

Company:	<b>Qatar Aluminium Manufacturing Company (QAMCO)</b>
Conference Title:	<b>QAMCO Q2-20 Results Conference Call</b>
Speakers from IQCD:	<ol style="list-style-type: none"> <li><b>Mr. Abdulla Yaqoob Al-Hay, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum</b></li> <li><b>Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum</b></li> </ol>
Moderator:	<b>Mehmet Aksoy , QNB Financial Services</b>
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<b>Mehmet Aksoy [QNBFS]:</b>	<p>Hi. Good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I would like to welcome everyone to Qatar Aluminium Manufacturing Company's Q2 2020 Financial Results Conference Call. On this call from QT we have Mr. Abdulla Yaqoob Al-Hay, Assistant Manager of Financial Operations and we have Mr. Riaz Khan, who is the head of IR and Communications. We will conduct this conference call first with brief comments on the presentation followed by the Q&amp;A.</p> <p>I will now hand the call over to Mr. Riaz, to get us started. Riaz, please go ahead.</p>
<b>Riaz Khan:</b>	<p>Thank you Mehmet. Good afternoon and thank you all for joining us. Hope you are all staying safe.</p> <p>Before we go into the business and performance updates, I would like to mention that this call is purely for the investors of QAMCO and no media representative should be participating in this call.</p> <p>Moreover, please note that this call is subject to QAMCO's disclaimer statements as detailed on slide no. 2 of the IR deck.</p> <p>Moving on to the call, on 23<sup>rd</sup> July, QAMCO released its results for Q2-20, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of the Company.</p> <p>Today on this call, along with me, I have:</p> <ol style="list-style-type: none"> <li>Mr. Abdulla Al-Hay, Asst. Manager, Financial Operations</li> </ol> <p>We have structured our call as follows:</p> <ul style="list-style-type: none"> <li>At first, I will provide you with the insights on QAMCO's ownership structure, its competitive advantages and the overall governance &amp; BOD structure by covering slides 5 till 8 and slides 25 and 26 of the IR deck.</li> <li>Secondly, Mr. Abdulla will brief you on the key operational &amp; financial performance matrix of QAMCO;</li> <li>Later, I will provide you with more details on the JV operations and CAPEX updates; and</li> <li>Finally, we will open the floor for the Q&amp;A session.</li> </ul>

	<p>To start with, as detailed on slide no. 6 of the IR deck, the ownership structure of QAMCO comprises of Qatar Petroleum with 51% stake, and GRSIA being the second largest shareholder with 5% ownership.</p> <p>As detailed on slide 5, Qatar Petroleum, being the main shareholder of the Company provides all the head office functions through a service-level agreement. Although, the operations of the JV is independently managed by its respective Board of Directors, along with the senior management team.</p> <p>QAMCO holds 50% share in Qatar Aluminium Limited (Qatum), which produces high-quality aluminium of about 650,000 tons per year for customers in Asia, Europe and North America. The facilities include a carbon plant, port and storage facilities, as well as, a gas-fired power plant.</p> <p>The Board structure is detailed on slide no. 7 of the IR Presentation.</p> <p>Moving on to slide no. 8, the competitive advantages, QAMCO's JV is considered to be the one of the world's lowest cost aluminium smelters, with a state of the art production facilities, along with assured feedstock supply, and a greater focus on Health, Safety and Environment. Moreover, the JV's global marketing partnership provides an access to strategic markets, while competing with international players.</p> <p>I will cover details of the JV and its operational activities and sales &amp; marketing arrangements later in this call.</p> <p>In terms of the Governance structure of QAMCO, you may refer to slides 25 &amp; 26 of the IR deck, which covers various aspects of QAMCO's code of corporate governance in detail.</p> <p>I will now hand over to Mr. Abdulla Al-Hay.</p>
<p><b>Abdulla Al-Hay:</b></p>	<p>Thank you Riaz. Good afternoon and thank you all for joining us.</p> <p>In terms of operational results as detailed on slide 10, the production remained stable as compared to 1H-19, which was in line with the management's effort to keep up the production levels to ensure optimum utilization.</p> <p>Production volumes were not affected by COVID-19, as there were no plant stoppages, nor, were there any changes to the planned maintenance timelines due to COVID-19. Also, in the current distressed situation, with the relentless efforts of QAMCO's JV's sales and marketing partner, the JV ensured that all the sales contracts are effectively and efficiently secured and minimized the disruptions to marketing, warehousing and logistics. This helped in the growth of the sales volumes which increased by 7% compared to 1H-19.</p> <p>Aluminum prices continued a downward trajectory since mid-2018, on the back of US China trade friction, Chinese and Middle Eastern capacity expansions and weakening global aluminium demand due to slow down in global economies and GDP growth. Prices continued to hit new lows after the outbreak of COVID-19 pandemic, as the demand for aluminium have witnessed enormous pressure, due to lockdown situation across all the regions globally, where manufacturing subsided in many countries. All of this has caused the selling prices to decline by 15% compared to 1H-19 and the decline in selling prices caused an overall decline in share of revenues by 9% compared to 1H-19.</p> <p>In terms of net profits, amounting to QR 15 million, there is a decline of 30% compared to 1H-19. This decline in profitability was due to lowered revenues, on account of sharp decline in LME prices, on the back of lower demand prospects and continued production</p>

	<p>surplus. This was partially offset by improved sales volumes and lowered cost of goods sold.</p> <p>In terms of our funding position, QAMCO's share of debt stood at QR 2.2 billion, down by 8% compared to December 2019. This decrease was mainly due to repayment of principal amounting to QR 222 million during the period.</p> <p>The Company's financial position continue to remain robust, with the liquidity position at the end of 30 June 2020 reaching QR 589 million in form of cash and bank balances. During the period, the Company's JV generated positive share of operating cash flows of QR 108 million, up by 79% compared to 1H-19, with share of free cash flows of QR 81 million, up by 83% compared to the same period of last year.</p> <p>Now, I will cover the detailed breakdown of QAMCO's earnings which is shown on slide 12 of the IR presentation.</p> <p>On overall basis, the total decline in earnings of QR 6 million, compared 1H-19, was mainly due to the decline in selling prices of 15%, as mentioned before. The overall decline in selling prices contributed QR 186 million negatively to the net profits for the six months period ended 30 June 2020, as compared to the same period last year.</p> <p>The decline in profitability due to selling prices was offset by favorable variances noted in terms of cost of goods sold, where the Company's JV was able to successfully contain direct costs, comprising of lowered cost of raw materials and energy consumption, which led to a positive impact on profitability of QR 105 million.</p> <p>Also, an upside in the sales volumes, contributed positively QR 71 million to the 1H-20 net profits, as compared to last year.</p> <p>As mentioned on slide 13, the average LME prices declined due to persistent challenging macroeconomic conditions pressuring the aluminium market globally. LME Premiums declined mainly due to the unprecedented shift in product mix from value added products towards standard ingots during the current period, amid declining global demand for aluminium products.</p> <p>Here, important point to note that, the decline in average selling prices has not affected the overall EBITDA margins, and the margins remained resilient in the current turbulent market conditions as detailed on slide 14 of the IR deck.</p> <p>I will now hand over to Mr. Riaz Khan, to cover rest of the IR presentation.</p>
<p><b>Riaz Khan:</b></p>	<p>Thank you Abdulla.</p> <p>Moving on to slides 19 &amp; 20, as mentioned earlier, QAMCO has 50% stake in Qatalum. The other partner of the JV is Hydro, which also acts a main supplier of the Alumina to the JV. Moreover, under Marketing &amp; Offtake agreement, Hydro acts as a JV's representative for marketing aluminium products. This provides the JV an access to important and strategic markets, while competing with international players. Where, Asia remained the largest market, while its presence US and Europe continued to be substantial, as detailed on slide 15.</p> <p>In terms of JV facilities, as detailed on slide 19, it is located in Mesaieed, Qatar, with a design nameplate capacity of 575,000 tonnes per annum, but now the JV produces more than 650,000 tonnes per annum of high-quality primary aluminium products.</p>

	<p>Moreover, Qatalum has a captive Power Plant with a capacity of approximately 1,350 megawatts. This benefits the JV from the perspective of access to one of the most competitively priced sources of energy.</p> <p>Lastly, as detailed on slide 21, the 2020 approved CAPEX plan mainly relates to routine operations.</p> <p>QAMCO's JV initiated the optimization measures to protect against the downside business and financial risks amid challenging macroeconomic conditions. As part of latest optimization drive, 2020 CAPEX amounting to QR 53.5 million have been deferred, which represents 23.5% of the originally planned CAPEX for 2020.</p> <p>Also, the cash flow figures for the years 2020-24 as detailed on slide 21, are based on the 2020 approved budget and business plan, based on the expectations of the market conditions and aluminium prices prevailing in the start of the year.</p> <p>With the currently prevailing market conditions and aluminium price trends, the 2020 forecasted net cash flows would decline by ~47%. Whereas, the cash flow forecasts for 2021-24 as disclosed in the table cannot be relied on with absolute certainty, where, the actual realization of these cash flows might significantly differ as compared to these projections, subject to the macroeconomic conditions, including, among other factors, business environment, market dynamics, product prices etc. prevailing in that specific year.</p> <p>Now we will open the floor for the Q&amp;A Session.</p>
<b>Operator:</b>	<p>Ladies and gentlemen, to ask a question, please press star one on your telephone keypad. A voice prompt on the phone line will indicate when your line is open. Please state your name before posting your question. Once again, press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for question.</p>
<b>Mehmet Aksoy [QNBFS]:</b>	<p>Hi. This is Mehmet, again from QNB Financial Services. While we are waiting for questions, if I can start off with two questions of my own. In the presentation you have mentioned that Qatalum's product mix changed from value-added products towards standard ingots in line with the global demand conditions. Do you expect to maintain this product mix until the end of 2020? And the second question, can you please share your views on Qatalum's aluminum premiums going forward, which has also been affected by the product mix shift during Q2 2020? Thank you.</p>
<b>Abdulla Al-Hay:</b>	<p>All right Mehmet, thank you for asking. As you are aware, 2020 year was a different year from any other years. The supply and demand then changed during the year so, the demand for their premium products were come to place where the demand became very low. So, we have changed these strategy where we have seen there is a demand and there is market for this standard ingots. So, we started to shift from the premium products to the standard ingots where we are managing to sell all of our production without stoppage to any of our facility lines.</p>

	<p>This definitely will continue until maybe end of 2020, and where we can see the market start to pick up, then we are going to have and we are going to go back to the previous plan, where maybe we plan for more production of the premium products. But as of the current situation, we still are following the product mix, where we are trying to accommodate the market and to ensure all of our production facility producing with no stoppage.</p>
	<p>For the second question if you can just get back to it. What you are asking in the second question?</p>
<b>Mehmet Aksoy [QNBFS]:</b>	<p>I was asking if you can share your views about Qatalum's aluminum premiums going forward, which has also been affected by the product mix shift.</p>
<b>Abdulla Al-Hay:</b>	<p>Aluminum premium, yes, as you said, we are now flexible and we need to see what is the market requirement. So, if the market requirement in the future to demanding for more premium products, we are willing to shift to a premium product, but currently the current situation we are going toward producing of the standard ingots, where the demand is more than the premium products.</p>
<b>Mehmet Aksoy [QNBFS]:</b>	<p>Thank you very much.</p>
<b>Abdulla Al-Hay:</b>	<p>You are welcome.</p>
<b>Mehmet Aksoy [QNBFS]:</b>	<p>Operator, can you open up for questions now please?</p>
<b>Operator:</b>	<p>There are no questions over the phone at this time. Just as a remainder, press star one if you wish to ask a question. And we do now have a question; please go ahead, your line is open.</p>
<b>Belal Sabah [Jadwa Investments]:</b>	<p>Yes, Hi. This is Belal Sabah Jadwa Investments, thank you very much for the call. [Inaudible]. I'm sorry I'm a bit new to the company so, forgive my question, it may be late or maybe you explained it on previous calls. But I'm trying to reconcile the cash from operations that you have in the presentation. In 2019, you mentioned the operational cash flow, the QAR724 million and this is very different versus what's in the detailed financial statements. Could you explain if this is due to the JV structure, how should I think about this? Thank you.</p>
<b>Abdulla Al-Hay:</b>	<p>Riaz, I don't have the financial in the front of me. If you have the numbers, you can go ahead.</p>
<b>Riaz Khan:</b>	<p>Yeah, so, basically the numbers which you are seeing on this slide 21, they are based on the proportionate consolidation. So, it will be very difficult for you until – unless you have the access to the underlying JV's financial statements, because these numbers which we are showing are based on proportionate consolidation, they are not based on QAMCO's numbers. Under IFRS, we follow equity accounting, so everything within equity accounting gets hidden in just one row as share of results from the JV. So, the numbers which we are seeing, they are grossed up, they are based on proportionate consolidation and they majorly represent Qatalum's cash flow movements.</p>
<b>Operator:</b>	<p>And we will go to our next question. Please go ahead, your line is open.</p>

<b>Wajih Boustany [NBK capital]:</b>	Yeah, Hi. Good afternoon, this is Wajih Boustany from NBK Capital. Just have a couple of questions, one on the cash, the level of the JV, I just want to understand, I mean, what impacts dictates your ability to upstream this cash, up to a QAMCO level? And what does that mean for your ability to pay dividends this year? And two, on taxes; if you can clarify what will be the tax implication, once the tax holiday elapses, I think it's in September of this year?
<b>Abdulla Al-Hay:</b>	<p>Okay, with regards to the cash position that we have, I believe due to the decision that we have taken to refinance and to change the structure of the refinance, which gave us a good room to improve our cash flow. Where right now we have a cash position, our share of cash position at QAR589 million as we have mentioned. This cash definitely is still at the operating level since these situation that we are facing with no clarity on the prices in the future. We have seen the product price went down on May to one of the lowest, where the LME price arrived to around \$1,500 per metric ton. Where started in June and July, the prices started a little bit to improve.</p> <p>We need to make sure that the operation will not be – nothing would happen to the operation because of the lack of cash. In term of dividends, it all will depend on the year-end performance. Definitely, this also would require us to see what is the Board Member decision toward the payment of the dividend. However, the cash on the company will determine how this would – be compared into our dividend.</p> <p>With regard to the tax implementation, as you are aware the company has a tax holiday until mid of September of this year. The tax rate stood at 35% and the company are flexible for the former shareholder. So, the QAMCO, we are going to be exempt from tax, however the former shareholder will be taking the tax from the operating company. But as of QAMCO, we consider ourself as tax exempt where there is no impact on the tax that apply on the operating level. I hope this clarify your question.</p>
<b>Wajih Boustany [NBK capital]:</b>	Perfect, that's clear, thank you.
<b>Abdulla Al-Hay:</b>	You are welcome.
<b>Operator:</b>	So, once again, as a remainder to ask a question, press star one. And there is no further questions at this time so I would like to turn the conference back to our host for any additional or closing remarks.
<b>Mehmet Aksoy [QNBFS]:</b>	Hi. This is Mehmet Aksoy from QNB Financial Services again. If there are no further questions, then we can wind up the call for today. I would like to thank everyone for participating in the call. Please do reach out to team at QNBFS or QAMCO, if you have any further questions. Thank you.
<b>Riaz Khan:</b>	Thank you very much.
<b>Operator:</b>	Thank you.
<b>Abdulla Al-Hay:</b>	Thank you all, thanks a lot.
<b>Operator:</b>	Ladies and gentlemen, this concludes today's conference call, thank you for your participation. You may now disconnect.