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Gulf International Services QSC

FOR IMMEDIATE RELEASE

Gulf International Services reports a net profit of QR 54 million for the year ended 31 December 2021

- *Group's revenue amounted to QR 3.1 billion for the year ended 31 December 2021*
- *EBITDA of QR 550 million for the year ended 31 December 2021*
- *Earnings per share amounted to QR 0.029 for the year ended 31 December 2021*
- *Drilling, aviation and insurance segments reported improved set of year-to-date results versus last year*
- *Q4-21 performance affected by one-off non-cash adjustments relating to negative foreign currency movements, impairment provisions on receivables, negative market-to-market movements and higher operational cost accruals*

Doha, Qatar; 17 February 2022: Gulf International Services ("GIS" or "the Group"; QE ticker: GISS), today reported a net profit of QR 54 million for the year ended 31 December 2021, with an earnings per share of QR 0.029.

Commenting on the Group's financial and operational performance for the year ended 31 December 2021, **GIS' Board of Directors,** said:

"As we enter a post-pandemic recovery phase, our Group companies demonstrated resilience. Our strategic alignment with our customers within the drilling segment was a key achievement and new contracts won internationally for the first time in the segment's history. Moreover, the ease of pandemic linked restrictions reflected positively on our asset utilization, especially within our aviation segment internationally. Also, owing to our aggressive market penetration strategy within the insurance segment, we successfully enhanced our presence within general insurance line of business and SME sector within medical insurance.

Going forward, we look forward to build a resilient future via persistent improvement to our asset utilization, while keeping ourselves competitive by achieving cost efficiencies with an eye on sustainability to ensure long term value creation."

Macroeconomic updates

Recovery for the Group, following constructive macroeconomic drivers along with improved oil price dynamics, remained uneven where aviation and insurance segments continued to demonstrate persistent improved set of results versus last year. Drilling segment remained under pressure until first half of the year, however, the segment started to show signs of recovery since Q3-21.

The catering segment did not take advantage of macroeconomic tailwinds immediately. The sector suffered from COVID-linked restrictions and challenges that affected the hospitality industry and induced lower revenues, with higher operating costs. Nevertheless, the segment started to show signs of recovery since Q4-21.

Business performance updates

Drilling segment
Drilling segment witnessed a recovery since second half of 2021, driven by several factors including revised rig rates within the off-shore segment which took effect from July'21; coupled with certain suspended rigs being re-deployed and commenced operation since Q3-21.

Moreover, Gulfdrill JV became fully operational with the deployment of the remaining three rigs during first half of 2021, despite delays caused by COVID-19 restrictions.

Aviation segment
Aviation segment continue to witness improved performance with better flying activity within both domestic and international operations on account of ease of travel restrictions, coupled with successful renewal of some international aviation contracts. Also, additional contributions from MRO business continued to support the segment's financial performance.

Moreover, during the year, Turkish subsidiary and Moroccan joint venture added a new aircraft each, in order to meet increased market demand. This was in addition to a new helicopter (AW139) being added to the domestic fleet during the year, as a back-up to the existing fleet.

Insurance segment
Insurance segment managed to build up its strong performance by further expanding both the medical and general lines of businesses, where successful renewal and / or additional coverage for major contracts within the energy line of business were the main highlights. Additionally, the segment continued to expand its footprints within domestic SME market, specifically within the medical line of business and added new clients.

Catering
Catering segment continue to remain under pressure with restrictions mandated since the start of the pandemic in relation to food delivery, transportation and manpower accommodation sectors. This has affected the segment's performance in terms of lowered revenues, coupled with additional layer of costs incurred in order to comply with the requirements leading to negative margins for the segment. However, despite stiff market challenges, the segment was able to win new contracts within manpower line of business. Especially, during Q4-21 the segment came back strongly and reported its first quarterly profit for the year, as the hospitality industry survives back to back pandemic waves.

Financial Performance – *YE-21 vs YE-20*

Key financial performance indicators	YE-21	YE-20	Variance (%)
Revenue (QR' million)	3,091	2,998	+3%
Net profit / (loss) (QR' million)	54	-319	+117%
EBITDA (QR' million)	550	575	-4%
Earnings per share (QR)	0.029	(0.171)	+117%

Group's revenue for the year ended 31 December 2021 amounted to QR 3.1 billion, with an increase of 3% compared to last year. Revenue growth from insurance, aviation and drilling segments was mainly offset by a negative growth in revenue from catering segment.

Group reported an EBITDA of QR 550 million and recorded a net profit of QR 54 million for the year ended 31 December 2021. The growth in Group revenues led to an overall increase in net earnings. Moreover, an impairment provision amounting to QR 308 million booked during last year, significantly impacted last year's profitability compared to current year.

Group's finance cost declined by 21% to reach QR 129 million, compared to QR 162 million for last year, against a backdrop of lower interest rates and repayment of some loans. Similarly, general and administrative expenses declined by 7% on account of continued optimization initiatives.

Moreover, the performance of Group's investment portfolio was positively impacted by a recovery in capital markets, and a variance amounting to QR 23 million was noted on account of unrealized gains on revaluation of investment securities, when compared to last year.

Financial Performance – *Q4-21 vs Q3-21*

Key financial performance indicators	Q4-21	Q3-21	Variance (%)
Revenue (QR' million)	844	815	+4%
Net profit / (loss) (QR' million)	13	42	-69%
EBITDA (QR' million)	133	172	-23%
Earnings per share (QR)	0.007	0.023	-69%

Revenue for Q4-21 represented an increase of 4% compared to Q3-21, mainly on account of growth in revenue from aviation, catering and drilling segments, partially offset by a decline in revenue from insurance segment.

Net profit for Q4-21 amounted to QR 13 million with a reduction of 69% compared to Q3-21. This was mainly linked to a foreign currency revaluation loss from GHC's Turkish subsidiary and impairment provisions relating to receivables within GHC. Moreover, insurance segment also witnessed a decline in net earnings during Q4-21 due to an unrealized loss reported on its investment portfolio, amid negative movements in Capital markets. Drilling segment also furthered its losses, due to higher accruals in relation to operational costs.

Financial position

Key performance indicators	As at 31-Dec-21	As at 31-Dec-20	Variance (%)
Cash and short-term investments (QR' million)	698	691	+1%
Total Assets (QR' billion)	9.9	10.0	-0.4%
Total Debt (QR' billion)	4.3	4.4	-3%

Group's total assets remained relatively flat during the year and stood at QR 9.9 billion as at 31 December 2021, compared to last year. Cash and short-term investments stood at QR 698 million, up by 1% as compared to 31 December 2020.

Total debt at Group level amounted to QR 4.3 billion as at 31 December 2021. Current levels of debt continue to weigh on the Group's net earnings, as finance cost is one of the key cost ingredients, and specifically limits drilling segment's ability to accomplish the required profitability.

Operational and financial performance highlights by segments

Drilling:

Key performance indicators	YE-21	YE-20	Variance (%) [YE-21 vs YE-20]	Q4-21	Q3-21	Variance (%) [Q4-21 vs Q3-21]
Revenue (QR' million)	1,020	923	+10%	304	276	+10%
Net loss (QR' million)	-201	-453	+56%	-42	-26	-61%

Note: Segment losses have been reported before impact of income taxes

Drilling segment reported a revenue of QR 1.0 billion for the year ended 31 December 2021, up by 10% compared to last year. Growth in revenue was mainly driven by comparably higher newly implemented rig day-rates for the offshore fleet, which took effect from July'21. In addition, two of the suspended rigs commenced operations during Q3-21, which positively added to the segment's topline. Moreover, deployment of three additional rigs as part of Gulfdrill JV's fleet during Q2-21, had a positive impact on segment's revenue trajectory, amid higher management fees.

Segment reported a net loss of QR 201 million for the year ended 31 December 2021, compared to a net loss of QR 453 million for last year. The reduction in losses was mainly attributed to growth in segmental revenue, coupled with a decline in the segment's finance cost compared to last year, on account of lower interest rates and repayment of some loans. Also, absence of one-off impairment losses which were booked during last year (QR 217 million) contributed positively to the segment's current year's comparative performance.

On a quarter-on-quarter basis, losses for the segment increased due to higher operational cost accruals, whereas, segmental revenue continued to improve on the back of improved business performance.

Aviation:

Key performance indicators	YE-21	YE-20	Variance (%) [YE-21 vs YE-20]	Q4-21	Q3-21	Variance (%) [Q4-21 vs Q3-21]
Revenue (QR' million)	722	688	+5%	195	190	+3%
Net profit (QR' million)	221	116	+91%	46	63	-27%

Note: Segment profits have been reported before impact of income taxes and one-off non-cash capital gain of QR 268 million recognized during Q2-20

Aviation segment reported a total revenue of QR 722 million for the year ended 31 December 2021, with an increase of 5% compared to last year. The increase was mainly attributed to higher flying activity recorded within both domestic and international operations, coupled with growth in revenue noted across all the businesses within the segment. Segment's net profit reached QR 221 million, representing an increase of 91% compared to last year, mainly on account of revenue growth.

Segment revenue for Q4-21 versus Q3-21 increased by 3%, mainly due to continued improvement in flying hours. However, Q4-21 profitability declined by 27% in comparison to previous quarter's net earnings, as the segment booked foreign currency revaluation losses on results from the Turkish subsidiary amounting to QR 21 million and impairment provisions recognized in relation to overdue receivables amounting to QR 13 million.

Insurance:

Key performance indicators	YE-21	YE-20	Variance (%) [YE-21 vs YE-20]	Q4-21	Q3-21	Variance (%) [Q4-21 vs Q3-21]
Revenue (QR' million)	988	981	+1%	243	264	-8%
Net profit (QR' million)	60	52	+16%	10	18	-42%

Note: Segment profits have been reported before impact of income taxes

Revenue within the insurance segment for year ended 31 December 2021, increased by 1% as compared to last year, to reach QR 988 million. Growth in premiums from general insurance line of business, almost entirely offset against decline in premiums from medical line of business.

Segmental net earnings increased by 16% as compared to last year, to reach QR 60 million. Strong growth in net profits was mainly supported by a robust recovery within the segment's investment portfolio on the back of recovery in capital markets. Unrealized gain on revaluation of investment portfolio contributed QR 15 million positively towards segment's net earnings for the year ended 31 December 2021 in comparison to last year.

Segment revenue for Q4-21 versus Q3-21 decreased by 8%, mainly due to expiry of certain policies without renewals during Q4-21. Segmental profitability for Q4-21 also declined by 42% in comparison to Q3-21, mainly due to unrealized losses reported within its investment portfolio due to negative movements in capital markets.

Catering:

Key performance indicators	**YE-21**	**YE-20**	**Variance (%)** **[YE-21 vs YE-20]**	**Q4-21**	**Q3-21**	**Variance (%)** **[Q4-21 vs Q3-21]**
Revenue (QR' million)	361	406	-11%	103	86	+20%
Net (loss) / profit (QR' million)	-15	-10	-59%	3	-9	134%

Note: Segment (losses) / profits have been reported before impact of income taxes

Catering segment reported a revenue of QR 361 million, with a decline of 11% as compared to last year. This was mainly due to ongoing COVID-19 related restrictions which resulted in lower number of meals being served across majority of catering locations. This was in addition to loss of some contracts within both manpower and catering segments, which adversely affected overall growth. The segment reported a net loss of QR 15 million for the year ended 31 December 2021, compared to a net loss of QR 10 million last year, mainly due to lowered margins and declining revenues.

On a quarter-on-quarter basis, catering segment witnessed an increase in revenue during Q4-21 due to gradual lift of restrictions from certain catering locations resulting in better catering related revenues, and improved revenue from manpower business. Overall growth in segmental revenue for Q4-21 led to a positive movement in the segment's net earnings and the segment turned to profits during the quarter.

Dividends

With the current post-pandemic recovery phase and current year's financial performance, the Board of Directors believes that a dividend payment in 2021 would bring an additional burden on the Group's liquidity position and may create obstacles to our future plans of achieving long-term sustainability, while reducing our reliance on external sources of finance. Hence, the Board of Directors recommends no dividend payment for the financial year ended 31 December 2021, in order for the Group to deploy the retained funds to capture the present and future opportunities and remain financially flexible with current debt structure.

Earnings Call

GIS will host an IR earnings call with investors to discuss its financial results, business outlook and other matters on Tuesday, 22nd February 2022 at 1:30 p.m. Doha time. The IR presentation that accompanies the conference call will be posted on the 'financial information' page within the Investor Relations section at GIS' website.

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About GIS

Gulf International Services, a Qatari public shareholding company listed on the Qatar Stock Exchange, was established on February 12, 2008 in accordance with the provisions of its Articles of Association and Law no. 5 of 2002, promulgating the Commercial Companies Law, especially Article 68 thereof. Subsequently, the Company settled its status and brought its Articles of Association into conformity with the provisions of Law no. 11 of 2015, promulgating the Commercial Companies Law, and in line with the specific nature of its incorporation.

Through the group companies, Gulf International Services Q.P.S.C. operates in four distinct segments - insurance and reinsurance, drilling, helicopter transportation and catering services. QatarEnergy (formerly known as Qatar Petroleum), the largest shareholder, provides all of the head office functions for Gulf International Services Q.P.S.C. through a comprehensive service directive. The operations of the subsidiaries remain independently managed by their respective Boards of Directors and senior management teams.

For more information about the earnings announcement, email gis@qp.com.qa or visit www.gis.com.qa.

DISCLAIMER

The companies in which Gulf International Services Q.P.S.C. directly and indirectly owns investments are separate entities. In this press release, "GIS" and "the Group" are sometimes used for convenience in reference to Gulf International Services Q.P.S.C.

This press release may contain forward-looking statements concerning the financial condition, results of operations and businesses of Gulf International Services Q.P.S.C. All statements other than statements of historical fact are deemed to be forward-looking statements, being statements of future expectations that are based on current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, operations and business performance or events impacting the group to differ materially from those expressed or as may be inferred from these statements.

There are a number of factors that could affect the realization of these forward-looking statements such as: (a) price fluctuations in crude oil and natural gas, (b) changes in demand or market conditions for the Group's services, (c) loss of market share and industry competition, (d) environmental risks and natural disasters, (e) changes in legislative, fiscal and regulatory conditions, (f) changes in economic and financial market conditions and (g) political risks. As such, results could differ substantially from those stated, or as may be inferred from the forward-looking statements contained herein. All forward-looking statements contained in this report are made as of the date of this presentation.

Gulf International Services Q.P.S.C., its Directors, officers, advisors, contractors and agents shall not be liable in any way for any costs, losses or other detrimental effects resulting or arising from the use of or reliance by any party on any forward-looking statement and / or other material contained herein. Gulf International Services Q.P.S.C., its subsidiaries, and associated company are further in no way obliged to update or publish revisions to any forward-looking statement or any other material contained herein which may or may not be known to have changed or to be inaccurate as a result of new information, future events or any reason whatsoever. Gulf International Services Q.P.S.C. does not guarantee the accuracy of the historical statements contained herein.

GENERAL NOTES

Gulf International Services' accounting year follows the calendar year. No adjustment has been made for leap years. Where applicable, all values refer to Gulf International Services' share. Values expressed in QR billions/ millions. All other values have been rounded to the nearest whole number. Values expressed in US $'s have been translated at the rate of US $1 = QR3.64.

DEFINITIONS

Cash Realization Ratio: Cash Flow From Operations / Net Profit x 100 • **Debt to Equity:** (Current Debt + Long-Term Debt) / Equity x 100 • **Dividend Yield:** Cash Dividend / Market Capitalization x 100 • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortization calculated as [Net Profit + Interest Expense + Depreciation + Amortization] • **Energy (Insurance):** Refers to the Energy, Plant and Construction, Marine, Fire and Other lines of business • **EPS:** Earnings per Share [Net Profit / Number of Ordinary Shares outstanding at the year-end] • **Free Cash Flow:** Cash Flow From Operations - Total CAPEX • **IBNR:** Incurred But Not Reported (Refers to claims incurred but not yet reported at the statement of financial position date) • **Interest Cover:** (Earnings before Interest Expense + Tax) / Interest Expense • **Net Debt:** Current Debt + Long-Term Debt - Cash & Bank Balances • **Payout Ratio:** Total Cash Dividend / Net Profit x 100 • **P/E:** Price to Earnings multiple [Closing market capitalization / Net Profit] • **ROA:** Return On Assets [EBITDA/ Total Assets x 100] • **ROCE:** Return On Capital Employed [Net Profit before Interest & Tax / (Total Assets - Current Liabilities) x 100] • **ROE:** Return On Equity [Net Profit / Shareholders' Equity x 100] • **Utilization (Rigs):** Number of days under contract / (Number of days available - Days under maintenance) x 100