Company:	**Gulf International Services (GISS)**
Conference Title:	**GISS Q1-20 Results Conference Call**
Speakers from IQCD:	**1. Mr. Mohammed Jaber Al-Sulati, Manager, Privatized Companies Affairs, Qatar Petroleum** **2. Mr. Sami Mathlouthi, Assistant Manager, Financial Operations, Privatized Companies Affairs, Qatar Petroleum** **3. Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum**
Moderator:	**Bobby Sarkar, Head of Research – QNB Financial Services**
Date:	**Wednesday, 6 May 2020**
Conference Time:	**13:30 Doha Time**

Operator: Good day and welcome to the GISS Q1 2020 results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr Bobby Sakar, please go ahead sir.

Bobby Sakar [QNBFS]: Thank you operator. Hello, good afternoon, good morning everyone. This is Bobby Sakar, Head of Research at QNB Financial Services. I do hope everyone is staying safe and healthy.

I wanted to welcome everyone to Gulf International Services first quarter 2020 results conference call. So, on this call, from QB's Privatised Company's Affairs Group, we have Mohammed Al-Sulaiti, who is the Manager of Privatised Company's Affairs; we have Sami Mathlouthi who is the Assistant Manager in Financial Operations, and we have Riaz Khan, who is the Head of IR and Communications.

So, we will conduct this conference with first management reviewing the company's results, followed by a Q&A. I will now turn the call over to Riaz. Riaz, please go ahead.

Riaz Khan: Thank you Bobby. Good afternoon and thank you all for joining us. Hope you are all staying safe.

Before we go into the business and performance updates, I would like to mention that this call is purely for the investors of GIS and no media representatives should be participating in this call.

Moreover, please note that this call is subject to GIS's disclaimer statements as detailed on slide no. 2 of the IR deck.

Moving on to the call, on 29th April, GIS released its results for the for Q1-20, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of GIS.

Today on this call, along with me, I have:

1- Mr. Mohammed Al-Sulaiti, Manager, Privatized Companies Affairs, QP; and
2- Mr. Sami Mathlouthi, Asst. Manager, Financial Operations

We have structured our call as follows:

- At first, I will provide a quick insight on GIS's ownership structure, competitive advantages, overall governance & BOD structure by covering slides 5 till 8, and slides 27 & 28;
- Secondly, Mr. Sami will brief you on GIS's key operational & financial performance matrix.
- Later, I will provide you with insights on the segmental performance.
- And finally, we will open the floor for the Q&A session.

To start with, as detailed on slide no. 6 of the IR deck, the ownership structure of GIS comprises of Qatar Petroleum with 10% stake being the Parent shareholder, whereas GRSIA with approximately 22% stake is the largest shareholder.

As detailed on slide no. 5, Qatar Petroleum provides most of the head office functions through a service-level agreement. The operations of GIS's subsidiaries are independently managed by their respective Board of Directors, along with the senior management team.

The BOD structure is detailed on slide no. 7 of the IR Presentation.

In terms of competitive advantages, as detailed on slide no. 8, all of the GIS's group companies, strategically placed having significant market share in their respective business sector within Qatar. Drilling business is the only Qatari on-shore drilling service provider with 100% market share and having more than 50% market share in the off-shore drilling business in Qatar. Similarly, the aviation business of GIS is a sole provider of helicopter services in Qatar oil
& gas service sector and being one of the largest operator in the MENA region. In terms of insurance business, it one of the leading medical insurance providers in Qatar. This is supported by an experienced senior leadership having expertise in the relevant business segments.

In terms of the Governance structure of GIS, you may refer to slides 27 & 28 of the IR deck, which covers various aspects of GIS's code of corporate governance in detail.

I will now hand over to Mr. Sami.

Sami Mathlouthi: Thank you Riaz. Good afternoon and thank you all for joining us.

To start with, GIS's business performance Q1-20 GIS continued its path of repositioning its segments by measures aimed at improving its financial performance through cost optimization, supported by stronger operational performance. The Group continues to execute some of the initiatives, which are in various stages of completion and are on track.

As detailed on slide 12, the Group's total revenue for the Q1-20 grew by 16% compared to Q1-19, to reach QR 832 million. The revenue growth was supported by the strong operational performance, and was largely reflective of the strong revenue growth amid capturing growth opportunities, expanding market share and major renewals of contracts across different segments.

For the year ended, the Group has averaged an EBITDA of QR 156 million, with decline of 17% compared to the last year. Net profit for the year, reached QR 9 million, with a significant decline of 65% compared Q1-19.

When analyzing the profitability in more detail, as reflected on slide 14, the main contributor towards the decline in profitability is mainly as a result of significant unrealized losses reported within the insurance segment's investment portfolio due to the current market volatilities, caused by the negative sentiments prevailed in the market amid dual macro headwinds of oil price decline and economic slowdown since the spread of COVID-19 pandemic.

However, these unrealized mark-to-market movements in the investment portfolio is not cash based, instead these movements are only recognized to reflect the market movements in the investment portfolio, which continues to revolve around the market dynamics.

Whereas, an increase in revenues was noted contributing positively by QR 113 million to the net earnings, which was partially offset against increase in direct costs amounting to QR 55 million.

The increase in direct costs of 9%, was mainly due to increase in cost of the insurance segment as a result of higher reinsurance costs, slightly offset by lowered net claims. Both the aviation and the catering segment also witness an increase in direct costs due to overall increase in volumes with higher revenues. While, the drilling segment reported a reduction in direct costs of 12% compared to last year due to cost optimization initiatives.

Here, I would like to emphasize a fact that the Group is continuing its focus on high utilization of its assets, combined with a commitment to expand market share. Going forward, GIS is confident on its resilient fundamentals and robust business development plans for each segment that will back the Group to achieve its full potential. The Group has also embarked on the new initiatives to improve the capital and debt structures and this is expected to further improve the overall operational efficiency and financial performance in the near future.

Moving on to the balance sheet, the Group's total assets rose 3% during the period, to reach QR 11 billion as at 31 March 2020, as compared to 31 December 2019. On the liquidity front, the closing cash, including short-term investments, stood at QR 1 billion up by QR 94 million. The total debt at Group level stood at QR 4.8 billion as at 31 March 2020.

Before we go into the segment details, as mentioned on slide 25, GIS is currently in the process of restructuring and refinancing the debt of its wholly owned subsidiary, GDI, which would allow an opportunity to the Group in terms of optimum sustainable debt and capital levels, along with streamlining the maturity profile.

The total debt subject to restructuring and refinancing will amount up to USD 1.3 billion. Under the new terms, the Group will be optimizing its finance cost. The refinancing exercise will allow the Group to re-adjust its maturity profile for a sustainable future. Underpinned by management business plan, this new debt structure would allow for gradual deleveraging of the Group's financial position.

With the negotiated lower margins and in the current low-interest rate environment, the refinancing will not only assist the Group in reducing interest cost, but also provide a more optimum and efficient debt structure with greater flexibility to drive forward its subsidiary's growth plan and support in tapping any new business opportunities.

I will now hand over to Mr. Riaz Khan, to cover the segmental performance.

Riaz Khan: Thank you Sami.

Firstly, I would like to start by briefing you about four segments of the Group. As mentioned on slide no. 6, GIS operates in Insurance, Drilling, helicopter transportation and catering services.

Now let's analyze segment wise performance.

Drilling
Let's start with Drilling business and you may refer to slides 16 & 17.

The drilling segment witnessed a remarkable improvement in terms of loss recovery compared to Q1-19, as a result of savings on direct costs and lower finance costs. Where, the segment was able to reduce its net losses by 98% to reach QR 0.4 million for Q1-2020, down from a net loss of QR 28 million for the same period last year. Drilling revenues for the period saw a marginal increase of 2% to reach QR 290 million.

The segment made good progress by its continued drive on cutting operating costs through outsourcing services and rationalizing its structure and optimizing the operational activity. The segment was able to reduce its direct costs by QR 13 million compared Q1-19. In addition, the segment benefited from lower Libor rates, with a decline in segment finance cost of QR 6 million compared to Q1-19.

Going forward, taking into account the current distressed oil price environment, GDI would continue to evaluate and optimize Opex and controllable costs in a step to support the bottom line profitability.

Looking ahead, the drilling segment is uniquely placed to unlock solid growth opportunities, mainly due to the North Field expansion project, where the jack up rig "GulfDrill Lovanda" has already commenced operations at the end of the quarter, while other jack-up rigs will commence operations in various phases during this year.

Aviation
Moving on to Aviation, as detailed on slides 18 & 19, the overall profitability of this segment has remained strong with an overall increase in the bottom line earnings of 63% year-on-year basis. This was mainly due to increased revenues of 32%.

This growth was mainly driven by Aviation's international division. The domestic aviation business, primarily comprising of Oil & Gas services and VIP services, continued its positive business trajectory with mobilization of 1 new aircraft within domestic operations along with revision of contract rates starting from this year.

Insurance
Moving on to insurance segment, as discussed on slides 20 & 21, the bottom line profitability decline by 370% year-on-year basis, mainly on the back of unrealized losses reported on its investment portfolio, along with higher re-insurance cost.

Although, the segment revenue was up by 21% compared to Q1-20. Improvement in the topline which was primarily driven by renewal of major contracts across the medical line of business, along with improved pricing terms.

Catering

Finally, moving on to catering business, as discussed on slides 22 & 23, the segment saw growth in revenue by 19% to reach QR 135 million during Q1-20, due to successful expansion of the core industrial catering and manpower contracting services, and higher occupancy level at Mesaieed and Dukhan Camps. This led to significant growth in profits, by 94%, to reach QR 8 million in Q1-2020, compared to the same period last year.

The segment continues to explore opportunities from both industrial and non-oil and gas sectors.

Now we will open the floor for the Q&A Session.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question over the phone, please press star one on your telephone keypad. Please ensure that your mute function on your telephone is switched off to allow your signal to reach our equipment. A voice prompt on your phone line will indicate when your line is open. Please state your name and company before posing your question. Thank you. And we will take our first question.

Bobby Sakar [QNBFS]: Sorry, operator, this is Bobby Sakar again. Let me just start things off with a question of my own and then we can open up the lines for further questions. Yeah, hi, just had a couple of questions on the Gulf Field JV. Can you please let us know if the deployment schedule of the six rigs remains as disclosed in the initial press release, or has something changed?

And then, secondly, in light of the deployment schedule, what would you expect the potential net income impact to GDI in 2020? Thank you.

Mohammed Jaber Al-Sulaiti: Thank you, Bobby. I'll start off with the first question on the schedule of the deployment of the rigs. As you are currently aware, the first rig has already been deployed and that is currently operating for Qatar gas. We had another rig scheduled to be deployed in the second quarter of this year and we don't have any reason to believe that there is going to be any sort of interruption in the deployment of that rig. That rig is already operational and it is expected to be cycling towards the Qatar gas in this month.

As for the remainder of the rigs, we are currently in discussion with Qatar gas. However, the well drilling program is still firm and that has been confirmed by Qatar Petroleum and Qatar Gas.

So, while we believe that there could be some sort of delay in some of the rigs deployments, we do not anticipate that any of those rigs are going to be not needed anymore; nor do we believe that the program is at risk. So, the program is still continuing. However, there could be one or two or a few months delay on the later ones rather than the earlier rigs.

As for the revenue impact, that is a discussion that we are currently having with all our clients, given where the prices of oil are sitting at. Nowadays, there has been a lot of rationalization that has been happening around across the globe to all oil and gas operators including Qatar Petroleum and Qatar Gas and others domestically. And given that GDI is very exposed to domestic operators, we have been in discussions and there have been requests for revised rates on some of the onshore and offshore rigs. And we are not talking about the Gulf only. In the Gulf the rigs are locked rigs, locked on sites for up to three and a half years.

But as the other contracts we have had a bit of flexibility to [inaudible] the client have the chance to negotiate and discuss such rate. And some of those rigs contracts were as well reaching maturity.

So, with that, we do anticipate that there will be a top line impact on the drilling subsidiary. However, we are unable to quantify totally what that total impact is going to be. However, what we are doing in parallel and what we have already started doing is, like, taking us maybe 18 months back we have started on an optimization or transformation program for GDI, which identified potential cost savings, which was at the time quantified to be a total saving of around QAR 44,000 annual return on cost savings. We have achieved, to date, around 80% of those cost savings. But the remainder 20% is going to be in addition to other optimization programs and savings that we are already looking at.

So, we are looking into again revise manpower, headcount; we are looking into other cost centers where we are trying to save on every cost element in order to offset the revenue impact. So, again, that is yet a project undergoing, so it is not finalized yet; neither am I in a position to tell you exactly what the revenue impact of the [inaudible] segment, or even any of the other segments.

Bobby Sakar [QNBFS]: Okay, great, thank you. Operator, we can open up for questions now please. Thanks.

Operator: Thank you. Ladies and gentlemen, as a reminder, please press star one. And caller your line is open now.

Omkar Decimal Point]: Hi, this is Omkar from Decimal Point. I have a couple of questions relating to the drilling segment. Are you seeing any pressure on day rates due to the current operating environment?

And second on, related to aviation JV, could you please give the breakup of how much of the revenue is coming from the international aviation? And are you seeing any pressure due to current environment; are you seeing any pressure from the non-oil and gas sector?

And one more question relating to the insurance segment. So, what is the investment book related to investment – book related to the insurance segment and what is the asset allocation? So, that is it for me.

Mohammed Jaber Al-Sulaiti: Could you repeat the last question on insurance, sorry?

Omkar Decimal Point]: What is the investment book, you booked mark-to-market losses during the quarter. So, what is the size of the investment book and what is the asset allocation?

Mohammed Jaber Al-Sulaiti: Okay, I will try to answer all your questions. The day rate pressure I think we have already touched on. So, there is no doubt that there will be day rate pressures in current OEM environment. Still there is a lot of uncertainty on how long will oil prices continue to be this low or whether they are going to be even lower due to the impacts of COVID-19 and its the impact of basically global demand.

So, it is very difficult for me to tell you how day rates will be under pressure, because we assume that there will be a lot of layoffs of many rigs which have already undergone. But we expect there will be more rigs being released, which will continue to put pressures on day rates internationally and domestically.

And if I got your answer correctly, or got your question correctly, that program is going to continue as expected and we don't have any reason to believe that there will be any interruption in getting those rigs into Qatar, either from Seadrill or the shipyard. So, everything is as per the schedule. There is no interruption caused by the coronavirus, or the COVID-19, with regards to mobilizing those rigs into Qatar.

And then, moving onto the aviation segment. So, again, similarly there will be an impact there that we presume is going to happen eventually. We have already seen the number of tenders. So, we used to receive many tenders on a monthly basis from international oil and gas operators, where we were always participating and winning given where – how we have been increasing our international market share in the past. So that tenders I would say had been absent for the past two to three months. So, we haven't seen a lot of activity on that end with regards to new business development or business opportunities.

However, our current contracts, especially the longer-term international contracts continue to be robust to us. However, some of those contracts are shorter-term. So, we have the Oman contract, which was a three-month extension which is close to maturity. We have Libyan contracts, some of them are going to be reaching maturity. And we are still unsure whether all the helicopters are going to be extended or whether there is going to be a reduction in the count of the helicopters.

So, if you look at our current fleet, our total fleet, we have 12 helicopters currently working for Qatar or QP. We have two VIP helicopters, one working in Qatar. And then there is the potential of another three helicopters, and those are the incremental helicopters that the oil and gas industry in Qatar are going to require for the expansion of the NFE, which would take us to 17. The remainder is from the international operation. However, not all of them are utilized. Some of them are preserved old helicopters, which are not all under contract.

But if you look at purely an aviation revenue, the split I think if I remember correctly around 35% coming from international operations, maybe you can correct me if I am wrong.

Mohammed Al-Sulaiti: This is Mohammed. In terms of revenue for aviation, so, it is around 58% are coming from Qatar and the remaining is coming from outside.

Mohammed Al-Sulaiti: So 32% rather than 35, yeah. So, 32% coming from international flying or international aviation. And that comes from more – maybe different contracts where we have either in Africa, North Africa, South America, or even in other parts of the world such a Europe where we do maintain some lasting contracts over there.

And then moving onto the insurance and the investment book of Alkoot. So, it is split into predominantly equities and fixed income. And equities is mostly local equities and that is where most of the mark-to-market happened. And at the closing of the first quarter of 2020, given where the index had been, or the movement that we've seen in the local equities. Fixed income, again, there was – or the market has well-experienced a slight – basically the yields are widening at the beginning of the year. With that so, maybe today as we speak, but in the initial months of the corona outbreak and with all what the market has experienced, there was a negative move on a lot of the bonds. And given that Alkoot has invested the majority of the bond book single line investments are again regional; sukuks or bonds, which was very much impacted by the drop of the oil price as well as the coronavirus.

So, that is where the mark-to-market was impacted, or where we've seen it sliding from a valuation perspective. However, it is an unrealized loss and so we still hold on those investments and we do anticipate, especially from the fixed income side, that valuations have improved from 31st March.

Operator: Thank you and we take our next question.

Nitin [SICO]: Yeah, hi, this is Nitin from SICO Asset Management. Thank you for the conference call. Could you please comment on the, I mean, how come the profits in the aviation segment increased by 63% from QAR 36 million to QAR 58 million; what led to this increase?

Mohammed Al-Sulaiti: Yeah, so one aspect of aviation, which is the Turkish subsidiary being consolidated, given its materiality; so, that is one and in fact, given that they were not consolidated in the same quarter of last year.

Another impact is the new active contracts that we have, with Turkish aviation contracts that we have with Turkish Petroleum. We have two helicopters there that were not there last year. We had a few other contracts as well here and there, all being active in this first quarter of 2020, whilst they were not there in 2019.

So, it is predominantly due to the increase in the international revenue side of aviation. And a few contracts as well on the maintenance and impair, which were not all active last year. So, altogether, collectively effected or aided in the 68% increase in the bottom line of helicopters.

Nitin [SICO]: Okay, how much is this contribution from the Turkish subsidiary, from QAR 58 million, how much is contributed by Turkish subsidiary?

Mohammed Al-Sulaiti: Contributed by what exactly? By everything that I just mentioned?

Nitin [SICO]: The Turkish subsidiary you said, how much is the consolidation?

Mohammed Al-Sulaiti: For the Turkish subsidiary alone, you are saying?

Nitin [SICO]: Yeah, the Turkish subsidiary, 92% ownership; how much that has contributed to a profit of QAR 58 million.

Mohammed Al-Sulaiti: Sami, do you have this answer with you? Sami, do you require time to get that answer? We can move to other questions and then answer it towards the end.

Sami Mathlouthi: Yes, let's move to another question and then I will get back.

Nitin [SICO]: Okay, can I ask one more question?

Mohammed Al-Sulaiti: Yeah, go ahead.

Nitin [SICO]: So, the fleet size of 54 aircraft, the Gulf Helicopter Company. So, what was the fleet size of the Turkish subsidiary, Al Maha Aviation Company? How much helicopters they have?

Mohammed Al-Sulaiti: Al Maha is not the Turkish subsidiary. The Turkish subsidiary is Red Star.

Nitin [SICO]: Yeah, so sorry, Red Star, so how –

Mohammed Al-Sulaiti: There are two helicopters with Red Star and those are helicopters that we have loaned to Red Star from Gulf Helicopters, for the Turkish contract. However, the Turkish contract requires that those helicopters be registered in Turkey, so we had to move them and register them under that subsidiary. So, it is basically a lease to own, or, otherwise, when the contract matures, those helicopters return back to Gulf Helicopters Doha ownership.

The remainder of the Red Star revenues come from their ambulance flights and fixed wings, which is basically emergency or contracted helicopters, which we had with the Ministry of Health in Turkey as well as spot requirements.

Nitin [SICO]: Okay, thank you.

Operator: Thank you. And, as a reminder ladies and gentlemen, to ask a question, please press star one. And we have a next question.

Nitin [SICO]: Yeah, I have one more question. So, on this GDI, Gulf Drilling, so how many rigs do you have and how many of them are deployed in totality? Because I remember you had one rig which was fairly old and there was a problem in deploying it. So, is that rig impaired, or if not, when are you, you know, scheduled to impair it if it is not deployed? Thank you.

Mohammed Al-Sulaiti: Yes, so we have eight onshore rigs; seven of which are contracted, GDI3 being one that's off contract. We have nine offshore rigs, one of which is not contracted, which is [inaudible]. So, currently two of our rigs are not contracted. The older one that you are talking about, which is not impaired yet.

So, this rig is off contract and given where the market is today, we don't presume that it will be finding a home in the next, let's say, quarter or two, which will put us at risk of impairment, or at GDI level.

Nitin [SICO]: Okay, so you have total eight onshore and nine offshore. So, you said two rigs are not deployed, so both are offshore rigs which are not deployed? One Meshrieb which is – which is the other?

Riaz Khan: No, one is offshore, one is onshore; the onshore is GDI3. And GDI3 we are less worried about, yeah, from a value on the book –

Nitin [SICO]: Because that will be deployed?

Mohammed Al-Sulaiti: – potentially going back to a contract, given that – there could be a current situation in deploying those rigs, even the onshore, not only from a requirement perspective but even from an ability perspective given that the lockdown currently is causing a bit of difficulties if you are going to get or you require a new crew for any of your fleet being deployed into a contract.

So, there could be a logistic challenge as well, even if we do get a contract. So, I wouldn't assume anyway that GDI3 will be getting a contract any time soon. And by soon, I mean Q2 or Q3, but maybe towards the end of the year or early next year there could be a possibility that the GDI3 will be contracted. But Mushirif, I would be more worried about at this stage.

Nitin [SICO]: Okay. Thank you.

Operator: Thank you. And we are taking our next question.

Nitin [SICO]: Hi, I have one follow up question. Related to the West Tucana which was deployed at the end of 2018; the initial term was for 40 days. So, may I have any update on this rig?

Mohammed Al-Sulaiti: West Tucana has now been – so it has reached a maturity with Qatar Gas. So, the intention is for this rig is going to be one of the six rigs that are going to be deployed into the new program. So, while Qatar Gas releases it now, it is one of the later rigs that will be redeployed with Qatar Gas for another three years. However, under the JV, so it is not going to be on the back-to-back arrangement that we had in the past.

If you remember, that was the first rig, or the first one that we received and in the beginning of the relationship with Seadrill, where, at the time, we were basically in a first phase, where we then developed that relationship into a joint venture to meet the requirements of the domestic market for the Northern Seas.

Operator: Thank you. And we are taking our next question.

Bijoy [QIC]: Hi, thank you gentlemen for the call. My first question is on the insurance segment. Sorry, this is Bijoy from QIC. My first question is on the insurance segment. I can see that you said in your presentation that there have been improvement prices terms. So, is it fair to assume that you witnessed some loss ratio, high loss ratios in a few of your contracts that came in in 2019 and that caused you to renegotiate the pricing terms on that or is it something else?

Mohammed Al-Sulaiti: And the next question, because you said you have two questions?

Bijoy [QIC]: Yeah, and the next question is basically on the Green site. So, I can see in your presentation that the increase in revenue came from GDI4 and Dukhan for the YOY. So, is this high revenue due to better pricing or something else? Can you just give some more color on that?

Mohammed Al-Sulaiti: Okay. So, with regards to the insurance, correct; so there has been provisions on some of the contracts that are currently active. And, for others, it was re-tenders or contracts that were renewed after them expiring or maturing. And so, we have re-priced those contracts. And one of the contracts that is an active contract allowed for the price review after one year, and that was as well re-priced significantly, given that we did not correctly assume the loss ratio at the time. And that is for the medical insurance of one of the contracts. So, it puts us in a much better situation from a loss ratio perspective with regards to the medical segment of Alkoot revenues.

As for GDI, the – sorry?

Bijoy [QIC]: Just one thing, one doubt, so what is the reason for the fall in the revenue for the insurance segment versus last quarter; was it the better pricing that should have gone up, right?

Mohammed Al-Sulaiti: Not all the contracts were priced from the beginning of the year, right? So, while I say that they have been priced, they have been priced at different times of the quarter and some of them are going to start towards the second quarter of the year. So, don't take my statement as they were all effective from 1st January 2020.

Bijoy [QIC]: Understood.

Mohammed Al-Sulaiti: And for GDI, on Dukhan. Dukhan is a contract with NOC. It wasn't there in the first quarter of 2019. And so, it moved to NOC at a higher rate.

Bijoy [QIC]: Okay.

Mohammed Al-Sulaiti: And that was why the contribution was higher than last year. And it is also for a full period of a quarter, versus last quarter was not a full quarter.

Bijoy [QIC]: Okay, understood. If I can ask one more question?

Mohammed Al-Sulaiti: The same thing. Mohammed. Yeah, for GDI4, so it has undergone the routine maintenance for 23-days in Q1 2019. That explains the higher revenue that we had.

Bijoy [QIC]: Thank you. Yeah, understood.

Operator: Thank you and we take our next question.

Shabbir [Al-Rayan Investment]: Gents, thank you for your time. This is Shabbir from Al-Rayan Investment. I have a few questions. In your presentation you mentioned about the re-insurance rate, the cost of re-insurance going up for Alkoot. I just wanted to know, is it because you are re-insuring more of that the cost is going up or the contract terms arranged or is it changed because of the loss ratio of the past?

That is the same question about –

Mohammed Al-Sulaiti: The cover ratio is higher.

Shabbir [Al-Rayan Investment]: The covering ratio is higher, okay. So, you are now insuring more most of it.

And the second question is about the insurance segment. Yes, in the first quarter you had some mark-to-market losses because some of the investments held to the P&L. But a large portion of the investments are held as available for sale, which goes to the OCI.

And the last question is about the finance cost saving. You mentioned about you are doing a kind of a debt restructuring for the GDI at the group level. How much of the saving in terms of Qatari Riyals or the quantum of the savings you expect from re-negotiating them, this thing, and when can we see the impact coming through in the financials? Thank you. That's all from me.

Mohammed Al-Sulaiti: Okay. I will answer the last question because it is easier. The middle question, the share value and any potential write-offs I will let Sami answer that question. From – for the re-financing, so we are engaging with our financial advisors and the broker banks to re-finance basically the current $1.3 or $1.25 billion debt at GDI level. And the restructuring was that we were going to take some parts of that debt and up-stream it toward GIS in order to give GDI a better level of debt on its balance sheet that is sustainable and maintainable as well that would allow GDI to pay it back over a period, a tenure of ten years. So, it is going to be amortized over ten years after two years next period.

So, the intention here is that we would have the other subsidiaries contribute to basically the current debt burden of GIS and its group, where we will upstream some parts of it, which is around $275 million being up-streamed to GIS. And then we would have people like the helicopter and AlKoot contribute to our ability to repay that down.

So, the first two years are going to be interest only, with no commitments towards paying any principal. And then from the third year onwards, for a period of eight years, it will be fully amortized with a 20%.

The idea here is that we will considerably reduce the debt burden and, possibly, in another five or six years, it will as well trigger a new potential for re-financing. But, at the end of the day, we wouldn't want to be completely debt free. However, we want to be in a much better situation where it is sustainable and it is a healthy balance sheet, which today, unfortunately, we do not have, which has limited our ability to take advantage of a lot of opportunities in the past, I would say, three to five.

So, in terms of pricing, the pricing that we have achieved is around 16 basis points from a margin perspective, lower than what we currently have. And in reality, it is lower for the next three years because our current arrangement, or our debt profile currently matures in 2023, which requires us to pay a bullet of $1.2 billion towards the end of it. And, we all know that is not possible, all right? So, we are unable to pay it, so it is going to again require a re-financing at that stage.

So, the current market environment allowed us or encouraged us to go to the market earlier and re-finance now. And given where the margins were, or even we were slightly, I would say, unlucky that we were a few weeks late or we could have possibly got maybe another project. But it was in the middle of the Fed cutting all the rates in the US, and that was the big two emergency cuts that were taken, which challenged the banks to give us the pricing that we were intending to get.

However, it is done now, so we are in the documentation stages. However, it is subject to regulatory approvals here and we are working on that as well, to get it all approved in order to proceed with the re-financing. Hopefully, depending on one regulator to approve it, it could possibly be at the beginning of Q3 or towards the end of it, or early Q4, it is still uncertain. So, I am unable to give you a certain answer on when the regulators approve.

Shabbir [Al-Rayan Investment]: Thank you and about –

Mohammed Al-Sulaiti: Sami, can you answer the IFRS question on the insurance.

Sami Mathlouthi: Yeah, for the second question, regarding the OCI. So, basically, those investments are classified already through other comprehensive income and there is no indication of any impairment. So basically, we cannot change the specification for profit and loss. And IFRS9, this is not permitted and any decline is basically – will be brought in the valuation results.

And, in addition, there is no decline of more than 20% and there is no credit risk decline as well. So, basically, those investments have to remain in other comprehensive income and we will follow in the future I think we will see how the progress of those investments will be.

Shabbir [Al-Rayan Investment]: Okay. Thank you.

Operator: Thank you. And we have a next question please?

Shabbir [Al-Rayan Investment]: Yeah, hi, sorry, I actually missed a line from previous gentleman question. So, you said you got the re-financing done before the Fed cut, right?

Mohammed Al-Sulaiti: It was in-between. So, we were in the process of getting the final pricing and did the negotiation and then that's when the Feds started cutting the rates, which gave the bank a challenge, as well as us, in getting what we were intending to get in terms of the closer price. So, we could have potentially – where the pricing now that has been concluded with the banks, we could have potentially taken another around 20 to 25 basis points on the margin if we were a few weeks earlier. That was a bit unfortunate on our side. However, still the pricing that we have locked, the term sheets that we have received, signed and final, are 16 bps cheaper than the current arrangement that we have.

Shabbir [Al-Rayan Investment]: Okay, thank you.

Operator: Thank you and we have no further questions. Thank you.

Bobby Sakar [QNBFS]: Hi operator, this is Bobby Sakar again. If we have no further questions, we can end the call for today now. I wanted to thank everyone, Mohammed, Sami and Riaz for attending the call. Please do stay safe everyone and we will talk to you next quarter. Thank you.

Riaz Khan: Thank you, Bobby and thank you ladies and gentlemen.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen, you may now disconnect.