



الخليج الدولية للخدمات ش.م.ق  
Gulf International Services QSC

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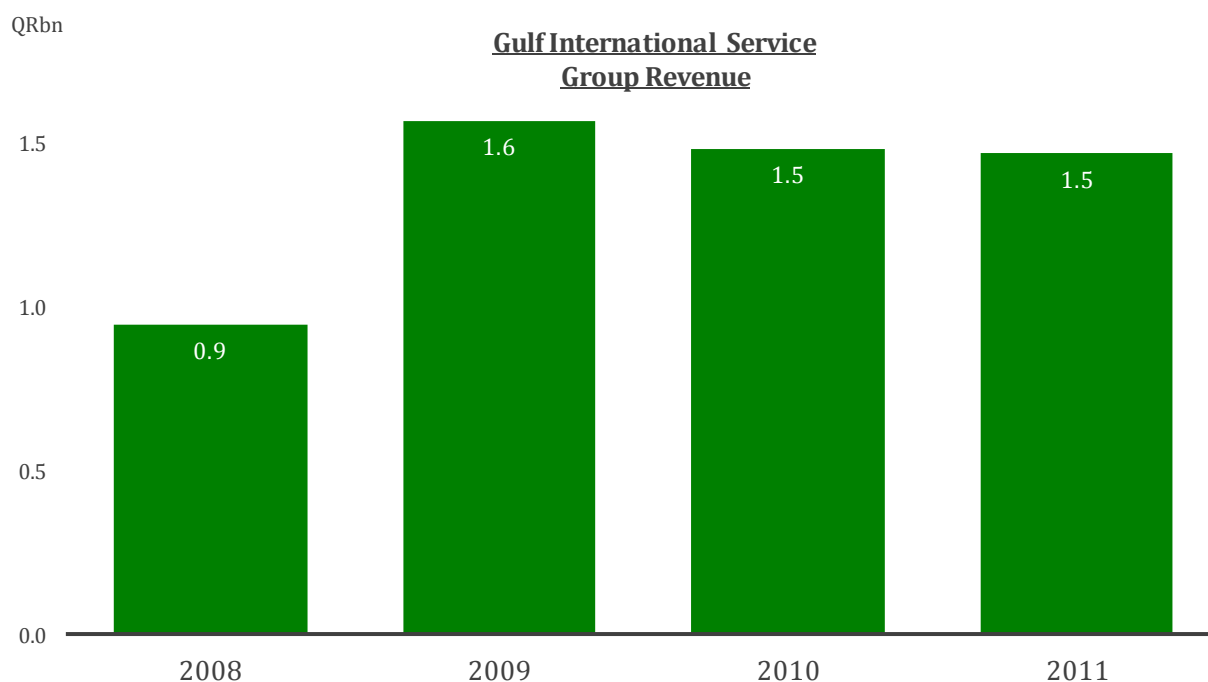
## **PRESS RELEASE**

### **GIS DECLARES 2011 FULL YEAR RESULTS**

#### **Strong fourth quarter, record Insurance revenue**

**DOHA, QATAR** – Gulf International Services ("GIS" or the "the group"; QE: GISS), the largest service group in Qatar, with interests in a broad cross-section of industries, ranging from insurance, re-insurance, fund management, onshore and offshore drilling, and helicopter transportation, announced its 2011 full year results with revenue of QR 1.5 billion and net profit of QR 0.3 billion.

In a statement to the Qatar Exchange, Mr. Ebrahim Al-Mannai, Chief Coordinator, Gulf International Services stated, "The group closed the year with revenue of QR 1.5 billion as the business benefited from premiums in the Insurance segment reaching their highest ever level of over QR 0.5 billion. This was a highly creditable performance from the management and staff of our 100%-owned Insurance subsidiary, Al Koot, and is testament to the successful implementation of the subsidiary's strategic growth plans. The group was also encouraged by the strong overall results in the fourth quarter, with the highest quarterly revenue and net profit for 2011 registered. The last quarter also witnessed the return of the Al-Wajbah rig from its maintenance lay-off and a marked improvement in Oil & Gas aviation flying hours."



### **Social Unrest**

“In the early part of 2011 we informed the market that the social unrest then being experienced in Bahrain, Egypt, Libya, Tunisia and Yemen had not had a material impact on the operations of the group companies, or the safety of their operating assets. This statement was predicated on the following facts: steps were taken to secure the operating assets of the group’s Libyan affiliate, Al Maha Aviation Company, all of Gulf Drilling International’s rigs were strategically situated and operating in Qatari territorial waters, and the absence of assets underwritten by the group’s insurance subsidiary, Al Koot Insurance And Reinsurance, in the regions affected. With the close of the financial year, we can now report to the market that the financial impact was indeed minimal, and limited to a maximum of approximately QR 10 million,” concluded Mr. Al-Mannai.

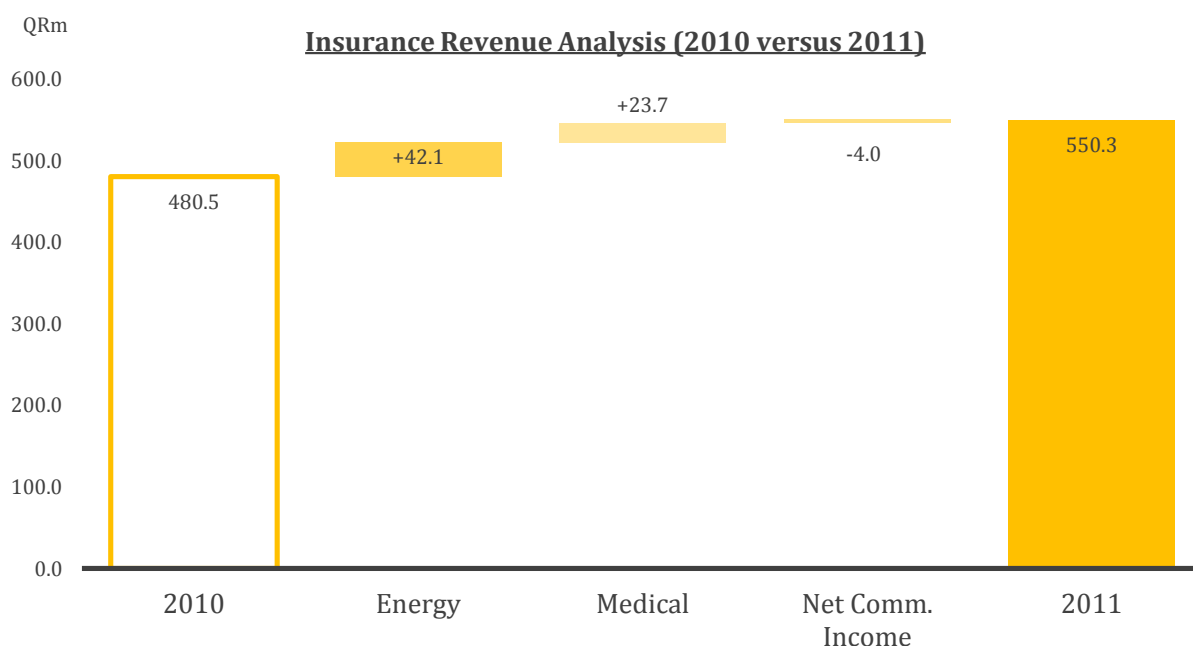
### **Financial Results**

#### **Revenue**

Group revenue for the twelve months ended December 31, 2011 was QR 1.5 billion, representing a marginal decrease of QR 16.6 million, or 1.1%, over the same period last year, while revenue in the fourth quarter was QR 393.1 million, a quarter-on-quarter increase of QR 77.5 million, or 24.5%. The full year performance also resulted in a QR 61.1 million, or 4.3%, positive variance versus the 2011 budget.

The group’s insurance subsidiary registered record full year premiums and net commission income of QR 550.3 million, a resolute QR 69.8 million, or 14.5%, improvement on 2010. The primary drivers for the year-on-year performance were significant growth in the sums insured and premium inflation in the core Energy business, and the ongoing success of the Medical line’s market expansion plan. Energy business sums insured improved in line with the operational launch of a number of major projects within the Qatar Petroleum group of companies, while annual premium inflation was noted for some asset classes. The group’s focus on expanding the coverage of its medical insurance offering beyond the Qatar Petroleum group of companies and towards other large corporate clients resulted in 8,000 new members during the year, bringing the total number of insured to approximately 97,000. Net commission income, consisting of management fees and reinsurance commissions, increased by QR 4.0 million, or 11.9%, over 2010. The creditable overall performance resulted in full year revenue robustly exceeding budgeted expectations, by QR 118.3 million, or 27.4%.

Commenting on the underlying strength in the core Energy and Medical insurance lines of business, Mr. Al-Mannai stated, “The record full year revenue of QR 550.3 million in the Insurance segment was due largely to additional sums insured following the capital investment program of Qatar Petroleum, and the overwhelming acceptance of the market-leading group medical insurance offer of our subsidiary, Al Koot Insurance and Reinsurance. To date, this group medical insurance scheme has circa 60 corporate clients, and insures approximately 97,000 members.”



Aviation segmental revenue totalled QR 443.0 million, marginally down on 2010 by QR 5.0 million, or 1.1%, as robust growth in the Qatar-based lines of business was offset by reduced earnings in the MENA region following the social unrest experienced in 2011. Domestic business lines, primarily comprising of Oil & Gas services, the helicopter emergency medical service and VIP services, added QR 17.0 million on the same period last year following the rebound in flying hours in the Oil & Gas line witnessed in the fourth quarter, the incremental benefit of an increased number of helicopters in operation this year (2011: 40 helicopters) versus 2010 (2010: 37 helicopters) and hourly rate inflation. Ongoing social unrest in the MENA region dampened this performance, with reduced services in Libya the main contributor to a QR 21.9 million year-on-year reduction in ex-Qatar revenue. In total, the segment reported a marginally negative variance to budget of QR 3.0 million, or 0.7%.

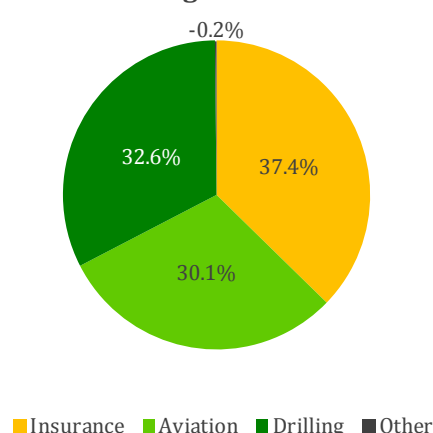
“Results in the Aviation business were very strong, and, to a large extent, anticipated,” remarked Mr. Al-Mannai. “Segmental revenue totaled QR 443.0 million, a mere QR 3.0 million short of our full year budget. We are pleased with the growth witnessed in the core Oil & Gas line as our subsidiary’s strategy of investing in new, higher-rate aircraft is continuing to pay off. By the end of 2011, the subsidiary had 40 aircraft, of which 13 were modern Augusta-Westland 139’s, an overall increase of 3 on the close of 2010. All of our aircraft are involved in a wide range of activities, from oil and gas-related transportation and load lifting, to emergency medical evacuation, VIP transportation and other ad hoc services, like the aerial filming that was conducted during the Asian Football Championships held in Qatar in early 2011.”

Revenue in the Drilling segment closed the year at QR 478.6 million, with revenue picking up in the fourth quarter by QR 6.3 million, or 5.4%, over the third quarter, following the return to operations of the Al-Wajbah offshore jack-up rig which had been off for 26 days in September for planned maintenance work. Revenue declined year-on-year by QR 80.8 million, or 14.4%, due to lower offshore day rates and fewer rig operating days. Offshore day rates dropped by an average of 15.1% year-on-year, while a total of 385 rig operating days were lost in 2011 due to maintenance activities (246 days) and the time required to transition into new contracts (139 days).

“Last year was a year of mixed results for our Drilling joint venture,” stated Mr. Al-Mannai. “On the positive side, all of our 9 drilling rigs were under contract since the first quarter, which was a good accomplishment given that we entered 2011 knowing that two rigs would be out of contract during the early part of the year. Significant challenges however were encountered, from the fall in offshore rate, which was felt by the entire industry and to the extensive time required for scheduled maintenance work. Revenue for the year closed at QR 478.6 million, a drop of QR 80.8 million, or

14.4%, on the 2010 full year results. The market should also be aware that the Al-Zubarah offshore rig contract that was set to expire in January 2012 has been extended by incumbent client for one year originally due to expire in the first quarter of 2012 has now been extended by one year, the Al-Doha rig finally completed its shipyard projects on 1 January 2012 and has returned to operations. In addition, by the group's latest acquisition, the Zikreet jack-up accommodation barge was placed into services at the end of January 2012"

**2011: Net Profit Contribution By Segment**



### Net Profit

Continuing, Mr. Al-Mannai said, "Net profit for the year was approximately QR 0.3 billion. Results were mixed across the three operating segments, with the Insurance segment showing growth on 2010 and Aviation and Drilling both declining. The group was affected by many one-off factors and tough trading conditions in the drilling industry."

Net profit for the year was QR 282.9 million, a year-on-year decline of QR 156.3 million, or 35.6%. The

decline in net profit can be primarily attributed to reduced profitability of the Drilling segment, reduced non-operating earnings and a combination of several one-off factors. Drilling net profit declined for the same reasons as the headline revenue, namely reduced time lost for the scheduled maintenance of the two rigs and transitioning two other rigs into new contracts during the first quarter, as well as an average 15.1% drop in offshore day rates across all rigs on account of new and extended contracts. On account of reduced average bank balances and low fixed deposit rates, finance income was appreciably down on 2010, by QR 10.1 million. The one-off factors impacting the group's year-on-year performance include increased IBNR<sup>1</sup> provisioning in the Insurance segment (QR 65.2 million), the estimated impact of the MENA social unrest on Aviation results (QR 10.0 million), impairment charges on the group's AFS<sup>1</sup> investments (QR 14.7 million), the Insurance subsidiary's share of the loss on the winding up of its real estate joint venture (QR 8.5 million) and a prior year gain on the disposal of one helicopter (QR 6.7m). The effect of these one-off factors was partially offset by a QR 12.7 million write-back adjustment posted in the Drilling joint venture's 2011 financial accounts. State-mandated increases in national salaries did not have a marked effect on the group's remunerations cost as the decree was enacted towards the end of the financial year.

<sup>1</sup> See page 8 for a definition of IBNR and AFS.

### **Financial Position, Cash Flows And Financial Measures**

The group's total assets increased year-on-year by a robust QR 0.4 billion, or 9.1%, closing at QR 4.6 billion, due mainly to debt-funded advanced payments made for a number of drilling and aviation asset purchases, and cash flows from operations. Quarterly cash realisation ratios<sup>2</sup> remained strong, and free cash flows<sup>2</sup> for the year were positive (2011: QR 192.2 million) despite payments being made for 3 aircraft, advanced payments being made for 5 new helicopters and 2 new drilling assets. Net debt<sup>2</sup> closed the year strongly negative (2011: -QR 144.6 million) and the group's debt-to-equity ratio<sup>2</sup> remained above 40% due to the increased borrowing in the Drilling and Aviation segments. Despite significant loan repayments, total loans and borrowings increased on the 2010 close by QR 91.3 million, or 10.6%, to close the year at QR 949.0 million.

### **Fereej Winding Up And Company Dissolution**

Commenting on the dissolution of one of the group's affiliates, Mr. Al-Mannai said, "The market should be aware that during the last financial year, the operations of the group's real estate and facilities management affiliate, Fereej Real Estate Company, were wound up and the company's investment properties sold. The company was officially dissolved on November 30<sup>th</sup>, 2011, with the financial impact of the assets sale, operating losses and company dissolution totaling QR 17.3 million. Shareholders should be aware that the dissolution of the company allows management to focus more keenly on the group's central mandate of providing services to the oil and gas industry."

### **Business Plans (2012 to 2016)**

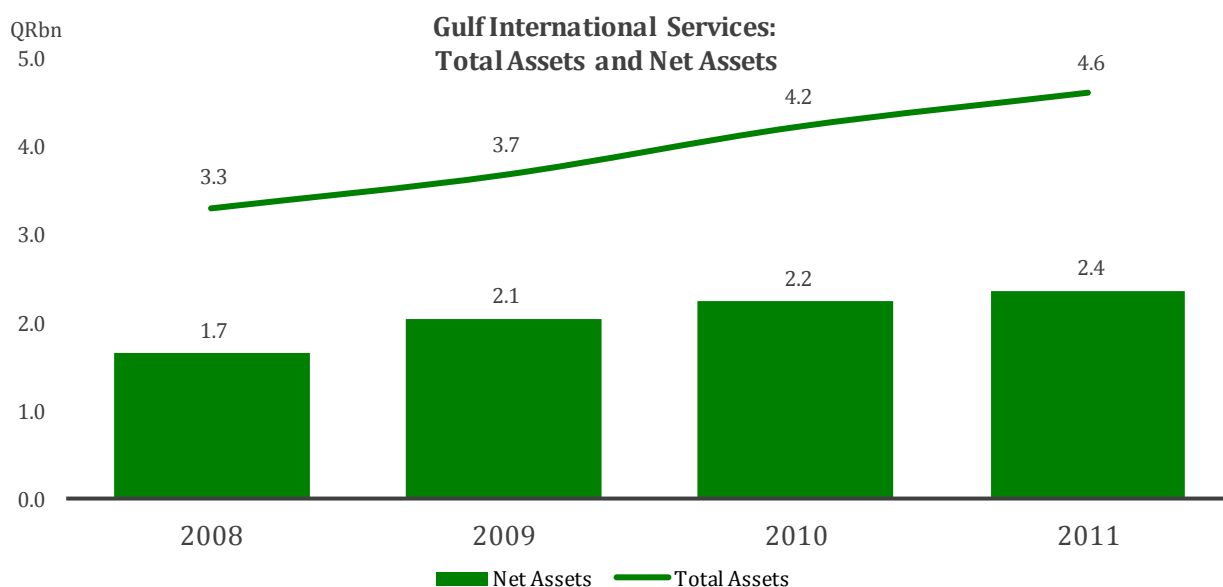
"Further details of the group's 2012 outlook and 5-year business plan will be unveiled during the Annual General Assembly Meeting slated for March 26, 2012," continued Mr. Al-Mannai. "However, the following can be shared at this stage: by 2016, revenue is expected to exceed QR 2.2 billion, net profit to reach QR 0.6 billion and net assets almost QR 4.7 billion. The group has credible plans to improve profitability, expand the span of operations and diversify into related services. Cash generation is expected to remain strong despite expectations that debt levels will peak between 2015 and 2016. Sentiment is very positive, with expectations that offshore daily rates will continue to improve throughout this period, demand for oil and gas-related transportation services will remain strong and capital expenditure by the Qatar Petroleum group of companies will be spurred by a number of new, large oil and gas projects. An announcement regarding the proposed acquisition of Amwaj Catering Services is expected to be made imminently."

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<sup>2</sup> See page 8 for a definition of realisation ratio, free cash flows, net debt and debt to equity ratio.

## Dividend Announcement

“The Board of Directors is pleased to recommend a total annual dividend distribution for the year ended December 31, 2011 of QR 175.8 million, equivalent to a payout of QR 1.30 per share and representing 13.0% of the nominal value, and 10% bonus shares. Based on the group’s February 16, 2012 average closing price, this generates a cash dividend yield<sup>3</sup> of 6.0%.



## Conclusion

“Gulf International Services is *the* premier oil and gas services group in Qatar and the Middle East,” concluded Mr. Al-Mannai. “With strong fundamentals and exciting and ambitious capital investment plans, the Board of Directors and senior management have an unwavering belief in the prosperous future awaiting our dedicated shareholders.

“I would also like to express my gratitude to H.H. Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, for his vision and leadership, the Chairman and Managing Director, HE Dr. Mohammed bin Saleh Al-Sada, his wise counsel, and to the senior management of the group companies for their hard work, commitment and dedication.”

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**For more information about this press release, email [gis@qp.com.qa](mailto:gis@qp.com.qa) or visit [www.gis.com.qa](http://www.gis.com.qa)**

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<sup>3</sup> See page 8 for a definition of dividend yield.

## DISCLAIMER

The companies in which Gulf International Services QSC 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 QSC.

This presentation contains forward-looking statements concerning the financial condition, results of operations and businesses of Gulf International Services QSC. 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 realisation 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 press release are made as of the date of this press release, as marked on the Cover page.

Gulf International Services QSC, 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 QSC, its subsidiaries, joint venture 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 QSC does not guarantee the accuracy of the historical statements contained herein.

## GENERAL NOTES

Gulf International Services QSC's accounting year follows the calendar year. No adjustment has been made for leap years. Where applicable, all values refer to Gulf International Services QSC's share. Values expressed in QR billions and percentages have been rounded to 1 decimal point. 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

**CAGR:** 5-Year *Compound Annual Growth Rate* (from 2010 actuals) • **Cash Realisation 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 Capitalisation x 100 • **EBITDA:** *Earnings Before Interest, Tax, Depreciation and Amortisation* calculated as [Net Profit + Interest Expense + Depreciation + Amortisation] • **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:** *Incurring 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 capitalisation / 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] • **Utilisation (Rigs):** Number of days under contract / (Number of days available - Days under maintenance) x 100

## ABOUT GIS

Gulf International Services QSC was incorporated as a Qatari joint stock company on February 12, 2008 by Resolution Number 42 of 2008 of the State of Qatar's Ministry of Economy and Commerce, pursuant to its Memorandum and Articles of Association and Law Number 5 of 2002 concerning Commercial Companies. The authorised share capital is QR 10 billion with the issued share capital consisting of 135.2 million ordinary shares and 1 special share.

Through the group companies, Gulf International Services QSC operates in three distinct segments - insurance and reinsurance, drilling and helicopter transportation services.

Qatar Petroleum, the largest shareholder, provides all of the head office functions for Gulf International Services QSC through a comprehensive service directive. The operations of the subsidiaries and joint venture remain independently managed by their respective Boards of Directors and senior management teams.