COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE **"COMPANY"**)

Half Yearly Report

Date of Announcement	23 August 2017
Reference	161/2017
Listing Rule	LR5.16.20

Quote

The Board of Directors has today approved the half yearly report of the Company for the financial period 1 January 2017 to 30 June 2017, a copy of which is attached hereto and is available for public inspection in electronic form on the Company's website (www.medservenergy.com).

Unquote

Laragh Cassar
Company Secretary

Medserv P.l.c.
Malta Freeport
Port of Marsaxlokk
Birzebbugia BBG3011,
Malta

t +356 2220 2000
f +356 2220 2328
e info@medservenergy.com
w www.medservenergy.com
Co. Reg. C 28847

Medserv p.l.c.

Directors' Report pursuant to Listing Rule 5.75.2

For the Period 1 January 2017 to 30 June 2017

Medserv p.l.c.
Malta Freeport
Port of Marsaxlokk,
Birzebbugia BBG07, Malta
Tel: (00356) 2220 2000
Fax: (00356) 2220 2328

This report is published in terms of Chapter 5 of the Listing Rules of The Listing Authority, Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005.

The condensed consolidated interim financial statement figures have been extracted from the Group's unaudited accounts for the six months ended 30 June 2017 and its comparative period in 2016. The comparative consolidated statement of financial position has been extracted from the audited financial statements as at 31 December 2016. These condensed consolidated interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 - Interim Financial Reporting). These condensed consolidated interim financial statements were approved by the Board of Directors on 23 August 2017. In terms of Listing Rule 5.75.5, the directors state that this half-yearly financial report has not been audited or reviewed by the Group's independent auditors.

Principal activities

The principal activities of the Group consist of providing shore base logistics to the offshore oil and gas industry and engineering and supply chain management for Oil Country Tubular Goods (OCTG) to support the onshore oil and gas industry. Shore base logistics is mainly provided from the Group's bases set up in Mediterranean rim countries, supporting international oil companies in their offshore activities, ranging from exploration to development and production. Engineering and supply chain management for OCTG were added to the Group's portfolio following the acquisition of Middle East Tubular Services Group of Companies (METS) in the first quarter of 2016. These services are principally provided from METS facilities in the Middle East.

Review of performance

The Group's turnover for the six month period ended 30th June 2017 amounted to €13,619,788 compared to €17,300,563 registered in the comparative period to 30th June 2016 thus representing a reduction in turnover of €3,680,775. This reduction is a result of the slowdown in performance across the Group's operations, Integrated Logistic Support Services (ILSS) and Oil Country Tubular Goods (OCTG). As previously reported, this depressed revenue is in line with the global trend but is not expected to continue as Group operations will pick up in both ILSS and OCTG, primarily in the fourth quarter of this year.

The Group's adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for the six month period ending 30th June 2017 amounted to €1,601,446 compared to €3,546,521 for the same period last year. After accounting for depreciation amounting to €1,810,801 (2016: €1,700,723), amortisation amounting to €1,389,646 (2016: €826,722) and net finance cost amounting to €1,495,008 (2016: €810,522) the Group registered a loss before tax of €2,897,068 (2016: profit of €275,851). Tax expense for the six month period amounted to €549,751 (2016: €57,417) resulting in a net loss for the period from continued operations of €3,446,819 (2016: profit of €218,434).

Reported in 'Other Comprehensive Income' are foreign currency translation differences arising from the operations of METS amounting to €1,819,503. Netting this amount are changes in cash flow hedges amounting to €800,935. The net effect for the reporting period amounts to €1,018,568. This result is a reporting calculation and not a realised exchange difference.

The Group still maintained positive earnings despite the business environment experienced by oil and gas service companies during this period and with the substantial investment in resources required to deliver the Group's strategy for growth.

Review of performance (continued)

During this reporting period, the Group has recognized to profit and loss amortization amounting to €1,389,646 (2016: €826,722) for which the Group has still to reap its benefits as it continues to grow its business in the Middle East. Also, the Group has positioned itself for growth in new geographical markets and implemented a succession plan resulting in a strong management team, the expense of which is being recognized to profit and loss. The benefits of such a strategy are not immediate, but long term.

Outlook

The Group's outlook remains positive as substantial revenue growth is forecast for years 2018 to 2020. This growth forecast is made up from drilling projects and workover programs already contracted in both ILSS and OCTG reporting segments to come to fruition in the coming three years, as well as securing an additional two new geographic markets by year 2018.

ILSS business is currently made up of shore bases in Malta, Portugal and Cyprus. Operations for Malta and Portugal are to remain in line with the first six months of 2017. In Cyprus, the Group has developed a second operating base in Limassol and will be supporting an intense drilling program from both Larnaca (storage only) and Limassol (full operation). The drilling program is scheduled to start in the fourth quarter of 2017 and continue in year 2018.

ILSS business is expected to increase as the Group is in advanced stages to conclude a strategically important long-term contract for the provision of shore base services in a new geographical area. Should the Group be successful, operations will be of a longer term nature with significant growth potential. The nature of the offshore projects being serviced will be that of development and production rather than exploratory.

The main OCTG contributor to date has been the Oman business which is expected to remain a major contributor to the Group especially as the new base in Duqm becomes operational in the fourth quarter of this year. This will include the provision of additional services over and above the current services provided in Sohar which consist of inspection and rig ready/rig return service.

Iraq has registered increased demand in the third quarter of this year and noticeable growth in revenue and EBITDA is expected in the coming year as the International Oil Companies (IOCs) resume their work over programs and demand for inspection and machine shop service increases.

The Group continues to consolidate its position in present operating regions, currently being the Mediterranean, North Africa and the Middle East. In addition the Group remains committed to expand its global presence by participating in various tenders in new markets.

The Group revised downwards its revenue forecast for the year 2017 from €35.9 to €30 million. As a result, EBITDA for the year is expected to be in the range of €4 million with EBITDA margin to remain at the same levels as reported in the last annual consolidated financial statements. The second half of the reporting year is expected to register an improved performance over the first half of the year with robust growth in year 2018.

Related party transactions

Transactions with each category of related parties and the balances outstanding at the end of the reporting periods are set out in note 10 to the condensed consolidated interim financial statements.

Dividends

No interim dividends are being recommended.

Approved by the Board on 23 August 2017 and signed on its behalf by:

Anthony J Duncan
Director

Anthony S Diacono
Director

Medserv p.l.c.

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Note	At 30.06.17 €	At 31.12.16 €
ASSETS			
Property, plant and equipment	8	**31,801,803**	34,254,781
Intangible assets and goodwill		**16,085,024**	17,180,253
Trade and other receivables		**1,836,048**	1,272,321
Prepaid operating lease		**32,960,173**	33,347,939
Deferred tax assets		**8,308,123**	8,837,098
Non-current assets		**90,991,171**	94,892,392
Inventories		**1,193,921**	1,266,371
Prepaid operating lease		**775,533**	775,533
Current tax assets		**1,565**	1,565
Trade and other receivables		**17,011,932**	18,299,765
Cash at bank and in hand		**4,974,438**	6,217,782
Current assets		**23,957,389**	26,561,016
Total assets		**114,948,560**	121,453,408

Medserv p.l.c.

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2017

	Note	At 30.06.17 €	At 31.12.16 €
EQUITY			
Share capital		**5,374,441**	5,374,441
Share premium		**12,003,829**	12,003,829
Retained earnings		**5,310,027**	8,572,973
Other reserves		**(617,626)**	403,163
		-----------------	-----------------
Equity attributable to owners of the Company		**22,070,671**	26,354,406
Non-controlling interests		**(128,064)**	53,588
Total equity		**21,942,607**	26,407,994
LIABILITIES			
Loans and borrowings		**51,404,117**	52,056,568
Employee benefits		**673,936**	536,629
Deferred income		**32,960,173**	33,347,939
Provisions		**630,439**	681,911
Deferred tax liabilities		**58,251**	61,068
		-----------------	-----------------
Total non-current liabilities		**85,726,916**	86,684,115
		-----------------	-----------------
Current tax liabilities		**20,581**	63,174
Loans and borrowings		**795,162**	1,111,520
Trade and other liabilities		**5,587,103**	6,210,853
Deferred income		**837,112**	839,165
Provisions		**39,079**	39,079
Employee benefits		**-**	97,508
		-----------------	-----------------
Total current liabilities		**7,279,037**	8,361,299
Total liabilities		**93,005,953**	95,045,414
Total equity and liabilities		**114,948,560**	121,453,408

The notes on pages 11 to 15 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements set out on pages 4 to 15 were approved by the Board of Directors on 23 August 2017 and were signed by:

Anthony J Duncan
Director

Anthony S Diacono
Director

Medserv p.l.c.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period 1 January 2017 to 30 June 2017

	Note	6 months ended 30.06.17 €	6 months ended 30.06.16 €
Continuing operations			
Revenue		**13,619,788**	17,300,563
Cost of sales		**(12,450,788)**	(14,214,437)
Gross profit		**1,169,000**	3,086,126
Other income		**212,972**	122,816
Administrative expenses		**(2,784,032)**	(2,033,272)
Other expenses		**-**	(89,297)
Results from operating activities		**(1,402,060)**	1,086,373
Finance income		**14,906**	528,799
Finance costs		**(1,509,914)**	(1,339,321)
(Loss)/profit before income tax		**(2,897,068)**	275,851
Tax expense		**(549,751)**	(57,417)
(Loss)/profit for the period		**(3,446,819)**	218,434
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(1,819,503)**	(203,898)
Net loss on hedge of net investment in a foreign operation		**800,935**	(748,343)
Net gain in fair value of cash flow hedges reclassified to goodwill		**-**	(428,094)
Other comprehensive income		**(1,018,568)**	(1,380,335)
Total comprehensive income		**(4,465,387)**	(1,161,901)
(Loss)/profit attributable to:			
Owners of the Company		**(3,262,946)**	222,731
Non-controlling interests		**(183,873)**	(4,297)
(Loss)/profit for the period		**(3,446,819)**	218,434
Total comprehensive income attributable to:			
Owners of the Company		**(4,283,735)**	(1,155,485)
Non-controlling interest		**(181,652)**	(6,416)
Total comprehensive income for the period		**(4,465,387)**	(1,161,901)
Earnings per share – continuing operations			
Basic earnings per share	**6**	**(6c1)**	0c4
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	**7**	**1,601,446**	3,546,521

The notes on pages 11 to 15 are an integral part of these condensed consolidated interim financial statements.

Medserv p.l.c.

Condensed Consolidated Statement of Changes in Equity

For the Period 1 January 2017 to 30 June 2017

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€
Balance at 1 January 2016	4,500,000	-	-	1,176,437	5,433,980	11,110,417	11,883	11,122,300
Total comprehensive income								
Profit/(loss)	-	-	-	-	222,731	222,731	(4,297)	218,434
Other comprehensive income	-	-	(201,779)	(1,176,437)	-	(1,378,216)	(2,119)	(1,380,335)
Total comprehensive income	-	-	(201,779)	(1,176,437)	222,731	(1,155,485)	(6,416)	1,161,901
Transactions with owners of the Company								
Issue of ordinary shares	874,441	12,003,829	-	-	-	12,878,270	-	12,878,270
Total contributions and distributions	874,441	12,003,829	-	-	-	12,878,270	-	12,878,270
Changes in ownership interests								
Acquisition of subsidiaries with non-controlling interest	-	-	-	-	-	-	197,533	197,533
Total changes in ownership interest	-	-	-	-	-	-	197,533	197,533
Balance at 30 June 2016	5,374,441	12,003,829	(201,779)	-	5,656,711	22,833,202	203,000	23,036,202

Medserv p.l.c.

Condensed Consolidated Statement of Changes in Equity (continued)

For the Period 1 January 2017 to 30 June 2017

	Share capital	Share premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€
Balance at 1 January 2017	5,374,441	12,003,829	1,158,653	(755,490)	8,572,973	26,354,406	53,588	26,407,994
Total comprehensive income								
(Loss)	-	-	-	-	(3,262,946)	(3,262,946)	(183,873)	(3,446,819)
Other comprehensive income	-	-	(1,821,724)	800,935	-	(1,020,789)	2,221	(1,018,568)
Total comprehensive income	-	-	(1,821,724)	800,935	(3,262,946)	(4,283,735)	(181,652)	(4,465,387)
Balance at 30 June 2017	**5,374,441**	**12,003,829**	**(663,071)**	**45,445**	**5,310,027**	**22,070,671**	**(128,064)**	**21,942,607**

The notes on pages 11 to 15 are an integral part of these condensed consolidated interim financial statements.

Medserv p.l.c.

Condensed Consolidated Statement of Cash Flows

For the Period 1 January 2017 to 30 June 2017

	6 months ended 30.06.17	6 months ended 30.06.16
	€	€
Cash flows from operating activities		
(Loss)/profit for the period	**(3,446,818)**	218,434
Adjustments for:		
Depreciation	**1,810,801**	1,700,723
Tax expense	**549,751**	57,417
Amortisation of intangible assets	**833,006**	561,656
Amortisation of signing bonus	**556,640**	265,066
Provision for exchange fluctuations	**(196,941)**	(67,297)
Provision for gratuity payments	**-**	11,815
Provision for employees end of service benefits	**-**	37,846
Net finance costs	**1,495,008**	810,522
	1,601,447	3,596,182
Changes in:		
Inventories	**(29,637)**	733,515
Trade and other receivables	**724,106**	(1,316,089)
Trade and other payables	**(953,697)**	(1,333,833)
Cash generated from operating activities	**1,342,219**	1,679,775
Interest paid	**(7,318)**	(77,231)
Interest received	**649**	1,931
Taxes paid	**(3,613)**	(268)
Net cash from operating activities	**1,331,937**	1,604,207
Balance carried forward before investing and financing	**1,331,937**	1,604,207

Medserv p.l.c.

Condensed Consolidated Statement of Cash Flows (continued)

For the Period 1 January 2017 to 30 June 2017

	6 months ended 30.06.17	6 months ended 30.06.16
	€	€
Balance brought forward before investing and financing	**1,331,937**	1,604,207
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**-**	(34,479,625)
Acquisition of property, plant and equipment	**(264,711)**	(379,883)
Net cash used in investing activities	**(264,711)**	(34,859,508)
Cash flows from financing activities		
Issue of notes	**-**	30,283,761
Proceeds from issue of share capital	**-**	11,870,643
Repayments of bank loans	**(648,506)**	(489,499)
Interest paid on bank loans	**(25,835)**	(67,026)
Interest paid on notes	**(1,345,172)**	(654,912)
Net cash (used in)/from financing activities	**(2,019,513)**	40,942,967
Net (decrease)/increase in cash and cash equivalents	**(952,287)**	7,687,666
Cash and cash equivalents at beginning of period	**6,217,782**	(1,651,754)
Effect of exchange rate fluctuations on cash and cash equivalents	**(291,057)**	(25,209)
Cash and cash equivalents at end of period	**4,974,438**	6,010,703

The notes on pages 11 to 15 are an integral part of these condensed consolidated interim financial statements.

1 Reporting company

Medserv p.l.c. (the "Company") is a public liability company domiciled and incorporated in Malta. The principal activities of the Company is that of a holding company. These condensed consolidated interim financial statements as at and for the six-months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

The subsidiaries consist of Medserv Operations Limited, Medserv Italy Limited, Medserv Eastern Mediterranean Limited, Medserv (Cyprus) Limited, Medserv Egypt Oil & Gas Services J.S.C., Medserv Western Mediterranean Limited, MDS Energy Portugal Unipessoal LDA, Medserv Libya Limited, Medserv International Limited, Medserv Energy TT Limited, Medserv M.E. Limited, Middle East Tubular Services Holdings Limited, Middle East Tubular Services Limited (Sharjah Branch), Middle East Tubular Services LLC (FZC), Middle East Comprehensive Tubular Services (Duqm) LLC and Middle East Tubular Services (Iraq) Limited.

The Group is primarily involved in providing integrated shore base logistics to the offshore oil and gas market operating mainly in the Mediterranean basin and integrated oil country tubular goods (OCTG) services to the onshore oil and gas market operating in the Middle East.

2 Basis of preparation

Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2016. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016. Certain comparatives have been reclassified to conform with the current year's presentation.

4 Significant accounting estimates

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated audited financial statements as at and for the year ended 31 December 2016.

5 Operating segments

5.1 Information about reportable segments

	Integrated Logistic Support Services		Oil Country Tubular Goods		Photovoltaic Farm		Total	
	6mths to 30.06.17 €	6mths to 30.06.16 €	**6mths to 30.06.17 €**	6mths to 30.06.16 €	**6mths to 30.06.17 €**	6mths to 30.06.16 €	**6mths to 30.06.17 €**	6mths to 30.06.16 €
External revenues	**5,757,004**	10,588,611	**7,552,449**	6,446,231	**310,335**	265,721	**13,619,788**	17,300,563
Inter-segment revenue	**89,894**	730,305	**382,400**	-	**-**	-	**472,294**	730,305
Segment (loss)/profit before tax	**(1,616,967)**	662,124	**(1,287,268)**	(221,423)	**7,167**	(36,829)	**(2,897,068)**	403,872
Adjusted EBITDA	**104,570**	2,244,620	**1,186,541**	1,036,180	**310,335**	265,721	**1,601,446**	3,546,521

	Integrated Logistic Support Services		Oil Country Tubular Goods		Photovoltaic Farm		Total	
	30.06.17 €	31.12.16 €	**30.06.17 €**	31.12.16 €	**30.06.17 €**	31.12.16 €	**30.06.17 €**	31.12.16 €
Reportable segment assets	**71,210,936**	73,666,187	**35,844,869**	39,418,398	**5,391,170**	5,495,225	**112,446,975**	118,579,810
Reportable segment liabilities	**50,422,939**	54,547,420	**36,363,425**	34,297,026	**6,219,589**	6,200,968	**93,005,953**	95,045,414

5 Operating segments (continued)

5.2 Reconciliation of reportable segment profit or loss

	6 months ended 30.06.17 €	6 months ended 30.06.16 €
Total (loss)/profit before tax for reportable segments	**(2,897,068)**	403,872
Unallocated amounts:		
Other corporate expense	**-**	(128,021)
(Loss)/profit before tax	**(2,897,068)**	275,851

6 Earnings per share

The calculation of the basic earnings per share of the Group is based on the profit attributable to ordinary shareholders of the Company as shown in the condensed consolidated statement of profit or loss and other comprehensive income, divided by the weighted average number of ordinary shares outstanding during the period of 53,744,405 shares. There were no dilutive potential ordinary shares during the current and comparative year.

7 Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

The Directors of the Group have presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation and unrealised exchange differences.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

7 Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) (continued)

Reconciliation of adjusted EBITDA to profit from continuing operations

	6 months ended 30.06.17 €	6 months ended 30.06.16 €
(Loss)/profit from continuing operations	**(3,446,819)**	218,434
Tax expense	**549,751**	57,417
	---------------	---------------
(Loss)/profit before tax	**(2,897,068)**	275,851
Adjustments for:		
- Net finance costs	**1,495,008**	810,522
- Depreciation	**1,810,801**	1,700,723
- Amortisation of intangible assets	**833,006**	561,656
- Amortisation of signing bonus	**556,640**	265,066
- Unrealised exchange differences included in other income and other expenses	**(196,941)**	(67,297)
	---------------	---------------
Adjusted EBITDA	**1,601,446**	3,546,521
	========	========

8 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired assets with a cost of €264,711 (six months ended 30 June 2016: €379,883).

9 Contingencies

There were no major changes in the contingencies of the Group from those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2016.

10 Related parties

The Company has a related party relationship with its subsidiaries and with its directors. All transactions entered into with group companies have been eliminated in the preparation of these financial statements.

In addition to transactions disclosed in the statement of cash flows, the following transactions were conducted during the period:

	Transactions' value 6 months ended	
	30.06.17	30.06.16
	€	€
Other related party		
Services rendered by	**9,185**	6,830
	=====	=====

	Balance outstanding	
	30.06.17	31.12.16
	€	€
Amounts due to		
Shareholders	**12,426**	58,674
	=====	=======
Non-controlling interest	**567,948**	**387,924**
	======	=======

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2017, as well as of the financial performance and cash flows for the six-month period then ended, fully in compliance with the accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, *Interim Financial Reporting*); and

- the Interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Anthony J Duncan
Director

Anthony S Diacono
Director

23 August 2017