QNB FINANCIAL SERVICES

Moderator: Shahan Keushgerian
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13:00 BST

Operator: This is conference # 10483648

Good afternoon. My name is (Sharon) and I will be your conference operator today. At this time, I would like to welcome everyone to the Milaha Q1 2017 Financial Results Conference Call. All lines have been placed on mute to prevent any background noise.

After the speaker's remarks, there will be a question-and-answer session. If you'd like to ask a question during this time, simply press star then the number one on your telephone keypad. If you like to withdraw your question, press the pound key. Thank you.

Akram Iswaisi, Executive Vice President, Finance and Investment and Sami Shtayyeh, Vice President Financial Planning and Analysis, you may begin your conference.

Sami Shtayyeh: Thank you, operator. Thank you, everyone, for joining the call. This is Sami Shtayyeh. I'm going to go ahead and start the call I guess.

I'll start off with the consolidated financial result for the year. Operating revenue just came in at four -- I'm sorry -- 648 million compared to 767 million for the same period in 2016 or a decrease of 16 percent year over year.

Operating profit came in at 185 million compared to 256 million for the same period in 2016 or a decrease of 28 percent year over year. And net profit for Q1 2017 was 236 million compared to 352 million for the same period in

2016 or a decrease of 33 percent year over year, or the equivalent of 116 million reals.

It definitely was a difficult quarter to say the least with all business segments down versus 2016. Some of the decrease is related to the overall shipping industry which is experiencing one of the most difficult and prolonged downturn since the financial crisis. And some is related to the continued pressure we faced locally from customers tied to the oil and gas industry. In short, you could call it a double whammy that, fortunately, we've absorbed better than most of our competitors.

I'll get into the segment but, first, I'd like to highlight some additional information that we are now showing in our presentation. You'll find now year over year revenue waterfalls for each segment showing the various units and how they're performing versus prior year. It's something we haven't provided in the past. And I hope this information will be useful to you.

Now, onto the first segment, maritime and logistics which is where I'm going to focus on the big ticket items. First off, you'll note that the reporting for our share of the Hamad Port operations is shown as a one-liner in the non-operating income section of the PNL. In prior years, we showed full PNL results. This resulted in lower revenue and lower expenses. So, comparing line for line is not very useful. What I can tell you is overall results for the port unit are close to what we reported last year.

Container shipping continues to be the unit that is faced with the most pressure within the maritime and logistics unit. We continue to gain volumes. Over the rates are significantly lower due to competitive pressures. Our bulk shipping unit has performed relatively well with our Qatar Spirit vessel benefiting from the Qatari flag that it sails under. Qatari flag vessels are given priority at the port which allows it to command higher rates.

On to offshore, the unit is down 25 million reals versus 2016 with rates remaining depressed. But, overall, operationally, we're only down 3 million; 22 million of the 25 million decrease year over year is due to vessel impairments. Overall utilization of the fleet remains in the mid-60s which is slightly lower than what we had this time last year.

Moving on to Gas and Petrochem, this unit was most impacted by the global downturn in shipping; even though, we have a mix of long-term and spot contracts in place. Revenue from our five tankers which are exposed to the market -- sorry -- which are exposed to market prices came down to 10 million due to the continuing drop in rates being faced in the segment.

Our harbor operations, which had been on a 20-year contract, saw the contract reopened and renegotiated with four boats out of 19 being cancelled and the remaining find at lower rates. You will also see a one-time penalty income of 19 million reals associated with the cancellation of these boats. Revenue from our gas carriers was reduced by 6 million due to one of the vessels still off higher after coming off long -- a long time -- after coming off a long-time charter late last year.

He's working on ad hoc, short contracts but nothing long term. And non-operating income decrease with much of that coming from a reduction Nakilat and Gulf LPG results. Our trading segment posted at 33 percent revenue and 67 percent net profit decline year over year. Lower equipment sales continue to hamper down results in this unit.

And, last but not the least, our capital segment, overall investment and real estate came in line with 2016 with the exception of 21 million real impairment on available for sale investment. Qatar quarry had a good quarter with Milaha share increasing by approximately 2 million. And that sums up our operations bringing us once again to an overall net income of 236 million.

Now, I want to switch gears and go over the Outlook. In Maritime and Logistics, in general, we see -- sorry -- we expect to see traction in most of the units except container shipping which we think will remain under pressure for most of the year. The overall segment is heavily dependent on volumes which we anticipate will increase but we're not sure of the exact timing.

And, offshore, we expect another difficult year. But signs of tender is being issued by clients are giving us a glimmer of hope. However for the -- at least for the next six to nine months, we expect this to remain a challenging segment. Gas and Petrochem, remains at the mercy of global shipping rates. As it stands now, most sectors we own and operate in have rates well below 2016 which was already a very low baseline.

How the rest of the year pans out is -- it's very difficult to predict. Our trading unit; although, having a low-performing first quarter, we expect the rest of the year to pick up. We see signs of activity that will hopefully translate into sales.

Lastly, capital, investments are largely tied to the Qatari exchange. And real estate is relatively stable. We should see an uptake in the second half of the year as our warehousing project goes live. And, with that, I'll now turn it over to questions. Operator, please open the line for questions.

Operator: At this time, I would like to remind everyone, in order to ask a question, press star then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster. Once again that's star then the number one on your telephone keypad to ask a question.

We do not have any questions over the phone at this time. I will turn the call over to the presenters.

Sami Shtayyeh: Well, thank you very much for attending the first quarter call for Milaha. With that, we will close the line. And I look forward to your attendance at the second quarter conference call. Thank you.

Shahan Keushgerian: Thank you, Sami.

Sami Shtayyeh: Thank you, Shahan. Bye. Bye.

Shahan Keushgerian: Bye. Bye.

Operator: That does conclude today's conference call. You may now disconnect.

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