Company:	**Mesaieed Petrochemical Holding Company (MPHC)**
Conference Title:	**MPHC Q3-20 Results Conference Call**
Speakers from IQCD:	**1. Mr. Sami Mathlouthi, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum** **2. Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum**
Moderator:	**Ziad Al-Nafoosi, QNB Financial Services**
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Zaid Al Nafoosi [QNBFS]:	Hello, ladies and gentlemen, this is Zaid Alnafoosi, calling from QNB financial services. I would like to welcome everyone to Masaieed Petrochemical holding company. Third quarter of 2020 financial results conference call. It is my pleasure to introduce from Qatar petroleum privatized companies of theirs, Mr. Sami, his assistant manager of financial operations. We also have on the call Mr. Riaz Khan. He is Head Investor Relations and Communications. We will start this conference call with a presentation on the company's performance for the period, followed by questions and answer session. I will now hand over the call to Mr. Riaz Khan to get us started. Please go ahead sir.
Riaz Khan:	Thank you Ziad. 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 MPHC and no media representatives should be participating in this call. Moreover, please note that this call is subject to MPHC's disclaimer statement as detailed on slide no. 2 of the IR deck. Moving on to the call, on 28h October, MPHC released its results for the third quarter of 2020, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of MPHC. Today on this call, along with me, I have: 1- Sami Mathlouthi, Asst. Manager, Financial Operations We have structured our call as follows: ▪ At first, I will provide you a quick insight on MPHC's ownership structure, competitive advantages, overall governance & BOD structure by covering slides 5 till 8, and slides 41 & 42; ▪ Secondly, Mr. Sami will brief you on MPHC's key operational & financial performance matrix. ▪ Later, I will provide you with insights on the segmental performance and CAPEX updates. ▪ 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 MPHC comprises of Qatar Petroleum with approximately 65.5% stake and the rest is in the free float. As detailed on slide no. 5, Qatar Petroleum, being the main shareholder of MPHC provides most of the head office functions through a service-level agreement. The operations of MPHC's joint ventures 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 MPHC's group companies are strategically placed in terms of competitively priced and assured feedstock supply under long term arrangements, solid liquidity position, with a strong cash flow generation capability and presence of most reputed JV partners. Additionally, its partnership with Muntajat, a global leader in marketing and distribution of chemical products, acts as a catalyst for its access to global markets. In terms of the Governance structure of MPHC, you may refer to slides 41 & 42 of the IR deck, which covers various aspects of MPHC's code of corporate governance in detail. I will now hand over to Sami.
Sami Mathlouthi:	Thank you Riaz. Good afternoon and thank you all for joining us. To start with, MPHC's business performance for nine month of 2020 is a pure reflection of challenging macro-economic conditions, with an overall decline of 33% in terms of bottom line profitability in comparison to the same period of 2019, as reflected on slide no. 14. The financial performance was impacted by uncontrollable external factors continued from 2019 such as the slowdown in global economies, limited GDP growth, along with the unprecedented spread of COVID-19 pandemic and the ongoing volatilities in oil prices. The challenging macro-economic conditions led to a decline of 29% in terms of revenue, compared to last year. This decline was mainly due to the lowered blended selling prices, with a decline of 20% recorded year-on-year basis. Sales volumes declined by 11% in comparison to the first nine months of 2019, due to the drop in production volumes and lower demand. The production volumes declined by 12% year-on-year basis, amid planned maintenance shutdowns, especially in Q1-20. These maintenance shutdowns are primarily directed to ensure the health, safety and environmental standards, as well as, the plant life in terms of quality assurance and reliability, which would ultimately lead to improved operational efficiency on the long run. However, production volumes improved significantly in Q3-20 compared to previous quarter with no shutdowns noted in Q3-20. When analyzing the decline in profitability in more detail, as reflected on slide 15, the main contributor towards a total variance in the bottom line profitability is mainly due to declining prices and volumes which in total contributed to a decrease of QR 659 million in the

	Company's earnings for the nine months of 2020. Although, this was partially off-set by lowered feedstock unit cost and decline in feedstock volumes due to shutdowns, which added favorably towards the bottom line earnings by QR 136 million. The bottom line was also negatively impacted due to the negative inventory movements amounting to QR 27 million, on account of large inventory drawdowns due to planned shutdowns and turnarounds. As detailed on slides 36 till 39, in response to contain the spread of COVID-19, measures have been taken to monitor the fluctuating business conditions and threats posed by the spread of COVID-19, with a specific focus on protecting employees, assets and operations. Production volumes were not affected by COVID-19, as there were no plant stoppages, nor, were there any changes to the planned maintenance timelines with respect to COVID-19, and all the facilities successfully completed their respective planned turnarounds within the budgeted timelines. Also, in the current distressed situation, with the relentless efforts of our sales and marketing partner, the Group ensured that all the sales contracts are effectively and efficiently secured and minimized the disruptions to marketing, warehousing and logistics. Before we go into the segmental updates, I would like to highlight some of the key initiatives, as detailed on slide 34, which the Group companies had taken to ensure our resilience in this challenging macroeconomic situation. These measures included optimizing human resource structures, reducing direct costs in relation to utilities and maintenance, reducing non-production related expenditures including sales, corporate and administrative related expenses. Similarly, the Group reviewed its CAPEX programs across all the segments and identified CAPEX items that can either be avoided or deferred, without affecting the overall quality, safety, environmental aspects and reliability of the operations. On overall basis, our base case strategy will be to continue its focus on the strategic drivers of operational reliability in terms of continued improvement in efficiency, through cost optimization programs, which would enable the Group to contain costs while making strategic investments for unlocking further growth potential. I will now hand over to Mr. Riaz Khan, to cover the segmental performance.
Riaz Khan:	Thank you Sami. *Petrochemicals* Starting with Petrochemicals segment, as covered in slides 21 till 25, the overall profitability of this segment has remained under pressure with an overall decline in the bottom-line earnings of 66% year-on-year basis. This was mainly due to the declining selling prices and lowered sales volumes. The decline in the segment's blended product prices of 20%, coupled with a decline in sales volumes of 13%, led to an overall decline in revenues by 30%, within the segment.

The decline in sales volumes was due to the overall decline in production volumes primarily due to the planned periodic turnaround of Q-Chem II facilities implemented during the first quarter of 2020. The production volumes declined by 13% compared to the same period last year.

In terms of segment revenue by geography, as detailed on slide 24, Asia remains a main market for the segment, where, Indian Sub-continent and Europe remains other key markets for the segment.

Chlor-Alkali
Moving on to Chlor-Alkali segment, as detailed on slides 26 till 30. During the first nine months of 2020, segment revenue declined by 25%, compared to the same period of last year. The decline in revenue was mainly due to the decrease in sales volumes by 8% and selling prices by 19%.

Sales volumes fell mainly due to two reasons: firstly, the planned shutdown of the QVC facilities in Q1-20; and secondly, non-availability of access to the core markets for Chlor-Alkali products in the first part of Q2-20, due to COVID-19 lockdowns. For such period, the segment continued with the production and built inventories by holding bulk liquids via floating storage.

The decline in selling prices was mainly due to adverse macroeconomic sentiments, causing supply-demand imbalances leading to negative effects on the commodity prices.

During the period, the segment reported a net profit of QR 42 million, down by 70% from the previous year, mainly due to the overall drop in segment revenue. Production dropped by 10% due to the periodic planned turnarounds, which is necessary to maintain the plant life and ensure HSE standards.

In terms of segment revenue by geography, as detailed on slide 29, Indian sub-continent remains the main market for this segment.

Moving on slide no. 32, an important point to note that the cash flow & CAPEX figures for the years 2020-24 are based on the 2020 approved budget and business plan which was based on the expectations of the market conditions and commodity prices prevailing in the start of the year.

With current market conditions and commodity price trends, the forecasts as detailed on this slide cannot be relied on with absolute certainty, where, the actual realization of these figures might significantly differ as compared to these projections.

Question & Answers
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, please signal by pressing star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off, to allow your signal to reach other equipment. We'll pause for just a moment to allow everyone an opportunity to signal for questions. Once again, ladies and gentlemen, please press star one to ask a question. We will now take the first question from Mr. Vijay Singh [Fiera Capital] from Fiera capital. Your line is open. Please go ahead.
Vijay Singh [Fiera Capital]:	Hi, thank you for the opportunity. I have a question on your inventory levels. Now, you did mention that inventories went down, you know, for the maintenance and production shutdowns. What happens now? Are you looking to build these inventories in Q4? Are you already at a comfortable level? You've built excess and you could probably make some sales of the inventory? So if you can kindly give us a picture on what you're thinking of inventory, heading into Q4 and what does that mean for sales volume for 4Q?
Sami Mathlouthi:	Yeah, basically if you look at the production volumes in Q3, you will see that we have a high surge in terms of production volumes and sales volumes in Q3, compared to Q2. So we expect Q4 to be with the same trend. So in terms of sales and in terms of production. So especially in terms of production, we don't expect to see any shutdown. There is no plant shut down, so and I think it will be the same level of production that you will see in Q4. So based on the sales volumes, I don't think we will-we are expecting to build any inventories during this Q4. So basically we'll follow the same trend in terms of size. And then, I think the market is demanding, so basically in the fourth quarter, we expect the same trend as Q3.
Vijay Singh [Fiera Capital]:	Thank you. And one follow up on the pricing environment. I mean, it seems like the margins we are on the up move and some of these segments seem to be registering a slightly better pricing outlook, like McConnell. And I'm wondering if you're looking at, you know, your own segments, is there some-do you see margins getting better? Is environment getting better as economies come out of lockdown in Asia or it's pretty much the same?
Sami Mathlouthi:	Yes, definitely, I think we are seeing a good surge in terms of sales prices. So especially for the last few months or so. So we expect the margin to get better I think. And this could be seen as well when you analyse Q3 net profits, compared to Q2 net profit. So basically we have a good increase, from quarter to quarter in terms of both revenue and in terms of net profit. So yeah, so I can say that we are seeing high sales in most of our products.
Vijay Singh [Fiera Capital]:	Sure, thank you. That's all from me.
Operator:	We will now pick the next questions from Mr. Zoheb Pervez from Al Rayan investment. Your line is open, please go ahead.
Zohaib Pervez [Al Rayan Investment]:	Thank you, do you plan on doing any more shutdowns this year, next year?
Sami Mathlouthi:	Well, in 2020, so there are no planned shut downs in all the plants, for Q3 and Q2 and QVC. 2021, so we are planning to shut down in QVC and that's it. So, and I think starting from 2022, it will be some shut downs in QVR. But there are no planned shutdowns until the end of next year.
Zohaib Pervez [Al Rayan Investment]:	So next year there's a planned shut down in QVC. And how many days shut down is that?
Sami Mathlouthi:	Well, the plan is around 120 days. For QVC it will be in line with-

Zohaib Pervez [Al Rayan Investment]:	100 days, and any part of the year? This is first quarter, second quarter?
Sami Mathlouthi:	It will be in the second quarter. But we can confirm later. So basically it's in discussion with the technical team. And we can provide the dates later. But it will be during the year 2021.
Zohaib Pervez [Al Rayan Investment]:	2021, okay, thank you.
Sami Mathlouthi:	You are welcome.
Operator:	Ladies and gentlemen, once again, please press star one to ask a question. Once again, ladies and gentlemen, please press star one on your telephone keypad to ask a question. It appears that there are no further questions at this time, I'd like to turn the conference back to Mr. Zaid Alnafoosi for any additional or closing remarks.
Zaid Alnafoosi [QNBFS]:	Thank you Sharon. If there are no further questions, I would like to thank Mr. Sami Mathlouthi & Mr. Riaz Khan, for giving us this presentation. And I would like to thank all the participants for attending this call. I would like to remind you just to stay safe and please take care of yourself and each other. And have a great and wonderful day. Thank you very much.
Sami Mathlouthi:	Thank you.
Riaz Khan:	Thank you, thank you all.