



# SUPPLEMENT DATED 7 APRIL 2014 TO THE BASE PROSPECTUS DATED 12 AUGUST 2013, AS SUPPLEMENTED BY THE SUPPLEMENT DATED 30 AUGUST 2013

## MEDSERV P.L.C.,

a public limited liability company registered under the laws of Malta with company registration number C28847 and with registered office situated at Malta Freeport, Port of Marsaxlokk, Birzebbugia, BBG 3011 as Issuer of

## €20,000,000 Secured & Guaranteed Note Issuance Programme

This supplement dated 7 April 2014 ("**Supplement**") constitutes a supplement within the meaning of Listing Rule 4.26 and Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 to the extent that such amendments have been implemented in a relevant Member State (the "**Prospectus Directive**").


This Supplement is supplemental to, and should be read in conjunction with the base prospectus dated 12 August 2013, as supplemented by the supplement dated 30 August 2013 and as further supplemented from time to time, ("**Base Prospectus**") prepared by the Issuer in connection with the €20,000,000 Secured & Guaranteed Note Issuance Programme (the "**Programme**"). Defined words and phrases used in the Base Prospectus shall have the same meanings when used in this Supplement.

The Listing Authority approved the Base Prospectus and authorised the admissibility to listing of the Programme on the Official List of the Malta Stock Exchange on the 12 August 2013.

This Supplement contains information given in compliance with the Listing Rules of the Listing Authority for the purpose of giving information. The board of Directors of the Issuer (listed in Section 9.10 of the Base Prospectus) accepts responsibility for the information contained in this Supplement. To the best of the Directors' knowledge (having taken all reasonable care to ensure that such is the case), the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information. A copy of this Supplement has been delivered to the Listing Authority.


SPONSOR



  
ANTHONY S. DIACONO  
FOR AND ON BEHALF OF THE  
BOARD OF DIRECTORS OF  
MEDSERV P.L.C.

MANAGER, REGISTRAR & SECURITY TRUSTEE



  
ANTHONY J. DUNCAN  
FOR AND ON BEHALF OF THE  
BOARD OF DIRECTORS OF  
MEDSERV P.L.C.



The list of the Directors of the Issuer contained in Section 3 of the Base Prospectus shall be amended by adding Mr Joseph Zammit Tabona to the list of the Board of Directors of the Issuer and the Guarantor.

## 2.1

Element B.9 of the Base Prospectus (Profit Forecast or estimate) shall be supplemented by the following:

*"The revised profit forecast of the issuer and the Guarantor for the year ending 31 December 2014, including comparatives, are set out below:*

### MEDSERV PLC CONDENSED CONSOLIDATED PROFIT FORECAST

## MEDSERV P.L.C. – CONDENSED CONSOLIDATED PROFIT FORECAST

For the financial year ended 31 December	2014F	2013A
	€'000	€'000
Revenue	14,184	6,899
Results from operating activities	3,172	399
<b>Profit for the period</b>	<b>1,591</b>	<b>394</b>

# MEDSERV OPERATIONS LIMITED – CONDENSED PROFIT FORECAST

For the financial year ended 31 December		
	2014F	2013A
	€'000	€'000
Revenue	9,894	6,571
Results from operating activities	1,944	466
<b>Profit for the period</b>	<b>872</b>	<b>589</b>

The detailed Profit Forecasts and the assumptions on which these forecasts are based are included under Schedule 1 of this Supplement. The revised Profit Forecasts for 2014 and the related assumptions are based on the premise that Medserv p.l.c. will offer to the public a second Tranche of Notes of €7.0 million and that these will be fully subscribed."

## 2.2

Element B.12 of the Base Prospectus which contained financial information up to 31 December 2012 is being updated with financial information up to 31 December 2013 and accordingly shall be supplemented by the following:

### **"Selected Key Financial Information:**

*The historical financial information of the Issuer is set out in the audited consolidated financial statements for each of the financial years ended 31 December 2009 to 2013. Set out below are summarised extracts from the audited consolidated financial statements of the Issuer for the years ended 31 December 2009 to 2013.*

## MEDSERV PLC CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Revenue	6,899	6,709	9,204	11,716	17,528
Results from operating activities	399	(987)	1,097	125	3,256
<b>Profit / (Loss) for the year</b>	<b>394</b>	<b>(378)</b>	<b>817</b>	<b>115</b>	<b>2,808</b>
Earnings / (loss) per share *	1c5	(1c)	3c	0c5	9c3

*\* Earnings/(Loss) per share for the financial years ending 31 December 2009 to 2012 (both inclusive) have been amended to reflect the recalculation of earnings per share following the redenomination of the share capital of the Issuer.*

## MEDSERV PLC CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
<b>Total assets</b>	<b>22,459</b>	<b>13,243</b>	<b>13,217</b>	<b>13,380</b>	<b>16,892</b>
Total equity	8,157	7,951	8,624	8,108	9,583
Total liabilities	14,302	5,292	4,593	5,272	7,309
<b>Total equity &amp; liabilities</b>	<b>22,459</b>	<b>13,243</b>	<b>13,217</b>	<b>13,380</b>	<b>16,892</b>

The historical financial information of the Guarantor is set out in the audited financial statements for each of the financial years ended 31 December 2009 to 2013. Set out below are summarised extracts from the audited financial statements of the Guarantor for the years ended 31 December 2009 to 2013.

## MEDSERV OPERATIONS CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Revenue	6,571	6,284	8,617	7,904	11,601
Results from operating activities	466	(637)	1,280	362	2,230
<b>Profit / (Loss) for the year</b>	<b>589</b>	<b>(12)</b>	<b>886</b>	<b>292</b>	<b>1,750</b>

## MEDSERV OPERATIONS CONDENSED STATEMENTS OF FINANCIAL POSITION

As at 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
<b>Total assets</b>	<b>20,438</b>	<b>11,794</b>	<b>11,131</b>	<b>10,762</b>	<b>12,408</b>
Total equity	4,724	4,135	4,147	3,873	4,191
Total liabilities	15,714	7,659	6,984	6,889	8,217
<b>Total equity &amp; liabilities</b>	<b>20,438</b>	<b>11,794</b>	<b>11,131</b>	<b>10,762</b>	<b>12,408</b>

### Material Adverse Change:

There has been no material adverse change in the prospects of the Issuer and the Guarantor since 31 December 2013, being the date of its last published audited financial statements.

### Significant Change:

There has been no significant change in the financial or trading position of the Medserv Group or the Guarantor which has occurred since 31 December 2013, being the date of the last published audited financial information."

## 03

### RISKS RELATING TO THE GROUP, IN PARTICULAR, THE GUARANTOR

#### 3.1

To amend Section 6.1.1 of the Base Prospectus and replace same with the following:

***“6.1.1 Issuer’s Reliance on the Guarantor***

***Following the commencement of the performance of logistic support for the drilling programme of ENI Cyprus Limited by Medserv (Cyprus) Limited on 1 June 2014 the Issuer shall be partly dependent on the business prospects of the Guarantor and, therefore, the operating results of the Guarantor could have a direct effect on the Issuer’s financial position.”***

To amend the first sentence of Section 6.1.4 of the Base Prospectus and replace same with the following:

***“Although the Group’s revenue is primarily generated through its relationship with international and renowned oil and gas companies, parts of the Group’s operations are dependent on emerging markets.”***

#### 3.2

To supplement Sections 6.2.4 and 6.2.13 of the Base Prospectus with the following:

***“The hypothecary rights over the Medserv Site which were registered in favour of HSBC Bank Malta p.l.c., as described in the said Section were cancelled in terms of a Deed of Cancellation in the records of Notary Michael Joseph Galea of the 17th October 2013.”***

## 04 INCORPORATION BY REFERENCE / DOCUMENTS ON DISPLAY

Bullets (b) and (c) of the first paragraph of Section 7 of the Base Prospectus shall be replaced as follows:

*“b) The audited consolidated annual financial statements of Medserv p.l.c. for each of the financial years ended 31 December 2009 to 2013;*

*c) The audited financial statements of the Company and the Guarantor for each of the financial years ended 31 December 2009 to 2013.”*

## 05 STATUTORY AUDITORS

To amend Section 9.1 of the Base Prospectus and replace same with the following:

*“The Issuer’s consolidated audited financial statements and the Guarantor’s audited financial statements for the financial years ended 31 December 2009 to 2013 have been audited by KPMG of Portico Building, Triq Marina, Pietà, PTA 9044, Malta. KPMG is a firm of certified public accountants holding a warrant to practice the profession of accountant and a practicing certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta).”*

## 06 DEPENDENCE OF THE ISSUER ON THE GUARANTOR

To amend Section 9.2 of the Base Prospectus by replacing the last sentence with the following:

*“The dependence of the Issuer on the Guarantor is largely the result of a combination of factors, namely, the fact that the know-how and experience of the business and the industry is and has been concentrated within the persons employed by the Guarantor, the entitlement to the rights on the Medserv Site (including the structures and quays) is held by the Guarantor and furthermore, a substantial portion of the Group’s revenue has been generated by the Guarantor’s business – suffice it to say that with respect to the financial years ended 31 December 2009 to 2012, the Guarantor’s revenue contributed to over 72% of the group’s revenue. Following the commencement of the performance of logistic support for the drilling programme of ENI Cyprus Limited (as from the 1 June 2014), the Issuer’s dependence on the Guarantor shall decrease.”*

## 07 SELECTED FINANCIAL INFORMATION – ISSUER

To amend Section 9.3 of the Base Prospectus by amending subsections 9.3.1. to 9.3.3 (both inclusive) through the replacement of the historical financial information for 2008 to 2012 with the following figures for 2009 to 2013 (both years inclusive). The commentary on the financial information shall be supplemented by the commentary set out below:

*“The historical financial information of the Issuer is set out in the audited consolidated financial statements for each of the financial years ended 31 December 2009 to 2013. Set out below are summarised extracts from the consolidated financial statements of the Issuer for the years ended 31 December 2009 to 2013.*



### 9.3.1 Medserv p.l.c. – Condensed Consolidated Statements of Comprehensive Income

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Revenue	6,899	6,709	9,204	11,716	17,528
Cost of sales	(4,946)	(6,002)	(6,910)	(10,057)	(12,747)
<b>Gross profit</b>	<b>1,953</b>	<b>707</b>	<b>2,294</b>	<b>1,659</b>	<b>4,781</b>
Other income	40	21	140	270	112
Administrative expenses	(1,589)	(1,677)	(1,203)	(1,585)	(1,633)
Other expenses	(5)	(38)	(134)	(219)	(4)
<b>Results from operating activities</b>	<b>399</b>	<b>(987)</b>	<b>1,097</b>	<b>125</b>	<b>3,256</b>
Finance income	14	0	0	4	16
Finance costs	(281)	(165)	(86)	(97)	(89)
<b>Net finance costs</b>	<b>(267)</b>	<b>(165)</b>	<b>(86)</b>	<b>(93)</b>	<b>(73)</b>
Share of jointly-controlled entity (net of tax)	-	(1)	(3)	-	-
<b>Profit / (Loss) before income tax</b>	<b>132</b>	<b>(1,153)</b>	<b>1,008</b>	<b>32</b>	<b>3,183</b>
Tax income/(expense)	262	775	(191)	83	(375)
<b>Profit / (Loss) for the year</b>	<b>394</b>	<b>(378)</b>	<b>817</b>	<b>115</b>	<b>2,808</b>
<b>Profit / (Loss) attributable to:</b>					
Owners of the Issuer	387	(250)	762	119	2,328
Non-Controlling interest	7	(128)	55	(4)	480
<b>Profit / (Loss) for the year</b>	<b>394</b>	<b>(378)</b>	<b>817</b>	<b>115</b>	<b>2,808</b>
Earnings / (Loss) per share*	1c5	(1c)	3c	0c5	9c3

\* Earnings / (Loss) per share for the financial years ending 31 December 2009 to 2012 (both inclusive) have been amended to reflect the recalculation of the earnings per share following the redenomination of the share capital of the Issuer.

### 9.3.2 Medserv p.l.c. – Condensed Consolidated Statements of Financial Position

As at 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
<b>Assets</b>					
Non-current assets	12,908	9,380	7,884	8,298	8,406
Current assets	9,551	3,863	5,333	5,082	8,486
<b>Total assets</b>	<b>22,459</b>	<b>13,243</b>	<b>13,217</b>	<b>13,380</b>	<b>16,892</b>
<b>Equity</b>					
<b>Total equity</b>	<b>8,157</b>	<b>7,951</b>	<b>8,624</b>	<b>8,108</b>	<b>9,583</b>
<b>Liabilities</b>					
Non-current liabilities	12,590	980	676	862	920
Current liabilities	1,712	4,312	3,917	4,410	6,389
<b>Total liabilities</b>	<b>14,302</b>	<b>5,292</b>	<b>4,593</b>	<b>5,272</b>	<b>7,309</b>
<b>Total equity and liabilities</b>	<b>22,459</b>	<b>13,243</b>	<b>13,217</b>	<b>13,380</b>	<b>16,892</b>

### 9.3.3 Medserv p.l.c. – Condensed Consolidated Statements of Cash Flows

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Net cash (used in) / from operating activities	(451)	533	(246)	2,237	2,594
Net cash used in investing activities	(3,537)	(1,233)	(208)	(424)	(1,040)
Net cash from / (used in) financing activities	10,926	10	(363)	(2,009)	(970)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6,938</b>	<b>(690)</b>	<b>(817)</b>	<b>(196)</b>	<b>584</b>
Cash and cash equivalents at 1 January*	(1,316)	(585)	118	334	(193)
Effects of exchange rate fluctuations on cash held	22	(2)	111	(220)	15
Cash released from pledge/(pledged as guarantees)	-	(39)	-	207	(143)
<b>Cash and cash equivalents as 31 December</b>	<b>5,644</b>	<b>(1,316)</b>	<b>(588)</b>	<b>125</b>	<b>263</b>

\* Cash and cash equivalents at the beginning of a period are restated to reflect the effect of changes in exchange rates on opening amounts held in foreign currency. These are reported at end of period exchange rates, resulting in a difference between opening cash and cash equivalents and the prior year closing cash and cash equivalents.

The table below analyses the revenues generated by the Group's two key reporting segments:

### Medserv p.l.c. – Analysis of consolidated revenues from two key reporting segments

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Malta Operation	6,571	6,284	8,545	7,741	11,337
Libya Operation	328	425	659	3,975	6,191
<b>Total Revenue</b>	<b>6,899</b>	<b>6,709</b>	<b>9,204</b>	<b>11,716</b>	<b>17,528</b>

**MALTA OPERATION:** Includes the provision of comprehensive logistical support services for the offshore oil and gas industry from the Medserv Site (including the Hal Far site from 2014);

**LIBYA OPERATION:** Includes the provision of comprehensive logistical support services for the onshore and offshore oil and gas industry from a base in Misurata, Libya.

Revenue for year 2013 was €2.8 million lower than forecast. This is mainly a result of postponement of two projects for the provision of shore based activities to the offshore oil and gas industry carried out from the Malta base. These projects have been confirmed and will commence in the second and third quarter of year 2014, one of which will continue for the next three years. Cost of sales was also lower than forecast. Actual gross profit margin for the year 2013 was 28% as against a forecast of 29% primarily due to the fixed nature of operating expenses. Administrative expenses are also fixed in nature and actual amounts were in line with forecast."

To amend Section 9.4 of the Base Prospectus by amending subsections 9.4.1. to 9.4.3 (both inclusive) through the replacement of the historical financial information for 2008 to 2012 with the following figures for 2009 to 2013 (both years inclusive). The commentary on the financial information shall be supplemented by the commentary set out below:

*“The historical financial information of the Guarantor is set out in the audited financial statements for each of the financial years ended 31 December 2009 to 2013. Set out below are summarised extracts from the financial statements of the Guarantor for the years ended 31 December 2009 to 2013.*

#### 9.4.1 Medserv Operations Limited – Condensed Statements of Comprehensive Income

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Revenue	6,571	6,284	8,617	7,904	11,601
Cost of sales	(4,830)	(5,533)	(6,424)	(6,759)	(8,244)
<b>Gross profit</b>	<b>1,741</b>	<b>751</b>	<b>2,193</b>	<b>1,145</b>	<b>3,357</b>
Other income	12	20	24	23	14
Administrative expenses	(1,284)	(1,405)	(911)	(802)	(1,137)
Other expenses	(3)	(3)	(26)	(4)	(4)
<b>Results from operating activities</b>	<b>466</b>	<b>(637)</b>	<b>1,280</b>	<b>362</b>	<b>2,230</b>
Finance income	13	-	-	3	0
Finance costs	(197)	(165)	(87)	(97)	(127)
<b>Net finance costs</b>	<b>(184)</b>	<b>(165)</b>	<b>(87)</b>	<b>(94)</b>	<b>(127)</b>
<b>Profit / (Loss) before income tax</b>	<b>282</b>	<b>(802)</b>	<b>1,193</b>	<b>268</b>	<b>2,103</b>
Tax income/(expense)	307	790	(307)	24	(353)
<b>Profit / (Loss) for the year</b>	<b>589</b>	<b>(12)</b>	<b>886</b>	<b>292</b>	<b>1,750</b>

#### 9.4.2 Medserv Operations Limited – Condensed Statements of Financial Position

As at 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
<b>Assets</b>					
Non-current assets	12,130	8,527	6,820	7,143	7,221
Current assets	8,308	3,267	4,311	3,619	5,187
<b>Total assets</b>	<b>20,438</b>	<b>11,794</b>	<b>11,131</b>	<b>10,762</b>	<b>12,408</b>
<b>Equity</b>					
<b>Total equity</b>	<b>4,724</b>	<b>4,135</b>	<b>4,147</b>	<b>3,873</b>	<b>4,191</b>
<b>Liabilities</b>					
Non-current liabilities	9,467	2,980	2,676	862	920
Current liabilities	6,247	4,679	4,308	6,027	7,297
<b>Total liabilities</b>	<b>15,714</b>	<b>7,659</b>	<b>6,984</b>	<b>6,889</b>	<b>8,217</b>
<b>Total equity and liabilities</b>	<b>20,438</b>	<b>11,794</b>	<b>11,131</b>	<b>10,762</b>	<b>12,408</b>

#### 9.4.3 Medserv Operations Limited – Condensed Statements of Cash Flows

For the year ended 31 December	2013	2012	2011	2010	2009
	€'000	€'000	€'000	€'000	€'000
Net cash from/(used in) operating activities	136	(36)	281	760	1,051
Net cash used in investing activities	(4,643)	(1,303)	(169)	(134)	(307)
Net cash from/(used in) financing activities	11,452	464	(359)	(945)	(580)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6,945</b>	<b>(875)</b>	<b>(247)</b>	<b>(319)</b>	<b>164</b>
Cash and cash equivalents at 1 January*	(1,790)	(912)	(680)	(421)	(557)
Effects of exchange rate fluctuations on cash held	(3)	(3)	15	(6)	(40)
Cash released from pledged	-	-	-	65	-
<b>Cash and cash equivalents as 31 December</b>	<b>5,152</b>	<b>(1,790)</b>	<b>(912)</b>	<b>(681)</b>	<b>(433)</b>

\* Cash and cash equivalents at the beginning of a period are restated to reflect the effect of changes in exchange rates on opening amounts held in foreign currency. These are reported at end of period exchange rates, resulting in a difference between opening cash and cash equivalents and the prior year closing cash and cash equivalents.

Revenue for year 2013 was €2.8 million lower than forecast. This is mainly a result of postponement of two projects relating to the provision of shore based activities to the offshore oil and gas industry carried out from the Malta base. These projects are now scheduled to commence in the second and third quarter of year 2014, one of which will continue its drilling operations over the next three years. Actual gross profit margin for the year 2013 was 26% as against a forecast of 30% primarily due to the fixed nature of operating expenses. Administrative expenses are also fixed in nature and actual amounts were in line with forecast."

To supplement Section 9.5 of the Base Prospectus with the addition of the following:

**“August 2013** The Listing Authority granted approval to Medserv p.l.c. for the admissibility to listing on the Official List of the Malta Stock Exchange of a €20,000,000 Secured and Guaranteed Debt Issuance Programme (the **“Programme”**). The first series and tranche under the Programme, an aggregate of €13,000,000 6% Secured and Guaranteed Notes due 2023 (with the Company’s option to redeem from the year 2020) were subsequently offered to the general public in Malta and the offer was heavily over-subscribed.

**October 2013** The Guarantor is awarded the Phoenicia Energy Company Limited Contract for the provision of Logistical Supply Base Services, Transportation, and Associated Services to the Genel Group in relation to the drilling of an exploration well offshore Malta. Drilling was planned to commence in the final quarter of 2013 but was postponed to the second quarter of 2014. The first exploration well to be drilled in area 4 offshore Malta is Hagar Qim 1 which is planned to be drilled to a minimum depth of 2500 meters.

The Guarantor’s contract has a duration for an initial period of one well with the option to extend for a further one well (the approximate duration of a well is between fifty to one hundred and twenty days). The extension of the contract is to be confirmed within thirty months of completion of the first well.

**November 2013** The authorised and the issued share capital of Medserv p.l.c. was redenominated from 20,000,000 ordinary shares of a nominal value of €0.232937c per share and 10,000,000 ordinary shares of a nominal value of €0.232937c per share respectively, into 20,000,000 ordinary shares of a nominal value of €0.25c per share and 10,000,000 ordinary shares of a nominal value of €0.25c per share respectively. Such redenomination resulted in an increase in the authorised share capital from €4,658,740 to €5,000,000 and an increase in the issued share capital from €2,329,370 to €2,500,000.40. Subsequently the authorised and the issued share capital were re-denominated as follows: authorised share capital into 50,000,000 ordinary shares of a nominal value of €0.10c each; and issued share capital into 25,000,004 ordinary shares of a nominal value of 0.10c each - allotted proportionately to members registered as a holder of ordinary shares in the register of members of Medserv p.l.c on 2 December 2013 at a ratio of 2.5 new shares for each registered share.

**January 2014** Medserv (Cyprus) Limited secures multimillion contract with ENI Cyprus Limited for the performance of logistic support for the drilling programme of ENI Cyprus Limited offshore Cyprus commencing 1 June 2014. The services pertinent to this contract shall be served out of the new base at the port of Larnaca, Cyprus, of Medserv (Cyprus) Limited.

The contract which was signed with ENI (Cyprus) Limited on 28th January in Nicosia is effective on 1st June 2014 and covers a period of three years with an option to extend for a further period of two years. The award of this contract is highly significant to the Group as it serves to shift the main line of income of said Group from Libya to the Eastern Mediterranean.

**January 2014** Medserv Operations Limited is awarded two competitive contracts to provide fully integrated logistical support services to two separate international oil companies operating offshore North Africa from its base in Malta. The two contracts were signed in the first quarter of 2014 and both are for a period of two years with the option of extending for another two years. The two support contracts relate to the provision of services to multi-well programs spread over the period covered by said agreements. Work is expected to start in the latter part of 2014.”

## 10 INVESTMENTS

To supplement Section 9.6 of the Base Prospectus through the deletion of the last two sentences and replacing same with the following:

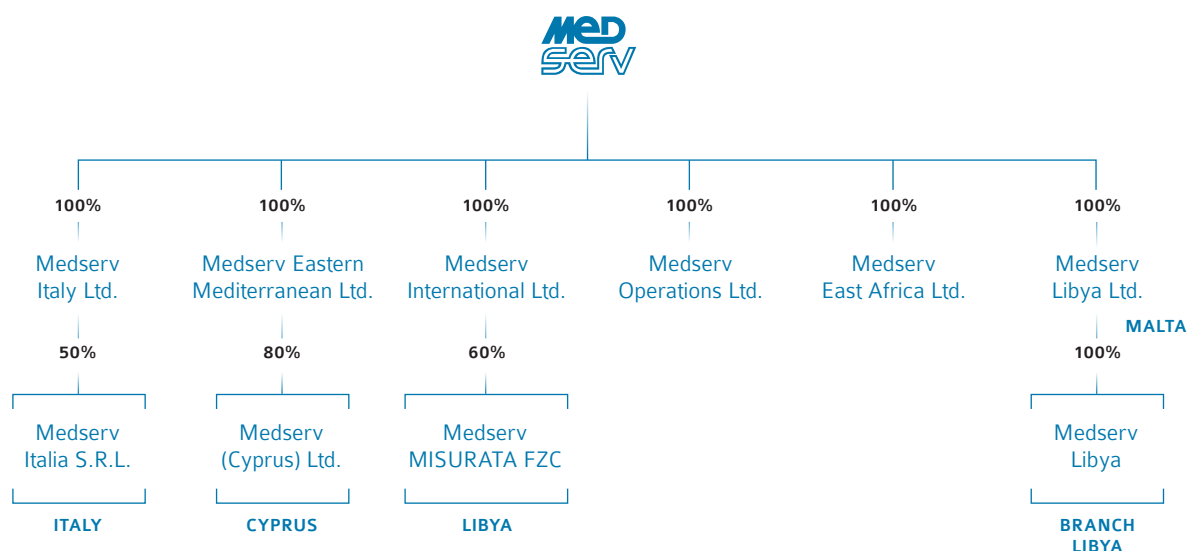
*“Project-related cost payments of approximately €2.8 million have been made. The project which totals an investment of €5 million is financed through the proceeds of Tranche 1.*

*The Guarantor has entered into an agreement with Malta Industrial Parks Limited, a limited liability company registered under the laws of Malta bearing company registration number C28965 and having its registered address at Malta Industrial Parks, Gwardamangia Hill, Pieta’ MEC0001, Malta (“MIP”), for the lease of an area at Hal Far of approximately 30,000 square metres. The aforementioned property, which is deemed to constitute a customs warehousing area, is being used by Medserv as an open lay down yard and civil works thereon are underway. It is anticipated that all works shall be completed and that the yard will be operational by the end of April 2014.”*

## 11 ORGANISATIONAL STRUCTURE

The organisational structure contained in 9.7 of the Base Prospectus shall be substituted by the organisational structure referred to [below]:

### Medserv p.l.c. – Organisational Structure



## 12.1

The second sentence of the first paragraph of Section 9.8.1 of the Base Prospectus shall be amended to read as follows:

*“The Group presently has facilities in Malta, Cyprus, Libya and Sicily however the facility in Sicily is not yet operational. In view of the current period of unrest in Libya, Group operations therein are limited.”*

## 12.2

The first paragraph of Section 9.8.2 of the Base Prospectus shall be deleted and replaced by the following:

*“The Medserv Group currently operates within the Maltese, Cypriot and North African geographical markets. Although having a base in Sicily operations out of such base have not yet commenced and Malta, Cyprus and North Africa remain the principal markets within which the Group operates.”*

## 12.3

The subsection falling under the sub-heading “Central Mediterranean (Malta and Libya)” of Section 9.8.2 shall be supplemented with the inclusion of the following text at the end of such Section:

*“The development of the 2MWp photovoltaic farm, spanning over 20,640 square meters and comprising 7,996 solar panels, is on schedule. Most of the structural works are complete and photovoltaic panels and major related equipment is already on site being installed. The project is scheduled to be commissioned in the third quarter of 2014.*

*The Group is broadening the range of engineering services it can offer to clients and has executed a couple of contracts with international oil companies for maintenance works on offshore platforms in the central Mediterranean region.*

*Medserv Libya Limited has succeeded in registering a branch in Libya. Its licence permits the Company to engage in maintenance and service contracts to the onshore oil and gas industry in Libya. Another permitted activity is the provision of maritime transport service to the offshore oil and gas industry.”*

## 12.4

The following new subsection titled “Eastern Mediterranean” shall be included in Section 9.8.2 immediately after the subsection titled “Central Mediterranean (Malta and Libya)”:

### **“Eastern Mediterranean**

*The Group has succeeded in purchasing the 45% shareholding in Medserv (Cyprus) Limited held by the former minority shareholders in the aforementioned Subsidiary. The shares have in part been reissued to new partners and 20% of the shareholding has been taken up by the Caramondani Group, a multidisciplinary organization which is the major electrical and mechanical engineering contractor in Cyprus. The majority of the shareholding in the Subsidiary (equal to 80% of the shareholding) is held by Medserv Eastern Mediterranean Limited.*

*Medserv (Cyprus) Limited have shifted their base to Larnaca, Cyprus and commenced works thereon which are anticipated to be completed by mid-May 2014. Key personnel, inter alia, the General Manager, Base Manager and Financial Controller are already on site. The company successfully participated in a tender process to service exploration activity being undertaken by ENI Cyprus Limited ("**ENI**"), and succeeded in securing substantial business offshore Cyprus. The company was selected by ENI to perform the logistical support required for the operations offshore Cyprus of ENI which are to commence in June 2014.*

*The contract is for a duration of 3 years with a possibility of extension for a further two year period. This multimillion euro contract will be served out of the new base in Larnaca of Medserv (Cyprus) Limited. The opening of this new base in Cyprus coupled with the aforementioned contract has served to shift the reliance of the Group on the Central Mediterranean region for business to a wider sphere encompassing also the Eastern Mediterranean."*

The subsection falling under the sub-heading "Eastern Mediterranean" of Section 9.8.2 shall be amended through the retention of the first two sentences of the first paragraph and the removal of the remainder of same paragraph.

## 13 TREND INFORMATION

To amend Section 9.9 by deleting the last paragraph and replacing same with the following:

*"There has been no material adverse change in the prospects of the Issuer and the Guarantor since 31 December 2013, being the date of its last published audited financial statements."*

## 14 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

To supplement Section 9.10 of the Base Prospectus such that Joseph Zammit Tabona shall be included as a Non-Executive Director of the Issuer and of the Guarantor and that the number of Board members of the Issuer and of the Guarantor shall be increased to five, three of which are non-executive.

Joseph Zammit Tabona was co-opted to the Board by virtue of a resolution of the meeting of the Board of Directors dated 28 February 2014. Mr Zammit Tabona is not a member of senior management of the Issuer and the Guarantor. The following shall be included at the end of the subsection titled "Directors" of Section 9.10 of the Base Prospectus:



*“Mr Joseph Zammit Tabona*

*Mr Zammit Tabona is a fellow of the Institute of Chartered Accountants in England and Wales, a fellow of the Malta Institute of Accountants, a fellow of the Institute of Taxation and holds a warrant to practice as a Certified Public Accountant. He has also held the appointment of High Commissioner to the Court of St James’s and non-resident Ambassador Extraordinary and Plenipotentiary to the Republic of Ireland. He is currently appointed a Special Envoy to the Prime Minister of Malta for investment promotion.*

*On 1st August 2013 Mr Zammit Tabona was appointed a director of Klesch Group Limited being responsible for government affairs. Also on 1st August 2013 he was appointed Chairman of the Valletta Cruise Port plc. On 28th February 2014 he was appointed a non executive director of Medserv Plc. He has also held other directorships from both within the private and public sector.*

*His experience in public practice and his active involvement in both the public and private sectors in recent years have enabled him to develop a deep understanding of the needs of all sectors of local industry.”*

To further supplement the complement of members of senior management of the Issuer and the Guarantor contained in Section 9.10 through the inclusion of the following:

*“The group has complemented its senior management through the appointment of three new senior managerial roles, namely: Group Quality, Health, Safety and Environment Officer, Group Strategic Development Officer and General Manager, Cyprus. Mr Martin Galea has taken over as the General Manager, Libya, a post previously held by Mr Godfrey Attard, who has now been appointed General Manager, Cyprus whilst Mr Perkins and Mr Patterson have been appointed as Group Quality, Health, Safety and Environment Officer and Group Strategic Development Officer respectively:*

*Mr Leonard Perkins:*

*Mr Perkins has been appointed Group Quality, Health, Safety and Environment Officer. He is a member of the Institute of Occupational Safety and Health and of the International Institute of Risk and Safety Management. His experience in the oil and gas industry covers the provision of services to a number of the world’s leading oil and contracting companies including Saipem, Petro-Canada, BP and Total and spans over fifteen years.*

*Mr Neil Patterson:*

*Mr Patterson holds the post of Group Strategic Development Officer. He has a B.Sc degree in Chemical Engineering with first class honours from Heriot Watt University. His roles include the introduction, development and execution of new geographic areas of business to the Medserv Group beyond the Group’s current principal markets. Mr Patterson has many years’ experience at a senior level with companies within the oil and gas industry including Asco Group, where he held the post of Vice President Strategic Development, Exel plc – Supply Chain Director Energy Sector, and BP plc – Plant Manager Polythene.”*

To further supplement the list of directors and members of senior management of the Issuer and the Guarantor contained in Section 9.10 with the substitution of Mr Martin Galea as the General Manager, Libya and the inclusion of Mr Godfrey Attard as General Manager, Cyprus and to update their biographies as follows:

*“Mr Martin Galea (General Manager, Libya):*

*Mr Galea has had substantial experience of successfully working in Libya over a number of years and has been appointed General Manager, Libya. He was formerly the General Manager of Hempel Marine Paints (Malta) Limited, and Head of the Coatings Application Division of Motherwell Bridge Malta Ltd.*

*Mr Godfrey Attard (General Manager, Cyprus):*

*Godfrey Attard is a mechanical engineer by profession. He graduated from the University of Malta in 1985 with a Bachelors of Mechanical Engineering. He joined the Medserv Group in 2007 as General Manager, Libya a position he held until recently when he took up the position of General Manager, Cyprus. Mr. Attard is responsible for the operations of the Group in Cyprus and the development of the Group’s presence therein.”*

To amend the subsection titled “Audit Committee” of Section 9.10.2 of the Base Prospectus by replacing the paragraph before last of said Section with the following:

*“The Audit Committee is currently composed of Mr Joseph F.X. Zahra (non-executive director and Chairman of the Audit Committee), Mr Joseph Zammit Tabona (non-executive director), Mr Anthony Duncan (executive director) and Mr Johannes Jacobus van Leeuwen (non-executive director).”*

To amend Section 9.10.3 of the Base Prospectus and replace same with the following:

*“Save as is stated herein, the Issuer, throughout the financial year ended 31 December 2013 and during the current financial year, applied the principles and complied with the provisions of the Code of Principles of Good Corporate Governance (the “Code of Corporate Governance”) contained in Appendix 5.1 of the Listing Rules. The provisions of the Code of Corporate Governance in respect of which the Issuer has departed are reported in page 17 of the Issuer’s Annual Report of the financial year ended 31 December 2013. The said information is being incorporated by reference.”*

## 15 HISTORICAL FINANCIAL INFORMATION

To amend Section 9.11 of the Base Prospectus and replace same with the following:

*“Full historical financial information for the financial years ended 31 December 2009 to 2013 is set out in the financial statements of the Issuer and of the Guarantor as audited by KPMG, and is available in printed form, free of charge, from the registered office of the Issuer.*

*The latest audited financial information available in respect of the Issuer and the Guarantor relates to the financial year ended on 31 December 2013.”*

## 16 SIGNIFICANT CHANGE

To amend Section 9.13 of the Base Prospectus and replace same with the following:

*“There has been no significant change in the financial or trading position of the Medserv Group and the Guarantor which has occurred since 31 December 2013, being the date of the last published audited financial information.”*

## 17 ADDITIONAL INFORMATION

To amend Section 9.14.1 of the Base Prospectus through the replacement of the first sentence with the following:

*“Following re-denomination the Issuer’s authorised share capital is €5,000,000 divided into 50,000,000 ordinary shares of €0.10 per share. The Issuer’s issued share capital is €2,500,000.40 divided into 25,000,004 ordinary shares of €0.10 per share (each 100% paid up).”*

## 18 STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Section 9.18 of the Base Prospectus shall be supplemented by the following information:

*“The Issuer has commissioned KPMG, a firm registered as a partnership of certified public accountants holding a practising certificate to act as auditors in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta), to prepare an Accountants’ Report on the revised consolidated profit forecast of Medserv p.l.c. and the revised profit forecast of Medserv Operations Limited for the year ended 31 December 2014 (hereinafter referred to as the “Accountants’ Report”). The registered address of KPMG is at Portico Building, Triq Marina, Pietà, PTA 9044, Malta.”*

*The Issuer confirms that the Accountants' Report and the Revised Profit Forecast both dated 28 March 2014 have been accurately reproduced in the Prospectus. The Issuer further confirms that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading. To the knowledge of the Issuer, the expert does not have any beneficial interest in the Issuer.*

*KPMG has given (and has not withdrawn) its consent for the publication of the Accountants' Report, in the form and context in which it is included in this Supplement."*

## 19 TERMS & CONDITIONS

### 19.1

To supplement the paragraphs titled "Status" and "Notes Security" in subsection 2 of Section 10 of the Base Prospectus with the following:

*"The hypothecary rights over the Medserv Site which were registered in favour of HSBC Bank Malta p.l.c., as described in the said Section were cancelled in terms of a Deed of Cancellation in the records of Notary Michael Joseph Galea of the 17th October 2013. Accordingly, the HSBC Security no longer ranks with priority or preference over the obligations of the Guarantor with respect to the Notes."*

### 19.2

To supplement the paragraph titled "Acceleration" in subsection 8 of Section 10 of the Base Prospectus with the following:

*"The hypothecary rights over the Medserv Site which were registered in favour of HSBC Bank Malta p.l.c., as described in the said Section were cancelled in terms of a Deed of Cancellation in the records of Notary Michael Joseph Galea of the 17th October 2013. Accordingly, the Acceleration Event contained in paragraph (f) of subsection 8 of Section 10 is no longer applicable."*

## 20 FINANCIAL ANALYSIS SUMMARY

To supplement Section 13.2 through the issuance of an updated financial analysis summary dated 7 April 2014.

The information set out in Schedule 1 (Profit Forecasts and Accountant's Report) and Schedule 2 (Financial Analysis Summary) attached to this Supplement shall be included as an annex to the Base Prospectus.

Save as disclosed herein, as at the date of this Supplement, no significant change and no significant matter has arisen since the 12 August 2013, being the date of the Base Prospectus.

## SCHEDULE 1 PROFIT FORECASTS AND ACCOUNTANT'S REPORT

### Revised Profit Forecasts for the year ending 31 December 2014

#### Summary of significant assumptions and accounting policies

##### Introduction

The revised consolidated profit forecast of Medserv p.l.c. ('the Group') and the revised profit forecast of Medserv Operations Limited for the year ending 31 December 2014 (hereinafter collectively referred to as 'the Revised Profit Forecasts') are set out on page 25. The Revised Profit Forecasts and the underlying assumptions set out below are the sole responsibility of the Directors of Medserv p.l.c.

The Revised Profit Forecasts and the related assumptions are based on the premise that Medserv p.l.c. will offer to the public a second tranche of Notes of €7.0million and that these will be fully subscribed. The Revised Profit Forecasts are based on the assumption that the proceeds of the second Tranche of Notes will be used within the following framework:

- a) to on-lend funds to the Guarantor to enable it to purchase additional plant and machinery for the Medserv Site and to finance improvements to the Hal Far site – it is expected that an amount of €5.6million shall be allocated for this purpose; and
- b) to finance further improvements and/or the development of the Group's existing base in Cyprus – it is expected that an aggregate amount of €1.2 million of the proceeds shall be allocated for this purpose.

The Revised Profit Forecasts are based on stated assumptions which the Directors believe to be reasonable. These assumptions have been based on the nature and size of the intended level of operations and reflect current economic conditions and price levels adjusted where applicable to take into account the projected level of inflation. The Directors have exercised due care and diligence in adopting these assumptions.

Attention is drawn, in particular, to the risk factors set out in the Base Prospectus as supplemented by the supplement dated 30 August 2013 and as further supplemented by the Supplement dated 7 April 2014 which describe the principal risks associated with the business to which the Revised Profit Forecasts relate.

The Revised Profit Forecasts are dated 28 March 2014 and the stated assumptions are judgements made at that date. The assumptions disclosed herein are those that the Directors believe are significant to the Revised Profit Forecasts.

Actual results are likely to be different from those indicated in the Revised Profit Forecasts because events and circumstances frequently do not occur as expected and those differences may be material.

## The Group

The revised consolidated profit forecast covers the current activities of the Medserv Group, of which Medserv p.l.c. is the ultimate parent. The subsidiary companies included in the revised consolidated profit forecast are listed below:

	<b>Activity</b>	<b>% holding</b>
Medserv Libya Limited	Libya Branch	99.99%
Medserv East Africa Ltd.	Holding company	99.99%
Medserv Operations Limited	Main operating company (Malta Base)	99.99%
Medserv International p.l.c.	Holding company	99.99%
Medserv Eastern Mediterranean Limited	Holding company	99.99%
Medserv Italy Limited	Holding company	99.99%
Medserv Misurata F.Z.C.	Operating company (Libya Base)	60.00%
Medserv (Cyprus) Limited	Operating company (Cyprus Base)	80.00%

The Group holds 50% interest in a jointly controlled entity, Medserv Italia S.r.l.

Medserv p.l.c. holds investments in its subsidiary companies and has no other business.

The Medserv Group is engaged in the provision of integrated logistic services to the oil and gas industry, mainly in the upstream activity of such sector. In addition, Medserv supports the personnel and their needs during an operation and provides maintenance and regular certification required by rigs and platforms. The Group currently operates in the geographical areas of Malta and Libya and is currently setting up a base in Cyprus, which is expected to commence operations in the second quarter of 2014. Medserv Operations Limited, which is the Group's current main operating company, operates the Malta base situated at the Malta Freeport.

## Bases of preparation

The bases of preparation relating to the environment in which the Medserv Group (including Medserv Operations Limited) operates and which underlie the Revised Profit Forecasts are the following:

*Factors which the Directors can influence:*

- The revised consolidated profit forecast includes the forecast results of all the subsidiary companies presently controlled by Medserv p.l.c. and its interest in the jointly controlled entity and does not reflect any further acquisitions that could materialise.
- The revised projections are mainly based on the continuation of the Group's existing activities provided through the Malta base and through a new base being set up in Cyprus, and the operation of the new PV farm. Limited activity is projected from the Misurata base reflecting current uncertainty surrounding the political situation in Libya.
- The Group will continue to enjoy the confidence of its customers and suppliers throughout the period under consideration.

- The Group will enjoy good relations with its employees throughout the period under consideration.
- The Group will continue to recruit the required appropriate personnel at the projected cost levels.
- There will be no impairment losses on the Group's financial and non-financial assets.

*Factors exclusively outside the influence of the Directors:*

- There will be no material external adverse events which will have an impact on the activities of the Group, either directly or indirectly.
- The bases and rates of taxation, both direct and indirect, will not change materially during the year ending 31 December 2014.
- The Group will continue to recruit the required appropriate personnel at the projected cost levels.
- The rate of inflation throughout the period under consideration will not exceed that experienced in the last few years.
- The bases on which the Group's bankers determine the rate of interest charged on facilities made available will not change materially throughout the period covered by the prospective financial statements.
- There will not be any material changes in yields throughout the period under consideration.
- Any changes in exchange rates will not adversely affect the Group's operations.

## Significant Accounting Policies

The significant accounting policies for the Group and Medserv Operations Limited are set out in the audited consolidated financial statements of Medserv p.l.c. and audited financial statements of Medserv Operations Limited respectively, for the year ended 31 December 2013. The estimated useful life to be adopted as from 2014, for the depreciation of the photovoltaic solar farm shall be of 20 years. Where applicable, these accounting policies which have been adopted by Medserv p.l.c. and/or Medserv Operations Limited, in so far as they relate to recognition and measurement criteria, have been consistently applied in the preparation of the Revised Profit Forecasts.

## Summary of Significant Assumptions

### **a) Base currency of the revised consolidated profit forecast**

The underlying revised profit forecast of each subsidiary company forming part of the Medserv Group (including Medserv Operations Limited) has been forecasted using Euro as the base currency.

The revised consolidated profit forecast has, likewise, been prepared in Euro being the functional currency of Medserv p.l.c.

### **b) Revenue**

Revenue represents the income projected from the operations of the Group and Medserv Operations Limited and is stated after the deduction of sales rebates and indirect taxes.

As set out in the table below, during the year 2014, the Group is forecasting to earn most of its revenue from services provided in the course of exploratory and production projects, and to a lower extent from general logistics and support and offshore maintenance projects.

## Medserv p.l.c. – Consolidated revenue by category

For the financial year ending 31 December	2014F	2013A
	€'000	€'000
Exploratory wells & production structures	7,558	-
General logistics & support	3,534	4,378
Rig & vessel stops	606	939
Offshore maintenance	2,148	1,582
Photovoltaic farm feed-in	338	-
<b>Total revenue</b>	<b>14,184</b>	<b>6,899</b>

**c) Direct and operating costs**

Direct costs relating to the Group's and Medserv Operations Limited's revenue (excluding revenue from the photovoltaic farm), comprising supplies, transport, freight and base yard costs, have been projected at 45% of such revenues. This has been based on the historical average percentage of direct costs to revenue for the projected mix of revenue and forecast in-sourcing of certain activities.

Projected operating costs, which are principally fixed in nature are based on the nature and size of future expected operations and, where applicable, on the cost levels experienced in the past, adjusted for inflation as appropriate.

**d) Administrative expenses**

Administrative expenses are based on the nature and size of future expected operations and, where applicable, on the cost levels experienced in the past, adjusted for inflation as appropriate.

**e) Non-controlling interest**

This represents the non-controlling interest's share of forecasted profits with respect to the Group's 80% shareholding in the subsidiary Medserv (Cyprus) Limited and 60% shareholding in the subsidiary Medserv Misurata F.Z.C.

**f) Exchange fluctuations**

The Revised Profit Forecasts do not provide for any gains or losses arising out of any possible exchange fluctuations through the period under consideration.

**g) Taxation**

The income tax expense comprises current and deferred tax. Current tax has been forecasted at the tax rates applicable in the countries in which the Group will operate as follows:

- Medserv Operations Limited: 35% on profit before taxation;
- Medserv (Cyprus) Limited: 12.5% on profit before taxation;
- Medserv Eastern Mediterranean Limited: 35% on dividends received from Medserv (Cyprus) Limited, net of Flat-Rate Foreign Tax Credit (FRFTC) unilateral double taxation relief;
- Medserv p.l.c.: 15% withholding tax on bank interest income and 35% tax on interest received from subsidiaries net of interest paid on the listed Series of Notes.

Non-operating companies are expected to make minimal annual losses with no tax income/expense.

Deferred tax is recognised in respect of temporary difference arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied on temporary differences when they reverse.

A deferred tax asset is recognised for unutilised tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised.

## Conclusion

The Directors believe that the assumptions on which the Revised Profit Forecasts are based are reasonable.

Approved by the Board of Directors and signed on its behalf by:



Anthony S. Diacono  
**DIRECTOR**  
Medserv p.l.c.



Anthony J. Duncan  
**DIRECTOR**  
Medserv p.l.c.

28 March 2014



## Medserv p.l.c. – Revised Consolidated Profit Forecast

For the financial year ended 31 December	2014F	2013A*
	€'000	€'000
Revenue	14,184	6,899
Cost of sales	(8,709)	(4,946)
<b>Gross profit</b>	<b>5,475</b>	<b>1,953</b>
Other income	12	40
Administrative expenses	(2,315)	(1,589)
Other expenses	-	(5)
<b>Results from operating activities</b>	<b>3,172</b>	<b>399</b>
Finance income	52	14
Finance expenses	(962)	(281)
<b>Net finance costs</b>	<b>(910)</b>	<b>(267)</b>
Share of P&L of jointly-controlled entity	-	-
<b>Profit before taxation</b>	<b>2,262</b>	<b>132</b>
Taxation income/(expense)	(671)	262
<b>Profit for the period</b>	<b>1,591</b>	<b>394</b>
<b>Profit attributable to:</b>		
Owners of the -Issuer	1,392	387
Non-controlling interest	199	7
<b>Profit for the period</b>	<b>1,591</b>	<b>394</b>
<b>Total comprehensive income for the period</b>	<b>1,591</b>	<b>394</b>

## Medserv Operations Limited - Profit Forecast

For the financial year ended 31 December	2014F	2013A*
	€'000	€'000
Revenue	9,894	6,571
Cost of sales	(6,395)	(4,830)
<b>Gross profit</b>	<b>3,499</b>	<b>1,741</b>
Other income	-	6
Administrative expenses	(1,555)	(1,278)
Other expenses	-	(3)
<b>Results from operating activities</b>	<b>1,944</b>	<b>466</b>
Finance income	52	13
Finance expenses	(688)	(197)
<b>Net finance costs</b>	<b>(636)</b>	<b>(184)</b>
<b>Profit before taxation</b>	<b>1,308</b>	<b>282</b>
Taxation income/(expense)	(436)	307
<b>Profit for the period attrib. to shareholders</b>	<b>872</b>	<b>589</b>
<b>Total comprehensive income for the period</b>	<b>872</b>	<b>589</b>

\* 2013 figures have been extracted from the audited financial statements for the year ended 31 December 2013 of Medserv p.l.c. and Medserv Operations Limited respectively and have been included for comparative purposes only



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Internet [www.kpmg.com.mt](http://www.kpmg.com.mt)

The Directors  
Medserv p.l.c.  
Malta Freeport  
Port of Marsaxlokk  
Birzebbugia, BBG 3011  
Malta

28 March 2014

Dear Sirs,

**Accountant's Report on the Revised Consolidated Profit Forecast of Medserv p.l.c. and the Revised Profit Forecast of Medserv Operations Limited**

We report on the revised consolidated profit forecast of Medserv p.l.c. and its subsidiaries, Medserv Libya Limited, Medserv East Africa Ltd, Medserv Operations Limited, Medserv International p.l.c., Medserv Eastern Mediterranean Limited, Medserv Italy Limited, Medserv Misurata F.Z.C. and Medserv (Cyprus) Limited ('the Group') and the revised profit forecast of Medserv Operations Limited (hereinafter collectively referred to as the "Revised Profit Forecasts") for the year ending 31 December 2014. The Revised Profit Forecasts are dated 28 March 2014 and are to be included in Schedule 1 of the supplement to the Base Prospectus to be dated in April 2014.

***Directors' Responsibility***

It is the Directors' responsibility to prepare the Revised Profit Forecasts, together with the material assumptions on which they are based, in accordance with the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority and EU Regulation EC809/2004 of 29 April 2004, as subsequently amended.

***Accountants' Responsibility***

It is our responsibility to provide the opinion required by Listing Rule 5.40.2 and by Annex IV item 9.2 of EU Regulation EC809/2004.

Since the Revised Profit Forecasts and the assumptions on which they are based relate to the future they may be affected by unforeseen events. The variation between forecast and actual results may be material. We are not required to express, nor do we express, any opinion on the possibility of achievement of the results set out in the Revised Profit Forecasts or on the underlying assumptions.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report.

### ***Work Performed***

We have carried out our work in accordance with ISAE 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

Our work included an evaluation of the procedures undertaken by the Directors in compiling the Revised Profit Forecasts and the consistency of the Revised Profit Forecasts with the accounting policies adopted by Medserv p.l.c. and Medserv Operations Limited respectively.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the Revised Profit Forecasts have been properly compiled on the basis of the underlying stated assumptions.

### ***Opinion***

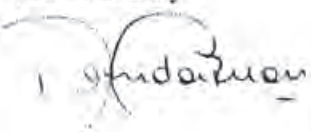
In our opinion:

- a) the revised consolidated profit forecast of Medserv p.l.c. and the revised profit forecast of Medserv Operations Limited for the year ending 31 December 2014 have been properly compiled on the basis of the underlying stated assumptions; and
- b) the basis of accounting is consistent with the accounting policies of Medserv p.l.c. and Medserv Operations Limited respectively.

Without qualifying our opinion, we draw attention to the fact that the Revised Profit Forecasts are not intended to, and do not, provide all the information and disclosures necessary and do not purport to give a true and fair view of the results of the operations and the financial position of the Group and/or Medserv Operations Limited in accordance with International Financial Reporting Standards as adopted by the EU.

This opinion is solely intended to be relied upon by you for the purposes of the supplement to the Base Prospectus, which supplement is to be dated in April 2014. Readers are cautioned that these Revised Profit Forecasts may not be appropriate for purposes other than that described above.

Yours sincerely



David Caruana (Partner) for and on behalf of

**KPMG**

Certified Public Accountants

**SCHEDULE 2**  
FINANCIAL ANALYSIS  
SUMMARY





The Board of Directors  
**Medserv p.l.c.**  
Malta Freeport,  
Port of Marsaxlokk,  
Birzebbugia, BBG3011  
Malta

07 April 2014

Dear Sirs,

**Medserv p.l.c. Financial Analysis Summary ("the Analysis")**

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

The purpose of the Analysis is that of summarising key financial data appertaining to Medserv p.l.c. ("the Issuer" or "the Group"). The data is derived from various sources or is based on our own computations as follows:

- a) Historical financial data for the five years ended 31 December 2013 has been extracted from the Issuer's audited statutory financial statements for the five years in question;
- b) The forecast data for the financial year ending 31 December 2014 has been extracted from the forecast financial information set out in Schedule 1 of the Supplement to the Prospectus dated 04 April 2014;
- 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 Prospectus and/or Supplement/s;
- d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out beneath each ratio.

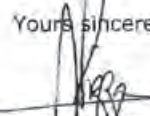
The Issuer determined that it is not aware of any companies with similar size operations as those of the Group that operate within the Group's principal markets. Management confirmed that the Group's competitors in the main comprise the following:

- a) International Oil Companies ("IOCs") that would opt to develop their own base and coordinate their own logistics and support services; and
- b) other service providers that form part of larger groups of companies whose operations are very diversified and that do not merely provide services to the oil and gas industry.

As such, therefore, management is not aware of any companies within their peer group for which data is readily available to set out meaningful comparative analysis.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus and/or Supplement/s. The Analysis does not contain all data that is relevant to potential investors and is meant to complement and not replace the contents of the full Prospectus and Supplement/s. The Analysis does not constitute an endorsement by our firm of the proposed Note issue and should not be interpreted as a recommendation to invest in the Notes. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus and/or Supplements. Potential investors are encouraged to seek professional advice before investing in the Notes.

Yours sincerely,



**Vincent Rizzo**  
Director



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# **MEDSERV P.L.C.**

## **FINANCIAL ANALYSIS SUMMARY**

**07 APRIL 2014**

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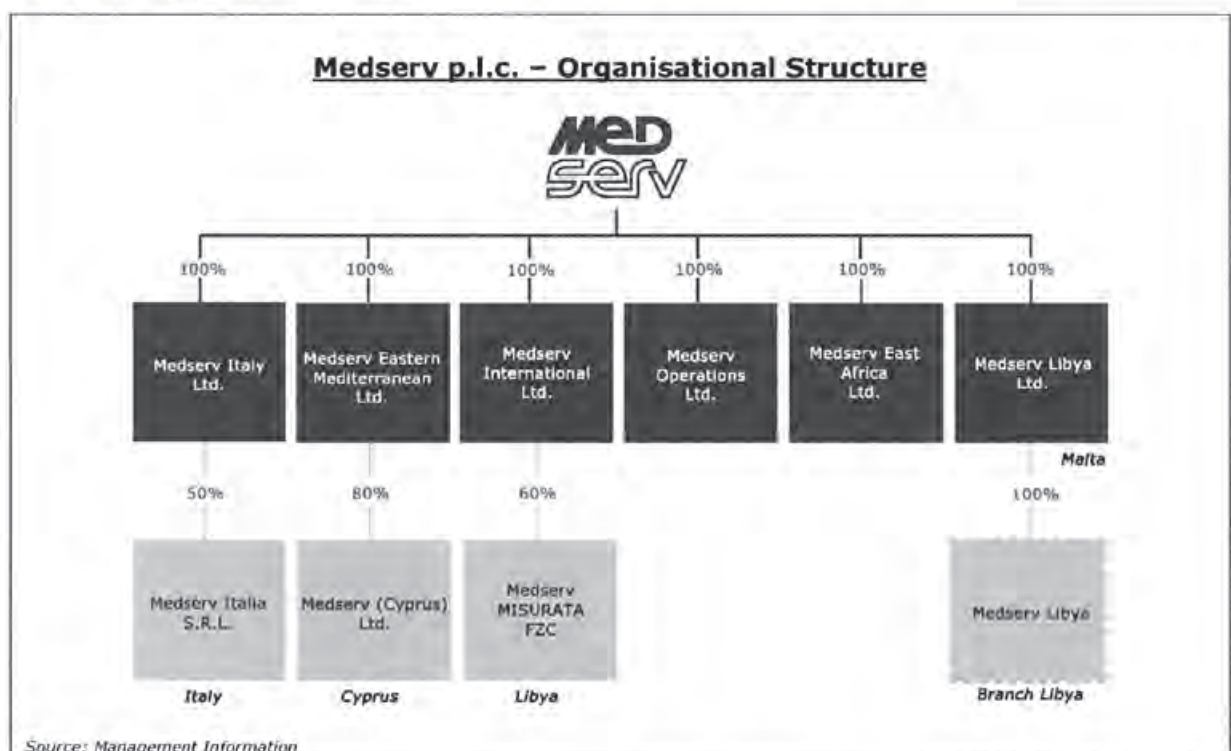


# 1 BUSINESS OVERVIEW

## 1.1 HISTORY & DEVELOPMENT OF ISSUER

The Medserv Group ("the Group") originated with the establishment of Medserv Limited (which subsequently changed its name to Medserv Operations Limited) as a joint-venture between the Government of Malta and the Albert Abela Group on 11 December 1974. Medserv p.l.c. (originally named AD Holdings Limited) was incorporated on 26 October 2001 and by 19 November 2003 it had acquired the entire shareholding of Medserv Operations Limited.

Medserv p.l.c. ("the Issuer" or "the Company") is the ultimate parent company within the Group which has provided integrated logistic support services to some of the world's leading oil and gas exploration companies such as ENI Group, Hess Corporation, Petrobras, Gazprom and Exxon amongst others. A number of international service companies also form part of the Group's client base including Schlumberger, MI Swaco, Baker Hughes, Halliburton and Saipem.



Medserv p.l.c. obtained a listing of its entire issued share capital of 10,000,000 ordinary shares of a nominal value of €0.232937 on the Official List of the Malta Stock Exchange on 23 October 2006 following an Initial Public Offering ("IPO") of 2,500,000 ordinary shares (representing 25% of the issued share capital) at an equivalent price of €3.028 per share (€1.211 post share split equivalent). The largest shareholders of the Issuer are Mr. Anthony S. Diacono and Mr Anthony J. Duncan (through Malampaya Investments Ltd), each having a 37.5% share.

On 21 November 2013 the authorised and the issued share capital of Medserv p.l.c. was redenominated from 20,000,000 ordinary shares of a nominal value of €0.232937 per share and 10,000,000 ordinary shares of a nominal value of €0.232937 per share respectively, into 20,000,000 ordinary shares of a nominal value of €0.25 per share and 10,000,000 ordinary shares of a nominal value of €0.25 per share respectively. Such redenomination resulted in an increase in the authorised share capital from €4,658,740 to €5,000,000 and an increase in the issued share capital from €2,329,370 to €2,500,000. On the same day, a share split of 2.5 new shares for each registered share was actioned bringing the authorised share capital to 50,000,000 ordinary shares of a nominal value of €0.10 each and an issued share capital of 25,000,004 shares of a nominal value of €0.10 each.

Following the 2006 IPO, the Issuer has constantly sought ways to expand its operations to other regions. As a result, to date the Group presently has facilities in Malta, Cyprus, Libya, and Sicily. The Malta facility is certified by the International Standards Organisation (a certificate of quality) and is also ISPS compliant (a code to enhance maritime security).



The Group's management team and in-house technical teams have decades of industry experience. The Group's support bases located in the Mediterranean combine speed, efficiency and in-depth local knowledge.

Medserv Operations Limited ("the Guarantor"), a wholly owned subsidiary of the Group, is a member of the International Association of Drilling Contractors as well as a member of the Malta Association of Ship Agents.

The aim of the Group is to become a leading name for the provision of integrated logistic services and support through the fulfilment of the following three objectives:

- i) to become the leading operator providing a network of comprehensive logistical support and service bases for the onshore and offshore oil and gas industry operating in the Mediterranean rim countries;
- ii) to provide specialised services utilising equipment developed by international companies for environmental projects within the oil and gas industry;
- iii) to maximise shareholder value through increasing market share by expanding its geographical presence and introducing new lines of business to service the onshore and offshore oil and gas industry.

In line with the above objectives, the Group has embarked on an aggressive growth strategy based on two pillars as listed below:

- i) **Geographical growth** - this will reduce the Group's reliance on the Central Mediterranean region. In this respect, the Group is seeking to grow its market by targeting a number of developing countries in the Eastern Mediterranean region but also in East Africa and elsewhere. This strategy has commenced through the development of the operation in Cyprus and plans are underway to eventually expand further;
- ii) **Offering a wider range of products/services** - the Group is seeking to broaden the engineering services provided to oil and gas vessels including rigs visiting Malta and to increase its client base with respect to procurement services by registering with oil companies in Libya so as to be able to provide such services.

## 1.2 KEY ACTIVITIES & PRINCIPAL MARKETS

The oil and gas industry is divided into three major sectors, namely: upstream, mid-stream and downstream. The upstream sector, in which the Group has been involved for the past 40 years, is also commonly known as the exploration and production sector. The upstream sector includes the searching for potential underground or underwater fossil fuel, drilling of exploratory wells and subsequently drilling and operating the wells that recover and bring the crude oil and/or raw natural gas to the surface.

In order to support these activities, the Group developed specialised dedicated onshore facilities designed specifically to support such activities. A base typically comprises a dedicated quay, warehouses to store equipment, engineering shops, mud-mixing plants to prepare the chemicals required, oil storage vats to maintain sufficient quantities of oil products required, a training centre for specialised courses, supply of specialised offshore containers which are mandatory when transporting any goods onto and off rigs and a large open area for the storing of pipes and other related heavy equipment.

Furthermore, the Group also supports the handling of all personnel movements, health and safety requirements, supplies, procurement, maintenance and regular certification and testing of equipment carried by rigs and all other support that a platform or rig may need during an exploration and/or operation.

The Group is involved in the provision of integrated logistics services to the oil and gas industry operating mainly in the Mediterranean basin. While the focus on the industry's activities was always principally North Africa, the Eastern Mediterranean is set to become a significant hive of activity as many IOC's are actively pursuing prospects in this region. The Group's existing operations principally cover the Central Mediterranean and North Africa regions. However, from 2014, following the award of a significant contract, the Eastern Mediterranean (principally Cyprus) will also contribute significantly to the Group. The Group's ongoing growth strategy includes the possible addition of other markets including East Mediterranean (Lebanon), East Africa (Tanzania, Mozambique and Kenya), West Africa (Ghana) and Asia (India).

Currently, the Group operates through three fully-owned subsidiaries as listed below:



#### **Medserv Operations Limited (100%)**

This is the original company within the Group which was founded in 1974. It is still the main operating company of the Issuer. The subsidiary holds a temporary emphyteusis and a lease allowing it to operate from the logistic base located at the Malta Freeport, Port of Marsaxlokk, Birzebugia, up to the year 2060. The Malta base has always been the major revenue contributor for the Group as it supports its clients operating in Libya. In fact, the Malta base has been involved and will continue to be involved in most of the major offshore activity that took place and will be taking place in the Central Mediterranean and North Africa regions. Indeed, in anticipation of a strong pick-up in activity and in view of contracts already awarded, this subsidiary has recently concluded a lease agreement for an additional site in Malta to cater for the growing equipment storage requirements. The agreement with Malta Industrial Parks Limited, a limited liability company registered under the laws of Malta bearing company registration number C28965 and having its registered address at Malta Industrial Parks, Gwardamangia Hill, Pieta', Malta ("MIP"), is for the lease of an area at Hal Far of approximately 30,000 square metres. The aforementioned property is a customs warehousing area and is being used by the Guarantor as an open lay down yard.

#### **Medserv International Limited (100%)**

This holding company has a 60% stake in Medserv Misurata F.Z.C., a company registered in Libya which owns and operates a logistics base within the freezone area of the Misurata Freeport. Following the unrest in Libya during 2011, the operations at the Libyan base have been mainly limited to storage of equipment. On 8 January 2014 Medserv International changed its status from a public liability company to a limited liability company.

#### **Medserv Eastern Mediterranean Limited (100%)**

This company is a subsidiary of the Issuer holding an 80% share in Medserv (Cyprus) Limited, a company registered in Cyprus and licenced to operate a base in the main port of Larnaca. The remaining 20% shareholding in Medserv (Cyprus) Ltd is held by Caramondani Bros Public Co Limited. The Caramondani Group is considered among the leading engineering contractors in Cyprus. The Caramondani Group's head office is in Nicosia, Cyprus but they also have offices in Greece, Italy and China. In view of the anticipated increase in exploration activities following substantial discoveries of fossil fuels (principally gas) made in Cypriot territorial waters, the Cypriot base has recently secured its first business – a significant contract (initially for 3 years but with an option to extend for a further 2 years) with ENI (Cyprus) Ltd. This contract is effective from June 2014.

The Cypriot base is also expected to pursue business opportunities relating to support services to exploration programs in the Eastern Mediterranean region. The Group's operations in Cyprus could also serve as a stepping stone towards operating a base in Lebanon in respect of which the Group, through Medserv Eastern Mediterranean Ltd, has recently signed a Memorandum of Understanding with a Lebanese company that paves the way for an eventual JV setup in the event that any exploration offshore Lebanon is announced.

Furthermore, in recent years, the Group has sought to expand its operations by setting up another subsidiary to invest in other bases across the Mediterranean rim. **Medserv Italy Limited** is a subsidiary of the Issuer holding a 50% share in Medserv Italia s.r.l., a company registered in Italy which will be running a logistics base in Sicily. The remaining 50% shareholding in Medserv Italia s.r.l. is held by an Italian partner, Filgest s.r.l. Regional issues have, to date, delayed progress with exploratory operations offshore Sicily. In the meantime, Medserv and its partners have the required setup to commence operations as and when required by prospective clients.

The Group has also set up two other subsidiaries, namely **Medserv Libya Limited** and **Medserv East Africa Limited**. The latter was set up to provide logistical and support facilities to offshore international oil companies operating in the region. Medserv Libya Ltd has setup a branch in Libya to provide maintenance services to the onshore oil and gas companies and maritime services to the offshore oil and gas operators.

To date, Medserv Italy Limited, Medserv Libya Limited and Medserv East Africa Limited have not secured any business.

The Group is also exploring other leads in West Africa (Ghana) and Asia (India) but developments are still ongoing.



## 1.3 KEY CLIENTS

The Group's key clients have typically consisted of IOCs and their contractors that have entered into exploration and development projects in offshore locations in close proximity to the Group's bases. IOC client contracts typically cover a period of 1 to 3 years in line with common practice in the industry in which the Group operates.

The oil and gas offshore exploration industry is dominated by a limited number of IOCs, the majority of which have an on-going business relationship with the Group. In particular, the Mediterranean region is dominated by one major IOC, the ENI Group of Italy, in respect of which the Group generates substantial business.

The Group has identified three key clients. They are all related entities of the ENI Group with whom the Group has had a business relationship for the past 40 years. However, the companies reportedly operate independently from one another and hence no relationship with one company is in any way dependent on the Group's relationship with the other two companies. For the year ended 2013, these three key clients accounted for 45.7% (2012: 48.3%) of total revenues. The remaining 54.3% (2012: 51.7%) of revenues was generated from a further 22 clients.

Given the significant contribution from these IOCs and their contractors to the financial performance of the Group, the termination of any of these business relationships would have a negative impact on the Group's financial performance. Nonetheless, the Group remains confident that contracts with these key clients will be renewed upon expiration as has always happened in the past.

## 1.4 DIRECTORS & KEY EMPLOYEES

### Board of Directors

Mr Anthony S Diacono  
 Mr Anthony J Duncan  
 Mr Johannes Jacobus van Leeuwen  
 Mr Joseph F X Zahra  
 Mr Joseph Zammit Tabona

Dr Laragh Cassar/Dr Louis De Gabriele

### Role

Chairman & Executive Director  
 Executive Director  
 Non-Executive Director  
 Non-Executive Director  
 Non-Executive Director

Company Secretary

### Executive Management

Mr Godwin Borg  
 Mr Karl Bartolo  
 Mr Godfrey Attard  
 Mr Martin Galea  
 Mr Neil Jamieson Patterson  
 Mr Leonard Perkins

### Role

Group Chief Operating Officer  
 Group Financial Controller  
 General Manager, Cyprus  
 General Manager, Libya  
 Group Strategic Development Officer  
 Group Quality, Health Safety & Environment Officer

## 1.5 MAJOR ASSETS OWNED BY THE GROUP

### 1.5.1 Property Rights

#### Malta

The Group, through its wholly-owned subsidiary Medserv Operations Limited, owns property rights over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk valued at €40 million as at 30 June 2013 by Perit Marc Bonello, partner of the local professional firm TBA Periti, in terms of, and with due regard given to the Valuation Standards of the Chamber of Architects & Civil Engineers of Malta and with The Royal Institution of Chartered Surveyors 'RICS Valuation – Professional Standards (March 2012)'. The agreements cover a plot of land measuring circa 50,325 square metres and a private quay with a total length of 239 metres.

The temporary emphyteusis provides Medserv Operations Limited with an exclusive right to use the land for a term up to 29 May 2045. In December 2012, Medserv Operations Limited signed a new lease agreement on the same land with the Malta Freeport Corporation Limited which comes into effect upon the expiration of the existing temporary emphyteusis on 29 May 2045 and expires in 2060. The new lease agreement was awarded on condition that Medserv Operations Limited completes certain investments on site worth around €9 million within certain timeframes as well as adhering to certain employment obligations. The investments include a

photovoltaic farm which is expected to generate income for 20 years after it is completed and commissioned by the end of the first half of 2014. Meanwhile, management advised that a number of other investments on the site have been made principally from the proceeds of the first tranche of the Note Issuance Program launched in August 2013 and by the end of 2014, it is expected that this condition would have been fulfilled well in advance of the timeframes stipulated.

The new lease agreement allows the Group to plan for the long-term and to offer its customers the certainty that the Malta base will be available to service the major upcoming projects in the Mediterranean.

Furthermore, in view of the strong project pipeline, on 18 February 2014, a lease agreement for an additional site in Malta to cater for the growing equipment storage requirements was signed. The agreement is for the lease of an area at Hal Far of approximately 30,000 square metres. The site is a customs warehousing area and is being used by the Guarantor as an open lay down yard.

#### **Libya**

In Libya, Medserv Misurata F.Z.C., in which the Group has a 60% share, holds a concession agreement with the Misurata Free Zone Authority allowing it to use a 200-metre long quay as well as land measuring 27,500 square metres for a period up to 2037. The land is situated in the Misurata Free Zone Port in Libya.

### **1.5.2 Property, Plant and Equipment**

#### **Malta**

The Group also owns a number of buildings within the Malta base held under title of temporary emphyteusis comprising office space as well as open and closed storage areas.

Medserv Operations Limited also owns various pieces of equipment, including a 220 tonne crane and 22 tonne fork lifter, which are used in its day-to-day operations. Furthermore, Medserv Operations Limited also owns two bulk plant facilities used for cement and other materials required by its clients, two mud plants capable of mixing 400 cubic metres of drilling fluids each, a mud and oil base storage facility capable of storing 600 cubic metres of drilling fluids and a 200 cubic metre brine plant.

#### **Cyprus**

The new Cypriot base in the port of Larnaca is presently being equipped with the necessary plant and machinery that will allow it to offer its services as a fully operational base from June 2014. Equipment for use at this base has been acquired rather than leased as the return on investment is considered to be far more attractive. This management decision is based on the anticipated volume of business forecast for the coming three years as well as the Company's strategic long-term plan to continue servicing the region.

#### **Libya**

In Libya, Medserv Misurata F.Z.C. owns six silos of 40 cubic metres each and two silos of 100 cubic metres each to store cement and other materials required by clients as well as two mud plants with a mixing and storage capacity of 600 cubic metres and four brine plants with a capacity of 180 cubic metres.



## 1.6 MATERIAL DEVELOPMENTS

As part of its internationalisation strategy, the Issuer has set-up a number of wholly-owned subsidiaries in the last five years as listed below.

<b>Subsidiaries</b>	<b>Date of Incorporation</b>	<b>Country of Registration</b>
Medserv Eastern Mediterranean Limited <i>A subsidiary of Medserv p.l.c. acting as a holding company for the 80% stake in Medserv (Cyprus) Limited.</i>	18 August 2010	Malta
Medserv Italy Limited <i>A subsidiary of Medserv p.l.c. acting as a holding company for the 50% stake in Medserv Italia s.r.l.</i>	28 October 2010	Malta
Medserv Libya Limited <i>A subsidiary of Medserv p.l.c. set up to avail of business opportunities expected principally onshore Libya. This new subsidiary is envisaged to participate in new activities such as maintenance through a branch already registered in Libya.</i>	5 April 2012	Malta
Medserv East Africa Limited <i>A subsidiary of Medserv p.l.c. which was initially set up to tender, in partnership with a substantial international company, for a three year contract to manage and operate a base in Tanzania to serve the region's offshore industry. Although this subsidiary (through the partnership) was not awarded this contract, the Group intends to maintain its presence in the region in a bid to secure other business opportunities.</i>	3 October 2012	Malta

<b>Sub-Subsidiaries</b>	<b>Date of Incorporation</b>	<b>Country of Registration</b>
Medserv (Cyprus) Limited <i>Medserv Eastern Mediterranean Limited owns a 80% shareholding in Medserv (Cyprus) Limited which is licenced to operate a base in Larnaca. The Group sought a presence in this country in view of the substantial discoveries of fossil fuels in Cypriot territorial waters. The Cypriot base may also be used to serve other clients in the Eastern Mediterranean region.</i>	10 November 2011	Cyprus

<b>Joint-Ventures</b>	<b>Date of Incorporation</b>	<b>Country of Registration</b>
Medserv Italia s.r.l. <i>This joint-venture, owned by Medserv Italy Limited and Filgest s.r.l. (a privately owned Italian based company), was established to operate a logistics base in Sicily.</i>	3 November 2010	Italy

In addition to the above, a dedicated maintenance unit provides general maintenance services to rigs, platforms and other vessels involved in offshore drilling activities. This specialised unit completed its first contract in 2012 and a second contract was awarded during 2013. Management is actively continuing to target this line of business.

## 1.7 MATERIAL CONTRACTS

### 1.7.1 Malta base concession agreements

#### Temporary Emphyteusis

Medserv Operations Limited holds a non-transferable temporary emphyteusis for a period up to 29 May 2045 which was granted by the Malta Freeport Corporation Limited by virtue of several notarial deeds and by consent of the House of Representatives. This concession agreement allows the Group to use a private quay with a total length of 239 metres and a plot of land (within the Malta Freeport) measuring around 50,325 square metres. The concession agreement was provided to Medserv Operations Limited to carry out its business, namely that of providing storage and services to the oil industry, oil companies and other companies using its facilities.

Medserv Operations Limited is obliged to pay an annual temporary ground rent which is revisable every four years subject to a maximum increase of 15%. Medserv Operations Limited is also obliged to pay a daily berthing fee, revisable every four years, for each vessel that uses its quay.

#### New Lease Agreement

On 5 December 2012, Medserv Operations Limited entered into a new 15-year lease agreement which comes into effect upon the termination of the temporary emphyteusis in 2045. As a result, Medserv Operations Limited will have the right to use the land and quay at the Malta Freeport up to 29 May 2060.



Under the new lease agreement, Medserv Operations Limited will be obliged to pay an annual rent revisable upwards at the end of every fifth year by 10% with the first revision expected to take place on 29 May 2050.

#### 1.7.2 Libya base concession agreement

On 6 December 2007, Medserv Misurata F.Z.C. reached a 30-year agreement with the Misurata Free Zone Authority allowing the former to use a 200-metre long quay as well as land measuring 27,500 square metres (comprising a warehouse of 7,500 square metres and 20,000 square metres of open storage area) situated in the Misurata Free Zone Port in Libya.

The terms of the agreement stipulate that Medserv Misurata F.Z.C. was obliged to pay an annual fee equivalent to a percentage of its gross annual turnover for the period ended 31 December 2011. Subsequently, Medserv Misurata F.Z.C. is obliged to pay a lump sum subject to a 2% increase every year starting from 2013.

Given that the operations of Medserv Misurata F.Z.C. have been disrupted by the 2011 conflict in Libya and the warehouse was damaged, the 2012 and 2013 annual fee for use of the base is being disputed with the Misurata Free Zone Authority. As at the date of this report, management confirmed that the matter has remained unresolved and discussions with the Free Zone Authority are still underway.

#### 1.7.3 Operating licence

Medserv Operations Limited holds a licence which was granted in terms of the Malta Freeports Act 1989. The licence allows Medserv Operations Limited to carry out the following activities:

- The general trade, operations, management and marketing of a storage, service and spare parts centre for the oil industry at the Malta Freeport, Port of Marsaxlokk, Malta, and the establishment, supply, maintenance, and operation of all services related or ancillary thereto;
- The carrying on of all or any of the trades or businesses of carriers and handlers by land, water and air of products;
- Acting as advisers, consultants, brokers and agents;
- Acting as marine engineers, storage contractors, wharfingers and warehousemen;
- The production, manufacture, processing, importing, exporting, storing and dealing of all kinds of machines, articles, products and things necessary or useful for the above activities;
- The rendering of services that are analogous or complementary to the foregoing, including initiatives that may benefit the environment.

The licence is valid until 28 May 2045 (in line with the original emphyteusis on the land and quay at the Malta Freeport) but will automatically be renewed for a further 15 years up to 28 May 2060.

#### 1.7.4 Collective agreement

On 31 December 2011, Medserv Operations Limited entered into a collective agreement with the General Workers' Union (Metal and Construction Sector), which represents the majority of the Company's employees. The agreement, which expires on 31 December 2014, covers the yard operators, mechanics, foremen, clerical officers, senior clerical officers, cleaners and housekeepers.

#### 1.7.5 Key client agreements

The Group has a number of service contracts with its key clients. These contracts stipulate the provision of specified services from the Malta base to the clients' offshore activities. These include but are not limited to, material handling, storage and transportation services, provision of a logistics base and offshore logistic support services. Terms of typical contracts range from one to three years.

#### 1.7.6 Licences to operate Limassol and Larnaca bases

The Group, through its 80% shareholding in Medserv (Cyprus) Limited, was granted two licences to operate a base in the port of Limassol and another base in the port of Larnaca by the Cyprus Ports Authority.

##### Licence for use of space at the port of Larnaca

The licence covers 3,000 square metres of enclosed storage space as well as 30,750 square metres of open space. The licence allows the use of the quay. Although Medserv (Cyprus) Limited was not given the exclusive use of the quay, the Cyprus Ports Authority shall give priority to the vessels of its clients.

The licence is valid for three years with a possible extension thereafter. The licence also requires the Group to furnish a bank guarantee and public liability insurance.

##### Licence for the use of land area at the port of Limassol

As client requirements and demands led to a shift in focus on operations from the port of Larnaca, management advised that on 31 December 2013, Medserv (Cyprus) Ltd relinquished its licence for the use of land and port in Limassol. According to management, it was deemed appropriate to release this site as rental costs would not have been justified.



## 2 ISSUER PERFORMANCE & FINANCIAL POSITION OVERVIEW

The financials presented in sections 2 and 3 have been prepared by the Issuer and cover the actual results of the past five financial years and the consolidated forecast for 2014.

The forecast is based on the premise that the Issuer will successfully offer €7 million 6% Notes ("the Notes"). These funds are earmarked for financing the further investments planned at the Malta base as well as funding further improvements at the Cypriot base in anticipation of commencement of operations on 1 June 2014. The realisation of this forecast is based on a number of other assumptions and their validity is the responsibility of the Issuer.

### 2.1 STATEMENT OF COMPREHENSIVE INCOME

<b>Medserv p.l.c.</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>FORECAST</b>
<i>for the financial years ended 31 December</i>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Revenue</b>	<b>17,528</b>	<b>11,716</b>	<b>9,205</b>	<b>6,709</b>	<b>6,899</b>	<b>14,184</b>
Cost of Sales	(12,163)	(9,418)	(6,628)	(5,597)	(4,563)	(7,591)
<b>Gross Profit</b>	<b>5,365</b>	<b>2,298</b>	<b>2,577</b>	<b>1,112</b>	<b>2,335</b>	<b>6,593</b>
Other income	112	270	140	21	40	12
Administrative expenses	(1,550)	(1,476)	(1,088)	(1,578)	(1,469)	(2,223)
Other expenses	(4)	(219)	(134)	(38)	(5)	-
<b>EBITDA</b>	<b>3,923</b>	<b>873</b>	<b>1,495</b>	<b>(483)</b>	<b>902</b>	<b>4,382</b>
Depreciation and amortisation	(667)	(748)	(398)	(504)	(503)	(1,210)
<b>Results from operating activities</b>	<b>3,256</b>	<b>125</b>	<b>1,097</b>	<b>(987)</b>	<b>399</b>	<b>3,172</b>
Finance income	15	4	-	-	14	52
Finance costs	(88)	(97)	(87)	(165)	(281)	(962)
<b>Net finance costs</b>	<b>(73)</b>	<b>(93)</b>	<b>(87)</b>	<b>(165)</b>	<b>(267)</b>	<b>(910)</b>
Share of loss of jointly-controlled entity (net of tax)	-	-	(3)	(2)	-	-
<b>Profit / (Loss) before tax</b>	<b>3,183</b>	<b>32</b>	<b>1,007</b>	<b>(1,154)</b>	<b>132</b>	<b>2,262</b>
Tax income / (expense)	(376)	83	(191)	775	262	(671)
<b>Profit for the period</b>	<b>2,807</b>	<b>115</b>	<b>816</b>	<b>(379)</b>	<b>394</b>	<b>1,591</b>
<b>Profit attributable to:</b>						
Owners of the Company	2,327	119	761	(251)	387	1,392
Non-controlling interest	480	(4)	55	(128)	7	199
<b>Profit for the period</b>	<b>2,807</b>	<b>115</b>	<b>816</b>	<b>(379)</b>	<b>394</b>	<b>1,591</b>

Source: Medserv p.l.c. Annual Reports and Management Information  
 Certain figures presented in this table may not add up due to rounding differences



The results of the five financial years between 2009 and 2013 mainly reflect the performance of the Issuer's two key operating companies, namely Medserv Operations Limited and Medserv Misurata F.Z.C.

The 2009 financial results were boosted by the increased income generated from services and support to exploratory wells in the Mediterranean rim, particularly in offshore Libya, with revenues for such services reaching €8.9 million. This reflects the Issuer's ability to capitalise on any business arising from offshore oil and gas activity within the Mediterranean rim countries.

Following the positive financial results recorded in 2009 on the back of new offshore exploratory projects in the Mediterranean region, the operations and financials of the Issuer were adversely impacted in subsequent years by the developments in the international oil industry in 2010 as well as the political events in Libya in 2011 and the ensuing instability across North Africa.

Revenue breakdown by Service	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
	2009	2010	2011	2012	2013	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Exploratory & Production wells	8,866	2,302	492	291	-	7,558
Rig & Vessel stops	2,145	2,773	1,697	1,461	939	606
General logistics & support	4,907	3,209	3,549	3,186	4,378	3,534
Bunkering	1,008	2,264	1,760	805	-	-
Offshore maintenance	-	-	1,083	910	1,582	2,148
Mud project (Tanzania)	-	-	610	-	-	-
Transport & specialised services	603	1,168	13	57	-	-
Photovoltaic farm feed-in	-	-	-	-	-	338
<b>Total Revenue</b>	<b>17,528</b>	<b>11,716</b>	<b>9,205</b>	<b>6,709</b>	<b>6,899</b>	<b>14,184</b>

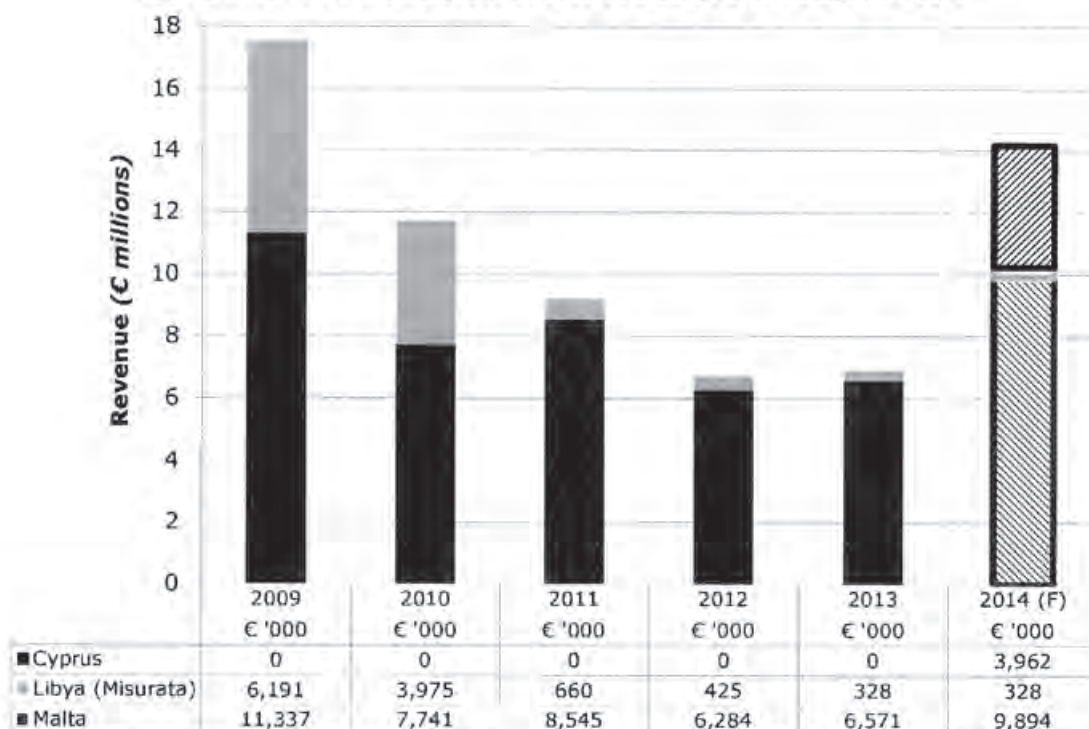
Source: Management information  
 Certain figures presented in this table may not add up due to rounding differences

The BP incident in the Gulf of Mexico in the first quarter of 2010 led to the postponement of all offshore exploration activities throughout the world, including the Mediterranean region. As a result, the exploratory projects expected to commence in the second quarter of 2010 from the Issuer's bases in Malta and Misurata were delayed and this resulted in a 74% decline in revenues from exploration activities to €2.3 million in 2010. Furthermore, the performance of the bases was also adversely impacted by the 2010 Swiss-Libyan dispute. Nonetheless, during 2010, the Issuer still strived to maximise the use of its facilities by attracting heavy equipment and barges passing through the Mediterranean thereby increasing revenue from rig stops to €2.7 million in 2010 representing a 29.3% increase over the previous year. During 2010, the Issuer also serviced production platforms and managed the transport, treatment and disposal of waste for IOCs operating in North Africa. Overall, the Issuer generated a total of €11.7 million in revenues during 2010 which represented a 33% drop from the previous year's revenue figure.

In the first half of 2011, the Issuer's operations were further dented by the civil war in Libya which halted the operations at the Issuer's base in Misurata. The civil unrest in Libya and other countries in the North African region caused further delays in offshore projects of an exploratory nature and also led to a reduction in rig traffic in the Mediterranean. This led to a sharp reduction in the Issuer's revenue from 'Exploratory wells', 'Rig Stops' and 'Bunkering'. In the last few months of 2011, the Issuer was awarded contracts in connection with the restarting of oil and gas production in Libya which were administered through the Malta base. As a result, the Issuer generated €9.2 million in revenue during 2011 representing a 21% drop from 2010 with the revenue contribution from the Misurata base falling sharply to below 10% of overall Group revenues from over 30% in the preceding years (see chart 'Revenue Contribution from Malta & Libya Bases'). Nonetheless, the events in Libya presented an opportunity for the Group to start generating a new revenue stream from maintenance services. This generated €1.1 million and €0.9 million in revenue during 2011 and 2012 respectively.



### Revenue Contribution from Medserv Group Bases



Source: Medserv plc Annual Reports and Management Information

In 2012, the Misurata base, although open for business, witnessed no activity from customers except for renewal of storage contracts which generated enough revenue to cover the base's day-to-day expenditure. Furthermore, although in 2012, production levels of oil and gas in Libya reached pre-war levels, oil exploration activities offshore Libya failed to resume. As a result, the Group's revenues suffered a further 27.1% drop to €6.7 million. However during the second half of 2012 the Issuer experienced an upturn in revenue on a month-by-month basis. Revenue generated in the second half of 2012 represented 62% of revenue for the year. The majority of the revenue registered in the second half of 2012 related to logistical work and support being carried out in anticipation of major oil and gas projects. Revenue continued to grow during the first six months of 2013 against the comparative six month period in 2012 as the Group generated a further €2 million in revenue relating to general logistics and support services as well as €1.6 million from the newly-launched offshore maintenance service.

However, during the remainder of 2013, the Group experienced project delays leading to an overall 29% decline in revenues to €6.9 million against a forecasted €9.7 million. Management emphasised that the contracted works for the provision of services to multi-well programs were only delayed and not cancelled. The company announcement dated 24<sup>th</sup> March 2014, confirmed that the Issuer was awarded two separate contracts from international oil companies operating offshore North Africa from its base in Malta. These contracted works are scheduled for commencement this year and are expected to last for two years with an option for a further two years. This new business necessitated the need for additional space in Malta to serve the increased storage requirements. The new Hal-Far site is earmarked for this purpose. Therefore, the forecast for 2014 takes into account existing key clients' scheduled project plans. Revenues from exploratory wells and production structures are the main drivers of revenue growth. Offshore maintenance revenue is also expected to improve. Revenue from the photovoltaic farm feed-in is also expected to commence in July 2014. During the financial year ending 31 December 2014, the Malta base is expected to continue to be the primary site from which business is generated as revenue from Misurata is projected to remain very limited (in view of the on-going uncertain political situation) and Cyprus will commence operations as from 1 June 2014 as the new ENI (Cyprus) Ltd. contract kicks in. Nonetheless, the Cyprus base is expected to generate 27.9% of overall Group revenues for 2014 and is subsequently anticipated to become a major revenue contributor from 2015 onwards.

Given the declines in revenue in the period 2010 to 2012 and the significant amount of fixed operating costs, the Issuer reported a contraction in earnings before interest, tax, depreciation and amortisation (EBITDA) and operating profit. During 2012, the Issuer reported a negative EBITDA and an operating loss. However, in 2013, the Issuer returned a positive EBITDA of just over €0.9 million (entirely attributable to the EBITDA generated in the first six months of 2013) which was substantially driven by the increased revenue from the Malta operation during the first six months of 2013 consisting principally of a number of new types of engineering operations tied to continued preparations by IOCs for upcoming projects in the Mediterranean particularly offshore Libya. EBITDA is expected to further improve in 2014 as the delayed projects come on stream.

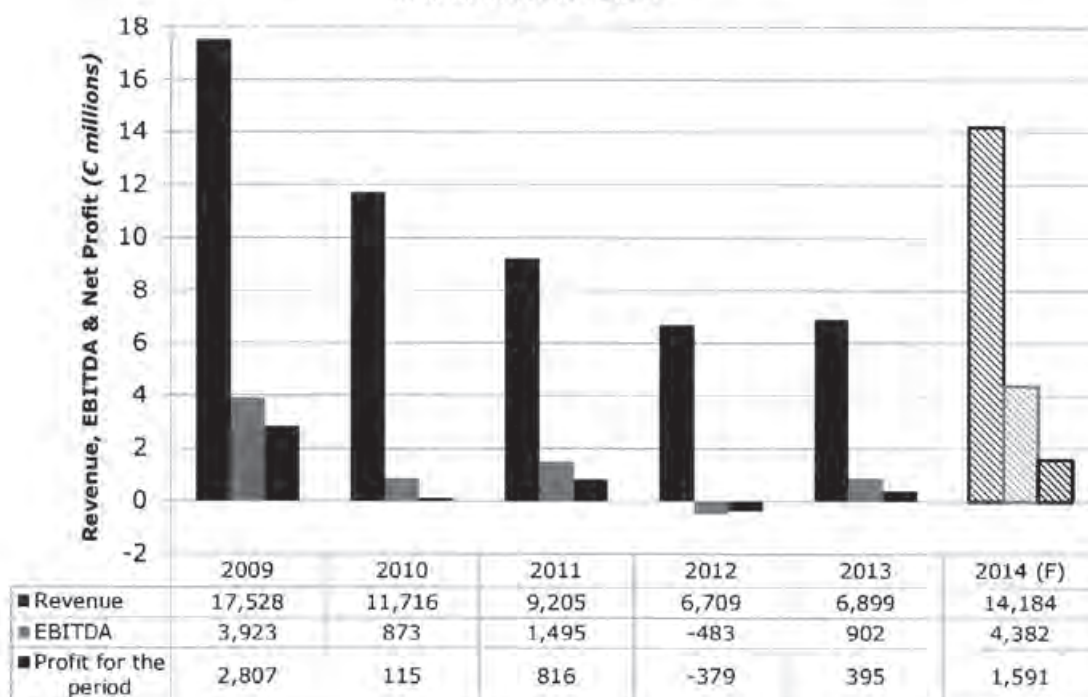


In line with the Issuer's increase in borrowings during the 2012 financial year to finance its capital projects in anticipation of future business and expansion plans, net finance costs increased to €0.16 million in 2012 from the very low levels of previous years reflecting the relatively low gearing ratio of the Issuer. Finance costs further increased in 2013 following the issuance of the first tranche of Notes. Furthermore, in 2014, finance costs (including amortised costs on the Notes) are expected to increase by a further €0.64 million to €0.91 reflecting a full-year's interest on the first tranche of €13 million and the issuance of the second tranche amounting to €7 million.

As from the 2011 financial year, the Issuer also accounted for its 50% shareholding in Medserv Italia s.r.l. This joint-venture has been inoperative since inception given the delays to projected works due to regional issues.

The strong profitability in 2009 reflects the business activity momentum that had picked up at the time. Naturally, as described above, as activity dropped and revenues declined in 2010 and 2011, the profitability of the Issuer was subsequently negatively impacted. As a result, the Issuer registered a pre-tax loss of €1.2 million in 2012 - the first annual loss since the financial year ended 31 December 2007. After accounting for a tax credit of €0.78 million and minority interest of €0.13 million (relating to the 40% shareholding in Medserv Misurata F.Z.C. and the original 45% shareholding in Medserv (Cyprus) Ltd held by the third parties at the time), the net loss attributable to owners of the Company was reduced to €0.25 million in 2012. However, in 2013, the Issuer returned to a profitable position with a marginal net profit of €0.39 million which mainly reflects the profits of the Malta base as the Misurata base remained largely unutilised even in 2013. The Issuer is expected to register significant profit growth in 2014 mainly reflecting the more attractive margins on the expected increase in logistical and support services to exploratory and production wells in the Mediterranean.

### Key figures from Statement of Comprehensive Income for the financial years ended 31 December 2009 - 2013 and forecast for 2014



Source: Medserv plc Annual Reports and Management Information



## 2.2 STATEMENT OF CASH FLOWS

<b>Medserv p.l.c.</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>FORECAST</b>
<i>for the financial years ended 31 December</i>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Net cash from / (used for) operating activities	2,594	2,237	(246)	533	(451)	4,579
Net cash used for investing activities	(1,040)	(424)	(208)	(1,233)	(3,537)	(11,614)
Net cash from / (used for) financing activities	(970)	(2,009)	(363)	10	10,926	5,169
<b>Net movements in cash and cash equivalents</b>	<b>584</b>	<b>(196)</b>	<b>(817)</b>	<b>(690)</b>	<b>6,938</b>	<b>(1,866)</b>
Cash and cash equivalents at beginning of the year*	(193)	334	118	(585)	(1,316)	5,644
Effects of exchange rate fluctuations on cash held	15	(220)	111	(2)	22	-
Cash released from / (pledged as) guarantee	(143)	207	-	(39)	-	-
<b>Cash and cash equivalents at end of year*</b>	<b>263</b>	<b>125</b>	<b>(588)</b>	<b>(1,316)</b>	<b>5,644</b>	<b>3,779</b>

Source: Medserv p.l.c. Annual Reports and Management Information

Certain figures presented in this table may not add up due to rounding differences

\* Opening and closing cash balances have been restated to reflect changes in exchange rates from the prior year

The 'net cash generated from operating activities' (CFO) declined in line with the lower levels of business activity reported in recent years. Nonetheless, the Issuer was in receipt of a significant amount of trade receivables in 2010 (€3.86 million) and 2012 (€1.71 million) which lifted the CFO figures in each respective year. The support services provided by the Malta base to clients preparing for new projects during the first six months of 2013 helped generate positive cash flows from operations indicating the expected pick up in offshore activity. However, as projects were delayed from the second half of 2013 into 2014, the Issuer's cash flows from operations were adversely impacted leading to a negative CFO of €0.45 million for the whole of 2013. This is expected to be reversed in 2014 as the contracted works come on stream.

The Issuer's commitment to continue investing in the business is confirmed by the 'net cash used for investing activities' (CFI) through the years. It is noteworthy to highlight the investment programmes covering the facilities in Misurata in 2008 and an additional warehouse at the Malta base in 2009. Moreover, in 2012, the Issuer spent €1.2 million in new equipment at the Malta base which should lead to cost savings in the future as the Issuer will no longer need to rent equipment from third parties which is in frequent use. Furthermore, the Issuer also invested in regular maintenance of its property, plant and equipment. The Issuer has also undertaken a major investment programme in the latter part of 2013 which is also expected to continue throughout 2014. This mainly relates to the photovoltaic farm at the Malta base and other improvements to the base in Marsaxlokk (including a new warehouse), the development of the Cyprus base in Larnaca as well as the acquisition of new plant and equipment for both bases.

The 'net cash used for financing activities' (CFF) figures for the years 2009 to 2011 mainly reflect the repayment of bank debt and shareholders loans' together with the respective interest charges. Furthermore, during the years 2009 to 2012, the Issuer distributed €2.7 million in dividends to shareholders. Meanwhile, in 2012, the Issuer took on new borrowings of €0.83 million in view of the capital projects and planned geographical expansion. In 2013, CFF figures were boosted by the €13 million proceeds from the issuance of the first tranche of the Notes. Similarly, in 2014, CFF is expected to be positively impacted by the €7 million proceeds from the issuance of the second tranche of Notes.



## 2.3 STATEMENT OF FINANCIAL POSITION

<b>Medserv p.l.c.</b>	<i>ACTUAL</i> <i>12 months</i>	<i>ACTUAL</i> <i>12 months</i>	<i>ACTUAL</i> <i>12 months</i>	<i>ACTUAL</i> <i>12 months</i>	<i>ACTUAL</i> <i>12 months</i>	<i>FORECAST</i> <i>12 months</i>
<i>As at 31 December</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>ASSETS</b>						
Property, plant and equipment	4,728	4,517	4,336	5,065	8,331	18,854
Investment in jointly-controlled entity	-	5	2	-	-	-
Deferred tax assets	3,678	3,776	3,546	4,315	4,577	4,149
<b>Total non-current assets</b>	<b>8,406</b>	<b>8,298</b>	<b>7,884</b>	<b>9,380</b>	<b>12,908</b>	<b>23,003</b>
Inventories	-	-	-	73	-	-
Current tax asset	61	83	-	-	-	-
Trade and other receivables	7,354	4,051	4,998	3,259	3,868	4,191
Cash at bank and in hand	1,071	947	335	531	5,683	3,818
<b>Total current assets</b>	<b>8,486</b>	<b>5,081</b>	<b>5,333</b>	<b>3,863</b>	<b>9,551</b>	<b>8,009</b>
<b>Total assets</b>	<b>16,892</b>	<b>13,379</b>	<b>13,217</b>	<b>13,243</b>	<b>22,459</b>	<b>31,012</b>
<b>LIABILITIES</b>						
Loans and borrowings (unlisted)	889	830	648	943	-	-
Non-current portion of bond (listed)	-	-	-	-	12,552	19,416
Provisions	31	32	28	37	37	37
<b>Total non-current liabilities</b>	<b>920</b>	<b>862</b>	<b>676</b>	<b>980</b>	<b>12,589</b>	<b>19,453</b>
Current tax payable	41	77	31	25	-	113
Loans and borrowings (unlisted)	1,021	882	1,145	2,262	-	-
Current portion of bond (listed)	-	-	-	-	173	300
Trade and other payables	5,328	3,451	2,741	2,026	1,540	2,147
<b>Total current liabilities</b>	<b>6,390</b>	<b>4,410</b>	<b>3,917</b>	<b>4,313</b>	<b>1,713</b>	<b>2,560</b>
<b>Total liabilities</b>	<b>7,310</b>	<b>5,272</b>	<b>4,593</b>	<b>5,293</b>	<b>14,302</b>	<b>22,013</b>
Share capital	2,329	2,329	2,329	2,329	2,500	2,500
Reserves	3,674	3,767	3,559	4,318	4,607	4,410
Retained earnings	2,922	1,598	2,267	958	772	1,762
<b>Total equity attributable to owners of the Company</b>	<b>8,925</b>	<b>7,694</b>	<b>8,155</b>	<b>7,605</b>	<b>7,879</b>	<b>8,672</b>
Non-controlling interest	657	413	469	345	278	327
<b>Total equity</b>	<b>9,582</b>	<b>8,107</b>	<b>8,624</b>	<b>7,950</b>	<b>8,157</b>	<b>8,999</b>
<b>Total equity and liabilities</b>	<b>16,892</b>	<b>13,379</b>	<b>13,217</b>	<b>13,243</b>	<b>22,459</b>	<b>31,012</b>

Source: Medserv p.l.c. Annual Reports and Management information  
 Certain figures presented in this table may not add up due to rounding differences

The Issuer's asset base has been relatively stable around the €13 million mark up to 2012 as the reduction in trade receivables was offset by the growth in property, plant and equipment as well as a deferred tax asset. The latter mainly comprises €3.8 million in investment tax credits generated by Medserv Operations Limited. This subsidiary is entitled to two types of investment tax credits which are granted in lieu of certain investments it undertakes. One type grants 40% of the investment (same for all-medium sized companies) whilst other special tax credits are calculated at 75% of the qualifying expenditure. These tax credits can be used to offset future profits of Medserv Operations Limited although the special tax credits expire on 31 December 2020 and therefore may not be utilised in full if the subsidiary does not generate enough taxable profits by such date. The pickup in 2013 results from the issue of the first tranche of the Notes.

Over 95.5% of the Issuer's trade receivables as at 31 December 2013 were due to Medserv Operations Limited. Furthermore, the major IOC operating offshore Libya is the Issuer's largest debtor as it accounts for 42.2% of the Issuer's total trade receivables amounting to €0.72 million as at 31 December 2013. Importantly, 65% of the Issuer's debtors are not past due.

The Issuer's asset base is expected to grow to €31 million by 31 December 2014 reflecting the investments to be undertaken at the Malta base as well as the bases in Cyprus. The investments in Malta form part of the capital commitments of Medserv Operations Limited totalling €9 million in terms of the new lease agreement of the Malta base as per the concession deed dated 5 December 2012.

Total liabilities declined from €7.3 million as at 31 December 2009 to €5.3 million as at 31 December 2012 largely reflecting the €3.3 million reduction in trade payables to just over €2 million as at 31 December 2012.

Meanwhile, during the same period, the Issuer's bank borrowings increased by €1.3 million. Medserv Operations Limited holds 52.8% of the €12.7 million in interest-bearing borrowings as at 31 December 2013.

Following the issuance of the €13 million first tranche of Notes in 2013, the Issuer's liabilities grew to €14.3 million by the end of the 2013 financial year and are expected to reach €22 million by 31 December 2014 largely reflecting the further €7 million tranche issued during 2014.

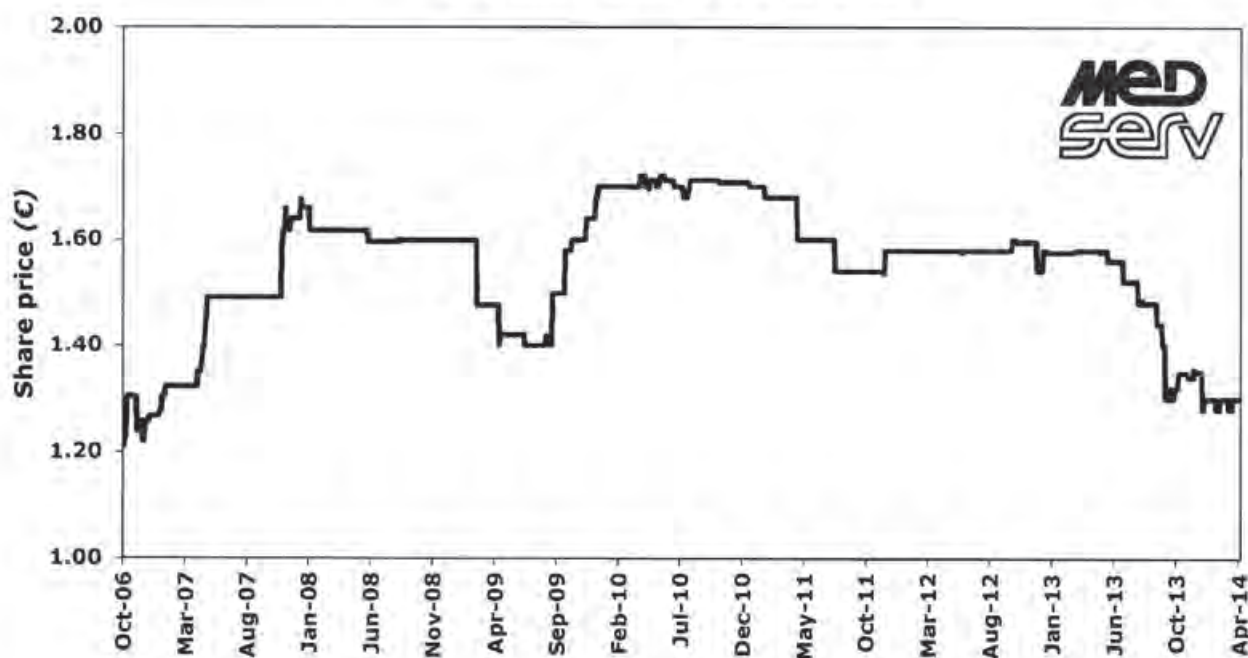
The temporary emphyteusis and the lease the Issuer owns (through the Guarantor) with respect to the land at the Freeport, was valued at €40 million as at 30 June 2013. This is accounted for as an operating lease and is not recognised in the Statement of Financial Position.



## 2.4 SHARE PRICE PERFORMANCE & FINANCIAL STRENGTH EVALUATION

Key market data as at 04 April 2014	
<b>Shares in issue</b>	<b>25,000,004</b>
<b>Nominal Value</b>	<b>€0.1000</b>
<b>Share Price</b>	<b>€1.300</b>
<b>Market Capitalisation</b> <i>(Share price * Shares in issue)</i>	<b>€32,500,000</b>
<b>Enterprise Value</b> <i>[(Market Capitalisation + Total Debt) - (Cash and cash equivalents + short-term investments)]</i>	<b>€36,369,865</b>
<b>Earnings per share [EPS] – for the financial year ended 31 December 2013</b> <i>(Profit attributable to owners of the company / Weighted average shares in issue)</i>	<b>€0.0155</b>

**Medserv plc**  
**24 October 2006 to 03 April 2014**



Source: Rizzo Farrugia & Co. (Stockbrokers) Ltd

<b>PROFITABILITY RATIOS</b> <i>Measuring a company's ability to generate profitable sales from its assets</i>	<i>ACTUAL</i> <b>2009</b>	<i>ACTUAL</i> <b>2010</b>	<i>ACTUAL</i> <b>2011</b>	<i>ACTUAL</i> <b>2012</b>	<i>ACTUAL</i> <b>2013</b>	<i>FORECAST</i> <b>2014</b>
<b>Gross Profit margin</b> <i>(Gross Profit / Revenue)</i>	<b>30.61%</b>	<b>19.62%</b>	<b>27.99%</b>	<b>16.58%</b>	<b>33.86%</b>	<b>46.48%</b>
<b>EBITDA margin</b> <i>(EBITDA / Revenue)</i>	<b>22.38%</b>	<b>7.46%</b>	<b>16.24%</b>	<b>N/A</b>	<b>13.05%</b>	<b>30.89%</b>
<b>Operating Profit margin</b> <i>(Operating Profit / Revenue)</i>	<b>18.57%</b>	<b>1.07%</b>	<b>11.91%</b>	<b>N/A</b>	<b>5.78%</b>	<b>22.36%</b>
<b>Net Profit margin</b> <i>(Profit for the period / Revenue)</i>	<b>16.02%</b>	<b>0.98%</b>	<b>8.86%</b>	<b>N/A</b>	<b>5.71%</b>	<b>11.22%</b>
<b>Return on Equity</b> <i>(Profit attributable to owners of the Company / Average Equity attributable to owners of the Company)</i>	<b>29.25%</b>	<b>1.43%</b>	<b>9.60%</b>	<b>N/A</b>	<b>5.00%</b>	<b>16.82%</b>
<b>Return on Capital Employed</b> <i>(Profit for the period / Average Capital Employed)</i>	<b>26.98%</b>	<b>1.08%</b>	<b>8.06%</b>	<b>N/A</b>	<b>2.46%</b>	<b>6.42%</b>
<b>Return on Assets</b> <i>(Profit for the period / Average Assets)</i>	<b>17.71%</b>	<b>0.76%</b>	<b>6.14%</b>	<b>N/A</b>	<b>2.21%</b>	<b>5.95%</b>

Profitability ratios largely depend on the service mix provided during the year. In 2008 and 2009, the Issuer enjoyed healthy profitability ratios on the back of the high levels of business activity related to exploratory works which carry more attractive margins.

The profitability ratios declined sharply in 2010 given the reduction in revenue and the fixed nature of the Issuer's cost base described above. Moreover, given that offshore oil operations around the globe were at a standstill in 2010, the Issuer's lower profit margins were also due to an increased element of low margin business such as bunkering.

In 2011, Medserv managed to generate healthier profitability ratios as it could command higher rates given that it was providing support in a more complex and risky operating environment in its main market, Libya, which was in the midst of a civil war. Furthermore, the Issuer also managed to achieve some cost savings including a 20% reduction in all employees' wages and salaries for a four month period.

However, as Libya began to recover from the 8-month conflict (which ended in October 2011), the Issuer suffered margin compression in 2012. Moreover, in 2012, the Issuer also experienced a further decline in business activity, and hence revenues, as exploratory works in offshore Libya did not restart. The Issuer's profitability ratios were further impacted by an increase in certain costs incurred in anticipation of the expected upturn in business activity including an increase in the Issuer's overall wage bill in line with the strengthening of the management team.

The 2013 profitability ratios of the Issuer improved largely due to the pick-up in business activity during the first six months of the year which included €1.5 million in offshore maintenance works, comprising new types of engineering operations. This type of service carries more attractive margins. This improving trend is expected to continue during 2014 as indicated by the improvement in the gross profit margin to over 46.5%. This is mainly driven by an anticipated significant increase in projected revenue from business activities related to exploratory and production wells. Furthermore, the Issuer is also expecting to be awarded other maintenance contracts. Both activities carry a high margin. In addition, given the Issuer's largely fixed cost base, a substantial decrease in direct costs as a percentage of revenue is being anticipated. Similarly, an improvement is also being anticipated for the other profitability ratios.



<b>LIQUIDITY RATIOS</b> <i>Measuring a company's ability to meet its short-term obligations</i>	ACTUAL 2009	ACTUAL 2010	ACTUAL 2011	ACTUAL 2012	ACTUAL 2013	FORECAST 2014
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	1.33x	1.15x	1.36x	0.90x	5.58x	3.13x
<b>Cash Ratio</b> <i>(Cash &amp; cash equivalents / Current Liabilities)</i>	0.17x	0.21x	0.09x	0.12x	3.32x	1.49x

Given the decline in business activity described above coupled with the increasing levels of short-term debt (namely €1.8 million in the bank overdraft as at 31 December 2012), the liquidity ratios of the Issuer have declined in recent years. Nonetheless, it is important to note that the Issuer has always honoured its commitments in a timely manner. Furthermore, the expected improvement in the Issuer's business pipeline as well as the restructuring of the Issuer's borrowings resulted in an improvement in the Issuer's financial position and therefore higher liquidity ratios (as shown in the table above) for the financial year ending 31 December 2013. The forecast for 2014 shows an equally healthy position.

<b>SOLVENCY RATIOS</b> <i>Measuring a company's ability to meet its debt obligations</i>	ACTUAL 2009	ACTUAL 2010	ACTUAL 2011	ACTUAL 2012	ACTUAL 2013	FORECAST 2014
<b>Interest Coverage ratio</b> <i>(EBITDA / Net finance costs)</i>	53.93x	9.38x	17.30x	N/A	3.37x	4.82x
<b>Gearing Ratio (1)</b> <i>(Net debt / Total Equity)</i>	0.15x	0.09x	0.17x	0.34x	0.86x	1.77x
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	16.62%	17.43%	17.21%	28.73%	60.94%	68.66%

With the exception of 2012, Medserv has always maintained a healthy interest coverage ratio during recent financial years and is also expected to maintain this trend in 2014 (see 'Interest Cover Ratio' chart below) despite the overall increase in the Issuer's debt levels.

It can also be noted that the Issuer had a relatively low gearing ratio. The increase in financial leverage registered in 2012 mainly reflects the increased level of debt which the Issuer had drawn down to finance its investment and general funding requirements in view of the envisaged pick-up in business activity and international expansion. The Issuer's leverage increased further in 2013 following the issuance of €13 million in interest bearing Notes. The second tranche of Notes, amounting to €7 million, is expected to further raise the Issuer's leverage levels in 2014. As indicated in the previous section, the value of the temporary emphyteusis and the lease the Issuer owns with respect to the land at the Freeport is not included in the 'Statement of Financial Position'.

## 3 GUARANTOR PERFORMANCE & FINANCIAL POSITION OVERVIEW

### 3.1 STATEMENT OF COMPREHENSIVE INCOME

<b>Medserv Operations Limited</b>	<i>ACTUAL</i> 12 months	<i>ACTUAL</i> 12 months	<i>ACTUAL</i> 12 months	<i>ACTUAL</i> 12 months	<i>ACTUAL</i> 12 months	<i>FORECAST</i> 12 months
<i>for the financial years ended 31 December</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Revenue</b>	<b>11,601</b>	<b>7,904</b>	<b>8,617</b>	<b>6,284</b>	<b>6,571</b>	<b>9,894</b>
Cost of Sales	(7,968)	(6,495)	(6,257)	(5,248)	(4,565)	(5,685)
<b>Gross Profit</b>	<b>3,633</b>	<b>1,409</b>	<b>2,360</b>	<b>1,036</b>	<b>2,006</b>	<b>4,209</b>
Other income	14	23	24	21	12	-
Administrative and other expenses	(1,122)	(779)	(910)	(1,385)	(1,257)	(1,526)
<b>EBITDA</b>	<b>2,526</b>	<b>654</b>	<b>1,475</b>	<b>(328)</b>	<b>761</b>	<b>2,683</b>
Depreciation and amortisation	(296)	(292)	(195)	(309)	(295)	(739)
<b>Results from operating activities</b>	<b>2,230</b>	<b>362</b>	<b>1,280</b>	<b>(637)</b>	<b>466</b>	<b>1,944</b>
<b>Net finance costs</b>	<b>(128)</b>	<b>(94)</b>	<b>(87)</b>	<b>(165)</b>	<b>(184)</b>	<b>(636)</b>
<b>Profit / (Loss) before tax</b>	<b>2,103</b>	<b>268</b>	<b>1,193</b>	<b>(802)</b>	<b>282</b>	<b>1,308</b>
Tax income / (expense)	(353)	25	(307)	789	307	(436)
<b>Net Profit / (Loss) for the year</b>	<b>1,750</b>	<b>292</b>	<b>886</b>	<b>(12)</b>	<b>589</b>	<b>872</b>

Source: Medserv Operations Limited Annual Reports and Management information  
 Certain figures presented in this table may not add up due to rounding differences

Medserv Operations Limited, being a key operating entity within the Group, witnessed similar trends in its financial performance as a result of the key events and Group initiatives described in Section 2.1.

The 2009 financial results were boosted by the increased income generated from services and support to exploratory wells in the Mediterranean rim, particularly in offshore Libya. However, in subsequent years, the Guarantor was adversely impacted by the postponement of offshore projects which were initially targeted to start in 2010 following the BP oil spill in the Gulf of Mexico and the unrest across the North African region in 2011.



Revenue breakdown by Service	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
	2009	2010	2011	2012	2013	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Exploratory & Production wells	3,431	173	-	-	-	3,596
Rig & Vessel stops	2,145	2,773	1,697	1,461	939	606
General logistics & support	5,017	2,694	3,394	3,109	4,050	3,206
Bunkering	1,008	2,264	1,833	805	-	-
Offshore maintenance	-	-	1,083	910	1,582	2,148
Mud project (Tanzania)	-	-	610	-	-	-
Photovoltaic farm feed-in	-	-	-	-	-	338
<b>Total Revenue</b>	<b>11,601</b>	<b>7,904</b>	<b>8,617</b>	<b>6,284</b>	<b>6,571</b>	<b>9,894</b>

Source: Management information

Certain figures presented in this table may not add up due to rounding differences

Nonetheless, in view of the unrest in Libya, Medserv Operations Limited substituted some of the lost revenue with new business opportunities related to the restarting of oil and gas production in Libya which would have otherwise been provided by the Libya base. This confirms the importance and resilience of the Malta base as the Guarantor only registered a minor loss of €12,000 in the financial year ended 31 December 2012 which is also the only loss registered in the last five years.

Furthermore, during 2013, Medserv Operations Limited returned to a profitable position as it continued to support various preparatory works ahead of upcoming projects in the Mediterranean particularly in offshore Libya. As projects come on stream during 2014, Medserv Operations Limited is expected to register further growth in turnover and a significant improvement in profitability.

### 3.2 STATEMENT OF CASH FLOWS

<b>Medserv Operations Limited</b>	<b>ACTUAL</b> <b>12 months</b>	<b>ACTUAL</b> <b>12 months</b>	<b>ACTUAL</b> <b>12 months</b>	<b>ACTUAL</b> <b>12 months</b>	<b>ACTUAL</b> <b>12 months</b>	<b>FORECAST</b> <b>12 months</b>
<i>for the financial years ended 31 December</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Net cash from / (used for) operating activities	1,051	760	281	(36)	6,037	(2,659)
Net cash used for investing activities	(307)	(134)	(169)	(1,303)	(3,499)	(8,614)
Net cash from / (used for) financing activities	(580)	(945)	(359)	464	4,401	6,801
<b>Net movements in cash and cash equivalents</b>	<b>164</b>	<b>(319)</b>	<b>(247)</b>	<b>(875)</b>	<b>6,939</b>	<b>(4,472)</b>
Cash and cash equivalents at beginning of the year*	(557)	(421)	(680)	(912)	(1,790)	5,152
Effects of exchange rate fluctuations on cash held	(40)	(6)	15	(3)	3	-
Cash released from / (pledged as) guarantee	-	65	-	-	-	-
<b>Cash and cash equivalents at end of year*</b>	<b>(433)</b>	<b>(681)</b>	<b>(912)</b>	<b>(1,790)</b>	<b>5,152</b>	<b>680</b>

Source: Medserv Operations Limited Annual Reports and Management Information

Certain figures presented in this table may not add up due to rounding differences

\* Opening and closing cash balances have been restated to reflect changes in exchange rates from the prior year

The cash flow trends described in Section 2.2 also apply to Medserv Operations Limited.

The 'net cash generated from operating activities' (CFO) declined in line with the lower levels of business activity reported in recent years. Nonetheless, Medserv Operations Limited was in receipt of a significant amount of trade receivables in 2010 (€2 million) for services provided in 2009. In 2013, the cash flows from operations largely comprise the sum of €5 million being held by the Guarantor on behalf of the Issuer. Meanwhile, in 2014, CFO figures are expected to be negative given the longer credit period to its clients operating in offshore Libya.

The commitment to continue investing in the business is confirmed by the 'net cash used for investing activities' (CFI) through the years which includes investment in a new warehouse in 2009, new equipment in 2012 and further improvements as well as a photovoltaic farm in 2013. In 2014, Medserv Operations Limited is anticipated to undertake a number of investments, including the acquisition of further plant and equipment, on the Malta base.

The 'net cash used for financing activities' (CFF) figures over the years included advances made by the parent company, Medserv p.l.c., to Medserv Operations Limited and payments by the Guarantor to the parent company in relation to accumulated dividends. In the latter part of 2013, Medserv p.l.c. advanced part of the first tranche of Notes issue proceeds to Medserv Operations Ltd to finance these investments. Similarly, it is projected that the CFF of Medserv Operations Limited in 2014 will largely comprise further advances by Medserv p.l.c. (including part of the proceeds from the issue of the second tranche of Notes) to its subsidiary to support the aforementioned investments.



### 3.3 STATEMENT OF FINANCIAL POSITION

<b>Medserv Operations Limited</b>	<b>ACTUAL</b> 12 months	<b>ACTUAL</b> 12 months	<b>ACTUAL</b> 12 months	<b>ACTUAL</b> 12 months	<b>ACTUAL</b> 12 months	<b>FORECAST</b> 12 months
<i>As at 31 December</i>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>ASSETS</b>						
Property, plant and equipment	3,543	3,434	3,410	4,333	7,630	15,626
Deferred tax assets	3,678	3,709	3,410	4,193	4,500	4,072
<b>Total non-current assets</b>	<b>7,221</b>	<b>7,144</b>	<b>6,820</b>	<b>8,526</b>	<b>12,130</b>	<b>19,698</b>
Inventories	-	-	-	74	-	-
Current tax assets	9	-	-	-	-	-
Trade and other receivables	4,945	3,477	4,301	3,177	3,156	4,025
Cash at bank and in hand	233	141	10	16	5,152	680
<b>Total current assets</b>	<b>5,187</b>	<b>3,618</b>	<b>4,311</b>	<b>3,267</b>	<b>8,308</b>	<b>4,705</b>
<b>Total assets</b>	<b>12,408</b>	<b>10,762</b>	<b>11,131</b>	<b>11,794</b>	<b>20,438</b>	<b>24,403</b>
<b>LIABILITIES</b>						
Non-interest bearing loan from parent <i>(unlisted)</i>	-	-	2,000	2,000	2,729	2,729
Non-current portion of loan from parent <i>(unlisted)</i>	-	-	-	-	6,701	15,170
Non-current portion of bank loan <i>(unlisted)</i>	889	830	648	943	-	-
Provisions	31	32	28	37	37	37
<b>Total non-current liabilities</b>	<b>920</b>	<b>862</b>	<b>2,676</b>	<b>2,980</b>	<b>9,467</b>	<b>17,936</b>
Current tax liability	-	6	6	-	-	-
Current portion of bank loan and bank overdraft <i>(unlisted)</i>	1,021	882	1,144	2,260	-	-
Trade and other payables	6,276	5,139	3,157	2,419	6,247	1,872
<b>Total current liabilities</b>	<b>7,297</b>	<b>6,027</b>	<b>4,307</b>	<b>4,678</b>	<b>6,247</b>	<b>1,871</b>
<b>Total liabilities</b>	<b>8,217</b>	<b>6,889</b>	<b>6,983</b>	<b>7,658</b>	<b>15,714</b>	<b>19,807</b>
Share capital	233	233	233	233	233	233
Reserves	3,958	3,640	3,915	3,902	4,469	4,062
Retained Earnings	-	-	-	-	22	301
<b>Total equity</b>	<b>4,191</b>	<b>3,873</b>	<b>4,148</b>	<b>4,135</b>	<b>4,724</b>	<b>4,596</b>
<b>Total equity and liabilities</b>	<b>12,408</b>	<b>10,762</b>	<b>11,131</b>	<b>11,794</b>	<b>20,438</b>	<b>24,403</b>

Source: Medserv Operations Limited Annual Reports and Management information  
 Certain figures presented in this table may not add up due to rounding differences

Similarly, the movements in the financial position of the Group described in Section 2.3 are also reflective of the changes in Medserv Operations Limited.

During the years 2009 to 2012, the asset base has been stable around the €11.5 million level as the reduction in trade receivables was offset by the growth in property, plant and equipment as well as a deferred tax asset. The latter mainly comprises €3.8 million in investment tax credits generated by Medserv Operations Limited. The company is entitled to two types of investment tax credits which are granted in lieu of certain

investments it undertakes, one type grants 40% of the investment (same for all-medium sized companies) and special tax credits calculated as 75% of the qualifying expenditure. These tax credits can be used to offset future profits of Medserv Operations Limited although the special tax credits expire on 31 December 2020.

The asset base of Medserv Operations Limited grew to €20.4 million by the end of 2013 reflecting the investments undertaken at the Malta base. These form part of the capital commitments of Medserv Operations Limited totalling €9 million in terms of the new lease agreement of the Malta base as per the concession deed dated 5 December 2012. Further improvements to the Malta base are expected to be carried out during 2014 as reflected in the forecasted figure for total assets of €24.4 million.

Similarly, total liabilities were maintained around the €7 million level between 2010 and 2012. By the end of 2013, Medserv Operations Limited restructured its borrowings. Medserv Operations Limited paid back all bank loans and overdrafts whilst its parent company, Medserv p.l.c., forwarded a new interest bearing loan (from the proceeds of the first tranche of Notes) to finance the capital projects undertaken during the year. Additionally, Medserv p.l.c. is expected to forward further funds (from the proceeds of the second tranche of Notes) to continue supporting the subsidiaries growth plans.

The Guarantor's equity base was also stable around the €4 million level. However, in 2013, the equity base grew by 14.2% to €4.7 million in view of the profits generated during the year. Meanwhile, in 2014, the Guarantor's equity base is anticipated to drop by 2.7% to €4.6 million as it unwinds its non-distributable reserve in connection with its deferred tax asset.

Medserv Operations Limited has taken up the commitment to act as Guarantor of the Notes.



### 3.4 FINANCIAL STRENGTH EVALUATION

<b>PROFITABILITY RATIOS</b> <i>Measuring a company's ability to generate profitable sales from its assets</i>	<b>ACTUAL</b> <b>2009</b>	<b>ACTUAL</b> <b>2010</b>	<b>ACTUAL</b> <b>2011</b>	<b>ACTUAL</b> <b>2012</b>	<b>ACTUAL</b> <b>2013</b>	<b>FORECAST</b> <b>2014</b>
<b>Gross Profit margin</b> <i>(Gross Profit / Revenue)</i>	<b>31.32%</b>	<b>17.83%</b>	<b>27.39%</b>	<b>16.49%</b>	<b>30.53%</b>	<b>42.54%</b>
<b>EBITDA margin</b> <i>(EBITDA / Revenue)</i>	<b>21.77%</b>	<b>8.26%</b>	<b>17.11%</b>	<b>N/A</b>	<b>11.58%</b>	<b>27.12%</b>
<b>Operating Profit margin</b> <i>(Operating Profit / Revenue)</i>	<b>19.21%</b>	<b>4.57%</b>	<b>14.84%</b>	<b>N/A</b>	<b>7.09%</b>	<b>19.65%</b>
<b>Net Profit margin</b> <i>(Net Profit / Revenue)</i>	<b>15.07%</b>	<b>3.69%</b>	<b>10.27%</b>	<b>N/A</b>	<b>8.96%</b>	<b>8.81%</b>
<b>Return on Equity</b> <i>(Net Profit / Average Equity)</i>	<b>41.46%</b>	<b>7.24%</b>	<b>22.07%</b>	<b>N/A</b>	<b>13.30%</b>	<b>18.71%</b>
<b>Return on Capital Employed</b> <i>(Net Profit / Average Capital Employed)</i>	<b>28.39%</b>	<b>4.97%</b>	<b>13.03%</b>	<b>N/A</b>	<b>4.98%</b>	<b>4.71%</b>
<b>Return on Assets</b> <i>(Net Profit / Average Assets)</i>	<b>14.80%</b>	<b>2.52%</b>	<b>8.08%</b>	<b>N/A</b>	<b>3.65%</b>	<b>3.89%</b>

Profitability ratios largely depend on the service mix provided during the year. In 2009, the Guarantor enjoyed healthy profitability ratios on the back of the high levels of business activity, such as support to exploratory wells, which carry more attractive margins. However, the profitability ratios then declined in 2010 given the reduction in revenue and the fixed nature of the Guarantor's cost base. Moreover, given that offshore oil operations around the globe were at a standstill in 2010, the lower profit margins were also due to an increased element of low margin business such as bunkering.

In 2011, the Guarantor managed to generate healthier profitability ratios as it could command higher rates given that it was providing support in a more complex and risky operating environment in its main market, Libya, which was in the midst of a civil war. This highlights the importance of the Malta base as it served clients which would have otherwise been served by the Misurata base. Furthermore, Medserv Operations Limited also managed to achieve some cost savings including a 20% reduction in all employee wages and salaries for a four month period.

However, as Libya began to recover from the 8-month conflict (which ended in October 2011), Medserv Operations Limited suffered margin compression in 2012. Moreover, in 2012 the Guarantor also experienced a further decline in business activity, and hence revenues, as exploratory works in offshore Libya did not restart. The profitability ratios were further impacted by an increase in certain costs incurred in anticipation of the expected upturn in business activity.

The 2013 profitability ratios of Medserv Operations Limited improved largely due to the pick-up in business activity during the first six months of the year which included €1.5 million in offshore maintenance works, comprising new types of engineering operations. This type of service carries more attractive margins. This improving trend is expected to continue during 2014 as indicated by the improvement in the gross profit margin to 42.5%. This is mainly driven by an anticipated significant increase in projected revenue from business activities related to exploratory and production wells. Furthermore, the Guarantor is also expecting to be awarded other maintenance contracts. Both activities carry a high margin. In addition, given the Issuer's largely fixed cost base, a substantial decrease in direct costs as a percentage of revenue is being anticipated. Similarly, an improvement is also being anticipated for the other profitability ratios.

<b>LIQUIDITY RATIOS</b> <i>Measuring a company's ability to meet its short-term obligations</i>	<i>ACTUAL</i> <b>2009</b>	<i>ACTUAL</i> <b>2010</b>	<i>ACTUAL</i> <b>2011</b>	<i>ACTUAL</i> <b>2012</b>	<i>FORECAST</i> <b>2013</b>	<i>FORECAST</i> <b>2014</b>
<b>Current Ratio</b> <i>(Current Assets / Current Liabilities)</i>	<b>0.71x</b>	<b>0.60x</b>	<b>1.00x</b>	<b>0.70x</b>	<b>1.33x</b>	<b>2.51x</b>
<b>Cash Ratio</b> <i>(Cash &amp; cash equivalents / Current Liabilities)</i>	<b>0.03x</b>	<b>0.02x</b>	<b>-</b>	<b>-</b>	<b>0.83x</b>	<b>0.36x</b>

Given the decline in business activity described above, the liquidity ratios of Medserv Operations Limited have deteriorated in recent years. Nonetheless, the Guarantor has always managed to honour its commitments in a timely manner. However, the liquidity ratios of the Guarantor improved during 2013 and are expected to further improve during 2014 in line with the improved level of business activity.

<b>SOLVENCY RATIOS</b> <i>Measuring a company's ability to meet its debt obligations</i>	<i>ACTUAL</i> <b>2009</b>	<i>ACTUAL</i> <b>2010</b>	<i>ACTUAL</i> <b>2011</b>	<i>ACTUAL</i> <b>2012</b>	<i>ACTUAL</i> <b>2013</b>	<i>FORECAST</i> <b>2014</b>
<b>Interest Coverage ratio</b> <i>(EBITDA / Net finance costs)</i>	<b>19.73x</b>	<b>6.95x</b>	<b>16.94x</b>	<b>N/A</b>	<b>4.14x</b>	<b>4.22x</b>
<b>Gearing Ratio (1)</b> <i>(Net debt / Total Equity)</i>	<b>0.40x</b>	<b>0.42x</b>	<b>0.91x</b>	<b>1.25x</b>	<b>0.94x</b>	<b>3.79x</b>
<b>Gearing Ratio (2)</b> <i>[Total debt / (Total Debt plus Total Equity)]</i>	<b>31.31%</b>	<b>31.38%</b>	<b>47.76%</b>	<b>55.72%</b>	<b>66.98%</b>	<b>79.78%</b>

With the exception of 2012, the Guarantor always maintained a healthy interest coverage ratio. During the period between 2009 to 2011, Medserv Operations Limited also maintained a relatively low gearing ratio. The increase in financial leverage as from 2012 mainly reflects the increased level of debt which Medserv Operations Limited has drawn down or is expected to draw down in the coming years to finance its investment and support its general funding requirements in view of the envisaged pick-up in business activity.



## 4 COMPARISON TO PREVIOUS FORECAST

The actual results of Medserv p.l.c. as well as those of Medserv Operations Limited for the financial year ended 31 December 2013 varied from the forecasts presented in the 'Supplement dated 30 August 2013 to the Base Prospectus dated 12 August 2013'. Furthermore, the projections for the financial year ending 31 December 2014 that were presented in the same document have now been revised. The variations are highlighted below.

### 4.1 VARIATIONS IN ISSUER'S FINANCIAL PERFORMANCE

<b>Medserv p.l.c.</b>	<b>FORECAST</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	<b>VARIANCE</b>	<b>PROJECTION</b>	<b>REVISED FORECAST</b>	<b>VARIANCE</b>	<b>VARIANCE</b>
<i>for the financial years ended 31 December</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>	<i>12 months</i>
	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>%</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>%</b>
<b>Revenue</b>	<b>9,717</b>	<b>6,899</b>	<b>(2,818)</b>	<b>(29.0)</b>	<b>14,409</b>	<b>14,184</b>	<b>(225)</b>	<b>(1.6)</b>
Cost of Sales	(6,201)	(4,563)	1,638	(26.4)	(9,047)	(7,591)	(1,456)	(16.1)
<b>Gross Profit</b>	<b>3,516</b>	<b>2,335</b>	<b>(1,181)</b>	<b>(33.6)</b>	<b>5,362</b>	<b>6,593</b>	<b>1,231</b>	<b>23.0</b>
Other income	22	40	18	81.8	12	12	0	0.0
Administrative expenses	(1,467)	(1,469)	(2)	0.1	(1,644)	(2,223)	579	35.2
Other expenses	-	(5)	(5)	N/A	-	-	-	-
<b>EBITDA</b>	<b>2,071</b>	<b>902</b>	<b>(1,169)</b>	<b>(56.4)</b>	<b>3,730</b>	<b>4,382</b>	<b>652</b>	<b>17.5</b>
Depreciation and amortisation	(789)	(503)	286	(36.2)	(1,243)	(1,210)	(33)	(2.7)
<b>Results from operating activities</b>	<b>1,282</b>	<b>399</b>	<b>(883)</b>	<b>(68.9)</b>	<b>2,487</b>	<b>3,172</b>	<b>685</b>	<b>27.5</b>
Finance income	10	14	4	40.0	28	52	24	85.7
Finance costs	(319)	(281)	38	(11.9)	(808)	(962)	154	19.1
<b>Net finance costs</b>	<b>(309)</b>	<b>(267)</b>	<b>42</b>	<b>(13.6)</b>	<b>(780)</b>	<b>(910)</b>	<b>130</b>	<b>16.7</b>
Share of loss of jointly-controlled entity (net of tax)	(1)	-	1	(100.0)	-	-	-	-
<b>Profit / (Loss) before tax</b>	<b>970</b>	<b>132</b>	<b>(838)</b>	<b>(86.4)</b>	<b>1,707</b>	<b>2,262</b>	<b>555</b>	<b>32.5</b>
Tax income / (expense)	580	262	(318)	(54.8)	(659)	(671)	12	1.8
<b>Profit for the period</b>	<b>1,550</b>	<b>394</b>	<b>(1,156)</b>	<b>(74.6)</b>	<b>1,048</b>	<b>1,591</b>	<b>543</b>	<b>51.8</b>
<b>Profit attributable to:</b>								
Owners of the Company	1,640	387	(1,253)	(76.4)	1,136	1,392	256	22.5
Non-controlling interest	(90)	7	97	(107.8)	(89)	199	(288)	(323.6)
<b>Profit for the period</b>	<b>1,550</b>	<b>394</b>	<b>(1,156)</b>	<b>(74.6)</b>	<b>1,048</b>	<b>1,591</b>	<b>543</b>	<b>51.8</b>

Source: Management information  
 Certain figures presented in this table may not add up due to rounding differences



The variations in both 2013 and 2014 are entirely due to delays in contracted works from the second half of 2013 into 2014 and consequently part of the works scheduled for 2014 have also been shifted to 2015. Management emphasised that business has not been lost but merely delayed.

Actual revenues in 2013 amounted to €6.9 million, representing a 29% decline from the comparable forecasted figure (further details on revenue figures available below). Nonetheless, given the Group's strategy of acquiring its own equipment rather than leasing, Medserv was able to achieve a lower-than-expected figure of cost of sales in spite of its largely fixed cost base. However, gross profit was 33.6% below that forecasted with the actual gross profit margin of 33.8% compared to the forecasted 36.2%.

Meanwhile, administrative expenses were broadly in line with those forecasted as this largely comprises the wages of the administrative human resources. This led to an earnings before interest, tax, depreciation and amortisation (EBITDA) figure of €0.9 million representing a 56.5% drop from the forecasted figure. After deducting depreciation of €0.5 million, the Issuer reported an operating profit of €0.4 million. Although this is 68.8% below the forecasted figure, this was sufficient to cover its finance costs of just below €0.3 million (largely in line with the forecasted figure). Overall, the decline in revenue caused by the delay in contracted works led to an 86.4% variation in actual pre-tax profits to €0.1 million.

Management also revised the projections for 2014. During the current financial year ending 31 December 2014, the Issuer is now forecasted to generate €14.2 million in revenue which is largely in line with the initial projected figure of €14.4 million as works originally scheduled for 2013 are now confirmed for 2014 and are also forecasted to spill into 2015. Furthermore, the Issuer is now anticipating a €7.6 million figure for cost of sales, 16.1% below the initial estimate leading to an expected 23% improvement in gross profit to €6.6 million as well as the gross profit margin to 46.5% from the original projection of 37.2%. Management explained that this is due to the minimum fixed fee to be received from ENI (Cyprus) Ltd as from 1 June 2014 irrespective of the level of activity as well as the costs savings achieved from purchasing its own equipment for both the Malta and Cyprus bases.

Administrative expenses are now expected to reach €2.2 million (35.2% higher than original projection) largely reflecting the engagement of key personnel with extensive industry experience at executive management level in line with the Group's growth and internationalisation strategy. The higher costs are also due to the fact that the Cyprus base in Larnaca is expected to start operations sooner than anticipated.

Nonetheless, the Issuer is now expecting to achieve a higher EBITDA of €4.38 million representing a 17.5% increase over the original projection. Similarly, the EBITDA margin is expected to improve to 30.9% compared to the original projection of 25.9%.

After accounting for depreciation of €1.2 million (in line with original projection), the Issuer is expected to register a €3.2 million operating profit in 2014, 27.5% higher than the initial estimate. Effectively, the Issuer is recouping €0.7 million of operating profit in 2014 compared to the €0.9 million negative variation in operating profit in 2013. The shortfall is due to the consequent slippage of some works also into 2015.

Given the Issuer's plan to issue a second tranche of Notes amounting to €7 million, the forecasted finance costs have been revised upwards by 16.7% to €0.9 million.

Overall, the Issuer is anticipated to register better financial results as its pre-tax profit is now expected to reach €2.3 million in 2014, 32.5% higher than the original projection. It is also noteworthy to highlight that the Cyprus base, which has secured its first contract, is now expected to move into a profitable position as from 2014 as indicated by the share of profits attributable to the 20% shareholding in the Cypriot operation owned by third parties (profit attributable to non-controlling interest).

#### 4.1.1 Variations in Revenue Forecasts

Revenue breakdown by Service	FORECAST	ACTUAL	VARIANCE	VARIANCE	PROJECTION	REVISED FORECAST	VARIANCE	VARIANCE
	2013	2013	2013	2013	2014	2014	2014	2014
	€ '000	€ '000	€000	%	€ '000	€ '000	€000	%
Exploratory & Production wells	3,369	-	(3,369)	(100.0)	8,551	7,558	(993)	(11.6)
Rig & Vessel stops	500	939	439	87.8	1,010	606	(404)	(40.0)
General logistics & support	3,328	4,378	1,050	31.6	3,017	3,534	517	17.1
Offshore maintenance	2,515	1,582	(933)	(37.1)	1,263	2,148	885	70.1
Transport & specialised services	4	-	(4)	(100.0)	4	-	(4)	(100.0)
Photovoltaic farm feed-in	-	-	0	N/A	564	338	(226)	(40.1)
<b>Total Revenue</b>	<b>9,717</b>	<b>6,899</b>	<b>(2,818)</b>	<b>(29.0)</b>	<b>14,409</b>	<b>14,184</b>	<b>(225)</b>	<b>(1.6)</b>

Source: Management Information  
 Certain figures presented in this table may not add up due to rounding differences

In 2013, the single largest variation was registered in respect of the €3.4 million in revenues from exploratory and production wells as all projects in this area (including the Malta well) have been postponed to 2014. These multi-well contracts from two separate IOC's are secured and have a duration of two years with an option to extend for a further two years. Similarly, the maintenance contracts that were expected to be awarded in 2013 have not yet materialised although management remains confident that it will be awarded these contracts in 2014. On the other hand, the Medserv Group generated more business than anticipated in connection with rig stops as well as general logistics and support services.

The forecasted revenue in 2014 is still expected to exceed €14 million as the projects come on stream during 2014. Although, the Medserv Group lowered the expected income to be generated from exploratory and production wells by 11.6% to €7.6 million, this is only due to the delay of some of the works into 2015 which is being partially offset by the earlier-than-expected start of operations in Cyprus as the contract with ENI (Cyprus) Limited is effective from 1 June 2014. The Group is also anticipating to counter this delayed revenue by a higher-than-anticipated income from general logistics & support services as well as higher income from offshore maintenance.

In 2014, the Group is also expected to start generating income from its newly installed photovoltaic farm. However, the income for 2014 in this respect has been lowered by 40% to €0.3 million as the project will be completed in June rather than the original target date of April.



## 4.2 VARIATIONS IN GUARANTOR'S FINANCIAL PERFORMANCE

Medserv Operations Limited, being a key operating entity within the Group, witnessed similar variations in its financial performance for the same reasons described in Section 4.1.

<b>Medserv Operations Limited</b>	<b>FORECAST</b>	<b>ACTUAL</b>	<b>VARIANCE</b>	<b>VARIANCE</b>	<b>PROJECTION</b>	<b>REVISED FORECAST</b>	<b>VARIANCE</b>	<b>VARIANCE</b>
	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>	<b>12 months</b>
<i>for the financial years ended 31 December</i>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>%</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>%</b>
<b>Revenue</b>	<b>9,366</b>	<b>6,571</b>	<b>(2,795)</b>	<b>(29.8)</b>	<b>11,033</b>	<b>9,894</b>	<b>(1,139)</b>	<b>(10.3)</b>
Cost of Sales	(6,011)	(4,565)	1,446	(24.1)	(6,621)	(5,685)	936	(14.1)
<b>Gross Profit</b>	<b>3,355</b>	<b>2,006</b>	<b>(1,349)</b>	<b>(40.2)</b>	<b>4,412</b>	<b>4,209</b>	<b>(203)</b>	<b>(4.6)</b>
Other income	14	12	(2)	(14.3)	-	-	-	-
Administrative and other expenses	(1,203)	(1,257)	(54)	4.5	(1,229)	(1,526)	(297)	24.2
<b>EBITDA</b>	<b>2,166</b>	<b>761</b>	<b>(1,405)</b>	<b>(64.9)</b>	<b>3,183</b>	<b>2,683</b>	<b>(500)</b>	<b>(15.7)</b>
Depreciation and amortisation	(604)	(295)	309	(51.2)	(665)	(739)	(74)	11.1
<b>Results from operating activities</b>	<b>1,562</b>	<b>466</b>	<b>(1,096)</b>	<b>(70.2)</b>	<b>2,518</b>	<b>1,944</b>	<b>(574)</b>	<b>(22.8)</b>
<b>Net finance costs</b>	<b>(257)</b>	<b>(184)</b>	<b>73</b>	<b>(28.4)</b>	<b>(532)</b>	<b>(636)</b>	<b>(104)</b>	<b>19.5</b>
<b>Profit / (Loss) before tax</b>	<b>1,304</b>	<b>282</b>	<b>(1,022)</b>	<b>(78.4)</b>	<b>1,986</b>	<b>1,308</b>	<b>(678)</b>	<b>(34.1)</b>
Tax income / (expense)	523	307	(216)	(41.3)	(695)	(436)	259	(37.3)
<b>Net Profit / (Loss) for the year</b>	<b>1,828</b>	<b>589</b>	<b>(1,239)</b>	<b>(67.8)</b>	<b>1,291</b>	<b>872</b>	<b>(419)</b>	<b>(32.5)</b>

Source: Management Information  
 Certain figures presented in this table may not add up due to rounding differences

The variations in both 2013 and 2014 are entirely due to delays in contracted works from the second half of 2013 into 2014 and consequently part of the works scheduled for 2014 have been shifted to 2015. It is noteworthy to highlight that the Guarantor has not lost any business.

Actual revenues in 2013 amounted to €6.6 million, representing a 29.8% decline from the comparable forecasted figure. Nonetheless, given the Guarantor's strategy of acquiring its own equipment rather than leasing, Medserv Operations Limited was able to achieve a lower-than-expected figure of cost of sales in spite of its largely fixed cost base. Nonetheless, gross profit still was 40.2% below that forecasted and the actual gross profit margin of 30.5% was also below the forecasted 35.8%.

Meanwhile, administrative expenses were largely in line with those forecasted as this largely comprises the wages of the administrative human resources. This led to earnings before interest, tax, depreciation and amortisation (EBITDA) figure of €0.8 million representing a 64.9% drop from the forecasted figure. After deducting depreciation of €0.3 million, the Guarantor reported an operating profit of €0.5 million. Although this is 70.2% below the forecasted figure, the Issuer still managed to generate sufficient profits/cash to fully cover its finance costs of just below €0.2 million. Overall, the decline in revenue caused by the delay in contracted works led to a 78.4% variation in actual pre-tax profits to €0.3 million.

Management also revised their initial projections for 2014. During the current financial year, Medserv Operations Limited is now forecasted to generate €9.9 million in revenue which is 10.3% below the initial projected figure of just over €11 million as works originally scheduled for 2013 come on stream in 2014. Furthermore, the Guarantor is now anticipating to incur €5.7 million in cost of sales, 14.1% below the initial estimate. Nonetheless, the revised forecast for gross profit of €4.2 million is still 4.6% below the initial projection although the gross profit margin was revised upwards to 42.5% from 40%. Management explained that this is due to the costs savings achieved from purchasing its own equipment for both the Malta and Cyprus bases.

Administrative expenses are now expected to reach €1.5 million (24.2% higher than original projection) largely reflecting the engagement of key personnel with extensive industry experience at executive management level in line with the Guarantor's growth strategy.

As a result, the Guarantor lowered its EBITDA expectations to €2.68 million compared to the original projection of €3.2 million. Similarly, the EBITDA margin was reduced to 27.1% compared to the original projection of 28.8%.

After accounting for depreciation of €0.7 million (in line with original projection), the Guarantor is expected to register a €1.9 million operating profit, 22.8% lower than the initial estimate. Effectively, the Guarantor is expected to experience an aggregate €1.7 million reduction in operating profits due to the delays in works contracted to the Malta base (at Group level this shortfall is being offset by the earlier start in operations by the Cyprus base).

Given the Guarantor's intentions to borrow further funds from its parent company to finance its investment programme, the forecasted finance costs have been revised upwards by 19.5% to €0.6 million.

Overall, the Guarantor is anticipated to register a lower pre-tax profit than previously anticipated by 34.1% to €1.3 million.

## 5 COMPARISON TO COMPETITORS

Management is not aware of any companies with similar size operations as those of the Group that operate within the Group's principal markets. Management confirmed that the Group's competitors mainly comprise the following:

- i) IOCs that would opt to develop their own base and coordinate their own logistics and support services; and
- ii) Other service providers that form part of larger groups of companies whose operations are very diversified and do not merely provide services to the oil and gas industry.

Therefore, management is not aware of any companies within their peer group for which data is readily available to set out a meaningful comparative analysis.



## 6 GLOSSARY

### Definition of General Terms

<b>Issuer</b>	Medserv p.l.c., a public limited liability company registered under the laws of Malta with company registration number C28847 and with registered office situated at Malta Freeport, Port of Marsaxlokk, Birzebbugia, BBG 3011. Medserv p.l.c. is the parent company of the Group.
<b>Guarantor</b>	Medserv Operations Limited, a limited liability company registered under the laws of Malta with company registration number C2971 and with registered office situated at Malta Freeport, Port of Marsaxlokk, Birzebbugia, BBG3011, Malta. Medserv Operations Limited is wholly owned by Medserv p.l.c., the Issuer, and is also one of its main subsidiaries.
<b>Group</b>	Incorporates the Issuer and its subsidiaries including the two main operating companies, namely Medserv Operations Limited and Medserv Misurata Free Zone Company (F.Z.C.).
<b>Guarantee</b>	The joint and several suretyship granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Notes.
<b>Notes</b>	The secured and guaranteed Notes issued or to be issued in terms of the Programme.
<b>Programme</b>	The secured and guaranteed Note Issuance Programme being made by the Issuer pursuant to a Base Prospectus dated 12 August 2013 as supplemented.

### Definition of Terms in Statement of Comprehensive Income

<b>Revenue</b>	The income generated by the Group from the services it provides including support to exploratory wells, rig stops, general logistics & support services, bunkering, offshore maintenance and transport & specialised services.
<b>Cost of sales</b>	The costs incurred in direct relation to the provision of services including supplies, freight, base yard expenses, bunkering and transportation.
<b>Gross Profit</b>	The difference between 'Revenue' and 'Cost of sales' which reflects the Group's ability to generate profitable sales.
<b>Administrative expenses</b>	Costs incurred in relation to the running of the business including wages and salaries, Directors' remuneration, professional fees and travelling expenses.
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation reflecting the Group's earnings power purely from operations.
<b>Depreciation and amortisation</b>	An accounting charge to compensate for the reduction in the value of assets and the eventual cost to replace the asset when fully depreciated.
<b>Results from operating activities</b>	EBITDA less depreciation and amortisation reflecting the earnings power of the company before accounting for interest costs and taxes.
<b>Finance Income</b>	Interest earned on cash bank balances.
<b>Finance Costs</b>	Interest accrued on debt obligations.
<b>Share of profit / loss of jointly-controlled entity</b>	The proportionate share of the Group's profit or loss generated or incurred by the jointly-controlled-entity which in the case of Medserv p.l.c. relates to Medserv Italia s.r.l.
<b>Non-controlling interest</b>	An adjustment to extract amounts attributable to third-party shareholders in subsidiaries.
<b>Net Profit / Loss</b>	The profit generated or loss incurred in one financial year.

### Definition of Terms in Statement of Cash Flows

<b>Net cash from / (used for) operating activities [CFO]</b>	The cash used for or generated from the Group's business activities.
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<b>Net cash from / (used for) investing activities [CFI]</b>	The cash used for or generated from investing activities including investments in new entities and acquisition or disposal of fixed assets.
<b>Net cash from / (used for) financing activities [CFF]</b>	The cash used for or generated from financing activities including new borrowings, interest payments, repayment of borrowings and dividend payments.

#### Definition of Terms in Statement of Financial Position

<b>Assets</b>	What the company owns. There are two types of assets: (i) Non-current assets and (ii) Current assets.
<b>Non-Current Assets</b>	Mainly consist of tangible assets which support the operations of the company including property, plant and equipment. Other types of non-current assets are financial in nature such as investments in jointly-controlled entities and deferred tax assets.
<b>Current Assets</b>	Cash or assets which can be converted into cash within one financial year including inventories, trade receivables and cash balances.
<b>Liabilities</b>	What the company owes. There are two types of liabilities: (i) Non-current liabilities and (ii) Current liabilities.
<b>Non-current liabilities</b>	Obligations due after more than one financial year including bonds and long-term bank borrowings.
<b>Current liabilities</b>	Obligations due within one financial year including trade payables and short-term borrowings such as bank overdrafts.
<b>Equity</b>	Equity is calculated as assets less liabilities and represents the accounting book value of the company.

## NOTES

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## NOTES





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