Company:	**Qatar Aluminium Manufacturing Company (QAMCO)**
Conference Title:	**QAMCO 1H-21 Results Conference Call**
Speakers from QAMCO:	**Mr. Rashid Hamad Al-Mohannadi, Acting Assistant Manager Financial Operations, Privatized Companies Affairs, Qatar Petroleum** **Mr. Riaz Khan, Head of Investor Relations and Communications, Qatar Petroleum**
Moderator:	**Mehmet Aksoy, Sr. Research Analyst – QNB Financial Services**
Date:	**Wednesday, 11 August 2021**
Conference Time:	**13:30 Doha Time**

Mehmet Aksoy:	Hi. Good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I would like to welcome everyone to Qatar Aluminum Manufacturing Company's Second Quarter 2021 Financial Results Conference Call. On this call from QP privatized companies affairs team. We have Mr. Rashid Al Mohannadi who's a senior financial management analyst and Acting as Assistant Manager 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&A. I will now turn the call over to Mr. Riaz Khan to get us started. Riaz, please go ahead.
Riaz Khan:	Thank you Mehmet. Good afternoon and thank you all for joining us. Hope you're all staying safe. Before we go into QAMCO's business and performance updates, I would like to mention that this call is purely for the investors of QAMCO and no media representatives should be attending this call. Moreover, please note that this call is subject to QAMCO's disclaimer statements as detailed on slide no. 2 of the IR deck. Moving on to the call, on 5th of August, QAMCO released its results for the six-month period ended 30th of June 2021, 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. Today on this call, along with me, I have: 1- Rashid Hamad Al-Mohannadi, Acting Asst. Manager, Financial Operations We have structured our call as follows: ▪ At first, I will provide you with quick insights into QAMCO's ownership structure, its competitive advantages and the overall governance structure by covering slides 5 till 14 and slides 33 and 34 of the IR deck. ▪ Secondly, Rashid will brief you on QAMCO's key operational and financial performance matrix; ▪ Later, I will provide you with more details on JV operations and CAPEX updates; and ▪ Finally, we will open the floor for the Q&A session.

	To start with, as detailed on slide no. 5 of the IR deck, the ownership structure of QAMCO comprises of Qatar Petroleum with 51% stake and the rest is in the free float held by various corporates and individuals. Qatar Petroleum, being the founding shareholder and Parent Company of QAMCO, provides all the head office functions through a service-level agreement, while, the operations of JV is independently managed by its own Board of Directors, along with a senior management team. QAMCO holds 50% share in Qatar Aluminium Limited (Qatalum), 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. In terms of competitive strengths, as detailed on slide 12, QAMCO's joint venture is considered to be one of the world's lowest-cost aluminium smelters, with a state-of-the-art production facilities; assured feedstock supply; with an intense focus on HSE which makes the JV a leader among its peers. As detailed on slide 14, from competitive positioning perspective, QAMCO ranks among top tier companies within the industry at global scale, across most of the profitability matrices. This is a testament to JV's leaner cost base and continued optimization drive, which keeps QAMCO's JV on the lower side of the cost curve among global peers resulting in strong margin evolution. Moreover, the JV's global marketing partnership with the other JV partner, provides an access to strategically important markets, which makes the Company more competitive in comparison to its peers. In addition, the JV is capable of quickly shifting the product mix i.e. from value added products to standard ingot and vice versa, which provides an additional layer of flexibility to the JV in terms of production processes, as well as, supply chain management, while ensuring optimum production and sales volumes in line with the evolving market dynamics. I will cover further details of the JV and its operational activities and sales & marketing arrangements later in this call. In terms of the Governance structure of QAMCO, you may refer to slides 33 and 34 of the IR deck, which covers various aspects of QAMCO's code of corporate governance in detail. I will now hand over to Rashid.
Rashid Al Mohannadi:	Thank you Riaz. Good afternoon and thank you all for joining us. Starting with macroeconomic updates, as detailed on slide 16, prices of aluminium, continue to climb on the back of renewed global demand, whereby sectors such as construction and automotive industries witnessed growth, as the global economies started to show signs of recovery since later part of 2020. Furthermore, global climate initiatives are also providing structural support to aluminum markets, given its major role in decarbonization and playing a key part in creating supply deficits. All of these factors translated into a sequential growth in prices of primary aluminium along with improved margins. As detailed on slide 19, at QAMCO's JV level, the average realized selling prices inclined by 26% versus first six months of 2020 and contributed QR 292 million positively to the current period's net earnings, compared to the same period last year.

	On the other hand, sales volumes slightly declined by 4% and contributed QR 61 million negatively to net profits for the six months period ended 30th June 2021 versus the same period last year. Although sales volumes were marginally lower than last year, but QAMCO's JV was successful in selling 100% of value-added products (VAP) with no sales of standard ingots during the current period. This shift in sales of standard ingots to VAP supported the overall evolution of EBIDTA margins. In terms of bottom-line profitability, for the six-month period ended 30th of June 2021, QAMCO recorded a net profit of QR 288 million as compared to a net profit of QR 15 million for the same period last year, being the highest half-yearly profit since its incorporation, driven by growth in global aluminium prices on the back of improved macroeconomic dynamics. As detailed on slide 20, average cash costs remained flat, mainly due to higher raw materials cost fully offset by favorable inventory movements, manpower costs, savings on account of lowered finance cost and other realized savings, amid operating cost optimization initiatives. Moreover, due to the overall decline in interest rates and one-off unamortized portion of financing cost being written-off last year, JV's finance costs for 1H-21 declined by 44% versus 1H-20 and contributed QR 28 million positively to QAMCO's net earnings for 1H-21 in comparison to 1H-20. In terms of operational performance as detailed on slide 19, the production volumes slightly improved on a year-on-year basis, and remained in line with the management's efforts to keep up the production levels to ensure optimum utilization. Moving on to the balance sheet, in terms of JV's debt position, QAMCO's share of debt stood at QR 2.2 billion, slightly up by 2% compared to December 2020. QAMCO's financial position continued to remain robust with the liquidity position at the end of 30th June 2021 reaching QR 812 million in form of cash and bank balances. This also includes proportionate share of cash and bank balances at the JV level. During the current six months period, QAMCO's JV generated positive share of operating cash flows of QR 393 million, with a share of free cash flows of QR 276 million. As detailed on slide 22, the average LME prices improved by 22% on year-on-year basis, due to persistent strength from macroeconomic conditions. LME premiums also improved during 2021 mainly due to better product mix, as QAMCO's JV was successful in selling 100% of value-added products (VAP) with no sales of standard ingots during the period. As detailed on slide 23, QAMCO's JV EBITDA margins continue to remain robust & resilient, despite volatile primary aluminium prices since 2019. I will now hand over to Riaz, to cover rest of the IR presentation.
Riaz Khan:	Thank you Rashid. Moving on to the remaining slides, 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 & Offtake agreement, Hydro acts as a JV's representative for marketing aluminium products outside Qatar. This provides the JV an access to important and strategic markets, while competing with international players. Where, as detailed on slide 24, Asia remained the largest market for QAMCO's JV, while its presence US and Europe continued to be substantial.

	As detailed slide 25, in terms of product mix, extrusion ingots along with foundry alloys remain key products for QAMCO's JV. In terms of JV facilities, as detailed on slide 9, 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. 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. Lastly, as detailed on slide 29, the 2021 till 2025 approved CAPEX plan mainly relates to routine operations, such as pot relining and other maintenance activities pertaining to power plant and anode facilities. Here important point to note that the cash flow forecasts for 2021-25 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 evolving macroeconomic dynamics. Now we will open the floor for the Q&A Session.
Operator:	Thank you, sir. Ladies and gentlemen, if you would like to ask the question, please signal by pressing star followed by one. That is star, one, if you wish to queue for a question. We'll pause for a brief moment to allow everyone an opportunity to signal for questions.
Mehmet Aksoy:	Hi, this is Mehmet from QNB Financial Service again. While we are calling for questions, if I can start off with a question on my own. In May, Qatalum signed an agreement with General Electric to provide five Advanced Gas Path upgrades. I would ask if these upgrades will have an impact on Qatalum's overall production volumes and /or operating costs. Thank you.
Rashid Al Mohannadi:	So Qatalum has signed this agreement and the anticipation that this agreement will reduce the consumption of gas, so hence it will reduce the cost. Also, we expect that it will also reduce the carbon emission accordingly. So, there will be a benefit from this project.
Mehmet Aksoy:	Thank you very much. Operator, can we open up for questions now please?
Operator:	Yes, of course, we'll take our first question from [inaudible]. Please go ahead. Your line is open.
Speaker:	Hi, this is [inaudible]. I have a couple of questions. First and foremost is about aluminum prices. So, as we see that aluminum prices are close to their multi-year highs right now, so what is your view in terms of how sustainable are these prices or should we see any sort of a correction in the near term? My next – another question is about the premiums that we generate over the LME prices. So, basically, I'm looking at slide number 22, so the premium, if we will compare, in Q2, they were higher as compared to Q1. So what are the driving factors for these premiums? These are the two questions which I have.

Riaz Khan:	Thank you, [inaudible]. Yeah, so I will start off with basically the aluminum prices and the market dynamics. Here I will take a step back and I'll just take you through since last year, what exactly has happened. So, last year, we saw the lowest aluminum prices, specifically in Q2 of 2020, and then we saw the rebound in the prices. So, the sooner the macroeconomic recovery started to become evident, we start to saw the demand picking up. Key sectors who were basically contributing towards this positive trajectory in demand were actually the automotive and the construction sector. So, again, it's starting from this year. So the positive upbeat in the prices and the continued surge in the demand continued sequentially throughout in this first half of 2021, where we saw specifically a demand for primary aluminum products, specifically the value-added products. And that's how we were able to sell or able to produce and sell only the value-added products in this year. And that's what is basically translated into very positive, a strong effect on our premiums, realized premiums. Going forward, we need to look into two three aspects. First is the demand, which is pretty much linked with the overall macroeconomic activity and the GDP growth, which looks, considering the overall vaccine campaign being developed across different nations, so we consider and it looks apparently that the demand will continue to prevail. On the supply side, there is there is a different dynamics actually for the aluminum market, where basically there is new regulations, which are related to decarbonization drive, specifically in China, then very recently in Europe and over and above, there is a very recent export-related levies been enacted in Russia. So, there is a lot of supply side downside is story, I would say, which is like creating an imbalance positively towards the upward side for the aluminum prices. So, that's how – if you see the overall macroeconomic trajectory for the aluminum industry, it will continue – it looks it is apparent that it will continue to show the upbeat. As far as, we, as QAMCO is concerned, we do not give specific outlooks on the prices, so I won't be able to brief you exactly on which price range which we are expecting. But, mostly at the time of our budgeting, which we do on a periodic basis, we refers to the Bloomberg consensus, which currently stands at a very positive upbeat.
Speaker:	Okay. Thanks a lot.
Operator:	We will now move on to our next question from Anastasios Dalgiannakis of Al-Faisal Investments. Please go ahead. Your line is open.
Anastasios Dalgiannakis:	Yes, sir. Good afternoon. Thank you for taking my question. Basically, I wanted to ask you, if you could tell us how do you rank versus your competitors in terms of the carbon content for your aluminum? And focusing on Europe and the carbon border adjustment mechanism that will be implemented, do you expect to gain or lose versus competitors with regards to your European experts, after the introduction of this mechanism? Thank you.

Riaz Khan:	Thank you for the question. Yeah, so, basically in Europe, the idea what they are coming up with this new regulation is to identify green aluminum and to compare it against the regular day to day aluminum. So, currently, these regulations will be ending up linking to affect the margins of the producers. So, the producers who are doing – who are producing greener aluminum, they will be getting a benefit or kind of a discount from the governmental side and from the regulator's side, and they will be discouraged – the regular producers of the aluminum will get discouraged to produce rather on the greener side. So, from our perspective, we are in very early stages of this regulation. And if you look at our overall geography, Asia is basically the key market for us, where we are selling more than 50% of our product, whereas Europe, almost, contributes towards the overall revenue composition. It's somewhere at a 20% range. So, as of now, I would say we are in early stages. We need to get back to our marketing partners to get the exact dynamics about that. But as far as the overall picture is concerned, we don't expect any significant material impact on our overall evolution of our revenue growth, because we have this firm agreement with another JV partner. So, which is basically the job is to ensure that we keep on selling whatever we produce with a maximization strategy to ensure our premiums remain on the highest side. So whichever geographies we find better arbitrages, we move the products there depending on the demand in the market, as well as the type of the product. So, again, we have to look into the exact cost impacts or the financial impact, but on overall basis, we don't think it will be anything material to disclose or discuss.
Rashid Al Mohannadi:	I would like also to add one point to Riaz – what Riaz said. As you are aware, Qatalum or QAMCO, currently runs the plant with gas and gas is considered to be greener than coal. So, I think, on the reports I've seen so far, the one who will be at risk of losing the profitability when the new rules are introduced are the coal – the power coal – the coal power plants. So, I think, for us, we are better positioned than our competitors who run on coal.
Anastasios Dalgiannakis:	Thank you.
Operator:	We'll move on to our next question from Noureldin Sherif of Arqaam Capital.. Please go ahead. Your line is now open.
Noureldin Sherif:	Hi, thanks for the call and congrats for the strong results. I have a couple of questions. I think we can take it one by one. My first question is actually on the balance sheet. So, I think that the company mentioned some restructuring of its debt and plans for deleveraging. So, can you explain to us where are you guys in terms of this plan? And can you give us a reason behind this 2% increase in debt, while we see that the free cash flows is strong in the first half of 2021?
Riaz Khan:	Yeah, in terms of the overall funding strategy, if you remember, last year, we rescheduled and restructured our facility at the JV level. So, that was one of the key milestones which we achieved for our funding strategy. Going forward, we are continuously looking for different options. As you know, the strategy is to optimize the funding structure for us, which we currently even believe that it is at a very good – in a very good shape. But we are still striving to look for any opportunities, any better options available. So as of now, I cannot see anything on this side that is there any progress being made or not. But currently, we feel with the milestones which we achieved last year, they were quite positive towards the overall structure of our balance sheet and going forward, we'll continue to look for better opportunities.

Rashid Al Mohannadi:	Just adding to Riaz, as you know, QAMCO balance sheet is totally debt free. It is only the QAMCO's JV which has the liability – debt loan in its balance sheet, so as far as the QAMCO is concerned, our cash flow remains robust. Thank you.
Noureldin Sherif:	Okay. Can you shed some light regarding the reason behind the 2% increase in the joint venture's debt?
Rashid Al Mohannadi:	The increase in the 2% debt was mainly to an LC facility we took in place for funding the AGP project. So this LC facility has basically increased our debt margin.
Noureldin Sherif:	Yes, okay. Clear. And we've seen – in terms of the cash costs, we've seen 11% increase Q on Q. Can you clarify on the reason behind it?
Rashid Al Mohannadi:	It's basically raw material costs.
Noureldin Sherif:	Okay. And in terms of the freight costs, because we've seen also an increase there, is this sustainability? Can you give us some outlook regarding the cash cost in the second half of 2021?
Rashid Al Mohannadi:	In terms of the freight cost, for us, it has remained compatible for last year. That was as of the first half of this year. However, marketing fees that we are paying to our marketer has increased because we are selling our product for a higher price. So, it's linked to the price.
Noureldin Sherif:	Okay, clear. And what should we expect for the second half in terms of the cash costs? Do you see alumina prices picking up or what are the key highlights from the cash cost in the second half?
Riaz Khan:	Nour, I think this will be very difficult to answer in terms of the direction where we'll take because there are many dynamics or there are many variables around this cash cost factor. So, on one side, you have obviously the alumina price evolution; on the other side, you are trying to improve or optimize your operations by trying to reduce as much manpower cost as you can and trying to save on basically the energy cost and the related maintenance and OpEx cost. And then similarly, there is finance costs, which also plays a part in the overall development of the cash costs. So, it will be quite difficult to determine which direction it will take but I think, going forward, the key driver towards this should be the raw materials cost.
Noureldin Sherif:	Yes, clear. Okay. And in terms of production, I've seen last year that the second half is usually slightly higher in terms of production versus the first half of 2020. Should we expect the same trend in the second half of 2021?
Rashid Al Mohannadi:	Depends on the pot relining program in place, but we don't anticipate that production will be affected in the second half of this year.
Noureldin Sherif:	Okay, clear. And just one last question for me before I leave. So the last year's ESG report that I found was dated 2017 Qatalum. Is there any update on this report or should we expect any updates soon?
Riaz Khan:	Sorry, you're talking about the ESG report?
Noureldin Sherif:	Right.
Riaz Khan:	Sustainability report for Qatalum, yeah, I think the last time they published was back in 2016, if I see on their website.

Noureldin Sherif:	That's right.
Riaz Khan:	So, indeed, it has been some time for that. Yeah, we need – I need – we need to check on this one, what is the current status of this sustainability reporting and where do they stand.
Noureldin Sherif:	Yes, please, because that's now a crucial issue across the globe, so if we can have an updated one that would be very helpful. Thank you very much.
Riaz Khan:	Thank you.
Operator:	We will move on to our next question from Anoop Fernandes of SICO. Please go ahead. Your line is now open.
Anoop Fernandes:	Hi. Good afternoon and thanks for taking my questions. My question is on your capital power facility, you mentioned that it has a capacity of about 1300 megawatts. What is the thermal efficiency, if you recollect the number of this power plant? And b, on your – is there any, some number you can give us as to what your greenhouse gas emissions are something like a GHG intensity ratio or something like a Co2 per ton? Do you have any of these numbers at the back ready with you to share? That's it from my side.
Riaz Khan:	Yeah, thank you, Anoop. Basically, I have to admit that that this information is basically purely driven from the Qatalum side, which is actually where we have a JV operation where you have Hydro on one side and QAMCO on the other side. And their disclosures and their sustainability – any sorts of reporting, including the sustainability reporting, including these specific matrices which you are referring to, they are driven subject to approvals from both the JV partners and there is a lot of approval process, a lot of reporting needs to be done in house. So this is something, which is as of now what Nour even mentioned in the previous question about the ESG reporting. You can find these matrices until I think 2016, which is available on their website. But going forward, this is something which we need to do push from our side, and then that will get approved at their Board level. And then we will be in a position to report something from our side.
Anoop Fernandes:	Sure, no problem. Thank you. Thank you.
Operator:	We'll take our next question from [inaudible]. Please go ahead. Your line is open.
Speaker:	Yeah. Hi, thank you for hosting the call. I have one question actually related to the aluminum prices. I wanted to actually what the aluminum price benchmark would be most useful for us to look at when you want to get the average price for the quarter or for the year. I'm asking this question, actually, because when I look at the slide number 22, I find that your average for half year is almost less by $200 per ton from the Bloomberg index that we look at. We look at actually at the three months forward aluminum prices on Bloomberg. So, can you help us with that actually?

Rashid Al Mohannadi:	Yes, so I'll divide your question to two parts. The first part being what benchmark would we advise you to follow? Cannot advise you to follow a specific price index, but I will tell you what's our internal process or our JV internal process. They are benchmarking the prices from mainly three sources, one source is CRU, the other source is Bloomberg, and the third source is from our marketing agent Hydro. These other sources our JV has following. In terms of the price being lower than the Bloomberg prices, I would like to highlight that the prices we are seeing today for a half year is basically factoring in two months delay– there is a delay of two months term of realization of these prices. And that's due to the income terms and the sales arrangements we have in place. So, if you go back by two months, you can see that the prices for us is more or less is within that range.
Speaker:	Oh, I see. Thank you.
Operator:	And it appears we have no further questions over the audio. I'd like to turn the conference back for any additional or closing remarks.
Mehmet Aksoy:	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 QNB Financial or QAMCO, if you have any further questions. Thank you.
Riaz Khan:	Thank you all for joining us. Thank you very much.
Rashid Al Mohannadi:	Thank you.
Operator:	Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.