0.5 per cent. of Lamprell's existing issued share capital as at 30 May 2017, being the latest practicable date prior to this announcement).

DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires:

"**Bahri**"	the National Shipping Company of Saudi Arabia;
"**Board**" or "**Directors**"	the directors of the Company;
"**Board of Managers**"	the board of managers of JVCo;
"**Company**" or "**Lamprell**"	Lamprell plc;
"**Complex**"	the King Salman International Complex for Maritime Industries & Services;
"**Facilities Agreement**"	the facilities agreement dated 11 August 2014, as amended on 30 September 2016, among the Company, as borrower and guarantor, and certain other members of the Group and a syndicate of banks under which such banks made available certain debt and bonding facilities of an aggregate amount of US$600 million;
"**FCA**"	the UK Financial Conduct Authority (or its successor bodies);
"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**General Meeting**"	the extraordinary general meeting of the Company to be held at 7th Floor, Jumeirah Emirates Tower, Sheikh Zayed Road, Dubai, United Arab Emirates at 10.00 a.m. (UAE time) on 26 June 2017 (or any adjournment of it);
"**Government**"	the Government of the Kingdom of Saudi Arabia;
"**Group**"	the Company and its subsidiary undertakings from time to time;
"**HHI** "	Hyundai Heavy Industries Co. Ltd.;
"**JVCo**"	the special purpose vehicle to be established by the JV Partners as a limited liability company under the laws of the Kingdom pursuant to the terms of the Shareholders' Agreement;
"**JV Partners**"	Maritime Offshore, Saudi Aramco, Bahri and HHI;
"**Kingdom**"	the Kingdom of Saudi Arabia;
"**Listing Rules**"	the listing rules made by the FCA under section 73A of FSMA;
"**Maritime Offshore**"	Maritime Offshore Limited, a wholly owned

	subsidiary of Lamprell;
“Maritime Yard”	the maritime yard proposed to be operated, maintained and managed by JVCo which is to form part of the Complex;
"**MENA** "	the Middle East and North Africa region, comprising Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, West Bank, Gaza, Yemen, Eritrea, Kenya, Sudan, Somalia, Tanzania, Pakistan, Turkey, and the United Arab Emirates;
"**MRO**"	maintenance, repair and overhaul;
"**Ordinary Shares**"	ordinary shares of 5 pence each in the capital of the Company;
"**Resolution**"	the ordinary resolution to be proposed at the General Meeting with any permitted amendments thereto;
"**SAR**"	Saudi Riyals, the lawful currency of the Kingdom;
"**Saudi Aramco**"	Saudi Aramco Development Company
"**Shareholders' Agreement**"	the shareholders' agreement entered into by Maritime Offshore, Saudi Aramco, Bahri and HHI dated 31 May 2017 with respect to the establishment, development and operation of the Maritime Yard;
"**Shareholder**"	a registered holder of Ordinary Shares;
"**SIDF**"	Saudi Industrial Development Fund;
"**SIDF Facility Agreement**"	the SAR3.75 billion (approximately US$1 billion) facility agreement conditionally agreed to be entered into by SIDF with JVCo;
"**Transaction**"	the proposed joint venture between the JV Partners with respect to the establishment, development and operation of the Maritime Yard described in this announcement;
"**UAE**" or "**United Arab Emirates**"	the federation of the United Arab Emirates, comprising the Emirates of Abu Dhabi, Ajman, Fujairah, Dubai, Ras Al-Khaimah, Sharjah and Umm Al-Quwain;
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland;
"**US$**"	US dollars, the lawful currency of the United States

	of America
"**VLCC**"	Very Large Crude Carrier;
"**Zone A**"	the first zone of the Maritime Yard;
"**Zone B**"	the second zone of the Maritime Yard;
"**Zone C**"	the third zone of the Maritime Yard
"**Zone D**"	the fourth zone of the Maritime Yard; and
"**Zones**"	the four main production zones of the Maritime Yard, being Zone A, Zone B, Zone C and Zone D;