

Company:	<b>Qatar Aluminium Manufacturing Company (QAMCO)</b>
Conference Title:	<b>QAMCO Q3-20 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>
Date:	<b>Thursday, 29 October 2020</b>
Conference Time:	<b>12:30 pm Doha Time</b>

<b>Operator:</b>	<p>Good day and welcome to the Qatar Aluminum Manufacturing Company (QAMC) quarter three 2020 results conference call. We do apologize for the delay this morning as there has been a technical glitch. Thank you. Today's conference is being recorded. At this time, I would like to turn the conference over to Mehmet Aksoy. Please go ahead, sir.</p>
<b>Mehmet Aksoy [QNBFS]:</b>	<p>Good afternoon ladies and gentlemen, this is Mehmet Aksoy [QNBFS] from QNB Financial Services. I would like to welcome everyone to Qatar Aluminum Manufacturing Company's third quarter 2020 financial results conference call. On this call, from QP, we have Mr. Abdulla Yaqoob Al-Hay assisting manager of financial operations, and we have Mr. Riaz Khan who is the head of [inaudible] and communications. We will conduct this conference call first with brief comments on the presentation, followed by the Q&amp;A. I will now hand the call over to Mr. Riaz Khan 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 22nd October, QAMCO released its results for Q3-20, 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>1- 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 quick 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 key operational &amp; financial performance matrix of QAMCO;</li> </ul>

	<ul style="list-style-type: none"> <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 <b>ownership structure</b> 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, <b>Qatar Petroleum</b>, being the main shareholder of the Company provides all the <b>head office functions</b> through a service-level agreement. Although, the operations of the JV is independently managed by its Board of Directors, along with the senior management team.</p> <p>QAMCO holds 50% share in Qatar Aluminium Limited (Qatum), which <b>produces</b> high-quality aluminium of <b>about 650,000 tons per year</b> 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 <b>competitive advantages</b>, 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 HSE. 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 <b>Governance structure</b> 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 <b>operational results</b> as detailed on slide 10, the <b>production</b> remained stable as compared to the nine months of 2019, 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 changes to the planned maintenance timelines due to COVID-19.</p> <p>Despite the challenging macroeconomic environment, with the relentless efforts of QAMCO's JV's sales and marketing partner, the JV was able to ensure that all the sales contracts are effectively and efficiently secured with no disruptions to its supply chain. The sales volumes remained stable, year-on year basis, and a growth of 1% was noted compared to the nine months of 2019.</p> <p>On a year-on-year basis, global aluminum prices continued its downward trajectory, on the back of US China trade tensions, Chinese and Middle Eastern capacity expansions and weakening global demand for aluminium due to slow down in global economies with dampened GDP growth. Prices continued to hit new lows since the outbreak of COVID-19</p>

pandemic, especially in the months of April & May, as the demand for aluminium have witnessed an enormous pressure due to lockdown situation across all the regions globally, where manufacturing was subsided in many countries. All of this has caused the **selling prices** to decline by 16% compared to the nine months of 2019. This decline in selling prices caused an overall decline in share of **revenues** by 14%, on a year-on-year basis.

In terms of **net profits** for the nine months of 2020, amounting to QR 12 million, a decline of 84% was noted compared to the same period last year. This decline in profitability was mainly due to lowered revenues, on account of sharp decline in LME prices, on the back of lower demand prospects and continued production surplus. This was partially offset by improved sales volumes and lowered cost of goods sold.

A decline of 15% was noted in cash costs, mainly due to the overall decline in feedstock costs, lowered power import costs and other realized savings, amid operating cost optimization initiatives.

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.

The Company's financial position continue to remain robust, with the liquidity position at the end of 30 September 2020 reaching QR 670 million in form of cash and bank balances. During the period, the Company's JV generated positive share of operating cash flows of QR 552 million, with share of free cash flows amounting to QR 346 million.

Now, I will cover the detailed breakdown of QAMCO's earnings which is shown on slide 12 of the IR presentation.

On overall basis, the total decline in earnings by 84%, compared the nine months of 2019, was mainly due to the decline in selling prices of 16%, as mentioned before. The overall decline in selling prices contributed QR 292 million negatively to the net profits for the nine months period ended 30 September 2020, as compared to the same period last year.

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 191 million.

Also, an upside in profitability was noted in relation to the growth in sales volumes, which contributed positively QR 20 million to the current nine month's net profits, as compared to last year.

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.

Here, important point to note that, going forward, based on the improved market conditions for value added products, it is expected that the product mix would reinstate back to value added products from standard ingots.

On a positive note, 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.

	I will now hand over to Mr. Riaz Khan, to cover rest of the IR presentation.
<b>Riaz Khan:</b>	<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>Here important point to note that the cash flow forecasts for 2021-24 as disclosed in this slide 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 evolving macroeconomic dynamics.</p> <p>Now we will open the floor for the Q&amp;A Session.</p>
<b>Operator:</b>	Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypads. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, please press star one to ask a question. We will pause for a moment to allow everyone to signal.
<b>Mehmet Aksoy [QNBFS]:</b>	Hi. This Mehmet again from QNB Financial Services. While they are calling for questions, if I can start off with a question of my own. Do you have any update for us regarding possible capacity expansion intentions in Qatalum in the near future? Thank you.
<b>Abdulla Al-Hay:</b>	Thank you, Mehmet. Thank you for the question. Currently there is no plan to – for any additional CapEx to increase our capacity of the production. However, we are trying for enhanced sub-sources, which may lead to increase the capacity by only a small amount of production.
<b>Mehmet Aksoy [QNBFS]:</b>	Thank you very much. Operator, can you open up for questions now, please?
<b>Operator:</b>	Thank you. We will now take the first question from Bilal Sabbah from Jadwa Investments. Please go ahead.

<b>Bilal Sabbah [Jadwa Investments]:</b>	Yes. Hi, thank you everyone for the call and thank you for the detailed presentation as usual. Just a few high level questions from my end, please. I would like to get your feedback on the overall aluminum dynamics globally. You've mentioned there was a trend this year of – a shift to more standard products because of weak global demand. Could you talk about which sectors globally that we witnessed weak demand in – was it automobiles, was it construction, et cetera? Going forward, just your high level thoughts on how you see the aluminum marketing in 2021. Do you see a shift back to value added products? Which sectors do you think are more likely to see some recovery in demand versus others? Also, any thoughts on global supply additions would be helpful as well. Thank you.
<b>Abdulla Al-Hay:</b>	Thank you, Bilal. Thank you for the question. Regarding your first question, as you know that this 2020 year was a different year. Prior to the 2020, the aluminum market were under pressure because of the macro economic situation between the US and China, and addition to the surplus of the supply of the aluminum in the market. During 2020 we have this – the pandemic happened, so we have shifted our product from – our value added product to the standard [inaudible], which is – we can find a market to sell. Most of the – also, aluminum manufacturing also start to shift to that [inaudible] since there is a demand for such product. The main user for that is – for us, is the automobile industries. There are some other maybe construction companies. Right now, as you can see that the prices started to improve, especially right now. In September, the prices went all the way up to the 1900 for the LME. During the next quarter, you will see the shift for us moving to the value added product where the price has started to improve. We are aiming that 2021 – we are hoping the market gets improved, that price will be improved. If we see an improvement in the market, we will easily – can shift our product to the value added product for the better margin. This is what can – I predict in the future. With regard to the global capacity I'm not aware if there will be an additional capacity to the global market. This is something I'm not looking at at the moment. However, there will be challenging in terms of supply and demand. I hope I answer your questions.
<b>Bilal Sabbah [Jadwa Investments]:</b>	Yes, you have. Thank you so much.
<b>Abdulla Al-Hay:</b>	Thank you.
<b>Operator:</b>	Thank you. As a reminder, if you would like to ask a question at this time, please press star one. There are currently no further questions in the queue at this time.
<b>Abdulla Al-Hay:</b>	You can ask your question either in Arabic or English, we are happy to answer those questions. If there is no further questions we can just close the call.
<b>Mehmet Aksoy [QNBFS]:</b>	Hi, this is Mehmet Aksoy 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 the team at QNB FS or QAMCO if you have any further questions. Thank you.
<b>Abdulla Al-Hay:</b>	Thank you very much.
<b>Operator:</b>	Thank you.
<b>Riaz Khan:</b>	Thank you all.
<b>Operator:</b>	Thank you. This concludes today's call. Thank you for your participation.