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Operator: Hello and welcome to the Qatar Navigation (Milaha) Conference Call. I would like to advise all participants that this call is being recorded.

I'd now like to welcome Bobby Sarkar to begin the conference. Thank you. Please go ahead.

Bobby Sarkar: Okay. Thank you, operator. Hi, this is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Milaha's Third Quarter and Nine Months 2023 Financial Results Conference Call. So, on this call from Milaha's management, we have Akram Iswaisi, who is the executive vice president & finance investments, and Sami Shtayyeh, who is the VP in financial planning & analysis. So, we will conduct this conference with management first, reviewing the company's results followed by a Q&A.

I would like to now turn the call over to Akram. Akram, please go ahead.

Akram Iswaisi: Okay. Thank you very much, Bobby. Thank you, everyone, for joining Milaha's year-to-date Q3 2023 Earnings Call and your interest in the company. I'll be starting by going over our consolidated financial results and then I will go through our various business segments before turning it over to Sami to go over our outlook. As usual, we will end the call with a Q&A.

The key highlights of our financial results, Milaha's operating revenue came in at QR 2.23 billion for the first nine months of 2023 compared with QR 2.56 billion for the same period in 2022, or a decrease of 13%. Operating profit came in at QR 404 million for the first nine months of 2023 compared with QR 424 million for the same period in 2022 or a decrease of 5%. Net profits for the first nine months of 2023 was QR 870 million, compared with QR 851 million for the same period in 2022, or an increase of 2%. And lastly, our earnings per share was QR 0.77 for the first nine months of 2023 compared with QR 0.75 for the same period in 2022.

Now, moving on to our segments. Starting with Maritime & Logistics. Maritime & Logistics results continue to be dragged down by the large decline in container shipping rates when compared to 2022. If you recall, rates reached peak levels in mid-

2022 and have been on a steady decline since then. In Q2 of this year rates stabilized, however, in Q3, rates began trending downward again. Overall, revenue for Maritime & Logistics dropped by QR 377 million versus the same period last year with QR 392 million of that coming from container shipping mainly due to reduced rates along with a decline in volumes. Expenses came down by QR 173 million with QR 50 million of that coming from reduced trade receivable provision due to successful recovery of outstanding debts and the balance remaining primarily relates to the drop in container shipment volumes. Overall, we ended this year with net profit down to QR 245 million or 96% versus 2022.

With respect to Offshore. Offshore continues to steadily increase stop line with operating revenue showing consistent growth. Year-to-date, September revenue increased by 12% or QR 105 million versus the same period in 2022. Increased utilization of key diving assets and our liftboats along with additional subsea and engineering-related projects more than offset had dropped and third-party chartering vessel income. Overall, expenses increased by QR 10 million with lower chartering-in costs related to the drop in revenue along with the benefit of a QR 15 million tax provision reversal or more than offset by higher variable expenses tied to the increased revenue. The net income result was a year-over-year growth of QR 87 million or 132%.

As for Gas & Petrochem, this segment recorded its 12% increase in revenue driven by a one-off increase in LNG Vessel income, along with increases from our FSO that became operational in the middle of 2022. Those two more than offset loss revenues from the sale of our gas carrier last year. Overall, expenses came down by QR 21 million, primarily from the gas carrier divestment along with the non-recurrence of mobilization-related costs incurred last year for the FSO. At the non-operating level, income decreased by QR 4 million mainly as a result of lower income from our associates and the non-recurrence of the gain on the sale of the gas carrier last year. Net profit for the segment ended up QR 37 million or 8% versus the same period in 2022.

In our Trading segment, we were able to reduce bottom line losses by QR 6 million versus the same period in 2022 by increasing sales of higher margin goods and services, namely marine-related ship chandlering products.

And lastly, for Milaha's Capital. Revenue slipped by 16% or QR 68 million with QR 97 million of that related to Qatar Quarries sales, obviously, that was partially offset by higher overall investment and real estate income. Total expenses came down by QR 109 million driven by QR 91 million of lower Qatar Quarries' cost of goods sold which is tied to the drop in revenue along with a QR 15 million reduction in bad debt provisions. The non-recurrence of a QR 86 million impairment on the real estate property reported in 2022, helped boost overall the year-over-year results, ending with overall net profit growth of QR 133 million or 197% versus the same period last year. And that wraps up the segments. And I will now turn it over to Sami to discuss the outlook for the rest of the year.

Sami Shtayyeh: Thank you, Akram. Starting with Maritime & Logistics. On the container shipping side, year-to-date Q3 reflected a large drop in container shipping rates, and we expect rates to continue being under pressure due to depressed global demand and expected new vessel capacity coming online.

In Logistics, the unit remains under pressure, and we expect to subdue Q4 in terms of warehousing and freight forwarding activities.

In Offshore, on the support vessels and services side, we expect to see continued growth, particularly longer term with all the expansion work taking place in Qatar's oil & gas industry.

For the harbor operations, we expect stable revenues throughout the year, given that most of the vessels are on a long-term contract.

In Gas & Petrochem, overall, we expect limited volatility due to the long-term nature of contracts. We hope we have in most business units.

Our VLGC Joint Venture is the exception where performance is difficult to predict due to volatile spot prices. But the current outlook is positive for the rest of the year.

In Trading, we're going to continue to focus on profitable growth and margin improvement.

And lastly, Capital, where we will continue to focus on yield enhancement. And with that now, operator, we'll open the call for Q&A. Thank you.

Operator: Thank you. At this time, I would like to remind everyone that in order to ask a question, press star then the number one on your telephone keypad. If you would like to withdraw your question, press star one again. We will pause for just a moment to compile the Q&A roster.

Our first question is from Mustafa Aamer. Thank you. Please go ahead.

Mustafa Aamer: Hello, gentlemen. Good afternoon. Thank you for the presentation. Two questions. First, in the Gas & Petrochem segment, this is where you sort of take in the Nakilat income as well into the P&L for this segment. Just wondering if you've attributed lower associate income over there. So, where is this coming from? Because Nakilat year-on-year has done fairly well.

Second, on the Maritime & Logistics, obviously a big drop there, you're attributing that to the container shipping segment. What's your outlook on that segment? You have mentioned Q4 for being soft. Do you see your recovery in that segment anytime soon? Thank you.

Akram Iswaisi Okay. Thank you very much for your question. Now, with respect to Gas & Petrochem, as it relates to the share of results of associates, we did have a past audit adjustment or entry that we had to book this year. And so, that was a past adjustment from last year that was booked this year. So, that had…it's in a material adjustment, but we had to book it this year. So, that had an impact on our share of results of associates. That's number one. And we've mentioned that in our previous call as well.

As it relates to container shipping, it is a challenging market today and obviously the market is characterized by…and it's a spot market. And so, there's a lot of volatility in the market and it's very difficult to predict where it's headed. But at this point, we don't expect it to get any worse than it did the first nine months of this year, but it's very difficult to predict the outlook for the remainder of the year and where spot rates will end up going.

Mustafa Aamer: What is the quantum of the one-off in Gas & Petrochem?

Akram Iswaisi Sorry, can you repeat that question?

Mustafa Aamer: What was the quantum of it in QR?

Akram Iswaisi On an associate?

Mustafa Aamer: Yes. Sorry, it wasn't clear, the line was…

Akram Iswaisi QR 26 million.

Mustafa Aamer: QR 26 million. Okay, thank you so much.

Operator: Our next question is from Nikhil Phutane. Thank you. Please go ahead.

Nikhil Phutane: Yes. Hi and good afternoon, gentlemen. Thanks for the presentation. Just one quick on your Maritime & Logistics. You did mention about containers shipping and rates are coming down. On the flip side, we are also seeing some traction on the shipyard business. So wanted to understand what the relations between the shipyard going up, but other businesses are going down.

Apart from that, in terms of your Offshore business, what we are seeing is it has seen one of the lowest margins during the quarter as compared to, you can say, the last few quarters or years, instead of stable revenues. So, what is the reason behind such a drastic drop in the margin? You did mention about operating expenses coming down. So just wanted to relate with that why it is set up. Thank you.

Akram Iswaisi: The shipyard. Let me start with the shipyard. The shipyard business is not correlated to container shipping volumes. It has nothing to do with it. What we have done in container shipping is we have made some major operational changes. And we've mentioned that on many calls that what we're focused on is operational optimization. So, we've had some management changes in that business. We focused on optimizing the way we manage projects. So over time, you'll see major improvements in the shipyard coming from all these investments that we're making and these operational improvements that we're making to the shipyard. So, this is fundamentally the major changes that we're making the shipyard and has nothing to do with the container shipping business. What was the second question again?

Nikhil Phutane: This is regarding your Offshore business, which has seen, as I mentioned, the lowest margin. Suppose you look at it over the last two years, on a quarterly basis, it has quite seen it drop. So wanted to understand the reason behind it.

Akram Iswaisi: Well, I mean, if you look at the Offshore business, I mean this year has been a phenomenal year after many years of depressed returns, we've managed to turn this business around. Turnaround is coming from multiple areas. Number one, significant investments have been made in operational improvements. So, we've managed to increase uptime and which obviously helps improve the bottom line. We've made investments in new capabilities and services, and with higher margins, and that is starting to pay off. On top of that, if you look at the market overall, not just look at our Offshore business, if you compare to the market overall, what you're seeing is a general trend of rate increases overall. And the market is undersupplied, demand has been going up, if you look at the region primarily. And the supply of vessels is dwindling, vessels are getting older. So, it's a very, very good time to be an asset owner today and that is serving us well today.

So, if you look at the margin quarter-over-quarter, because we have managed to change our revenue mix over time where we're adding projects and some of these projects are short-term in nature but higher margin. There are some immaterial, if you will, fluctuations from quarter to quarter, but overall, on a long-term basis, you will see a significant upward trajectory where the margin will continue to improve.

Nikhil Phutane: Okay. So, we can safely say that over the next say couple of quarters, you could be seeing margins again coming back to the average levels which we have seen in the previous quarters around 65 to 20?

Akram Iswaisi: And again, I can tell you that we're very excited about this business. We see a lot of opportunities and what you see this year is that whatever…I mean, we know that container shipping rates were not going to last forever. Globally, most container shipping companies have benefited or all of them, if you will, and have made significant profits. But the reality is we know that's not going to last. And this year our P&L got impacted by the drop in container shipping rates. But we have been very successful in replacing the majority of that lost profit and a big chunk of it is coming from Offshore business. And we're also very excited about the opportunities we see in the region. We have a substantially large pipeline of work that's coming. And again, if you look at our competitors, all of them echo the same sentiment and the same excitement. So, I think over the next couple of years, we should see a much bigger improvement in results from Offshore as well. And again, you see that this year I think that's been a significant achievement compared to what you've seen in the past two to three years.

Nikhil Phutane: Okay. Lastly, and again coming back on your Offshore, I mean along with the increase in revenues which you have mentioned, we are also seeing you have trade receivables which is going up. I mean we are seeing a quite significant pickup. I mean is there anything there to talk about it? In terms of these are, say…I mean, are you finding some issues there?

Akram Iswaisi: Listen, I think trade receivables, I mean if you look at general, there are no issues in trade receivable. The collection history is fantastic. And if you look at even the way we provision for receivables and you're already seeing reversals all for receivables recoveries because we're very, very conservative when it comes to receivables. So, in terms of any issues of receivables, we don't see any. And again, we use a very, very conservative provision model, and so we like to err on the conservative side. But again, as I mentioned, our business is growing. And with that receivables, we'll continue to grow. And depending on the segments, we are subject to credit terms as per contract. But again, our receivables are very collectible.

Nikhil Phutane: Okay. Thank you, sir, and best of luck for your future quarter. Thank you.

Operator: I would like to, once again, remind everyone that in order to ask a question, press star then the number one on your telephone keypad. If you would like to withdraw your question, press star one again. Our next question is from Nikhil Phutane. Thank you. Please go ahead.

Nikhil Phutane: Yes, I mean, it's just like there's not much to talk about. But just one important question, which I'd like to have it follow up on, because we are quite interested in terms of your VLGC joint ventures which you mentioned in a spot rate, which are doing well. So wanted to have a little bit taking your brains on what you see in the next fourth quarter. How do you see that rate going up? I mean in terms of the general, what we see an economic slowdown happening everywhere, but people are doing much better. So can we understand how to look at it for the next one or two quarters?

Akram Iswaisi: Listen in terms of the VLGC rates, they are historically volatile, but the rates right now are quite high. They are higher than the peak of the same period last year and given the supply and demand dynamics in the market, if you look at…aside from tanker. If you look at, sorry, aside from container shipping, if you look at the tanker business as well, it's doing quite well right now. So overall, there are a number of shipping segments that are doing quite well, and it's tied to supply and demand. The fundamentals plus in some regions geopolitical issues, if you will, from our perspective, we think that the rates will stay strong well into the end of Q4.

Nikhil Phutane: Okay. Thank you, sir. Thanks a lot.

Operator: We don't have further questions. I will now turn the call back over to Bobby Sarkar. Thank you.

Bobby Sarkar: Thank you. Okay. So, if you don't have any further questions, we can end the call for today. I want to thank Akram and Sami for taking the time to go over the presentation and answer our questions and we will pick this up next quarter. Thanks. Thanks, everyone.

Akram Iswaisi: Thank you very much, everyone. Appreciate it. See you next quarter.

Operator: Ladies and gentlemen, that concludes today's call. Thank you all for joining. You may now disconnect.