**Company: QNB Financial Services Co. WLL**

**Conference Title: QNB Financial Services Co. WLL**

**Moderator:**

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Operator: Good day and welcome to the Qatar Navigation 2022 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Bobby Sarkar. Please go ahead.

Bobby Sakar: Thank you, operator. Hi. Hello everyone. This is Bobby Sarkar head of research at QNB Financial Services. I wanted to welcome everyone to Qatar Navigations or Milaha's Second Quarter 2022 Results Conference Call. So, on this call, we have Akram Iswaisi who is the EVP of Finance Investments at Milaha and Sami Shtayyeh, who's the VP of Financial Planning & Analysis. So, we will conduct this conference with management reviewing the company's results, followed by a Q&A. I would like to note on the call with Akram. Akram, go ahead, please.

Akram Iswaisi: Okay. Thank you very much. Thank you for joining Milaha's first half of the year earnings call and your interest in the company. I'll be starting with our consolidated financial results, and then we'll go through our various segments, we're turning it over to Sami, to go over our outlook for the rest of the year. Finally, as usual, we will end the call with questions and answers. The key highlights of our financial results. Milaha's operating revenues came in at 1. 77 billion for the first half of 2022, compared with 1. 37 billion for the same period in 2021 for an increase of 29%. Operating profit came in at 310 million for the first half of 2022, compared with 144 million for the same period in 2021, for an increase of 115%. As for net profit for the first half of 2022 was 641 million compared with 438 million for the same period in 2021, for an increase of 46%. And lastly, our earnings per share was 0. 56 Riyals for the first half of 2022, compared with 0. 39 Riyals for the same period in 2021.

Moving onto our segments, starting with maritime logistics, the segment continued its strong performance, witnessed over the past three quarters, primarily boosted by strong container shipping rates. Top line revenue grew by 49% or 247 million. Much of that flowing to the bottom line, resulting in an increase in net profit of 159% or 125 billion. Moving onto offshore. Offshore, similarly had a strong half year with operating revenue up 24% or 113 million versus the same period in 2021. We had increased revenue from additional third-party chartering, employment of our lift boat, as you are well aware, that lift boat was idle most of last year and this year the lift boat was actually operational. In addition to that, we had additional diving related project work, which drove the increase in revenue.

Overall operating expenses increased less than revenue which increased operating profit margins by 137% or 25 million despite increased incurring COVID instigated costs, particularly in the first quarter of 2022. Various accounting provisions and impairments that negatively impacted last year's results did not occur this year, which further helps boost year over year growth in the bottom line by 29 million. With respect to gas' income, it also boosted very strong results. Operating revenue came in lower by 23% or 31 million, but expenses dropped by more than that, resulting in an operating profit pickup for 5 billion, this [inaudible] to Milaha exiting the type of business, which performed poorly last year due to new record, low shipping rates. And on the non-operating level, income increased by 43 billion with 50 million additional coming from, primarily our shared [inaudible] and the 14 million reduction or less coming from our VLGC joint venture, both LPG, which got impacted by ownership and rates compared to the same period last year. Net profit for the segment ended up 48 million or 18% versus the same period in 2021. As for our trading segment, we saw an increase of 10% in revenue driven by our bunker and marine sales unit. But margin pressure negatively impacted the bottom line growing from a loss of 3 billion in the first half of '21 to a loss of 4 million for the same period in 2022.

And lastly, capital investment revenue increased by 24 million and our real estate unit increased by 8 million, primarily from the Villa compound leased out in Q3 '21, both increases were partially offset by a 16 billion vet debt provision recorded Q1 of this year and 8 million in lower non-operating income. Net profit ended up 4 million versus same period last year. And that essentially wraps up the segment analysis. And I will hand this over now to Sami to discuss the outlook for the rest of the year.

Sami Shtayyeh: Thank you, Akram. Starting with maritime and logistics, on the container shipping side, we expect rates to remain fairly stable rest of the year and logistics, we expect uplift and warehousing and freight forwarding activity from new global network partnerships, as well as work related to the Northfield expansion. In offshore, on both the support vessels and services side, as well as the harbor side, we expect a continuation of what we've already witnessed this year. Additionally, it's worth mentioning that we just signed a five-year contract for the lift board, which will stabilize income for that key asset for some time to come. In gas and petrochem overall, we expect limited volatility due to long term nature of contracts we have in most business units. We do have one gas carrier, which just came off a time charter and we're starting options related to what to do with that. We also have a VLGC JV in which results are difficult to predict, as rates are exposed to volatile spot prices. In trading, growing the business, particularly ship channeling is still a priority, and we expect positive results. Margins, however, remain a challenge, but are also a focus area for us. And lastly, capital on the investment front, we will continue to focus on yield enhancement and in real estate, we will continue to see through the third quarter, the positive year over year impact of the Villa compound that was rented out in Q3 2021. And with that, we'll now open up for our questions. Operator?

Operator: Thank you. If you would like to ask a question, press star one on your telephone keypad. If you're using a speaker phone, please ensure the mute function on your phone is switched off to allow the signal to reach your equipment. Again, that is star one to ask a question. We'll pause for a moment to allow everyone to signal. Once again, if you wish to ask a question, that's star one on your telephone keypad. It appears we do not have any questions at this time.

Bobby Sakar: Hey, this is Bobby Sarkar again. Well, maybe we can wait for a couple of minutes for Q&A from outside, but until then, let me ask a question. Container shipping rates for you guys have been very strong since about mid last year. Where do you see the near to medium to route look for shipping rates for the remainder of this year and then into next year? Thank you.

Akram Iswaisi: Thank you, Bobby I'll answer question, Sami. With respect to container shipping rates, listen, we're beginning to see rates come down, but at a very slow pace. So, we expect rates for the rest of the year to be relatively stable. But next year, rates should continue to decrease. And that's the global trend. The expectation is that rates will come down, but they will not come down immediately. They will come down at a much, much slower pace. So, everybody expected this, that the finish of the market expenses rates to come down let's say, as COVID begins to impact or COVID begins to subside. And things begin to normalize, rates will eventually come down. The question is, are they going to go back to pre-COVID levels or are we looking at a new norm, which is higher than pre-COVID levels? But so far, we're seeing, let's say a slight dip in rates, but at a very slow pace.

Bobby Sakar: Okay, great. And just a general question. Do your businesses have any impact, or do you foresee any positive impact from the upcoming workup?

Akram Iswaisi: In terms of the World Cup, to be honest with you, the main impact would be for us on the logistics and freight forwarding side. And we're actively working on picking up additional business, obviously during that timeframe, the next six months. And essentially, the months after that, that follow, there will be quite a business, quite a bit of work on the logistics side. And we are targeting to try to capture some of that business.

Bobby Sakar: Okay. And then my last question, the recent announcement that you had with Qatar Energy, for I guess the APCI contract, 1. 4 billion over five years, when can we start seeing this impact and your top line in your offshore and the bottom line?

Akram Iswaisi: Listen, I mean, I can honestly say I'm much more optimistic about offshore now. There's a lot of optimism, there's a lot of business there. The market is very robust and if you look at it globally, the LSV[?] market is doing exceptionally well. It's coming back again. Again, in addition to Sami, mentioned earlier, our lift board is working again. So, we're going to see a nice pick up the second half of the year. So, the second half of the year and starting next year, you'll begin to see the impact of this new business on our bottom line, in addition to all the things that we're working on.

Bobby Sakar: Right. And just to follow up on this contract, how can we go about putting this into our models? Is this going to be lumpier in nature, or this is something which would be fairly regular in terms of the top line impact recorder?

Akram Iswaisi: Well, this is a five-year contract, so I think for the most part, it's recurring. There might be a small percentage of lump thereof, I want to say of availability, but for the most part, this is a long-term fixed contract for five years.

Bobby Sakar: Okay. Great. Operator, do we have any questions from outside?

Operator: Thank you. Yes. We have received a question from Mustafa Amir from Arayan[?] Investment. Please go ahead. Your line is open.

Mustafa Amir: Hi guys, good afternoon. Congratulations on another strong set of results. Good to see the company doing really well. I just had a question on, I think is the FSO. The FSO, I think the tanker was supposed to be converted into the FSO, and I think it's been charted as well. So, will we see that impact coming through in the second half?

Akram Iswaisi: Yes, you will.

Mustafa Amir: [inaudible]

Akram Iswaisi: [inaudible]

Mustafa Amir: Hello?

Akram Iswaisi: Yes. Go ahead.

Mustafa Amir: Yeah. Sorry, on the slide number nine, the -25 that we see on the waterfall, that's basically because it's not being deployed for the first half, right? It will be from the second half onwards.

Akram Iswaisi: That's correct. The first half it was going through the conversion and the second half will be deployed.

Mustafa Amir: Sure. Sounds good. I just wanted to understand one more thing on the lift board that Bobby asked earlier now, in, in your outlook, it says that the lift board contract was signed and will be taking effect mid Q3 2022. So is this another lift board or there was already a lift board that was [inaudible] which was employed, I didn't quite understand that.

Akram Iswaisi: Well, this is the same lift board that was idle last year. And we brought back to Qatar and now we'll be working on under a five-year contract. So now we're talking about increased utilization on one of our key assets.

Mustafa Amir: Right. So, there was no impact on it for the first half, right? The lift board was sitting idle for the first half.

Akram Iswaisi: Exactly. And with that, I mean, obviously we are incurring operating expenses and so second half of the year, we'll see an impact from that in terms of revenue generation.

Mustafa Amir: Perfect. Thank you so much. Appreciate it.

Akram Iswaisi: No problem. Thank you.

Operator: As a final reminder, if you would like to ask a question, press star one on your telephone keypad. We have no further questions at this time.

Bobby Sakar: Okay. So, if you have no further questions, we can end the call for today. I want to thank Akram and Sami for taking the time to talk to investors and answer our questions. And we'll do this again next quarter. Thank you very much.

Akram Iswaisi: Thank you very much, everyone. Thank you for your interest in Milaha.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.