

Company:	<b>Mesaieed Petrochemical Holding Company (MPHC)</b>
Conference Title:	<b>MPHC 4Q-22 Results Conference Call</b>
Speakers from MPHC:	<b>Mr. Abdulla Yaqoob Al-Hay, Acting Manager, Privatized Companies Affairs, QatarEnergy Mr. Sami Mathlouthi, Assistant Manager, Financial Operations Privatized Companies Affairs, QatarEnergy Mr. Rashid Al-Mohannadi, Head, Investor Relations and Communications</b>
Moderator:	<b>Phibion Makuwerere, Sr. Research Analyst – QNB Financial Services</b>
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<b>Operator:</b>	Hello, and welcome to the Mesaieed Petrochemical Holding Company Fourth Quarter 2022 Earnings Call. I would like to advise all participants that this call is being recorded. Thank you.
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	<p>Hi. This is Rashid. I will do the introduction. Here, we have Mesaieed Petrochemical Holding Company management. I have alongside me Mr. Abdulla Yaqoob Al-Hay, acting manager for Privatized Company Affairs and QatarEnergy, Sami Mathlouthi, assistant manager for financial operations, and myself, Head of Investor Relations and Privatized Company Affairs.</p> <p>Good afternoon, everybody, and thank you for joining us. Hope you all are doing great. We'll start with the disclaimer. 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 attending in this call. Moreover, please note that this call is subject to MPHC disclaimer statements as detailed on slide number 2 of the IR deck.</p> <p>Moving on to the call. On Wednesday, 15<sup>th</sup> of February, MPHC published its results for the year ended 31st December 2022. And today in this call, we will go through these results and provide you an update on key financial and operational highlights. Today on this call, alongside me, as I mentioned, Mr. Abdulla Yaqoob Al-Hay, acting manager for Privatized Company Affairs, and Sami Mathlouthi, assistant manager of our financial operation.</p> <p>We have structured our call as follows:</p> <ul style="list-style-type: none"> <li>• First, I will provide you with a quick insight on MPHC ownership structure, its competitive strength, and overall government structure by covering slide 5 until 10, and slide 41 and 42</li> </ul>

	<ul style="list-style-type: none"> <li>• Secondly, Sam will brief you on MPHC key operational and financial performance update. Alongside him, Abdulla will also provide you an update on this.</li> <li>• Later on, I will provide you the segmental performance update</li> <li>• Finally, we'll open the floor for the Q&amp;A</li> </ul> <p>To start with, as detailed on slide number 5 of the IR deck, the ownership structure of MPHC comprises of QatarEnergy with approximately 65.4% stake. And the rest is in the free float held by various domestic and international corporates and individuals. QatarEnergy being the main shareholder of MPHC provides most of the head office functions through our service level agreement. The operation of MPHC joint venture are independently managed by its respective Board of Directors alongside senior management team.</p> <p>In terms of the competitive advantages, as detailed on slide number 8, all of the MPHC groups are strategically placed in terms of competitively priced and assured feedstock supply under a long-term arrangement, solid liquidity position with a strong cash flow generation capability, and presence of most of the well-known joint venture partners. Additionally, its partnership with Muntajat acts a catalyst for its access to global markets.</p> <p>As detailed on slide number 10, on competitive positioning perspective, MPHC ranks among the top-tier companies in the regional chemical space across most of the matrices especially leads the chart in terms of the profitability margins. In terms of the governance structure of MPHC, you may refer to slide 40 and 41 of the IR deck, which covers various aspects of MPHC code of conduct and code of corporate governance in detail.</p> <p>I will now hand over to Abdulla.</p>
<p><b>Abdulla Yaqoob Al-Hay [MPHC]:</b></p>	<p>Thank you, Rashid. Good afternoon and thank you all for joining us. Starting with macroeconomic environment as detailed on slide number 12. Macroeconomic climate remains level throughout the year, marked by geopolitical conflicts and recessionary fears linked to the inflationary pressure and higher interest rate environment. Unprecedentedly high energy prices in Europe, weighted on European producer. Also, Chinese zero-COVID policy is bringing additional layer of project to the communities. And overall, commodity prices slightly declined on a year-on-year basis, especially within the Petrochemical segment following last year's slightly higher price environment mainly to the cautious approaches from buyers and macro headwinds coupled with comparatively lower crude prices.</p> <p>In terms of top line, our revenue remained flat compared to last year as slightly higher sales volume entirely offset the impact of a slight decline and average realized blended selling price as detailed on slide number 16.</p> <p>In terms of bottom line for the year ended 31st December 2022, MPHC recorded a net profit of QAR 1.8 billion, down by 5% versus last year. On dividend distribution front, you may refer to slide number 36, where you may notice that the Board of Directors proposed a total dividend distribution of QAR 1.38 billion for the year</p>

	<p>ended 31st December 2022, equivalent to QAR 0.11 per share. Despite the uneven market condition, which is a system of MPHC financial strength, the proposal would be subject to general assembly approval.</p> <p>I will now hand it over to Sami to cover the rest of the presentation.</p>
<p><b>Sami Mathlouthi [MPHC]:</b></p>	<p>Thank you, Abdulla. In terms of group financial performance for the current year, it was largely attributable to slightly lower product prices, which on an average decline both and translated on to decrease of QAR 40 million in group's net earnings, as you can see on slide 17.</p> <p>On the contrary, sales volume slightly improved by 2% versus last year, mainly driven by better plant operating rates, improvement in sales volumes translated into an increase of QAR 53 million in MPHC net earnings.</p> <p>On the operational performance front, MPHC operations continued to remain resilient with total production for the year, reaching 1 million metric tons.</p> <p>The current part production volumes remained flat versus 2021, mainly due to a larger scale turnaround carried out at Q-Chem facility during the first quarter this year. Entirely offset the lower volumes due to a plant preventive maintenance shutdown carried out at the Chlor-Alkali facility during the fourth quarter of last year.</p> <p>Moving on to quarter-on-quarter performance, MPHC revenue declined by 13% and net profit decreased by 32%. The key contributors towards the downward trend in revenue and net earnings was mainly lower selling prices realized during the current period versus third quarter of 2022. Decline in selling prices was mainly linked to downward trajectory noted in commodity prices. It might make headwinds affecting global markets and comparatively lower crude prices.</p> <p>Sales volumes also declined by 7% compared to third quarter of 2022 due to lower production predominantly linked to lower volumes reported by the Chlor-Alkali segment. On overall basis, our base case strategy will be to continue our focus on the strategic drivers of operational reliability in terms of continued improvement in efficiency and achieving cost optimization which would enable the group to contain costs while making strategic investments for unlocking for further growth potential.</p> <p>I will now hand it over to Rashid to cover the segmental performance.</p>
<p><b>Rashid Hamad Al-Mohannadi [MPHC]:</b></p>	<p>Thank you, Sami. Starting with Petrochemicals segment. As covered on slide 22 until 26, Petrochemical segment reported a net profit of QAR 1.2 billion for the current year, down by 13% versus last year. This decline in profitability was primarily driven by lower segmental revenue, it decreased by 6% on a year-on-year basis.</p> <p>Segment sales volume declined by 6% on a year-on-year basis as segment carried out a large-scale turnaround at Q-Chem facilities during the first quarter of 2022, which affected the segment production volume, which then churn declined by 7%.</p> <p>Product prices remained flattish and partially offset the negative impact of lower sales volume to an extent. Current year realized selling employees remained</p>

	<p>affected throughout the year by overall macro volatility, which affected the current year price trajectory for most of the commodities. In terms of the segment revenue by geography, as detailed on slide number 25, Asia remains a key market for the segment, along with Indian subcontinent and Europe.</p> <p>We can move to the Chlor-Alkali segment as detailed on slide 27 until 31. Chlor-Alkali segment reported a net profit of QAR 504 million for the year ended 31st of December 2022, increased by 6% compared to last year. Growth in bottom line profitability was driven by improvement in sales volume, which increased by 16% and then better plant operating rates as last year volume were affected by a large-scale shutdown carried out during the fourth quarter of 2021.</p> <p>On the other hand, average selling price remained flat versus last year as end product industries such as alumina, aluminum and PVC, etc, remained under pressure due to micro volatilities. In terms of segment revenue by geography, as detailed on slide number 30, India subcontinent remain market for this segment.</p> <p>Now, since we covered all operational and financial aspects of the company, we would like to open the floor for the Q&amp;A.</p>
<b>Operator:</b>	<p>If you wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. That is star one if you wish to ask a question.</p>
<b>Nikhil Phutane [CBFS]:</b>	<p>Your first question comes from the line of Nikhil Phutane of CBFS. Your line is open.</p> <p>Hi. Good afternoon. Thanks for the presentation, a detailed one, well, my questions are pertaining to two specific things.</p> <p>One is to do with Q-Chem. In terms of... we can understand your revenue coming down because of selling prices, particularly related to our fourth quarter. But the cost striated with that, I mean, has also gone considering it has been flat actually in terms of quarter-to-quarter. Indirectly, you order of gross margins have been affected quite negatively. So, just wanted to have any color on this. What has been the reason has been the inventory push... is it something else? Can you please explain on this?</p>
<b>Sami Mathlouthi [MPHC]:</b>	<p>I think in the fourth quarter in the chemical segment, you can see that the net profit has reduced by 13%. The main impact was basically, despite having flat selling prices, I think it's a little bit of higher direct cost, which is impacting the production.</p>
<b>Nikhil Phutane [CBFS]:</b>	<p>It has got to do with inventory holding. That's what you are saying, which has gone through in the fourth quarter. That could be the reason?</p>
<b>Sami Mathlouthi [MPHC]:</b>	<p>Yes.</p>
<b>Nikhil Phutane [CBFS]:</b>	<p>And one last question, typically on your maintenance cycle. So, 2023, what likely are we going to following the same what we have seen in 2022. Could be different? Thank you.</p>

<b>Sami Mathlouthi [MPHC]:</b>	On the shutdown schedule for 2023, we are not expecting any planned or unplanned shutdowns for Q-Chem and Q-Chem II. However, for QVC, we are expecting some shutdowns in others, so it will be around 44 days for the whole year. And in Q1, we are expecting around 11 days in QVC plant.
<b>Nikhil Phutane [CBFS]:</b>	Okay. And for the last question, sir, I mean can you just give an idea about what we see going forward for 2023 also in capable can you get help us out in this? Thank you.
<b>Sami Mathlouthi [MPHC]:</b>	So normally, we don't disclose any future prices. But as you can see in the Q4, so we are seeing a slight decline in prices.
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	If you are talking about the prices, the prices for us its market-driven and what we need to focus on is the operational excellence where the historical recon demonstrate that rate and the operational excellence as a lead user. So, the market prices in the something not on our hand, but we believe we are doing much more than that.
<b>Nikhil Phutane [CBFS]:</b>	Okay. And just last one question pertaining to any inventory, which is still left which has been holding on. I mean, as compared to the average inventory cycle, which could be carried forward in the first quarter. I mean, in the current quarter, are you seeing that?
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	No, no. As you can see, most of the production that we are producing is sold. So, we don't expect any huge inventories.
<b>Nikhil Phutane [CBFS]:</b>	Okay. Thank you. Thank you, sir.
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	Thank you.
<b>Operator:</b>	As a reminder, to ask a question, please press star one on your phone.  And your next question comes from the line of Hisham Kabbani of ADIA. Your line is open.
<b>Hisham Kabbani [ADIA]:</b>	Yes. Hi. Thank you. Just a quick one on the QVC operating rate that was a little bit lower in Q4. And also, the sales volume as a percentage of your capacity and there's a little bit of a footnote there that was a little bit of turnaround. But just wanted to understand as well, how many days like the sales volume is a little bit on the low side just to get a little bit more clarity there.
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	I think your question is centered around QVC. I think in QVC, we witnessed a plant shutdown in Q4, which is within the planned schedule and within the budget that we already agreed at the beginning of the year. And that's business as usual for us. So, that's why you're seeing the impact of production cascading to sales volume impact. So going forward, we expect that this cycle will remain. As you know that QVC will always be in a shutdown cycle throughout the year, totaling to around 40 to 44 days,

	as Sami mentioned. So, you almost have to keep this in mind when you are reviewing QVC specifically.
<b>Hisham Kabbani [ADIA]:</b>	Great. That's clear. And to be always expected to join us being in Q4?
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	Can you repeat your question?
<b>Hisham Kabbani [ADIA]:</b>	I'm just saying the majority of the day are they going to be in Q4? I know you said that there is a little bit coming in Q1, but the rest is usually for them?
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	No, no, for the specific year. So, the main shutdown would be in Q1. And then, the budgeted shutdowns will be spread over the next quarters on a similar way.
<b>Hisham Kabbani [ADIA]:</b>	Got it. Thank you.
<b>Operator:</b>	Once again, if you do wish to ask a question, please press star followed by one on your telephone and wait for your name to be announced. That is star one if you wish to ask a question.  And currently, there are no further questions. I'd like to hand it back to Phibion.
<b>Phibion Makuwerere [QNB]:</b>	Hello, it's Phibion here from QNB. Hope you can hear me. If there are no further questions, it brings us to the end of our conference call. Thank you all for joining us and for your questions. And I would also like to thank the management team for answering all your questions. Please join us again in Q1 2023 and have a good afternoon. Thank you.
<b>Rashid Hamad Al-Mohannadi [MPHC]:</b>	Thank you all for joining us for this call and much appreciated. Thank you so much.
<b>Operator:</b>	That does conclude our conference for today. Thank you for participating. You may now all disconnect.