



COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE “COMPANY”)

Directors’ Interim Report

Date of Announcement	22 May 2017
Reference	156/2017
Listing Rule	LR 5.16

Quote

The increase in the price of oil has shown signs of resilience and the market may be entering a more stable period when compared to the recent past. This has allowed the major international oil companies (IOCs) to return to greater profitability as evidenced by recent first quarter results. This turnaround was greatly helped by the agreement reached by OPEC and others to reduce output levels, as well as by a painful restructuring process. These two actions addressed the new industry reality and could usher in a period of stability. The Company expects this to have a knock-on effect on the service company sector which should benefit the Company in the near term.

As previously reported, the Medserv Group has successfully completed its diversification strategy. This has made it possible for the Group to continue to support current and new clients with a more diversified and complete product portfolio at competitive prices in line with new industry expectations. It has enabled the Group to offer cost savings to its clients without compromising on quality, the effect of which has allowed the Group not only to retain all existing contracted business but also to secure new contracts.

The Group’s total revenue expectations for the first half of the 2017 are in line with the trend of the service industry generally. Whilst the integrated logistic support services (ILSS) segment of the business has continued to be depressed, it is forecasted to pick up in the second half of the year, especially in the last quarter. On the other hand, the Group’s revenue generated from oil country tubular goods (OCTG) is showing increasing turnover.

ILSS business is mainly performed by the Group from its facilities in Malta, Cyprus and Portugal. Support to the Libyan offshore industry is provided from Malta. This is planned to pick up again in the second half of the year and the yard in Malta is preparing to receive the equipment and supplies relating to the resumption of operations within the next few weeks. Cyprus is also gearing up to resume operations and Medserv Cyprus will be supporting these from its new base in Limassol whilst retaining its Larnaca base as a storage and support facility. This drilling activity by the dominant player in the region is planned to commence in the fourth quarter of this year. Medserv



Portugal has extended its contract with the relevant IOC to January 2019 to cater for a new operational time scale set by the IOC.

Generally, upturn in the industry is first experienced by onshore activity. In this respect, the Group's recently acquired business in the Middle East- METS is registering both an increased confirmed order book and also a healthy new business enquiry pipe line. The Oman operation is the best performer in the Middle East division of the Group with revenues exceeding forecasts and a second base in the country is to be opened in Duqm in the South of Oman to service the recently announced major contract secured by METS.

Turnover in the UAE Sharjah facility has increased and the company is expected to meet its forecasts. The Iraq facility has also registered an increase in business as the IOCs return. This has undergone restructuring to curtail costs without losing its ability to service the industry operating in the country as well as being able to accept new business expected in the last quarter of 2017.

The Group has continued with its expansion programme and business development has been active mainly in Trinidad and Egypt. Medserv Trinidad is participating in new tenders and discussions are ongoing with a number of stakeholders. Medserv Egypt has been registered and has signed a Memorandum of Understanding with a major Egyptian entity which will allow the company to offer base facilities out of an Egyptian port to cater for the needs of both the offshore and onshore sector. Business Development is also active in the Middle East studying the synergies that exist in the region with a view of expanding the OCTG services offered by METS.

As a whole, 2017 is expected to be split in two parts. The sluggish performance in the ILSS part of the business will continue to weigh on the Group's financial performance but it is expected that this sector will recover in the second half of the year as both the Malta and Cyprus operations return to production. The projected strong performance over the entire year by the OCTG sector in the Middle East is expected have a positive impact on the Group's results for the year 2017. Finally, it is anticipated that both main sectors contributing to Group revenue is expected to perform strongly in 2018 as the industry recovers, stabilises and returns to growth.

Unquote

A handwritten signature in blue ink, appearing to read "Laragh Cassar".

Laragh Cassar
Company Secretary