

The Board of Directors

**Medserv p.l.c.**

Malta Freeport,  
Port of Marsaxlokk,  
Birzebbugia, BBG3011  
Malta

28 June 2021

Dear Sirs,

**Medserv plc – update to the Financial Analysis Summary (the “Update FAS”)**

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Update FAS set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the Update FAS is that of summarising key financial data appertaining to Medserv plc (the “**Issuer**”) and Medserv Operations Ltd (the “**Guarantor**”) in relation to the €20 million 6% Bonds 2020/23 note programme issued by the Company in 2013.

The data in this Update FAS is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the three years ended 31 December 2018 to 2020 extracted from both the Issuer and the Guarantor’s audited statutory financial statements for the three years in question;
- (b) The forecast data for the financial year ending 31 December 2021 has been extracted from the forecast financial information provided by the management of the Issuer and the Guarantor;
- (c) Our commentary on the results of the Issuer and on its financial position is based on the explanations set out by the Issuer in the audited financial statements and assisted by management of the Issuer and Guarantor;
- (d) The ratios quoted in the Update FAS have been computed by us applying the definitions set out beneath each ratio; and
- (e) Relevant financial data in respect of other issuers with same-maturing bond issues as analysed in Part D of this report has been extracted from public sources such as the web sites of the companies concerned or financial statements filed at the Registry of Companies.

The Update FAS is meant to assist existing and potential investors by summarising the more important financial data of the Issuer and the Guarantor. The Update FAS does not contain all data that is relevant to potential investors and is meant to complement and not replace financial and/or investment advice. The Update FAS does not constitute an endorsement by our firm of the listed bonds that the Issuer has outstanding on the Official List of the Malta Stock Exchange and should not be interpreted as a recommendation to invest in the bonds or otherwise. We shall not accept any liability for any loss or damage arising out of the use of the Update FAS and no representation or warranty is provided in respect of the reliability of the information contained herein. Potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,



**Vincent E Rizzo**  
Director



## FINANCIAL ANALYSIS SUMMARY

Update 2021

*Prepared by Rizzo, Farrugia & Co (Stockbrokers) Ltd, in compliance  
with the Listing Policies issued by the Malta Financial Services Authority,  
dated 5 March 2013.*

28 JUNE 2021



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## LIST OF ABBREVIATIONS

ADNOC	Abu Dhabi National Oil Company
EGPC	Egyptian General Petroleum Corporation
FSOV	Floating Storage and Offloading Vessel
IEA	International Energy Agency
IEOC	International Egyptian Oil Company
ILSS	Integrated Logistics Support Services
IOC	International Oil Companies
MedOps	Medserv Operations Limited
MOG	Mellitah Oil & Gas Company
OCTG	Oil Country Tubular Goods
OSC	Oil Service Centre
OPEC	Organisation of the Petroleum Exporting Countries
SONILS	Sonangol Integrated Logistics Services
UAE	United Arab Emirates
YTM	Yield to maturity



## IMPORTANT INFORMATION

### PURPOSE OF THE DOCUMENT

Medserv plc (the “**Issuer**” or the “**Company**” or the “**Group**”) issued €20 million 6% Bonds 2020/23 note programme in 2013 pursuant to a base prospectus dated 12 August 2013 (the “**Bond Issue**”). The final terms issued pursuant to the prospectus (dated 30 August 2013 and 7 April 2014) included a Financial Analysis Summary (“**FAS**”) in line with the requirements of the Listing Policies as issued and last updated by the MFSA on 5 March 2013. The purpose of this report is to provide an update to the FAS (the “**Update FAS**”) on the performance and on the financial position of the Company and Medserv Operations Limited, as guarantor to the Bond Issue (the “**Guarantor**” or “**MedOps**”).

### SOURCES OF INFORMATION

The information that is presented has been collated from a number of sources, including the Company’s website ([www.medservenergy.com](http://www.medservenergy.com)), the audited Financial Statements for the years ended 31 December 2018, 2019 and 2020 and forecasts for financial year ending 31 December 2021 for both the Company and the Guarantor.

Forecasts that are included in this document have been prepared and approved for publication by the directors of the Company and Guarantor, who undertake full responsibility for the assumptions on which these forecasts are based.

Wherever used, FYXXXX refers to financial year covering the period 1st January to 31st December. The financial information is being presented in thousands of Euro, unless otherwise stated, and has been rounded to the nearest thousand.

### PREVIOUS FAS ISSUED

The Company has published the following FAS which are available on its website:

- FAS dated 30 August 2013  
*(appended to the final terms)*
- FAS dated 7 April 2014  
*(appended to the final terms)*
- FAS dated 15 May 2015
- FAS dated 18 May 2016
- FAS dated 5 April 2017
- FAS dated 11 May 2018
- FAS dated 22 May 2019
- FAS dated 15 July 2020



## 1 UPDATE ON THE MEDSERV GROUP AND THE OIL AND GAS INDUSTRY

The global oil and gas industry has undergone significant changes in the past few years, mainly driven by a period of rebalancing in inventories, a pandemic-fuelled economic recession, and a marked shift across the globe towards the increased use of sustainable, renewable, and more environment-friendly sources of energy. The latter was clearly highlighted in a recent report published by the International Energy Agency (“IEA”) which describes the changes in energy demand and energy mix if the world is to achieve net-zero emissions by 2050, including the eventual halt to new oil and gas exploration projects<sup>1</sup>. The forecasted changes in demand combined with the complex and changing political situation in the Middle East and North Africa, makes the oil and gas sector an extremely challenging business for every company that is dependent on it.

The Organisation of Petroleum Exporting Countries (“OPEC”) currently has 13 member countries. Together with some of their industry allies such as Russia, Azerbaijan and Oman, are collectively referred to as OPEC+. The OPEC+ countries represent the majority of the world oil production, which was about 57% in 2016 and declined to 51% in 2020. OPEC+ market share is expected to recover to above 52% by 2026 and continue to increase thereafter as non-OPEC+ countries shift to other energy sources.

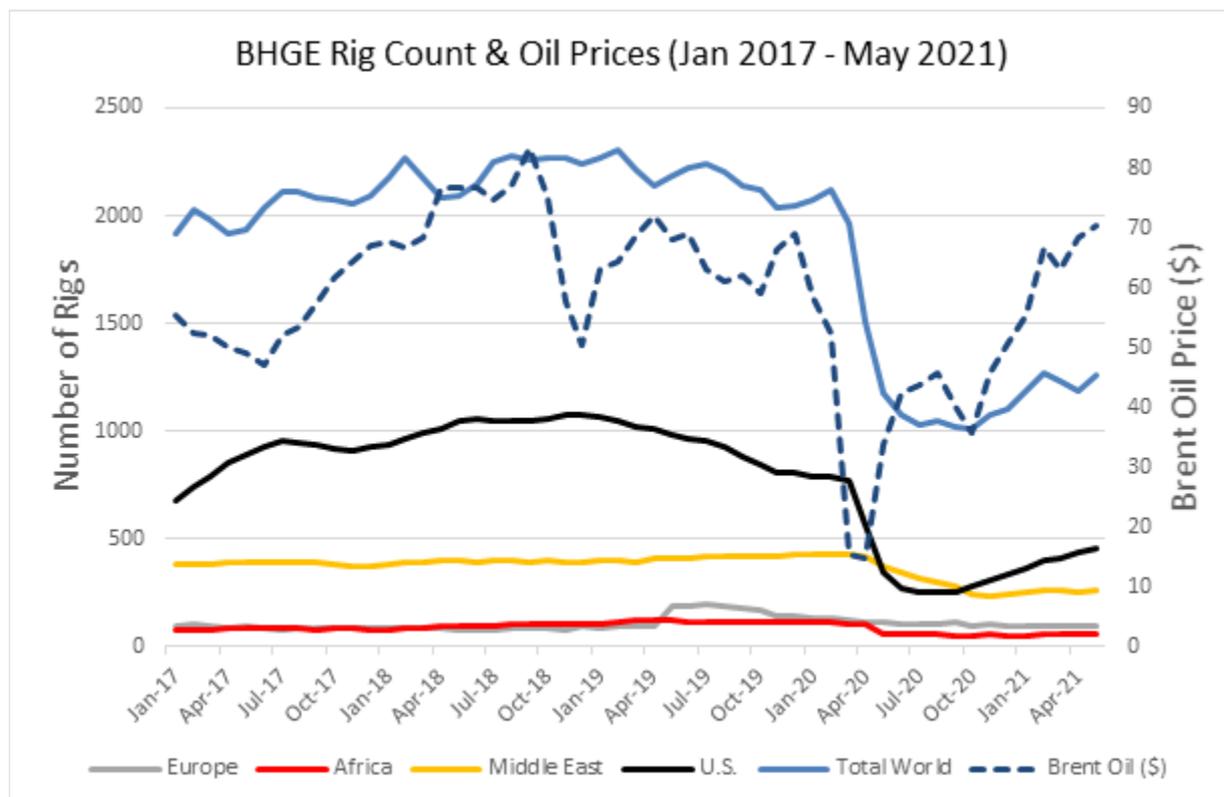
Meanwhile, a decade of speculation about the potential of the east Mediterranean in natural oil and gas resources was in recent years ended following the recent gas finds in the said region, prompting revived interest in drilling activity by the large International Oil Companies (“IOCs”) in the Mediterranean. The findings have been concentrated in the waters between Egypt and Cyprus and drilling concessions that the likes of ENI, ExxonMobil and Total have in that area put the Medserv Group in an optimal position to attract Integrated Logistics Support Services (“ILSS”) contracts in the region, having worked, directly and indirectly, with these significant IOCs on other drilling projects and/or tenders.

The Baker Hughes GE rig count<sup>2</sup> – which is an important benchmark for the oil industry and also a leading indicator of demand for oil products – shows that following a period of increases in the number of oil rigs between 2017 and 2018, which was in line with the rebound in the price of oil during those same years, the worldwide rig count began to ease on the onset of the Covid-19 pandemic and plummeted to the lowest level of 1,016 rigs as at October 2020. The rig count gradually started to increase as economies started to recover following an extensive global vaccination programme and various fiscal incentives and accommodative monetary policies, resulting in an increase in oil demand and price. By May 2021, Brent crude exceeded \$70 a barrel, the highest price in over two years. This trend is being reproduced in the chart below which compares the total rig count in the world to that in the US, Europe, Africa, and the Middle East, relative also to the price of oil. Overall, the total number of active oil rigs in the world as at May 2021 stands at 1,262.

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<sup>1</sup> IEA, Net Zero by 2050, May 2021

<sup>2</sup> <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsintl>



Source: Baker Hughes GE and Refinitiv Eikon. Oil prices as per closing price of the last day of each month.

Consumption declined by a record of 8.7 million barrels a day (“b/d”) during the pandemic, but the IEA is expecting oil demand to exceed pre-pandemic levels by the end of 2022 and increase by a further 13.1 million b/d by 2026, to reach 104.1 million b/d. The recovery of the sector will nonetheless be uneven, reflecting various impacts of the energy demand across regions, sectors, and type of oil products. Furthermore, efficiency improvements and transition to electric vehicles may offset the impact of strong economic growth of developing countries.

The fundamental challenge for this industry remains the intrinsic volatility within the sector. IOCs need time to address the swings of an over- or under-supplied market and develop a resilient strategy to mitigate the risks related thereto. This uncertainty leads to caution threading by the oil and gas companies who in recent years have curbed their investment for a while, assessing the right opportunity that is indicative of stabilisation of the industry dynamics.

## 2 COVID-19

The ‘COVID-19’ pandemic resulted in the creation of significant uncertainties within the energy industry, which consequently necessitated the Group to take quick and tough decisions.



Throughout the worst phase of the pandemic, Medserv's main objective was to preserve liquidity and ensure that it continues to register positive EBITDA. In this respect, immediate cost containment measures were put in place across all of the Group's operations. These included restructuring to the new norm and postponing any capital expenditure plans. Such measures ensured that Medserv had sufficient funds to meet its obligations through the course of 2020. Furthermore, the Group also benefitted from the varying schemes adopted by the respective Governments to mitigate the significant economic and financial repercussions from the 'COVID-19' pandemic.

### 3 *KEY DEVELOPMENTS 2020 AND OUTLOOK FOR 2021*

The Group continues to seek ways of providing value to clients in the markets where it is present. This is achieved through increasing the level of integration within the supply chain. Additionally, the Group continues to strategically diversify its geographic markets and client base, as well as positioning itself for growth in various new significant oil and gas markets such as Africa and South America. The tendering processes that it is participating in are giving the Medserv Group the visibility with the larger IOCs which have listed the Group on their respective top-5 vendor lists. Such aspect is important for Medserv, because it would be in a position of being invited to tender for future exploratory and drilling projects.

#### *MALTA BASE & LIBYA BRANCH*

During FY2020, the Malta base continued to provide shore base services for the development of offshore Libya projects. Despite the ongoing political and hostile environment currently ensuing in Libya, management is confident that the Company will remain the shore base for all oil and gas operations offshore Libya. This is because the Company's base in Malta is seen as a reliable and safe haven for the storage and mobilisation of oil field equipment employed by companies engaged in offshore Libya projects.

Following the completion of the Bahr Essalam Phase II project in August 2019, which extended the field production from 995 million standard cubic feet of gas per day to 1.1 billion (representing Libya's largest offshore producing gas field), Medserv began to act as the logistics base for the development of two new gas offshore structures for Mellitah Oil & Gas Company ("**MOG**")<sup>3</sup>. This project, for which MOG has a budget of circa USD5 billion, is expected to have a duration of thirty months for completion (up to Q1 2024) and is intended to maintain the field's production after the Bahr Essalam production declines. Medserv will assist MOG in the drilling of 31 wells using two rigs, a jack-up rig and a semi sub rig. In addition to the provision of ILSS, the Company will also manage a considerable volume of Oil Country Tubular Goods ("**OCTG**") and related equipment.

In March 2020, the Company signed a long-term agreement with Air Liquide Oil & Gas Services Ltd to install and operate a compressed gases filling plant to provide diving and welding gases to the offshore industry in

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<sup>3</sup> MOG is a joint venture between the Libyan National Oil Corporation and Eni S.p.A. ("**ENI**").



the Mediterranean basin. After obtaining necessary permits, the facility was installed at Medserv's base at the Malta Freeport and operations commenced in Q4 2020.

Furthermore, in October 2020, the Company was awarded a contract by ENI to provide logistics marine base and associated services for its oil and gas activities taking place offshore Libya. The term of the contract is three years with the option for ENI to extend for a further year and came into effect on 1 January 2021.

In October 2020, Medserv was also awarded a contract by OMV AG (a multinational integrated oil and gas company headquartered in Vienna with operational activities in the onshore Murzuk and Sirte basin of Libya) to provide international freight forwarding services including the transportation of goods and drilling related equipment from global sites to specified locations in Libya through the facilities that Medserv has at the Malta Freeport. The framework agreement entered into force on 30 October 2020 and is for a duration of three years with the option to extend for a further two years.

#### CYPRUS BASE

In Cyprus, Medserv provides ILSS to ExxonMobil (in partnership with Qatar Petroleum), ENI and Total S.A. (in partnership with ENI). Although ExxonMobil and Total / ENI suspended their activities during 2020 in view of the COVID-19 pandemic, it is expected that activity will resume strongly in Q4 2021. In fact, in January 2021, Medserv was awarded a two-year contract extension by ExxonMobil as a result of which, the Company will provide shore base services for further evaluation of an area known as 'Block 10' following the discovery of approximately between five to eight trillion cubic feet of natural gas offshore Cyprus at the 'Glaucus-1' well in 2019<sup>4</sup>. On the other hand, the Company's contract with Total S.A. / ENI has been extended by 12 months to June 2022 and is in relation to the 'Calypso-1' gas discovery made in 2018<sup>5</sup>.

#### EGYPT

Following the discovery of 'Zohr'<sup>6</sup> in Egyptian territories back in 2015 by ENI, the Medserv Group set up Medserv Egypt in 2016 after the Group's Board of Directors determined Egypt to be a lucrative region to be in, in view of the potential business. In 2017, Medserv Egypt secured an ILSS contract with International Egyptian Oil Company ("IEOC", which is ENI's joint venture with the Egyptian General Petroleum Corporation – "EGPC") for a period of three years, with the option to extend. In fact, in September 2020, the contract with ENI was extended until 31 December 2021. Initially, the Group was procuring equipment from third parties until it purchased and mobilised its own equipment to manage margins better towards the end of the said

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<sup>4</sup> <https://www.bing.com/search?q=natural+gas+offshore+Cyprus+at+the+%E2%80%98Glaucus-1%E2%80%99&cvid=585c09f90fe84a0bb62046d6f9562d5c&aqs=edge..69i57.664j0j4&FORM=ANAB01&PC=HCTS>

<sup>5</sup> <https://www.eni.com/en-IT/media/press-release/2018/02/eni-announces-a-gas-discovery-offshore-cyprus.html>

<sup>6</sup> The 'Zohr' field is believed to be the largest-ever gas discovery in Egypt and the Mediterranean. 'Zohr' is located within the Shorouk concession, approximately 190 km north of the city of Port Said.



year. FY2019 was indeed the first full year when Medserv Egypt was using its own equipment, therefore recognising significant improvement in its financial performance when compared to FY2018.

Following the success achieved with the contract with IEOC, the Group also managed to conclude two contracts with a new client in Egypt – BP plc. Following an international tender process, Medserv was awarded a contract to provide materials and warehouse management services for BP’s drilling and gas production projects. This contract will be serviced through Medserv’s internal resources as it will not require any major capital expenditure. Meanwhile, in May 2021, Medserv was awarded a second contract by BP in Egypt. This contract is for the Integrated Facility Management of the West Nile Delta Site in Idku (which produces gas from the Giza and Fayoum fields) and represents the largest award in value terms secured by the Company in Egypt to date. The development includes a total of five gas fields across the North Alexandria and West Mediterranean Deepwater offshore concession blocks. The contract took effect in June 2021 for a term of three years with an option for BP to extend the term by a further year. It is expected that this contract will be serviced through Medserv’s internal resources and will not require major capital expenditure.

## MIDDLE EAST

The Group’s operations in the Middle East are essentially conducted through METS entities which provide OCTG services from the four bases located in Basra (in South Iraq), Sharjah (United Arab Emirates – “UAE”) and the two bases in Oman – Sohar and Duqm. However, Oman remains the key profit generating unit in the OCTG business.

## OMAN

From the Duqm base, METS Oman services the contract with Sumitomo Corporation for supply chain management of OCTG to Petroleum Development Oman. The latter is a joint-venture between the Government of Oman and Shell. The contract, awarded in 2017 and the largest of its kind ever awarded to METS, is for an initial period of five years with a five-year extension option up to 2027 and, in comparison with the previous contract that METS had with Sumitomo, includes the provision of new offerings such as inspection and rig ready/rig return services.

During Q1 2020, METS Oman also secured a shore base services contract with ENI and it is expected that ENI will drill one to two new exploratory wells during 2022. The forecasts do not include any revenue from such exploratory drilling activity and include solely a marginal fixed contribution for the provision of storage of material/equipment to ENI from the site located in Duqm. Additional revenue from storage can be potentially generated from this project as ENI is considering using METS’s facility as a storage hub for their business in the Middle East and India. As of 2017, ENI has been the operator of Block 52, a vast (90,790 square kilometres) deep-water concession that extends off the Sultanate’s southern and south-eastern seaboard.



Meanwhile, from its 50,000 sqm base in Sohar, METS generates ad-hoc income from its three major clients Marubeni, Mitsui and Changbao Oman Oil.

#### UNITED ARAB EMIRATES

In 2019, Tenaris Global Services S.A. (“**Tenaris**”) was awarded a long-term contract by the Abu Dhabi National Oil Company (“**ADNOC**”, the state-owned oil company of the UAE) for the provision of tubulars and rig direct services over a five-year period, with a total value of USD1.9 billion and with the possibility of a two-year extension. Consequently, in October 2020, METS UAE entered into a 3-year contract with Tenaris (up to September 2023, with opportunity to extend the term by two additional periods of one year each) for the supply of tubular handling, equipment, yard and inspection services for OCTG. METS UAE provides its core services from within the new Tenaris Global Services facility in Abu Dhabi Industrial City, forming an integral part of the supply chain for the provision of OCTG Vendor Managed Inventory services to ADNOC.

#### IRAQ

The main client of METS in Iraq is BP. In 2009, BP and PetroChina were awarded a Technical Service Contract to increase production at Rumaila, Iraq, in partnership with the state-owned Basra Oil Company. Rumaila is the third-largest producing field in the world, estimated to have around 17 billion barrels of recoverable oil remaining.

The Group provides machine shop repairs to BP and reported an improved positive turnaround from this subsidiary in FY2019 on the back of improved market conditions and political stability in the region as well as leaner cost structures. The encouraging performance was also repeated in FY2020 as the contract with BP was extended for another three plus one years commencing in April 2020.

#### *TRANSACTION WITH REGIS HOLDINGS LIMITED*

As economic activity across the world started to rebound in the second half of 2020, the Group sought opportunities to consolidate its market position, broaden its geographic footprint in strategic locations, and strengthen its financial position. To this effect, an agreement was reached with Regis Holdings Limited in April 2021 for the two companies to join forces and create a truly global player that will allow the combined entity to successfully respond to the deep changes taking place in the energy market. In fact, Regis is a holding company whose subsidiaries provide logistics, equipment, procurement and specialised services to a wide range of customers, including national and international energy companies, drilling and mining companies as well as product and equipment manufacturers and other heavy industry-related contractors in South Africa, Mozambique, Uganda, Tanzania and Angola. Together, the global outreach of MedservRegis would span across four continents, comprising a presence in twelve countries and operations out of ten bases.



In addition, the trading prospects of Medserv following the transaction with Regis will enable the combined Group to:

- (i) present an integrated logistics solution to its customers in the Sub-Saharan region whilst also allow it to participate in some significant upcoming logistics projects in Africa;
- (ii) offer energy companies mill-to-well supply chain management services in new jurisdictions whilst also onboard new clients operating in other sectors with a view of reducing the overall exposure and reliance on the energy segment;
- (iii) cross-sell in new countries as well as promote the services offered by Regis to markets currently serviced by Medserv plc;
- (iv) increase Medserv's geographical, product, and client spread, thus contributing to reducing the Group's concentration risks as a result of increased diversification whilst also reducing the fluctuations in earnings and improve underlying profitability; and
- (v) strengthen Medserv's financial and equity base in support of its growth ambitions and targets.

#### SUB-SAHARA AFRICA

Following the reverse acquisition with Regis Holdings Limited, the Group will also be active in the sub-Saharan region – namely in Angola, Mozambique and Uganda.

#### ANGOLA

Regis Management Services (“**Regis**”) has been a key partner in the development of the Sonangol Integrated Logistics Services (“**SONILS**”) Oil Service Centre (“**OSC**”) and logistics base in the Port of Luanda, Angola. The SONILS base is a key OSC in Africa with a total area of 200 hectares and a 2,000-metre quayside. SONILS counts a vast number of international oil majors and oilfield service providers among their clients, such as ENI, BP, ExxonMobil, Total, Schlumberger, Baker Hugues and Technip. Regis Management Services acts as a key logistics support, equipment and service provider to SONILS.

Regis Management Services' revenues from logistics and procurement services are linked to the level of activity around the exploration and commissioning or re-commissioning of oil producing facilities, capacity, and the onshore activity required in such activity, and is less correlated to oil producing offshore capacity.

#### MOZAMBIQUE

Despite the political unrest in the northernmost part of the country around Palma (in the Cabo Delgado Province), the Group is expecting growth opportunities in Mozambique that are mainly driven by the Mozambique LNG Project operated by Total S.A. The said project, which was driven by a discovery of vast



quantity of natural gas off the coast of Northern Mozambique, has resulted in a USD20 billion Final Investment Decision in 2019 with the project expected to deliver LNG in 2024<sup>7</sup>. The plans of Total S.A. for the 65 trillion cubic feet of recoverable natural gas include a two-train project with the ability to expand up to 43 million tonnes per annum.

Regis Mozambique LDA owns a large 47,745sqm workshop/warehouse facility and offices in Pemba which although it is the capital of Cabo Delgado Province, it is also over 400 kilometres away from Palma (equivalent to circa four times the distance between Malta and Pozzallo, Sicily). In addition to the provision of ILSS in connection with the Total S.A. project, Regis Mozambique also leases out plant and equipment to other companies operating within the oil and gas and mining sectors.

#### UGANDA

Regis Uganda Ltd owns a fleet of equipment which is leased out to major players in the oil and gas sector and is also used to serve clients in other sectors such as development and construction and infrastructure projects. The Group believes that there are potential growth opportunities in Uganda mainly relating to the discovery of oil in Lake Albert in respect of which an agreement has been reached (September 2020) between Total S.A. and the Government of Uganda for the development of an export pipeline from Uganda to Tanzania. The pipeline will carry 216,000 barrels per day of Ugandan crude oil to Tanga (Tanzania), making it the longest heated oil pipeline in the world. Uganda estimates overall crude reserves at 6.5 billion barrels, while recoverable reserves are seen at between 1.4 and 1.7 billion barrels.

#### 4 KEY CLIENTS AND CONTRACTS

The Group identifies ENI and Sumitomo as its two major key clients. In the case of ENI, this relationship extends for over 40 years and involves a number of independently operated entities forming part of this Group. Notwithstanding this, the Issuer has been gaining recognition internationally with other blue-chip IOCs and sub-contractors, and these are now contracting the Group companies for various drilling and exploratory projects. Significantly so, following the acquisition of METS and the large contract awarded to METS Oman in February 2017, the Group is also classifying Sumitomo as a key client relationship.

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<sup>7</sup> <https://www.reuters.com/article/exxonmobil-mozambique-lng-idINL1N2IB2EZ>



## 5 GOVERNANCE & MANAGEMENT<sup>8</sup>

BOARD OF DIRECTORS	ROLE
Mr Anthony S Diacono	Chairman & Executive Director
Dr Laragh Cassar	Non-Executive Director & Company Secretary
Mr Joseph Zammit Tabona	Chairman of Audit Committee & Non-Executive Director
Mr David O'Connor	Executive Director ( <i>appointed on 25 June 2021</i> )
Mr Olivier Bernard	Executive Director ( <i>appointed on 25 June 2021</i> )
Mr Keith Norman Grunow	Non-Executive Director ( <i>appointed on 25 June 2021</i> )

*Mr Anthony J Duncan resigned from the post of Executive Director on 25 June 2021*

*Mr Joseph F X Zahra resigned from the post of Non-Executive Director on 31 July 2020*

*Mr Etienne Borg Cardona resigned from the post of Non-Executive Director on 25 June 2021*

*Mr Kevin Rapinett resigned from the post of Non-Executive Director on 25 June 2021*

EXECUTIVE MANAGEMENT	ROLE
Mr David O'Connor	Chief Executive Officer ( <i>appointed on 25 June 2021</i> )
Mr Carmel sive Karl Bartolo	Deputy Chief Executive Officer ( <i>appointed on 25 June 2021</i> )*
Mr Olivier Bernard	Deputy Chief Executive Officer ( <i>appointed on 25 June 2021</i> )
Mr Silvio Camilleri	Chief Financial Officer
Mr Edward Farrugia	Chief Information Officer
Mr Gareth McMurray	Chief Operating Officer
Mr Godfrey Attard	Chief Special Projects Officer

*\* Mr Carmel sive Karl Bartolo held the post of Chief Executive Officer of the Group until 25 June 2021*

Upon completion of the share for share exchange between Medserv plc and Regis Holdings Limited expected by end June 2021, Mr David O'Connor is expected to take the role of Group Chief Executive Officer, Mr Carmel sive Karl Bartolo will assume the role of CEO Deputy responsible for Business Development and Operations

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<sup>8</sup> *Mr Joseph F X Zahra held the post of chairman of the audit committee and non-executive director of the Company until 31 July 2020. Mr Joseph Zammit Tabona has taken over the role of Chairman of the audit committee. Mr Kevin Rapinett and Mr Etienne Borg Cardona were both appointed non-executive directors on 31 July 2020. As announced on 25 June 2021 (the "Completion date") by the Company in relation to the completion of the share for share exchange between Medserv plc and Regis Holdings Limited, Mr Anthony J. Duncan, Mr Kevin Rapinett and Mr Etienne Borg Cardona have resigned from the board of directors of the Company while with effect from the Completion date, in order to allow for the Regis shareholders to have a representation on the board of directors of the Company. Mr David O'Connor and Mr Olivier Bernard were co-opted as executive directors, while Mr Keith Norman Grunow was co-opted to the audit committee as an independent non-executive director. Additionally, following the registration of the newly approved memorandum and articles of association increasing the capacity of the board to eight, it is expected that a further director will be co-opted to the board. Their appointment shall be valid until the conclusion of the next annual general meeting. Mr David O'Connor has taken over the role of Group Chief Executive Officer, Mr Carmel sive Karl Bartolo has been appointed Deputy CEO responsible for Business Development and Operations while Mr Olivier Bernard has been appointed Deputy CEO of Finance, Administration, Investment and Trading. The majority members of the current management team will continue to occupy their current roles.*

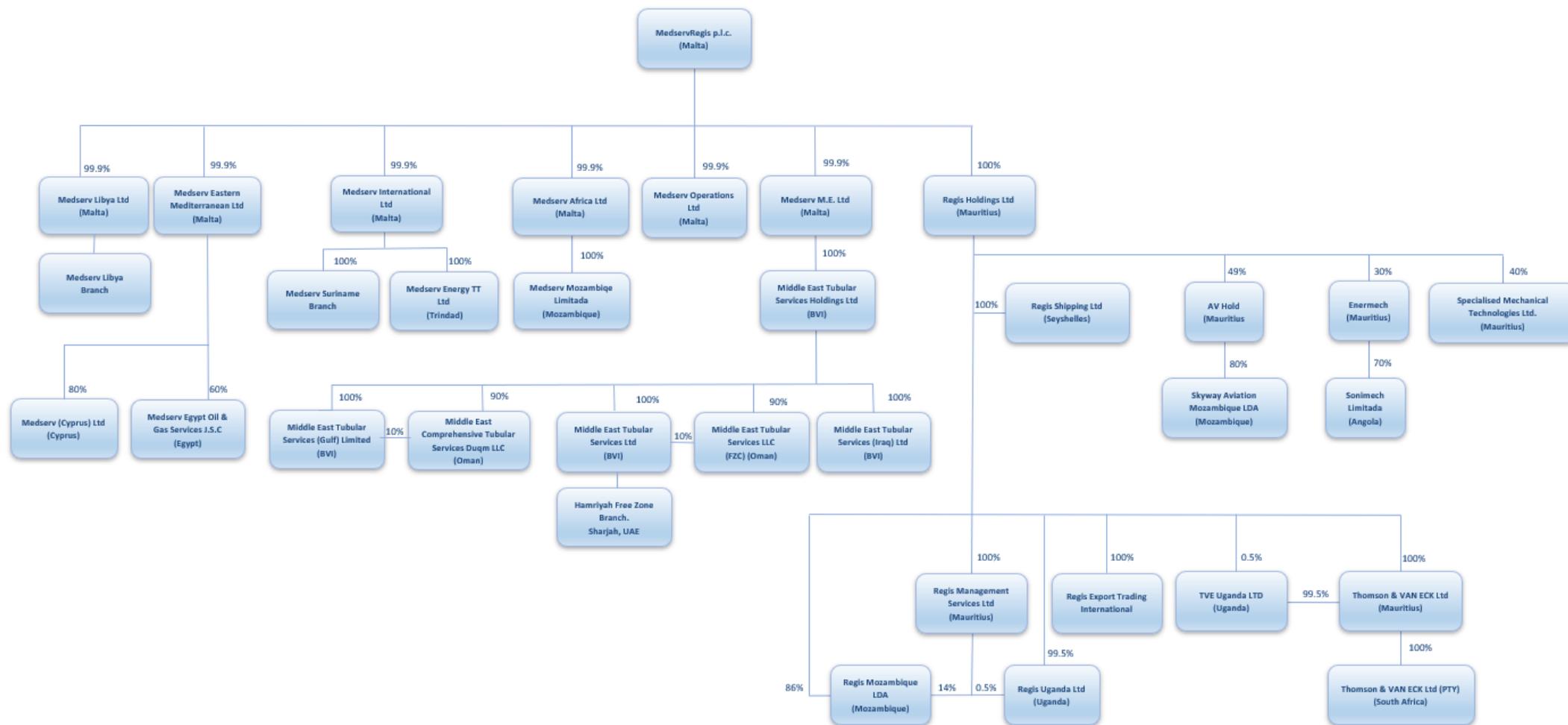


while Mr Olivier Bernard will be the Deputy CEO of Finance, Administration, Investment and Trading. The majority members of the current management team will continue to occupy their current roles.

## **6 GROUP STRUCTURE**

The current Medserv Group is composed of the Issuer which is the holding company of several subsidiary companies, including the Regis Group, as shown in the organigram overleaf.

The Group is continuously working to cross-sell its services and uses its expertise across the Group's various geographical locations. Following the acquisition of the core businesses of Regis Holdings Limited, the Group will increase its geographical footprint. The main geographical operating markets for Regis Holdings Ltd are Mozambique, Uganda and Angola.





## 7 MAJOR ASSETS

The Group's major capital assets are split in three: 'Intangible Assets & Goodwill'; 'Property, Plant & Equipment' (PPE) and 'Right-of-use assets' (ROU).

The below schedule provides a split of the components within each asset class.

	FY2018	FY2019	FY2020
	€	€	€
<b><u>Property, Plant &amp; Equipment</u></b>	<b>33,200,773</b>	<b>31,472,005</b>	<b>27,735,833</b>
<i>Buildings &amp; base Improvements</i>	13,260,915	13,512,202	13,337,804
<i>Plant &amp; equipment</i>	13,631,874	12,322,228	9,845,036
<i>PV farm</i>	3,079,006	2,870,895	2,662,784
<i>Cargo carrying units</i>	1,994,379	1,647,298	1,300,216
<i>Furniture, fittings &amp; office equipment</i>	680,787	710,379	302,083
<i>Motor vehicles</i>	287,889	183,176	53,086
<i>Assets not yet in use</i>	265,923	225,827	234,824
<b><u>Intangible Assets &amp; Goodwill</u></b>	<b>13,162,169</b>	<b>11,751,165</b>	<b>9,836,099</b>
<i>Goodwill</i>	2,605,760	2,667,740	2,402,932
<i>Brand</i>	203,822	175,383	146,943
<i>Customer Relationships</i>	10,106,697	8,696,461	7,286,224
<i>Licences</i>	245,890	211,581	-
<b><u>Right-of-use assets</u></b>	<b>78,335,057</b>	<b>75,847,997</b>	<b>62,189,513</b>
<b>Total Major Assets</b>	<b>124,697,999</b>	<b>119,071,167</b>	<b>99,761,445</b>
<b>Total Assets</b>	<b>156,777,072</b>	<b>154,685,386</b>	<b>121,768,671</b>
<b>Major Assets as a % of Total Assets</b>	<b>79.5%</b>	<b>77.0%</b>	<b>81.9%</b>

PPE includes those assets used in the operations of the Group. 78% of the buildings and base improvements relate to the shore base in Malta and includes warehouses, workshops, open yard facilities and offices. Plant and equipment consist mainly of heavy lifting equipment spread across the Group and fully equipped bulk plant facilities in Malta for the cutting of and storage of cement, barite and bentonite. The PV farm is located at its base in Malta and consists of over 8,000 photovoltaic panels producing around 2MWP of electricity which is sold back to the local grid. The Group owns a fleet of cargo carrying units (CCUs) which are located in Malta and in Cyprus. Assets not yet in use as at the year-ended 31 December 2020 comprise of machinery to be utilised in the Group's future OCTG projects in Uganda. The movements in this asset class would typically be either additions (particularly when a new contract is awarded which would require new machinery) and depreciation charges.



The Intangible Assets & Goodwill were recognised in FY2016 upon the acquisition and consolidation of the METS Group. The intangible assets consist mainly of acquired customer relationships and is being amortised over a period of ten years. The remaining intangible assets are amortised over their useful life. Goodwill arising from this acquisition is mainly attributable to the synergies expected to be achieved from combining the operations of the METS sub-group with the Group and the skills and technical talent of the METS sub-group's work force. The goodwill has been wholly allocated to the group of CGUs making up the OCTG segment. Goodwill has been capitalised as an intangible asset and an impairment assessment is carried out at least annually.

Medserv was an early adopter of IFRS 16 *Leases*. As a result, as from FY2017, Medserv started recognising on its balance sheet the leases of its bases across the Group, namely in Malta, Cyprus, Oman, UAE and Iraq. The Group carries out a fair value exercise to revalue the property rights over the land that the Group holds on a regular basis. 90% of the right-of-use assets consist of the revalued property rights held at the Malta Freeport Terminals, which comprise industrial land and the overlying buildings and facilities and the property rights at Hal Far Industrial Estate, which comprise two adjacent plots of industrial land. The valuation of all these property rights was carried out on the basis of Market Value on the assumption that the property rights could be sold subject to any existing third-party obligations. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.



## PART B FINANCIAL REVIEW

### ASSUMPTIONS FOR FY2021

The forecasts have been based on the key developments that the Group expects to happen during FY2021, as described further in section 3 above.

### 8 ISSUER PERFORMANCE & FINANCIAL POSITION OVERVIEW

This section provides an analysis of the FY2020 figures in relation to the previous two years. The historic information is in the main sourced from published annual reports as issued by Medserv plc, supported by additional information sourced from management. The projections for the current financial year ending 31 December 2021 have been prepared by management and are based on the new structure of the Medserv Group.

Unless otherwise stated, all amounts in the tables below are in thousands of euro (€'000) and have also been subject to rounding.

#### 8.1 INCOME STATEMENT

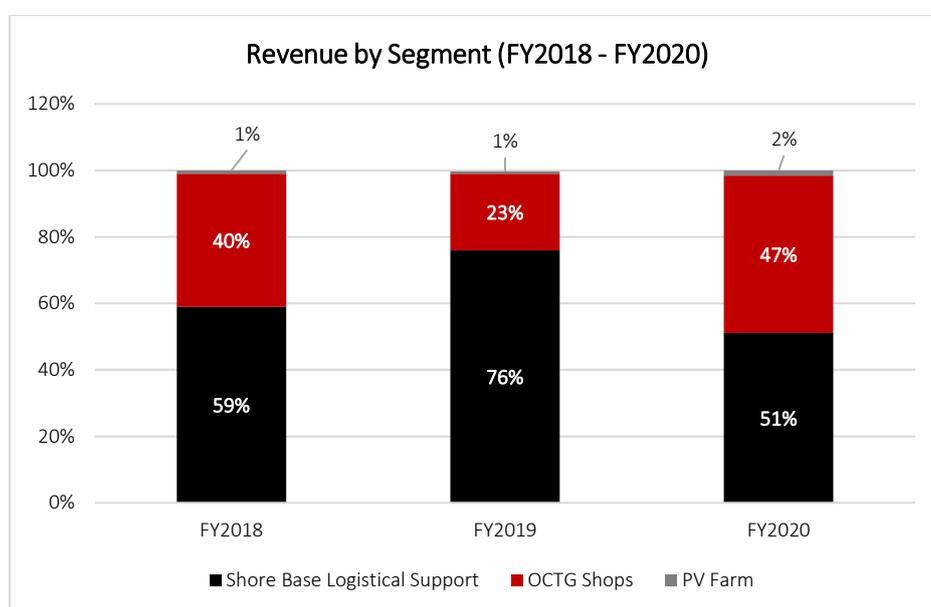
	ACTUAL	ACTUAL	ACTUAL	FORECAST
<i>for the year ended 31 December</i>	2018	2019	2020	2021
	€'000	€'000	€'000	€'000
Revenue	36,187	68,730	32,412	44,595
Cost of Sales	(24,557)	(50,257)	(21,178)	(27,473)
<b>Gross Profit</b>	<b>11,630</b>	<b>18,473</b>	<b>11,234</b>	<b>17,122</b>
Other income	1,432	1,376	2,214	1,022
Administrative expenses	(5,352)	(7,017)	(7,614)	(7,452)
Impairment loss on financial assets	(122)	(69)	(258)	-
Other expenses	(269)	(44)	(10)	-
<b>EBITDA</b>	<b>7,319</b>	<b>12,719</b>	<b>5,566</b>	<b>10,692</b>
Depreciation	(7,874)	(7,840)	(7,974)	(8,831)
Impairment on PPE	(982)	-	(1,351)	-
Amortisation of Intangible Assets	(1,924)	(1,791)	(1,791)	(1,757)
<b>Results from operating activities</b>	<b>(3,461)</b>	<b>3,088</b>	<b>(5,550)</b>	<b>104</b>
Finance income	-	51	1,043	87
Finance costs	(5,370)	(5,693)	(5,044)	(4,211)
Net finance costs	(5,370)	(5,641)	(4,001)	(4,124)
<b>Loss before tax</b>	<b>(8,831)</b>	<b>(2,553)</b>	<b>(9,551)</b>	<b>(4,020)</b>
Tax income / (expense)	(696)	(808)	756	(147)
	<b>(9,526)</b>	<b>(3,361)</b>	<b>(8,795)</b>	<b>(4,167)</b>
Profit from Discontinued Operations	-	28	-	-
<b>Loss for the period</b>	<b>(9,526)</b>	<b>(3,333)</b>	<b>(8,795)</b>	<b>(4,167)</b>



**Note:** The FY2021 forecasts comprise the twelve-month operations of Medserv plc as well as the six-month operations of Regis Holdings Limited, as further detailed in the Shareholder Circular dated 20 May 2021.

## FY2020 REVIEW

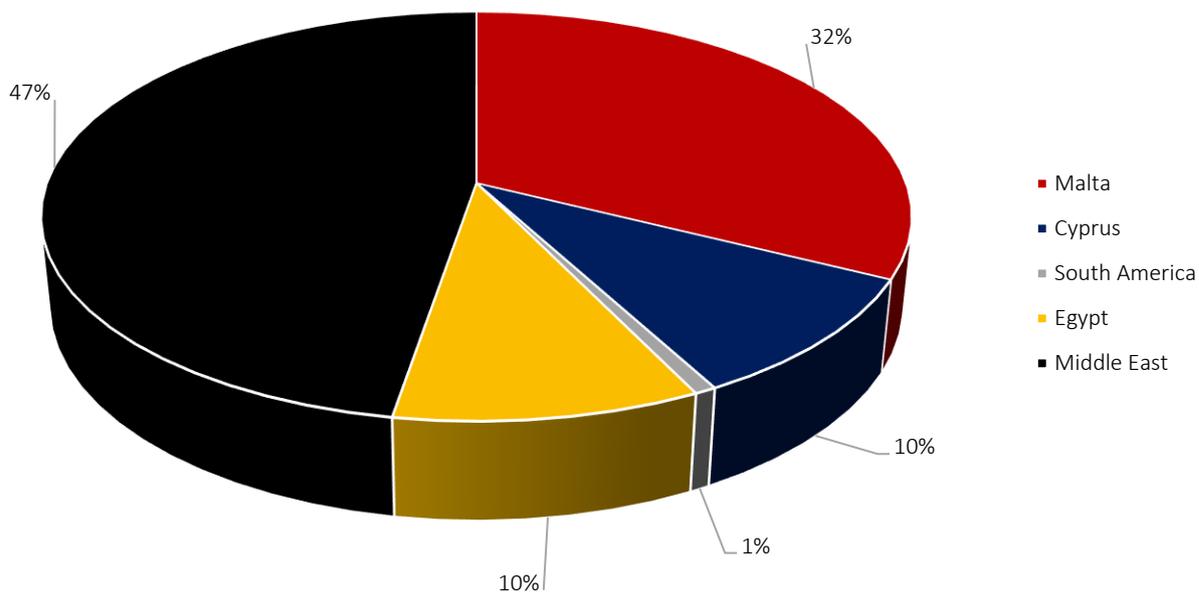
Revenue in FY2020 dropped from €68.7 million to €32.4 million. The substantial drop in business activity during the financial year under review reflects the non-recurrence of the income that was generated from the contract in Suriname in 2019, as well as the disruption brought about by the COVID-19 pandemic which caused a number of offshore exploration projects to be delayed to the second half of 2021. This led to the ILSS segment, one of the three main revenue segments of the Group, to contribute 51% to the year's revenue (FY2019: 76%). Meanwhile, although revenue from OCTG activities decreased in absolute terms, albeit at a much slower pace than ILSS, the contribution of this segment represented 47% of total revenue compared to just 23% in FY2019.



The majority of the revenue in FY2020 was generated from the Issuer's bases located in Malta (as support to the ILSS activities taking place offshore Libya) and Duqm, Oman (through METS). Together, these two bases contributed €18.8 million, representing 58% of total revenue for the year. Meanwhile, although the Suriname contract ended in mid-December 2019, the Company believes that this contract has provided the Group with significant positive exposure, particularly in cognisance of the opportunities that there are in the area (in view of the huge discoveries made in neighbouring Guyana by ExxonMobil and in Suriname by Total and Apache).



## 2020 Revenue Composition - Geography



Elsewhere, the bases located in Cyprus and Egypt (providing ILSS), and UAE (providing OCTG services) each contributed around 10% of total revenue whilst the METS bases located in Sohar and Iraq each generated between 5% and 6% of total revenue.

As a result of the substantial drop in activity in FY2020, the Group's EBITDA contracted significantly to €5.6 million compared to €12.7 million in FY2019. Depreciation and amortisation charges amounted to €9.8 million whilst during the year, the Issuer incurred impairment charges on property, plant and equipment amounting to €1.4 million (further information is available in section 8.5 of this report). The drop in EBITDA, coupled with the charges related to depreciation, amortisation and impairments led to an operating loss of €5.6 million (FY2019: operating profit of €3.1 million). After recognising a net finance charge of €4 million and taxation income of €0.8 million, the Group's performance resulted in a net loss of €8.8 million for the year.

### FORECASTS FY2021

As explained in section 3 of this report, FY2021 is expected to be characterised by the resumption of business activity across the Group's various geographic regions reflecting the rebound in economic activity across the world which also contributed to a substantial increase in the price of oil.

Activity within the Malta base and the Libyan branch will intensify reflecting the works on the 'A' and 'E' gas offshore structures and the contracts with Air Liquide, ENI and OMV. Likewise, in Cyprus, activity is expected to resume in Q4 2021 where the Group has contracts with ExxonMobil and Total S.A./ENI. Moreover, in Egypt,



besides the contract with ENI, the Group was awarded two contracts by BP, one of which is the largest ever contract won by Medserv in Egypt.

Within the OCTG operations, METS has in place contracts with Sumitomo, ENI, Mitsui, Changbao Oman Oil and Marubeni which it services from its bases located in Duqm and Sohar. In the UAE, the Group has a long-term contract with Tenaris whilst in Iraq, METS services its main client which is BP.

Following the transaction with Regis, the Group will gain additional exposure in Uganda and will also be present in Mozambique. Regis has contracts in place with the sub-contractors to the IOCs /operators in Mozambique.

As a result of the above, revenue in FY2021 is expected to surge by 37.6% to €44.6 million largely reflecting the planned rebound in ILSS activity (especially in H2 2021) whilst following the transaction with Regis, the Group will also generate the first revenues from the Sub-Sahara region as well as the income from South African produced goods and commodities mostly involving agricultural products such as seeds, spices, and staple foods. EBITDA for the year is expected to be €10.7 million (which is almost twice as much as the level recorded in FY2020) and will represent a better margin to revenue of almost 24% (FY2020: 17.2%) as the Group benefits from higher level of business which also creates additional efficiencies. Although this level of EBITDA will be sufficient to absorb the depreciation and amortisation charges for the year (€10.6 million when also including €1.8 million in projected amortisation charges of intangible assets), it will not be enough to also cover net finance costs amounting to €4.1 million. As a result, the Group is expected to end FY2021 with a loss of €4.2 million which however is much lower than the net loss of €8.8 million recorded in FY2020.



## 8.2 STATEMENT OF CASH FLOWS

	Actual	Actual	Actual	Forecast
<i>for the year ended 31 December</i>	2018	2019	2020	2021
	€'000	€'000	€'000	€'000
Net cash from operating activities	8,839	8,675	10,124	10,726
Net cash used in investing activities	(6,557)	(1,171)	(1,680)	(2,381)
Net cash used in financing activities	(2,346)	(9,036)	(3,976)	(11,224)
<b>Net movements in cash and cash equivalents</b>	<b>(64)</b>	<b>(1,532)</b>	<b>4,467</b>	<b>(2,879)</b>
Cash and cash equivalents at beginning of the year	2,769	2,407	625	13,526
Effects of exchange rate fluctuations on cash held	(298)	(223)	(414)	-
ECL Allowance	-	(27)	(27)	(27)
<b>Cash and cash equivalents at end of year</b>	<b>2,407</b>	<b>625</b>	<b>4,652</b>	<b>10,620</b>

### FY2020 REVIEW

Despite the drop in revenue in FY2020, during the year Medserv generated superior cash flows from operations when compared to FY2019 largely due to the cash inflow of €8.2 million related to trade and other receivables. The Group's investing activities in FY2020 remained relatively subdued and amounted to €1.7 million reflecting the cautious approach to cash outflows in view of the impact of the pandemic. Meanwhile, financing activities absorbed almost €4 million in FY2020 as the cash inflow from a new €5 million loan advanced under the Malta Development Bank COVID-19 Guarantee Scheme was outweighed by the repayment of bank interests and loans (€2.6 million), the interest paid on bonds (€2.7 million), and the payment of lease liabilities (€3.7 million).

### FORECASTS FY2021

With FY2021 expected to be a year of revival in activity, coupled with the transaction with Regis, the cash position of the Group is expected to improve materially. In fact, the Issuer is forecasting to have €10.6 million in cash balances as at the end of FY2021 (net of bank overdraft balance used for cash management purposes) despite the substantial cash flows used in financing activities amounting to €11.2 million which include €4 million as repayment of part of the Group's bank borrowings.



### 8.3 STATEMENT OF FINANCIAL POSITION

as at 31 December	Actual 2018 €'000	Actual 2019 €'000	Actual 2020 €'000	Forecast 2021 €'000
<b>ASSETS</b>				
Goodwill and intangible assets	13,162	11,751	9,836	11,117
Property, plant and equipment	33,201	31,472	27,736	34,412
Contract costs	636	368	-	-
Loan Receivable	-	-	-	5,077
Investments at FVTPL	-	-	-	3,578
Right-of-use assets	78,335	75,848	62,189	58,240
Deferred tax assets	9,419	4,065	3,491	3,396
<b>Total non-current assets</b>	<b>134,753</b>	<b>123,504</b>	<b>103,252</b>	<b>115,820</b>
Inventories	1,275	1,383	1,087	1,498
Current tax asset	1	107	183	-
Contract costs	334	318	318	-
Contract assets	68	1,608	32	350
Trade and other receivables	14,731	17,784	9,629	19,963
Cash at bank and in hand	5,616	5,743	7,267	11,492
<b>Total current assets</b>	<b>22,024</b>	<b>26,942</b>	<b>18,516</b>	<b>33,303</b>
<b>Total assets</b>	<b>156,777</b>	<b>150,446</b>	<b>121,768</b>	<b>149,123</b>
<b>LIABILITIES</b>				
Deferred income	31,852	31,072	30,575	-
Loans and borrowings	3,975	2,449	5,508	3,257
Bond (listed)	50,053	50,343	49,799	49,799
Trade and other payables	-	1,860	2,120	2,120
Lease liabilities	28,683	29,171	17,345	14,683
Deferred tax liabilities	6,486	1,984	608	284
Provisions & employee benefits	819	960	799	799
<b>Total non-current liabilities</b>	<b>121,868</b>	<b>117,839</b>	<b>106,754</b>	<b>70,942</b>
Current tax payable	37	12	6	14
Deferred income	876	776	812	-
Lease liabilities	1,826	1,374	1,024	1,098
Loans and borrowings	5,285	7,264	4,427	2,703
Trade and other payables, provisions & employee benefits	8,190	9,095	4,453	6,805
<b>Total current liabilities</b>	<b>16,213</b>	<b>18,519</b>	<b>10,722</b>	<b>10,620</b>
<b>Total liabilities</b>	<b>138,080</b>	<b>136,358</b>	<b>117,476</b>	<b>81,562</b>
<b>EQUITY</b>				
Share capital	5,374	5,374	5,374	10,164
Share premium	12,004	12,004	12,004	28,188
Reserves	10,187	9,829	8,499	2,529
Retained earnings	(8,216)	(12,439)	(20,533)	27,629
<b>Shareholders' Funds</b>	<b>19,349</b>	<b>14,768</b>	<b>5,344</b>	<b>68,510</b>
Non-controlling interest	(653)	(680)	(1,052)	(949)
<b>Total equity</b>	<b>18,696</b>	<b>14,088</b>	<b>4,292</b>	<b>67,561</b>
<b>Total equity and liabilities</b>	<b>156,777</b>	<b>150,446</b>	<b>121,768</b>	<b>149,123</b>



## FY2020 Review

The Group's total asset base contracted by 19.1% to €121.8 million in FY2020 mostly due to the reduction in the carrying amount of the right-of-use assets (a drop of €13.7 million to €62.2 million, from €75.8 million as at the end of FY2019) as well as trade and other receivables (a decrease of €8.2 million to €9.6 million, from 17.8 million as at 31 December 2019). In addition, the value of property, plant and equipment decreased by almost 12% to €27.7 million reflecting depreciation and impairment charges.

The drop in the carrying amount of the right-of-use assets reflects the annual depreciation charge (which in FY2020 amounted to €4.7 million) as well as a negative adjustment of €8.3 million related to lease modification. As per initial assessment in 2017, the Company recorded a right-of-use asset and lease liability up to 31 July 2042 in Duqm. However as of 31 December 2020, the Company has reassessed management's intention to renew the lease contract after original expiry in July 2027. As a result, management has revised the lease term from July 2042 to July 2027. This reduction of lease term by 15 years led to a revision downwards of the value of the right-of-use asset and lease liability by €4.2 million, respectively. As a result of this revision, a gain on lease modification amounting to €0.4 million was recognised in other income. Additionally, the Company signed during the year an addendum with the Sohar Free Zone Authority to reduce land size from 79,442 sq. metres to 49,442 sq. metres. The addendum is effective from 1 September 2019, which resulted in the reduction of both the right-of-use asset and the lease liability by another €3.3 million.

Meanwhile, the contraction in total trade and other receivables was largely the result of the amounts due from the nearshore drilling campaign in Suriname as at 31 December 2019 being received during Q1 2020 as well as a reduced trade receivable balance as at year end due to lower turnover compared to previous years.

Funding of the Group's operations is through a mix of debt and equity, with borrowings decreasing only marginally in FY2020 despite the adverse operating environment as the Group stopped all major capital investments and rationalised on cash outflows.

<i>for the year ended 31 December</i>	<b>Actual 2018</b>	<b>Actual 2019</b>	<b>Actual 2020</b>	<b>Forecast 2021</b>
	€'000	€'000	€'000	€'000
Loans and borrowings (non-current)	3,975	2,449	5,508	3,257
Bond (listed)	50,053	50,343	49,799	49,799
Loans and borrowings (current)	5,285	7,264	4,427	2,703
<b>Total Borrowings</b>	<b>59,313</b>	<b>60,056</b>	<b>59,734</b>	<b>55,759</b>
Cash at bank and in hand	5,616	5,743	7,267	11,492
<b>Net Debt</b>	<b>53,697</b>	<b>54,313</b>	<b>52,467</b>	<b>44,267</b>

The Group's equity base was negatively impacted by the losses incurred during the year, which increased the accumulated losses (i.e. the negative balance in the retained earnings reserve) to €20.5 million (31 December 2019: €12.4 million).



## Forecasts FY2021

***NB – the transaction with Regis will impact the way the accounts of the Medserv Group are presented from FY2021 onwards. For comparative purposes and in line with the information that was prepared for the purposes of the Circular to Shareholders dated 20 May 2021, the balance sheet for the year ending 31 December 2021 has been produced taking into account the combination of the Medserv Group and the Regis Group. The effect of the consolidation exercise going forward may have an impact in the way this information is presented.***

The Group's financial position in FY2021 is expected to be materially different from FY2020 largely reflecting the impact of the transaction with Regis. In fact, total assets are anticipated to increase by 22.5% to €149.1 million from €121.8 million as at 31 December 2020 mainly due to higher balances of goodwill and intangible assets (+€1.3 million); property, plant and equipment (+€6.7 million); the inclusion of a balance of €5.1 million in a secured loan receivable (which is related with the reorganisation of the Regis prior to the transaction with Medserv), as well as €3.6 million in investments measured at fair value (which are also related to the transaction with Regis). The latter consist of a diversified mix of listed instruments which were held by Regis for investments purposes and as part of treasury management. Meanwhile, trade and other receivables are projected to more than double to just under €20 million whilst the Group's cash balances are expected to increase to €11.5 million (when excluding the bank overdraft balance) from €7.3 million as at the end of 2020. In contrast, the balance of right-of-use assets is expected to contract by 6.4% to €58.2 million (31 December 2020: €62.2 million) which reflects the yearly depreciation charge that writes down the book value of this asset over the term of the respective leases.

Another important consideration which is the result of the transaction with Regis is that the transaction will bring about an element of goodwill and intangible assets. This will necessitate the determination of the fair value of the identifiable assets and liabilities of Medserv (the accounting acquiree), as well as any identifiable intangible assets (such as contracts in place, brand value etc.) arising in connection with the reverse acquisition. The latter would then be amortised over the remaining useful life of such assets whilst any goodwill would need to be tested for impairment at least annually. In preparing the profit forecast no account has been taken of any amortisation of new intangible assets. In addition, it has been assumed that the book value of the projected net assets of Medserv as at date of acquisition, is representative of their fair value. The difference between the purchase consideration and the projected net assets of Medserv as at date of acquisition has all been allocated to intangible assets without splitting between any identifiable intangible assets arising in connection with the acquisition and any resultant goodwill.

In terms of liabilities, the most significant change is anticipated to be in relation to the transfer of €31.4 million in 'Deferred Income' to equity, partly as a result of which, the Group's equity base is expected to climb to €67.6 million in FY2021 compared to €4.3 million as at the end of 2020.

During 2012, the Group was awarded an extension of property rights over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. These property rights, which comprise land and the overlying buildings and facilities, emanate from the various emphyteutical grant deeds, a lease agreement as well as the operating licence issued by the Malta Freeport Corporation Limited to MedOps. The award was conditional on



the Group investing €9 million in improvements to the underlying property and reaching employment levels of 90 full time equivalents by the year 2045. Both conditions were fulfilled by 31 December 2014. Medserv had recognised this government grant at fair value as 'Deferred Income' on the liability side of its balance sheet. This 'Deferred Income' was being recognised in profit or loss over the remaining period of the emphyteutical grant. The amount recognised in this respect in 'Other Income' in the Statement of Profit or Loss and Other Comprehensive Income during 2020 amounts to €0.8 million.

As part of the reverse acquisition accounting, Regis as the accounting acquirer in the business combination recognises a liability of the acquiree (Medserv) only if the acquiree has an obligation to perform subsequent to the acquisition. The obligation to perform is measured at fair value at the date of acquisition in accordance with the general measurement principle. As there is no continuing obligation to perform under this government grant after this acquisition, the deferred income does not meet any more the definition of a liability in terms of the Conceptual Framework. As a result, under IFRS 3 *Acquisition Accounting Requirements*, the Deferred Income (currently classified within liabilities in Medserv's financial statements) therefore cannot be recognised separately from goodwill at the date of acquisition as the definition of a liability is not met (and nevertheless, there is no further obligation to perform under this government grant). On the other hand, the favourable market terms are embodied in a fair value upwards adjustment to the right-of-use asset. The non-recognition of the deferred income at date of acquisition (of the reverse acquisition) will affect goodwill or the gain on bargain purchase in the consolidated financial statements and hence the Group's total equity.

Other notable changes to the liabilities of the Group expected in FY2021 are in relation to the amount of lease liabilities (-€2.6 million), loans and borrowings (-€4 million) and trade and other payables (+€2.4 million).

Meanwhile, the Group's equity base will also be positively impacted by the amount of retained earnings appertaining to Regis which is expected to lift this capital reserve to €27.6 million compared to negative €20.5 million as at the end of 2020. The Share Premium account will also be boosted by €16.2 million following the issuance of new 47,893,229 ordinary shares at a premium of €0.58c per share to the nominal value of €0.10c per share.



## 8.4 RATIO ANALYSIS

The following set of ratios have been computed by Rizzo Farrugia & Co (Stockbrokers) Ltd using the figures extracted from annual reports and management information.

*Note: where the ratios were non-comparable because of a negative return or a negative result, the ratio has been recorded as 'n/a' or excluded from the list of ratios presented in view of negative returns in all years under review.*

### PROFITABILITY RATIOS

The below is a set of ratios prepared to assist in measuring the Company's ability to generate profitable sales from its assets.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Gross Profit margin</b> <i>(Gross Profit / Revenue)</i>	32.14%	26.88%	34.66%	38.39%
<b>EBITDA margin</b> <i>(EBITDA / Revenue)</i>	20.23%	18.51%	17.17%	23.98%
<b>Operating Profit margin</b> <i>(Operating Profit / Revenue)</i>	n/a	4.49%	n/a	0.23%

The four years reviewed in this report have been characterised by volatile returns for the Group. As such, while up to EBITDA level, the Group was generating healthy margins, the charges pertaining to depreciation and amortisation (particularly) and finance costs resulted in the Group registering a loss in FY2018 and FY2020. As for FY2021, the Issuer is expecting a marginal return of 0.23% at the operating level.

### LIQUIDITY RATIOS

The below is a set of ratios prepared to assist in measuring the Company's ability to meet its short-term obligations.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	1.36x	1.45x	1.73x	3.14x
<b>Cash Ratio</b> <i>(Cash &amp; cash equivalents / Current Liabilities)</i>	0.35x	0.31x	0.68x	1.08x



The Group's current ratio for FY2018 and FY2019 has been around the 1.4x level, however this improved to 1.7x in FY2020 as the 42.1% drop in current liabilities to €10.7 million offset the 31.3% reduction in current assets to €18.5 million. In FY2021, this ratio is expected to improve substantially to just over 3x largely due to the considerable increase in cash balances following the transaction with Regis. In fact, the cash ratio is anticipated to surpass 1x in FY2021 from 0.7x in FY2020 and around 0.3x in the previous two years. The forecasted improvement in the cash position of the Group is also due to the higher level of business as well as the Group's continuous effort to manage its trade receivables effectively.

## SOLVENCY RATIOS

The below is a set of ratios prepared to assist in measuring the Company's ability to meet its debt obligations.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Interest Coverage ratio</b> <i>(EBITDA / Net finance costs)</i>	1.36x	2.25x	1.39x	2.59x
<b>Gearing Ratio (1)</b> <i>(Net debt / Total Equity)</i>	2.87x	3.86x	12.23x	0.66x
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	0.76x	0.81x	0.93x	0.45x
<b>Net Debt to EBITDA</b> <i>(Net Debt / EBITDA)</i>	7.34x	4.27x	9.43x	4.14x

Between FY2018 and FY2020, interest coverage and net debt to EBITDA ratios changed from one year to the next in line with the volatility in business reflecting the various developments described in this report. However, in FY2021, the solvency position of the Group is expected to strengthen considerably due to the improvement in business as well as the reorganisation of the Issuer's capital structure following the transaction with Regis. In fact, the Group's interest coverage ratio is anticipated to climb to 2.6x from 1.4x in FY2020. Likewise, the gearing ratio and the net debt to EBITDA multiple are anticipated to drop considerably and reach sustainable levels.



## 8.5 VARIATIONS IN THE ISSUER'S FINANCIAL PERFORMANCE

<i>for the year ended 31 December</i>	Actual	Forecast	Variance	
	2020	2020	%	€'000
	€'000	€'000		
Revenue	32,412	27,055	19.80%	5,357
Cost of Sales	(21,178)	(16,274)	30.13%	(4,904)
<b>Gross Profit</b>	<b>11,234</b>	<b>10,781</b>	<b>4.20%</b>	<b>453</b>
Other income	2,214	1,039	113.09%	1,175
Administrative expenses	(7,614)	(6,340)	20.09%	(1,274)
Impairment loss on financial assets	(258)	-	n/a	(258)
Other expenses	(10)	-	n/a	(10)
<b>EBITDA</b>	<b>5,566</b>	<b>5,480</b>	<b>1.57%</b>	<b>86</b>
Depreciation	(7,974)	(7,656)	4.16%	(318)
Impairment on PPE	(1,351)	-	n/a	(1,351)
Amortisation of Intangible Assets	(1,791)	(1,791)	0.00%	(0)
<b>Results from operating activities</b>	<b>(5,550)</b>	<b>(3,967)</b>	<b>39.91%</b>	<b>(1,583)</b>
Finance income	1,043	-	n/a	1,043
Finance costs	(5,044)	(5,723)	-11.87%	679
Net finance costs	(4,001)	(5,723)	-30.09%	1,722
<b>Loss before tax</b>	<b>(9,551)</b>	<b>(9,690)</b>	<b>-1.44%</b>	<b>139</b>
Tax income / (expense)	756	(106)	-813.21%	862
<b>Loss for the period</b>	<b>(8,795)</b>	<b>(9,796)</b>	<b>-10.22%</b>	<b>1,001</b>

Despite revenue for FY2020 being 19.8% higher than forecasted in last year's report (largely due to the better performance of the Malta base), the EBITDA generated was only 1.6% superior to that forecasted since Medserv incurred additional cost of sales and administrative expenses which were however partly offset by the incidence of higher other income. The increase in the cost base of the Issuer in FY2020, compared to the previous forecasts, is mainly related to the improvement in the volume of work especially at the Malta base; the professional fees incurred in relation to the conditional framework agreement with AMT S.A. which was later aborted; as well as the due diligence expenses in preparation for the transaction with Regis.

Depreciation charges were only marginally higher in FY2020 than anticipated but during the year, the Group recorded impairment charges on property, plant and equipment amounting to €1.4 million. These relate to the Issuer's operating bases in the UAE (-€1 million), Egypt (€0.2 million), Malta (-€0.4 million) and Oman (+€0.5 million). On the other hand, net finance costs were 30% lower than anticipated largely due to the recognition of unrealised favourable exchange difference (€0.6 million) and interest clawback on bank loan (€0.4 million). Overall, the Company posted a pre-tax loss of €9.6 million which was in line with the forecasted figure of €9.7 million. Meanwhile, the Issuer benefitted from a favourable movement in temporary differences amounting to €0.8 million in the tax computation for the year, thus leading to a lower net loss of €8.8 million compared to the projected figure of €9.8 million.



## 9. GUARANTOR PERFORMANCE & FINANCIAL POSITION OVERVIEW

Set up in 1974, Medserv Operations Limited ("MedOps") has been the main operating subsidiary of the Group providing ILSS. MedOps is the Guarantor of the bond issue to which this FAS relates to (i.e. the bond programme for the €20 million 6% bond 2020/23) and also holds the emphyteutic rights over its site within the Malta Freeport.

What follows is an analysis of the FY2020 figures in comparison to the previous two years and a presentation of the forecasts for the current year. The information in relation to the historic information is sourced from published annual reports as issued by MedOps as well as from additional information provided by management. The forecasts have been provided and approved by the Guarantor's management.

Unless otherwise stated, all amounts in the tables below are in thousands of euro (€'000) and have been subject to rounding.

### 9.1 INCOME STATEMENT

<i>for the year ended 31 December</i>	<b>Actual</b> <b>2018</b> €'000	<b>Actual</b> <b>2019</b> €'000	<b>Actual</b> <b>2019</b> €'000	<b>Forecast</b> <b>2021</b> €'000
Revenue	13,672	13,768	10,506	11,330
Cost of Sales	(9,451)	(8,920)	(7,204)	(7,751)
<b>Gross Profit</b>	<b>4,221</b>	<b>4,848</b>	<b>3,302</b>	<b>3,579</b>
Other income	878	941	1,405	776
Administrative and other expenses (Impairment) / reversal of loss on financial assets	(1,384) (82)	(1,965) 1,232	(2,830) -	(2,036) -
<b>EBITDA</b>	<b>3,633</b>	<b>5,056</b>	<b>1,877</b>	<b>2,319</b>
Depreciation and amortisation	(2,898)	(2,506)	(2,512)	(2,531)
<b>Results from operating activities</b>	<b>736</b>	<b>2,550</b>	<b>(635)</b>	<b>(212)</b>
Net finance costs	(1,180)	(1,160)	(813)	(761)
<b>Profit / (Loss) before tax</b>	<b>(444)</b>	<b>1,390</b>	<b>(1,448)</b>	<b>(973)</b>
Tax income / (expense)	(786)	(204)	814	(259)
<b>Net Profit / (Loss) for the year</b>	<b>(1,230)</b>	<b>1,186</b>	<b>(634)</b>	<b>(1,232)</b>

### FY2020 REVIEW

The Guarantor's total revenue for FY2020 amounted to €10.5 million (FY2019: €13.8 million), representing a decrease of 23.7% over the previous year. MedOps managed to retain a reasonable volume of business given the unfavourable economic climate. However, margins worsened when compared to the previous year resulting in an operating loss during the year amounting to €0.6 million (FY2019: operating profit of €2.6 million). The postponement of the offshore drilling projects and the restrictions imposed due to the pandemic meant a global economic recession whose effects impacted the Guarantor's financial performance for the year.



The EBITDA of MedOps amounted to €1.9 million compared to €5.1 million in FY2019. After recognising depreciation amounting to €2.5 million (FY2019: €2.5 million) and net finance costs amounting to €0.8 million (FY2019: €1.2 million), the Guarantor registered a loss before tax of €1.4 million (FY2019: profit before tax of €1.4 million). After accounting for taxation, the loss for the year amounted to €0.6 million (FY2019: profit of €1.2 million).

#### FORECASTS FY2021

The financial performance of the Guarantor at EBITDA and operating level is expected to show an improvement in FY2021 when compared to FY2020. Revenues are anticipated to increase by 7.8% to €11.3 million reflecting the higher level of business activity as previously explained in section 2 of this report. Moreover, EBITDA is projected to surge by 23.5% to €2.3 million reflecting also improved margins, whilst although the Guarantor is expecting to post another operating loss of €0.2 million, this is much lower than the operating loss of €0.6 million recorded in FY2020.

As such, management believes that the Guarantor will continue to remain the shore base of choice for operations offshore Libya despite the continued political turmoil and hostile environment in the country. The storage capabilities in Malta remains an attractive offering and further business in this regard is forecasted in FY2021.



## 9.2 STATEMENT OF CASH FLOWS

<i>for the year ended 31 December</i>	Actual	Actual	Actual	Forecast
	2018	2019	2020	2021
	€'000	€'000	€'000	€'000
Net cash from / (used for) operating activities	594	2,934	2,281	5,686
Net cash used for investing activities	(196)	(618)	(208)	(153)
Net cash used for financing activities	(2,128)	(3,637)	515	(2,542)
<b>Net movements in cash and cash equivalents</b>	<b>(1,730)</b>	<b>(1,321)</b>	<b>2,588</b>	<b>2,991</b>
Cash and cash equivalents at beginning of the year	(574)	(2,305)	(3,625)	(1,038)
<b>Cash and cash equivalents at end of year</b>	<b>(2,305)</b>	<b>(3,626)</b>	<b>(1,038)</b>	<b>1,953</b>

### FY2020 REVIEW

The cash contribution from operating activities during FY2020 was inferior to that of FY2019, reflecting the downturn in activity brought about by the COVID-19 pandemic. Investing activities during the year dropped from €0.6 million to €0.2 million as MedOps implemented a series of cost reduction measures with a view of preserving cash resources that also impacted capital expenditure. Meanwhile, in terms of cash flows used for financing activities, the Guarantor benefitted from the proceeds from a new €5 million loan falling under the Malta Development Bank COVID-19 Guarantee Scheme, of which, €3.8 million were used to support and finance the activities of related parties. The Guarantor closed the year in a negative cash position of €1 million compared to a negative cash position of €3.6 million as at 31 December 2019.

### FORECASTS FY2021

The forecasts for FY2021 indicate a material increase in cash flows from operating activities to €5.7 million from €2.3 million in FY2020 reflecting the repayment by trade receivables as well as a marked increase in business particularly related to services to activity taking place offshore Libya as well as the long-term contract with Air Liquide for the installation and operation of a compressed gases filling plant for the provision of diving and welding gases to the offshore industry in Mediterranean. On the other hand, despite the projected increase in business, cash used for investing activities will be maintained relatively unchanged at a low level. Conversely, the Guarantor is expected to use €2.5 million for financing activities in relation to the partial repayment of bank borrowings and borrowings from the Issuer, as well as the payment of lease liabilities. Nonetheless, in view of the surge in net cash inflows from operating activities, MedOps is still anticipating to end the 2021 financial year with a positive cash balance of just under €2 million compared to a negative cash position of €1 million as at 31 December 2020.



### 9.3 STATEMENT OF FINANCIAL POSITION

<i>as at 31 December</i>	Actual 2018 €'000	Actual 2019 €'000	Actual 2020 €'000	Forecast 2021 €'000
<b>ASSETS</b>				
Property, plant and equipment	16,747	16,256	15,448	14,476
Right-of-use assets	58,509	57,104	55,698	54,293
Deferred tax assets	8,582	2,581	3,396	3,137
<b>Total non-current assets</b>	<b>83,837</b>	<b>75,941</b>	<b>74,542</b>	<b>71,906</b>
Contract asset	24	542	2	-
Trade and other receivables	15,103	8,015	7,958	5,011
Cash at bank and in hand	108	83	182	1,953
<b>Total current assets</b>	<b>15,235</b>	<b>8,640</b>	<b>8,143</b>	<b>6,964</b>
<b>Total assets</b>	<b>99,072</b>	<b>84,581</b>	<b>82,685</b>	<b>78,870</b>
<b>LIABILITIES</b>				
Deferred income	31,797	31,021	30,533	29,757
Non-current portion of loan from parent	8,050	2,077	941	-
Non-current portion of bank loan	549	235	5,034	3,827
Lease liabilities	9,977	10,043	10,086	10,154
Deferred tax liability	5,796	-	-	-
Provisions	33	33	51	42
<b>Total non-current liabilities</b>	<b>56,202</b>	<b>43,409</b>	<b>46,646</b>	<b>43,780</b>
Deferred income	876	776	808	776
Current portion of bank loan and bank overdraft	3,148	4,023	1,688	1,269
Amount due to parent	3,900	-	-	-
Provision	-	16	-	-
Trade and other payables	2,667	3,356	1,176	1,909
<b>Total current liabilities</b>	<b>10,589</b>	<b>8,171</b>	<b>3,672</b>	<b>3,954</b>
<b>Total liabilities</b>	<b>66,791</b>	<b>51,579</b>	<b>50,317</b>	<b>47,737</b>
<b>Equity</b>				
Share capital	233	233	233	233
Parent company contribution	13,074	13,074	13,074	13,074
Reserves	19,102	18,844	18,584	18,327
Retained earnings	(129)	851	476	(498)
<b>Total equity</b>	<b>32,280</b>	<b>33,001</b>	<b>32,367</b>	<b>31,136</b>
<b>Total equity and liabilities</b>	<b>99,072</b>	<b>84,580</b>	<b>82,685</b>	<b>78,870</b>



## FY2020 REVIEW

Financial position movements in FY2020 focused principally on the reclassification of part of the Guarantor's bank borrowings from current to non-current. Moreover, total bank borrowings increased from €4.3 million in FY2019 to €6.7 million in FY2020, reflecting the new €5 million loan falling under the Malta Development Bank COVID-19 Guarantee Scheme. The impact of depreciation on the Guarantor's property, plant and equipment and the lease payments also had its usual effect on the balance sheet while trade and other payables dropped by 65% to €1.2 million compared to €3.4 million as at 31 December 2019.

Meanwhile, in view of the loss recorded in FY2020, retained earnings contracted to €0.5 million from €0.9 million in FY2019 and the Guarantor did not declare or propose any dividends.

## FORECASTS FY2021

The asset base as at the end of FY2021 is expected to contract to €78.9 million from €82.7 million as at 31 December 2020 reflecting the depreciation charge to the company's leased asset and PPE as well as a material reduction in trade and other receivables. Financing is expected to remain composed of a mix of bank facilities in place and equity albeit dependence on bank borrowings is expected to drop markedly as the Guarantor anticipates a 24.2% reduction in bank loans to €5.1 million from €6.7 million in FY2020. In addition, MedOps is also anticipating the payment of a loan from the Issuer amounting to €0.9 million. Meanwhile, retained earnings are once again expected to swing into negative territory bringing total equity to €31.1 million from €32.4 million as at 31 December 2020.



## 9.4 RATIO ANALYSIS

The following set of ratios have been computed by Rizzo Farrugia & Co (Stockbrokers) Ltd using the figures extracted from annual reports and information and forecasts provided by management.

*Note: where the ratios were non-comparable because of a negative return or a negative result, the ratio has been recorded as 'n/a'.*

### PROFITABILITY RATIOS

Such ratios assist in measuring the Guarantor's ability to generate profitable sales from its assets.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Gross Profit margin</b> <i>(Gross Profit / Revenue)</i>	30.87%	35.21%	31.43%	31.59%
<b>EBITDA margin</b> <i>(EBITDA / Revenue)</i>	26.57%	36.72%	17.87%	20.47%
<b>Operating Profit margin</b> <i>(Operating Profit / Revenue)</i>	5.38%	18.52%	n/a	n/a
<b>Net Profit margin</b> <i>(Profit for the period / Revenue)</i>	n/a	8.61%	n/a	n/a
<b>Return on Equity</b> <i>(Profit for the period / Average Equity)</i>	n/a	3.63%	n/a	n/a
<b>Return on Capital Employed</b> <i>(Profit for the period / Average Capital Employed)</i>	n/a	2.85%	n/a	n/a
<b>Return on Assets</b> <i>(Profit for the period / Average Assets)</i>	n/a	1.25%	n/a	n/a

An improvement in margins and returns across the board were registered in 2019 compared to 2018. However, as can be seen and in view of the reasons mentioned earlier on in this report, the numbers turned materially negative in 2020. Meanwhile, in FY2021, the Guarantor is expecting an improvement in the EBITDA margin reflecting the increased business activity. However, the other profitability ratios will remain negative reflecting the additional expected loss for the year.



## LIQUIDITY RATIOS

Such ratios assist in measuring the Guarantor's ability to meet its short-term obligations.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	1.44x	1.06x	2.22x	1.76x
<b>Cash Ratio</b> <i>(Cash &amp; cash equivalents / Current Liabilities)</i>	0.01x	0.01x	0.05x	0.49x

Dependency of the Guarantor on the bank overdraft was essential in FY2018 and likewise in FY2019, as evidenced by the Guarantor's cash ratio of just 0.01 times, as the situation with respect to payment processes specifically emanating from Libya remained evident. This situation improved somewhat in FY2020 albeit marginally. On the other hand, in FY2021, MedOps is expecting its cash ratio to increase to 0.49 times reflecting the significant increase in cash reserves resulting from the improved business activity as well as the receipt of long outstanding trade receivables.

## SOLVENCY RATIOS

Such ratios assist in measuring the Guarantor's ability to meet its debt obligations.

	Actual FY2018	Actual FY2019	Actual FY2020	Forecast FY2021
<b>Interest Coverage ratio</b> <i>(EBITDA / Net finance costs)</i>	3.08x	4.36x	2.31x	3.05x
<b>Gearing Ratio (1)</b> <i>(Net debt / Total Equity)</i>	0.36x	0.19x	0.23x	0.10x
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	0.27x	0.16x	0.19x	0.14x
<b>Net Debt to EBITDA</b> <i>(Net Debt / EBITDA)</i>	3.20x	1.24x	3.98x	1.36x



Interest cover in FY2019 improved over that for FY2018 to 4.36 times. However, the results for FY2020 reversed this positive trend as the multiple dropped to 2.31 times reflecting the materially lower level of EBITDA. However, in view of the expected rebound in activity in FY2021, the interest cover will again climb to just above 3 times.

Gearing ratios for FY2019 improved as did the all-important net debt to EBITDA multiple. Unfortunately, for reasons described above, these numbers deteriorated materially in FY2020. However, in FY2021, the Guarantor is again expected to achieve a net debt to EBITDA multiple of well below 2 times whilst the gearing ratio based on total debt is projected to drop to 14.1% from 19.1% in FY2020.

## 9.5 VARIATIONS IN THE GUARANTOR'S FINANCIAL PERFORMANCE

<i>for the year ended 31 December</i>	Actual	Forecast	Variance	
	2020	2020	%	€'000
	€'000	€'000		
Revenue	10,506	6,105	72.09%	4,401
Cost of Sales	(7,204)	(4,934)	46.01%	(2,270)
<b>Gross Profit</b>	<b>3,302</b>	<b>1,171</b>	181.97%	2,131
Other income	1,405	775	81.35%	630
Administrative and other expenses	(2,830)	(2,000)	41.50%	(830)
<b>EBITDA</b>	<b>1,877</b>	<b>(54)</b>	n/a	1,931
Depreciation and amortisation	(2,512)	(2,519)	-0.28%	7
<b>Results from operating activities</b>	<b>(635)</b>	<b>(2,573)</b>	-75.34%	1,938
Net finance costs	(813)	(970)	-16.20%	157
<b>Profit / (Loss) before tax</b>	<b>(1,448)</b>	<b>(3,543)</b>	-59.15%	2,096
Tax expense	814	44	1751.03%	770
<b>Net Profit / (Loss) for the year</b>	<b>(634)</b>	<b>(3,499)</b>	-81.91%	2,866

Despite the challenging operating environment, the Guarantor's performance in FY2020 was significantly better than forecasted as revenues were 72.1% higher than previously anticipated as a level of activity offshore Libya was maintained. Likewise, the Guarantor generated a positive EBITDA of €1.88 million compared to the anticipated marginal negative EBITDA of €0.05 million. Meanwhile, MedOps achieved a net loss of €0.6 million compared to the forecasted loss of €3.5 million.



## PART C

## LISTED SECURITIES

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Medserv plc's ordinary shares are listed on the Official List of the Malta Stock Exchange – details as follows:

ISIN: MT0000310103

Issued Shares: 101,637,634 ordinary shares (*including the issuance of 47,893,229 new ordinary shares for the acquisition of the shares in Regis*)

Nominal Value: €0.10

Apart from the shares, the Issuer has issued other debt securities which are also listed on the Official List of the Malta Stock Exchange. Details of these bonds are found in the table below:

ISIN	Details	Maturity	Nominal Amount
MT0000311218	6% Secured & Guaranteed 2020/2023 S1 T1	Callable between 30/09/2020 and 30/09/2023	20,000,000
MT0000311234	4.5% Unsecured 2026 (€)	05/02/2026	21,982,400
MT0000311242	5.75% Unsecured 2026 (\$)	05/02/2026	9,148,100



PART D

COMPARATIVES

*NB: The table below seeks to compare the securities of Medserv with a selection of securities with a similar term. It is to be noted, however, that there are significant differences in the business models of each of the listed companies being compared below and an exact match to the operations and business of the Issuer (and/or Guarantor) is not available. Thus, while the metrics below can be used as a gauge of Medserv's financial strength against other issuers listed locally, they do not capture the quantitative factors such as the different business models of each issuer, their competitive position in the market, KPIs, etc.*

<i>Bond Details</i>	<i>Amount Outstanding (€)</i>	<i>Gearing (%)*</i>	<i>Net Debt to EBITDA (times)</i>	<i>Interest Cover (times)</i>	<i>YTM (as at 11.06.2021)</i>
4.25% GAP Group plc 2023 (Secured)	19,247,300	79.5%	6.51x	2.63x	2.64%
5.50% Med. Inv. Holding plc 2023	20,000,000	26.9%	3.73x	3.96x	4.99%
5.80% Int. Hotel Investments plc 2023	10,000,000	41.3%	n/a	n/a	5.11%
6.00% AX Investments plc 2024	40,000,000	25.6%	28.51x	0.76x	4.74%
<b>6.00% MEDSERV PLC 2020/23 (Secured) (Callable)</b>	<b>20,000,000</b>	<b>92.4%</b>	<b>9.43x</b>	<b>1.39x</b>	<b>5.99%</b>
4.00% MIDI plc 2026 (Secured)	50,000,000	32.0%	n/a	n/a	3.33%
4.00% Int. Hotel Investments plc 2026 (Secured)	55,000,000	41.3%	n/a	n/a	3.35%
4.00% Int. Hotel Investments plc 2026 (Unsecured)	60,000,000	41.3%	n/a	n/a	3.69%
3.90% Plaza Centres plc 2026	7,720,000	10.6%	1.64x	4.13x	2.96%
<b>4.50% MEDSERV PLC 2026</b>	<b>21,982,400</b>	<b>92.4%</b>	<b>9.43x</b>	<b>1.39x</b>	<b>5.77%</b>
3.25% AX Group plc 2026	15,000,000	25.6%	28.51x	0.76x	2.27%
3.75% Premier Capital plc 2026	65,000,000	56.3%	1.33x	7.39x	3.34%

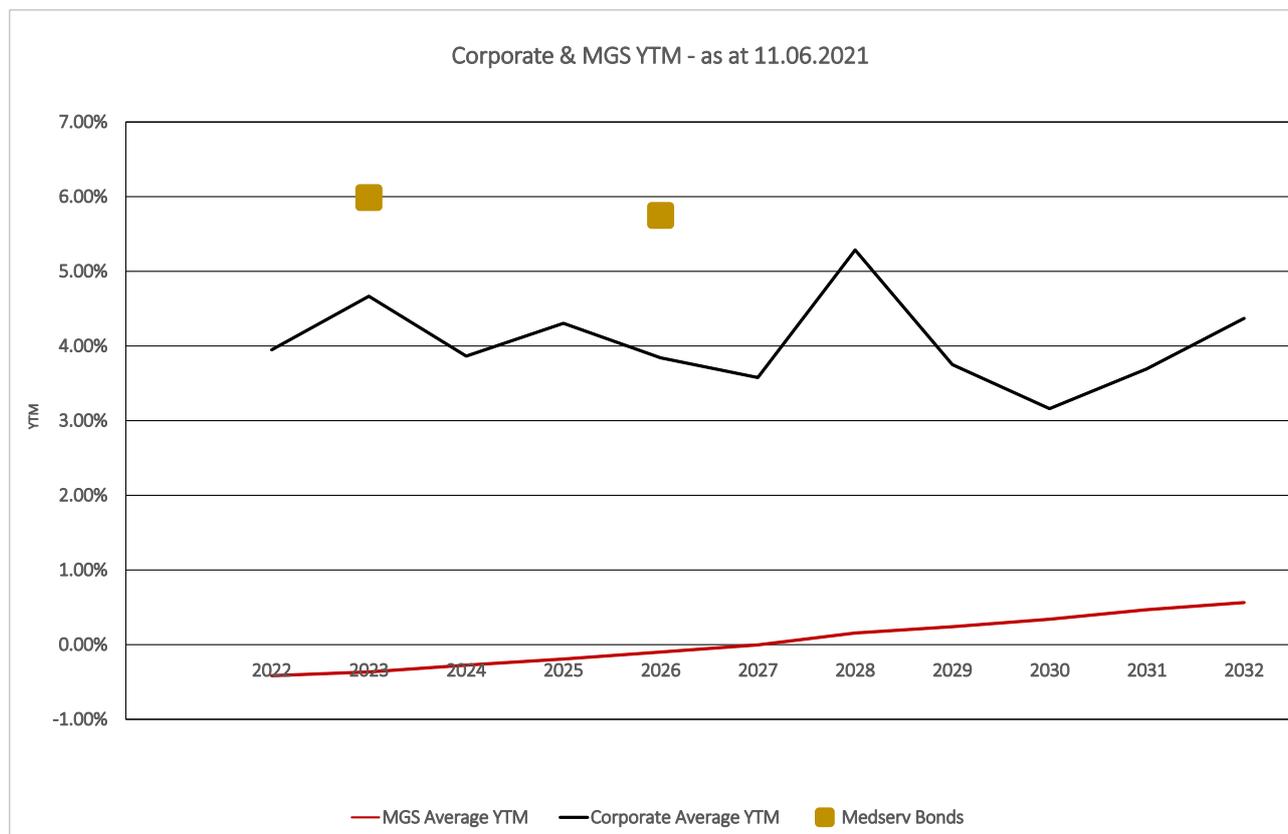
Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Rizzo, Farrugia & Co (Stockbrokers) Ltd

\*Gearing:  $(Net\ Debt / [Net\ Debt + Total\ Equity])$

The chart overleaf compares the 6% Medserv plc Secured 2020/23 bond to other corporate bonds listed on the Malta Stock Exchange and benchmarked against the Malta Government Stock yield curve as at 11 June 2021.



## MEDSERV PLC BONDS' YTM VS CORPORATE & MGS YTM – AS AT 11 JUNE 2021



Both the Medserv bonds currently outstanding yield a rate which constitutes a premium to the corporate bonds' average YTM for that particular year. At almost 6%, the 6% Medserv callable bond 2020/23 is 132 basis points over the corporate bonds average YTM for 2023 and 636 basis points over the average MGS YTM. The 4.5% Medserv bonds maturing in 2026 had a yield of 5.75% based on the closing prices of 11 June 2021, which is 191 basis points over the corporate bonds average YTM maturing in the same year and 585 basis points over the average MGS YTM.

**INCOME STATEMENT EXPLANATORY DEFINITIONS**

Revenue	Total revenue generated by the company from its business activity during the financial year.
EBITDA	Earnings before interest, tax, depreciation and amortization, reflecting the company's earnings purely from operations.
Normalisation	Normalisation is the process of removing non-recurring expenses or revenue from a financial metric like EBITDA, EBIT or earnings. Once earnings have been normalised, the resulting number represents the future earnings capacity that a buyer would expect from the business.
EBIT	Earnings before interest and tax.
Depreciation and Amortization	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
Finance Income	Interest earned on cash bank balances and from the intra-group companies on loans advanced.
Finance Costs	Interest accrued on debt obligations.
Net Profit	The profit generated in one financial year.

**CASH FLOW STATEMENT EXPLANATORY DEFINITIONS**

Cash Flow from Operating Activities	The cash used or generated from the company's business activities.
Cash Flow from Investing Activities	The cash used or generated from the company's investments in new entities and acquisitions, or from the disposal of fixed assets.
Cash Flow from Financing Activities	The cash used or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

**STATEMENT OF FINANCIAL POSITION EXPLANATORY DEFINITIONS**

Assets	What the company owns which can be further classified in Current and Non-Current Assets.
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Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Liabilities	What the company owes, which can be further classified in Current and Non-Current Liabilities.
Current Liabilities	Obligations which are due within one financial year.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Equity	Equity is calculated as assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.

### PROFITABILITY RATIOS

EBITDA Margin	EBITDA as a percentage of total revenue.
Operating Profit Margin	Operating profit margin is operating profit achieved during the financial year expressed as a percentage of total revenue.
Net Profit Margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Return on Equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on Capital Employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	This is computed by dividing profit after tax by total assets.

### LIQUIDITY RATIOS

Current Ratio	The current ratio is a financial ratio that measures whether a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
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Cash Ratio

Cash ratio is the ratio of cash and cash equivalents of a company to its current liabilities. It measures the ability of a business to repay its current liabilities by only using its cash and cash equivalents and nothing else.

#### SOLVENCY RATIOS

Interest Coverage Ratio

This is calculated by dividing a company's EBITDA of one period by the company's net finance costs of the same period.

Gearing Ratio

The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's net debt by net debt plus shareholders' equity.

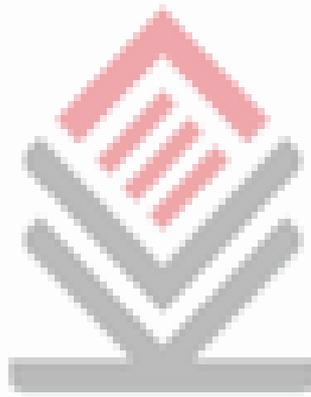
Net Debt to EBITDA

This is the measurement of leverage calculated by dividing a company's interest-bearing borrowings net of any cash or cash equivalents by its EBITDA.

#### OTHER DEFINITIONS

Yield to Maturity

YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current



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