



COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE “COMPANY”)

Directors’ Interim Report

Date of Announcement	22 November 2017
Reference	162/2017
Listing Rule	LR 5.16

Quote

The Group’s business pipeline remains robust despite the challenging period for both Group segments, being ILSS (Integrated Logistics Support Services) and OCTG (Oil Country Tubular Goods).

The earnings for second half of the reporting year are lower than forecast due to projects both in ILSS and OCTG commencing towards the end of the year. This will impact negatively on the current year’s results.

The second ILSS base recently opened in Cyprus will become fully active in the coming month. Four to five wells are expected to be drilled in the waters offshore Cyprus in the next twelve months. Medserv Cyprus will support the upcoming exploratory drilling campaign planned by ENI Cyprus from both its shore bases in Limassol and Larnaca. The Group’s Cypriot subsidiary has also recently participated in a tender for the provision of ILSS to a second International Oil Company (IOC) which is planning to drill next year.

The second OCTG base opened by the Group in Duqm, Sultanate of Oman, commenced operating this month. This was in support of a contract, the largest ever won by the Medserv Group, awarded in the beginning of this year for an initial period of five years with a five-year extension option. The first delivery of pipes from Nippon Steel & Sumitomo Metal Corporation relating to the contract was successfully discharged at Duqm’s port earlier this month, from where it was transferred to a specialised storage area managed by the Group’s subsidiary in Oman.

The Malta shore base remains a major contributor to the ILSS segment of the Group. This base is heavily active, and its business pipeline remains strong supporting International Oil Companies and the majority of subcontractors operating offshore Libya. This business unit is supported by the Libya branch office.



As previously reported, ILSS business is in the advanced stages of concluding a strategic long-term contract for the provision of shore base services in a new geographical area. Negotiations are still continuing since the scope of services has increased. Contract execution is expected to commence in the first quarter of 2018.

The ILSS segment is also awaiting the results of a tender in Trinidad, after failing to secure one of the two tenders submitted. Medserv Italy remains active pursuing an ILSS project in the region which is expected to be executed next year. Medserv Portugal, whilst currently a small operation, remains profitable pending further developments on drilling offshore Portugal.

OCTG segment is foreseen to be the largest growth driver in the Group in the coming years. The 'Mill to Well' model is being increasingly adopted between pipe manufactures and their clients. This results in growth of the Group's OCTG business as it continues to successfully deliver Supply Chain Management (SCM) to the leading pipe manufacturers.

This segment is also well positioned to secure two new premium threading licenses. The Group is currently awaiting adjudication for the provision of machine shop services to an IOC operating in East Africa, as well as evaluating a new market for setting up a machine shop providing premium threading services.

Projected growth for the period 2018 to 2020 remains strong for both business segments based on drilling projects and workover programs already contracted and expected to come to fruition in the coming three years, buttressed by an additional two new geographic markets by year 2018 in line with the Group's strategy.

Unquote

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

Laragh Cassar
Company Secretary