



Company: Qatar Navigation
Conference Title: Qatar Navigation (Milaha) Q1 2018 Conference Call
Moderator: Shanan Keushgerian
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Operator: Good day and welcome to the Qatar Navigation Milaha Quarter One 2018 Conference Call. Today's conference is being recorded. At this time, I would like to turn the call over to Mr. Shanan Keushgerian. Please, go ahead sir.

Shanan Keushgerian: Thank you. Hello everyone. This is Shanan Keushgerian from QNB Financial Services. I want to welcome everyone to Qatar Navigation First Quarter 2018 Conference Call. On this call we have Akram Iswaisi Executive VP Finance and Investments and Sammi Shtayyeh BP Financial Planning and Analysis.

So, we will conduct this conference with first management reviewing the company's results, followed by Q&A session. So, now I will turn the call over to Sammi. Thank you.

Sammi Shtayyeh: Thank you, Shanan and callers. Thank you for your interest in the company. I will start out with the consolidated financial results for the first quarter. Operating revenues came in at 698 million riyals compared to 648 million for the same period in 2017, for an increase of 8% year over year. Operating profit came in at 203 million riyals compared to 185 million for the same period in 2017 for an increase of 10% year over year. And net profit for the first quarter of 2018, it made up to 260 million riyals compared to 236 million riyals for the same period in 2017, for an increase of 10% year over year.

Moving on to our business segments, I'll first start with Maritime and Logistics. This segment more than doubled its net income versus 2017, and that was driven by three main factors. First



off 137% increase in TEU[?] volumes at Hamad Port boosted our profits at two terminals by 22 million riyals. Secondly, our Container Shipping Unit was added regional routes, continues to drive top line growth despite an 11% decline in volumes, moved our rate for TEU has gone up due to the longer distances being transported. And lastly, our Logistics Unit has witnessed significant growth particularly in freight forwarding activities. Going on to offshore, the unit is still in a negative territory as has been the case the past several quarters, but there are a few positive signs that we are starting to see emerge. Despite lower rates impacting our first quarter, we believe they bottomed out.

Another promising sign is that our utilization percentages are slowly starting to move up. Average utilization[?] jumped from 64% last year to 71%. We continue to focus on cost containment. Onto gas in Petrochem, this is the third and last of the segments in our maritime space. From an operating perspective we're pretty much in line with last year's results, but it's below the operating profit line where things look a little different. First off, we recorded 41 million in vessel impairments this year, whereas last year there were none. To be specific this was booked against our two gas carriers.

Secondly, in 2017 we've booked 19 million riyals as penalty income related to our harbour operations. It was really a onetime deal, that didn't recur this year. So, our year over year results were impacted. And on the flip side, now Pilat[?] posted higher profits which helped offset some of the prior two issues which I just mentioned.

On to trading, although seeing a bump in revenue, our overall bottom line came down. This was essentially due to the mix in sales. We had higher - lower margin bunker sales and lower equipment sales, which typically have stronger margins.



Lastly, a few points on our capital segment which posted a 48% increase in profit versus last year. At the net income level this was driven by three main things and they are all attributable to our investments arm. Firstly, our dividend income came in 40 million riyals higher than last year. Secondly, our Health for Trading income similarly came in higher than last year by 15 million riyals. And lastly in 2017, we booked an impairment against one of our AFC, available for sale investments, for 21 million riyals, which did not recur.

That essentially sums up the segments for the quarter. With that I'll turn it over to Akram to get a little more into our outlook.

Akram Iswaisi: Thank you so much, Sammi. With respect to the outlook for the remainder of the year, on Milaha Maritime Logistics we expect to see impact of higher volumes at the Hamad Port, that occurred in the second half of 2017 to materialize in 2018. So, first half of 2017 volumes are low. There was a big pickup in the second half of 2018, sorry second half of 2017.

We expect that momentum to continue throughout 2018. Expect container fairing[?] margins to be under pressure, largely due to increase in the cost of bunker as well as competitive rate pressures like alphamama, [inaudible] officially in Q1 of 2008. And there's going to be a ramp up during the remainder of 2018 that will contribute positively to the segments. In respect to the offshore in the fundamentals in the market are still somewhat weak, but we are seeing some positive results in terms of higher oil prices, declining OSV[?] fleet order book and then a slight increase in oil production and slight expectations and an increase in oil production. So, there are some positives data here and there, but I think largely the business is going to be under pressure for the remainder of the year.

With respect to gas and Petrochem, on the VLGCs essentially the GV that we have – there's not a lot to expect charter rates remained depressed. So, the remainder 2018 will be challenging.



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The entire LPG market is struggling. In terms of joining LNG carriers, we don't expect any fluctuations of those investments or joint ventures. Largely, because they're on long term contracts. The fully owned product tankers and one carrier they are essentially in the spot market and in terms of the race essentially from our perspective is the bottoms out. So, we don't expect that the rates would worsen. If anything, we are optimistic that the rates may pick up. So, we're quite positive potentially for the rest of the year.

Fully own gas and ammonia carriers, one vessel has been renewed by a much lower rate. And the other one is in essentially the spot market. Harbour marine vessels, very minimal impact we have four that are essentially old tugs that are working on spots. So, there's probably going to be a slight uptick in the revenue from some of the harbour marine vessels, but largely that segment of the business will be to some extent flat.

In respect of trading, again it's going to be challenging year. So, we don't expect any significant changes in the business. As we released the Milaha capital, the segment is again - it's all about the investment portfolio in the riyal states[?]. So, it's always difficult to predict the outcome of the market to the rest of the year.

And with that we'll open it up for Q&A.

Operator: Thank you. If you would like to ask a question at this time, please press star one on your keypad. Please ensure that the mute function on your phone is switched off to allow your signal to reach our equipment. Again, that's star one to ask a question. We'll now pause for a moment to allow everyone an opportunity to pause a question. There are no questions on the telephone at this time.



John: I have a question, Sammi, Akram. Can you give us a brief update on the lift boat? We understand it was idle most of last year. So, what's the latest please.

Sammi Shtayyeh: Hi, John. It's a good question. Actually, last year it was idle. We struggled to find business for it. Overall, however I'm pleased to report that we've actually mobilized it to Africa, to Nigeria. It arrived earlier this month. Actually, earlier or more towards the end of April rather and is due to start earning revenue any day now. So, there is some positive news as it relates to the lift boat.

John: Great, thank you.

Operator: Thank you again as a reminder it's star one to ask a question over the telephone. At the moment, there are no questions.

Sammi Shtayyeh: Thank you very much everyone for that. We look forward to talking to you again the next earnings call.

Akram Iswaisi: Thank you.

Operator: Thank you. Ladies and gentlemen that concludes today's call. You may now disconnect.