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KUWAIT: 18/8/2019

TO: BOURSA KUWAIT,

After Greetings,

Subject: Analyst / investors Conference for second quarter 2019

With reference to the above subject, and pursuant to the requirements of Boursa Kuwait Rules Book issued as per Resolution No. (1) /2018 kindly note that the quarterly Analyst / Investors Conference was held through a Live Webcast on Thursday: 8/8/2019 at 1:30 pm local time.

Please refer to the attachment for the minutes of the conference (Q2/2019).

Yours sincerely,

Integrated Holding Co (K.S.C.P)

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Analyses / investors conference minutes for the second quarter /2019

Dunyia: Ladies and gentlemen, welcome to Integrated Holding's Q2 2019 with Investor Conference Call and Webcast. I now hand over to your host, Mr. Mohamad Haidar, from Arqaam Capital. Sir, please go ahead.

Mohamad Haidar: Hello everyone, and welcome to the Integrated Holding Co. Q2 2019 Earnings Conference Call and Webcast. This is hosted by Arqaam Capital. With us now from Integrated Holding are: Mr. Joseph Fernandes, Group Financial Controller and Mr. Vinayak D Prabhu, Finance Manager.

Mohamad Haidar: I will now hand over the call to Joseph to start with the presentation. Please go ahead Joseph.

Joseph: Thank you Mohamad. Good afternoon to all the participants and welcome to you all for the Analyst Conference for Q2 2019. Challenges since the last quarter of 2018 was drop in the equipment utilization rate and this is continued with the drop in the revenue rate during this year.

Joseph: Results of the second quarter of 2019 are disappointing and not in the expected line. Drop in the revenue in 2019 by 29.9% for H1 19 comparing with the corresponding period of the previous year was the main reason for the poor performance.

Joseph: Reduction in the rental rate, because of competition and excess supply in the market and decline in the utilization rates of the equipment are the contributory factors for the revenue drop. On completion of the big projects, we expected the transition of our resources to the new projects which were to start as anticipated during this year, but these were delayed.

Joseph: In the expenditure side, we were not able to achieve corresponding reduction in the expenses in proportion to the revenue drop. We expected turnaround of the project activities with the pick-up of the demand for our services, so we continued maintaining the workforce and equipment services at normal level to be ready to take up our new opportunities.

Joseph: The net profits for the six months of 2019, KWD 4m is lower by 59% comparing with the profits of KWD 10 m in H1 2018. In the year 2018, first half was exceptionally good as many project related activities were at peak which contributed for the best utilization rate of the equipment with the higher rate along with the shutdown maintenance jobs which are with high margin and these jobs were not during this year.

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Joseph: During this quarter, we have settled major portion of the foreign currency liabilities, about KWD 10 million and the increase in the debt from local banks actually to support our Capex of KWD 4.7 m which will be explained in later slides.

Joseph: For the short-term, it is a challenging period for us and we expect situation will improve sooner or later. For more details on the financial performance in the given slides, I will hand over to Vinayak who will explain in details.

Vinayak: Thank you Mr. Joseph. Good afternoon everyone and thank you all for joining our Q2 Earnings Call. I shall now walk you through the presentation on financial highlights and after that, we will open the floor for Q&A.

Vinayak: To begin with, slide number five on revenue.

As you can see, the revenue reported for the first six months of 2019 is KWD 15.6m, reflecting a fall of 29.9% over comparable period of last year 2018 and in particular for the quarter under review, the revenue dropped by 34.6% y/y.

Vinayak: Reduction in the rental rate in certain range of equipment due to stiff competition which has compelled us to reduce the rate to arrest further drop in the utilization, along with decline in use of equipment utilization in general has caused the drop in revenues.

Vinayak: Moving onto the slide six on net profit. As you can see, net profit touched KWD 4m for the first half of 2019, showing a decrease of 59.7% in comparison with the first half of 2018. This could be attributed straightly to the drop in revenue as explained earlier. Though, we were able to control in a moderate manner operational cost which mainly consists of manpower and equipment maintenance, have not changed significantly and these were supposed to be incurred, to retain the experienced and skilled labor set and for the proper maintenance of the equipment.

Vinayak: Moving onto slide seven on revenue contribution by geography. It's pretty clear from the slide that revenues of Kuwait operations continue to contribute majorly for the first half of 2019 at around 84% to the total revenue of the group. On a positive note, revenue from Qatar operations during the quarter under review, grew by 7% in H1 2019, compared to 2018 and shown increased contribution with consolidated revenue of the group by 6% y/y.

Vinayak: Now, moving onto slide number eight, revenue contribution by operation segment. In terms of composition, contribution of each operational segment, mainly operational equipment leasing, heavy lifts, and transportation have remained the same for the total revenue of the group and decline in the total revenue is seen distributed across each of these operation segments.

Vinayak: On slide number nine, you can see our balance sheet. This slide explains the mix of assets and liabilities and how that has changed over the last six months period. We continue to enjoy a healthy balance sheet with a total assets of KWD 91m and an equity of KWD 64m. On the current assets side, we could see a reduction of around 18% which is mainly due to the employment of funds to meet the Current liabilities especially Capex creditors.

Vinayak: On the PPE front, we have spent an additional amount of KWD 3.4m during the quarter under review, adding up to KWD 4.7m during H1 19. This was largely spent on new equipment and for the replacement of the existing equipment with the weightage of 70% to the former.

Vinayak: Right of use assets are KD 734k. It's a new line heading in our balance sheet which is with the adoption of the IFRS 16 related to Leasehold properties with corresponding discounted future obligations shown as Lease Liabilities grouped under Trade & Other payables.

Vinayak: Now, coming to the liabilities side, we have shifted to local debts in place of foreign borrowing as matter of cautious take on fluctuations of the currency and with the influx of local debts, gearing ratio now stands at 18.9% and Debt to equity of 24.8%, as on 30th June 2019.

Vinayak: On the Capex Creditors side, as you can see, we have been able to settle around 78% during the quarter under review to a tune of KWD 10.2m utilizing mainly the available cash balance and partly through obtaining of local debt. Equity to the shareholders of the company stood at KWD 64m as on 30th June 2019.

Vinayak: Now, moving onto slide number 10 on statement of income. Revenue and net profit have been discussed earlier. The Depreciation amount has increased marginally by 5.1% over a period of one year. Coming to EBITDA for the half year, there was a decline noted of 36.1% over last year which again is exactly linked to the drop in revenues and increase in Operational costs.

Vinayak: During the quarter under review, due to the new borrowing, mainly local debt, finance costs have gone up by 49% q/q and around 50% on year on year basis. While the foreign creditors are at low finance cost but with currency fluctuation risk. Earning per shareholders stands at 18.26 fils per share as of 30th June 2019.

Vinayak: Slide number 11 on Key Statistics. Gross profit margin percentage has declined by 37% y/y. Here, depreciation on revenue generating assets which constitutes 35% of the total revenue for half year period of 2019 has increased by 4% when compared to the previous comparable period.

Vinayak: Coming to EBITDA margin percentage when compared to half year 2019, it is reduced by 14% which is mainly linked to a drop in the revenues. Net profit margin percentage has also lowered by 42% y/y for a half year. Here, one factor which though on the favorable side is the foreign exchange income on revaluation and settlement of foreign currency liabilities, but the contributions to the net profit have reduced by 2%.

Vinayak: RoA and RoE have also got affected and has declined over 50-60% y/y. Now, coming to the other main highlights during the quarter, as mentioned earlier, total spending on the CapEx reached KWD 4.7m for H1 2019 and regarding the dividends, as recommended by the board and approved by the General Assembly later, Distribution of cash dividends of 40 fils per share for the financial year of 2018 took place during the quarter under review.

Vinayak: Now, coming to the other main matters, let me give you a brief of rate of utilization. Utilization of equipment for H1 2019 has declined in general and for your information, let me give you below statistics on the three main categories for equipment in comparison with H1 2018. Cranes which count majorly toward the revenue. Here average utilization achieved is 48% versus 76% and in the case of Boom Trucks, it now reached 62% versus 72%.

And a slight increase is observed in the case of Earth Moving Equipment. It is 62% for the first half of 2019 versus 55%, the previous comparative period.

Vinayak: That is all from my slide and I think we can move on for Q&A. Thank you all and now over to Mr. Haidar.

Dunyia: Thank you. Ladies and gentlemen, if you wish to ask a question, please press the 1 on your telephone keypad. To participate through our waiting journey, just type your question on the webcast. Thank you for holding until we have our first question.

Dunyia: As a reminder, ladies and gentlemen, if you wish to ask a question, please press the one on your telephone keypad. To participate in our waiting journey, please submit it on the webcast platform. Thank you for holding until we have our first question.

Dunyia: Dear speakers, we have no audio questions.

Mohamad Haidar: Thank you Dunyia, so we will start with the first waiting question from Abdul Latif Abdul Qadr. Question says after a weak H1 earnings, is the company's commitment of distributing for its dividends at risk?

Joseph: Mohamad, it's Joseph here. It is forward looking question. The dividend decision is with the Board to consider and it will be clear at financial year end. Thank you.

Mohamad Haidar: Thank you Joseph. We have another question from Alaa Saleh from EFG. What was the average utilization rate in Q2 19?

Joseph: See! average utilization wise, just now as explained by Vinayak about drop in utilization rate, to be clearer, the cranes contributes to the major share of our income, more than 70%. Cranes utilization in general has come down from 76% to c.48%. Other Equipment utilization were also down except earth moving equipment. Whereas in Qatar, equipment utilization has improved. Overall, the major segment of the crane utilization, there is drop.

Mohamad Haidar: Thank you. Got a question from Waruna Kumarage from SICO. Can you quantify the effect of lower equipment rental rates on your revenue as a result of oversupply in the market?

Joseph: See! This is the result of so many factors. It is difficult to establish direct link between oversupply and drop in rental rates, it is with the lower and medium range of equipment drop of revenue is linked to over supply but in the case of higher capacity cranes, demand was less so excess supply question doesn't arise. Thank you.

Mohamad Haidar: We have questions from Ahmed Asiri from Markaz. What the utilization rate, I think they answered that. Went down to 48%. Have a question from Ryas Abdul Qadir from Integrated Asset Management. Are second quarter financials the worst in terms of profitability? Do you have enough backlog over the next few quarters till Duqm project takes off to avoid going into an operational loss?

Joseph: We have highlighted earlier that this year is quite challenging and we are doing our best to focus more on the utilization. That is why further reduction in the rates to adjust with the market demand and supply to increase the utilization rates. And the situation will improve. Thank you.

Mohamad Haidar: We have a follow-up question from Waruna, SICO. When do you expect the Kuwait market to turn around?

Joseph: See, this is a difficult to answer, because so many projects are there and some projects are on-going and some projects are delayed, to give example, Petro chemical projects was expected to start this year. Due to change in design, it is going to start from Second quarter of 2020. This is a big project. And some other projects are in pipeline and they are taking place though there is delay. Thank you.

Mohamad Haidar: So, we have a question from Abdul Latif Abdul Qadir again. Going into the second half and next year, what is the expected utilization rate coming from Oman and Qatar projects, if full deployment happens?

Joseph: For the Duqm project in Oman, we are in the mobilization phase, For Duqm, mobilization delay was due of clearance for export & import formalities, which is cleared now and expected to start activities and from September onwards we are going to generate revenue from Duqm project, Qatar North field development will start from first or second quarter of 2020. For Qatar projects we have already mobilized part of the equipment and a good rate of utilization will come up once the projects starts. Thank you.

Mohamad Haidar: Joseph, may I ask you to please come closer to the phone and maybe speak louder a bit. Thank you.

Joseph: Sure.

Mohamad Haidar: We have a question from Suleiman Abu Al-Hossan from AD Invest. Why did borrowings increase significantly in Q2 19? Was it due to a cash shortage, positive dividend payment or acquisition of equipment?

Joseph: See, it is not increase in borrowing... I explained earlier that we have settled more than 10 million liabilities in foreign currencies which was earlier financed for equipment. Since Euro exchange was in our favor, management thought of settling a lot of this foreign currency loans partly taking loans from local banks. and to fund capex, which KD 4.7 million for first half of 2019, partially covered out of the cash generation. We have not taken loans to finance dividends. Dividends were distributed through internal generated funds. Thank you.

Mohamad Haidar: We have a question from Akbar Khan. Are you anticipating further growth from your Qatar operations over the next 12 months?

Joseph: We are optimistic about Qatar projects. That is why we have mobilized lot of equipment, but the project was delayed, one of the reason for the lower utilization during first half of 2019. But, going forward, from year 2020 to 2022, we expect good number of projects related to our activities. Thank you.

Mohamad Haidar: We have a question from Ahmed Asiri, what percentage of your equipment are idle, waiting for projects in Qatar and Oman?

Joseph: We have generalized our equipment utilization from the list as per the category of equipment, is a very big list. In general, 30% or 40% can be idle for waiting for the projects or delayed.

Mohamad Haidar: Thank you Joseph. We have no further questions on the list at the moment.

Dunyia: As a reminder ladies and gentlemen, if you wish to ask a question, please submit it from the webcast platform. Thank you for holding.

Joseph: Thank you Mohammed.

Mohamad Haidar: Thank you Joesph and Vinayak and thank you everyone for joining. One last question before we leave from Abdul Latif. From an accounting standard, does the company plan to reconsider its conservative depreciation method and stretch it to lower the costs.

Joseph: It is difficult to answer. We have not thought of this question and I cannot really answer because we haven't discussed in the management Meeting.

Mohamad Haidar: Understood. Thank you, Joseph; and again, thank you everyone for joining. We hope to see you again next quarter.

Dunyia: Ladies and gentlemen, this concludes the webcast. Thank you all for your participation. You may now disconnect.

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INTEGRATED HOLDING Co. KSCP

Analyst Conference

Q2 / FY 2019 Results

Disclaimer

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Contents

Overview

Challenge from the beginning of this year was drop in the equipment utilization and this is continued with the drop in the revenue rates. The results of the second quarter of 2019 is disappointing and not in the expected line. Drop in the revenue by 29.9% for the half year 2019 comparing with the half year 2018 was the main reason for the poor performance. The reduction in the rental rates because of competition and excess supply in the market and decline in the utilization rates of the equipment are the contributory factors for the revenue drop. On completion of the big projects we expected the transition of our resources to the new projects which were anticipated during this year, but these were delayed.

On the expenditure side, we were not able to have corresponding reduction. We had expected turnaround of the project activities with pick in the demand for our services and continued maintaining the workforce and equipment at normal level to be ready to take up the new opportunities.

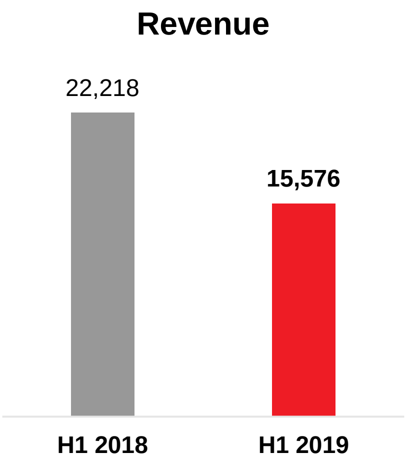
The Net Profit for the first six months of 2019 is lower by 59% comparing with the profit of KD 10 million in first half of 2018. In the year 2018 first half was exceptionally good as many project related activities were at peak which contributed for the best utilization of the equipment with higher rates along with the shutdown maintenance jobs which are with high margin.

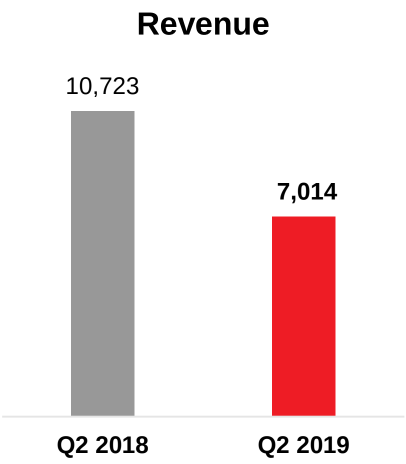
During the first half of 2019, we have settled major portion of the foreign currency liabilities about KD 10 million and increased the debt from local banks partially to support Capex of KD 4 million which will be explained later.

For the short term, it is challenging period for us and we expect situation will improve sooner.

Financial Highlights - Revenue

Revenues in H1 2019 decreased by 29.9% YoY.

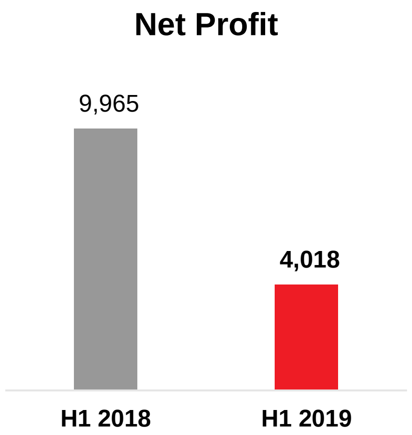


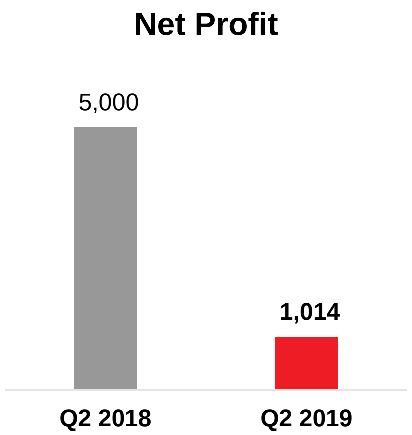


Figures in KD Thousands

Financial Highlights – Net Profit

Net Profit in H1 2019 decreased by 59.7% YoY.

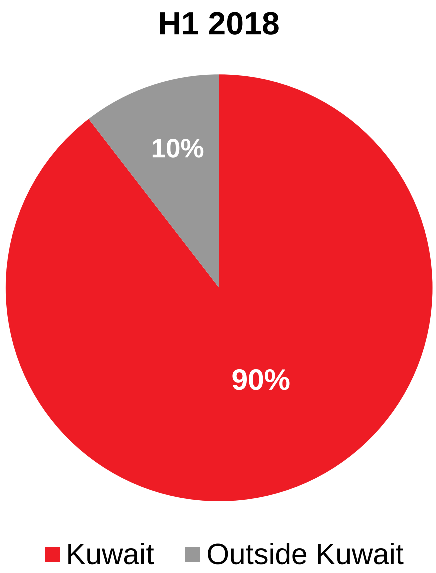


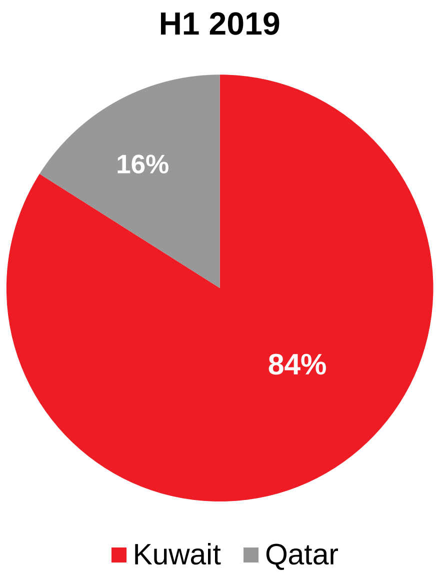


Figures in KD Thousands

Financial Highlights

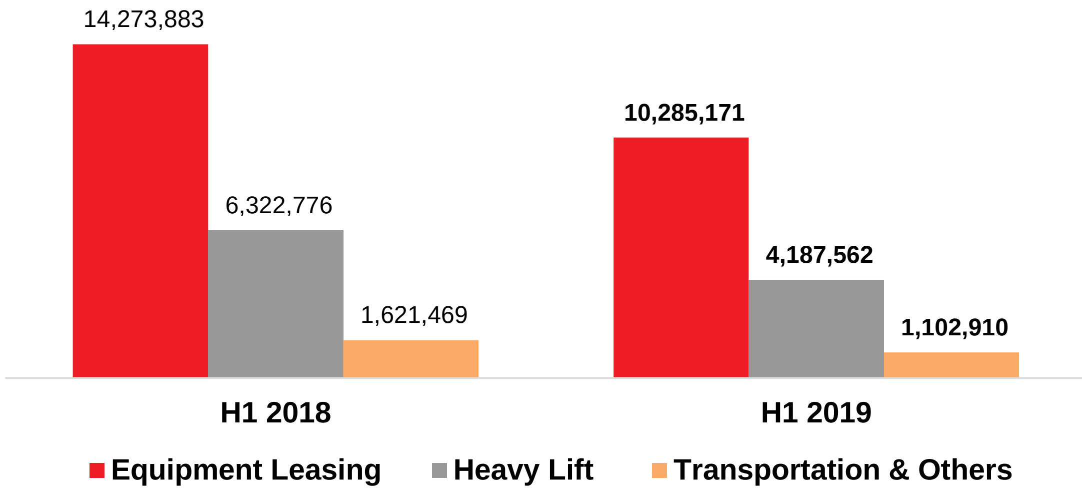
Revenue contribution by Geography





Financial Highlights

Revenue contribution by Operational Segment



Figures in KD Thousands

Financial Highlights

Financial Position

	H1 2019	H1 2018	Change (%)	FY 2018
Current Assets	17,355	21,047	(17.5)	21,765
Property & Equipment	72,530	71,926	0.8	73,389
Right-of-use Assets	734	-	-	-
Intangible Assets	711	711	-	711
Total Assets	**91,330**	**93,684**	**(2.5)**	**95,865**
Borrowings	16,064	12,515	28.4	6,133
Capex Creditors	2,966	11,752	(74.7)	13,258
Trade & Other Liabilities	7,572	7,137	6.1	6,960
Shareholders' Equity	64,728	62,280	3.9	69,514
Total Equity & Liabilities	**91,330**	**93,684**	**(2.5)**	**95,865**

Figures in KD Thousands

Financial Highlights

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Statement of Income

	Quarter 2			Half year		
	2019	**2018**	**Change %**	**2019**	**2018**	**Change %**
Revenue	7,014	10,723	(34.6)	15,575	22,218	(29.9)
Depreciation	2,820	2,684	5.1	5,566	5,318	4.6
EBITDA	4,034	7,133	(43.4)	9,733	15,235	(36.1)
Finance Costs	140	93	50.5	234	235	(0.4)
Net Profit	1,014	5,000	(79.7)	4,018	9,965	(59.7)
Earnings Per Share (fils)	4.61	22.73	(79.7)	18.26	45.29	(59.7)

Figures in KD Thousands

Financial Highlights

Key Statistics

	Quarter 2			Half year		
	2019	2018	Change %	2019	2018	Change %
Gross Profit Margin %	25.8	53.7	(51.9)	34.0	54.1	(37.1)
EBITDA Margin %	57.3	66.5	(13.8)	62.5	68.6	(8.8)
Net Profit Margin %	14.5	46.6	(68.8)	25.8	44.8	(42.4)
Return on Total Assets %				4.4	10.6	(58.5)
Return on Equity %				6.2	16.0	(61.3)

Company Highlights

Capex

Integrated invested an amount of KD 4.74 Million on new equipment purchase during the first half of 2019.

Dividend Payout

During May 2019, Integrated distributed a Cash dividend of 40 fils per share to the Shareholders amounting to KD 8.8 Million for the financial year 2018.

Q & A