FOR IMMEDIATE RELEASE

Industries Qatar reports net profit of QR 485 million for the six months period ended 30 June 2020

- *Group revenue amounted to QR 4.9 billion for the six months period ended 30 June 2020*
- *The liquidity position continues to remain robust, despite the macroeconomic headwinds, cash and bank balances across the Group stood at QR 11.3 billion*
- *Group EBITDA amounted to QR 1.3 billion for the six months period ended 30 June 2020.*
- *Earnings per share (EPS) of QR 0.08 for the six months period ended 30 June 2020, as compared to QR 0.24 for the same period last year*
- *Financial performance continued to be impacted due to prevailing weaker macroeconomic environment amid spread of COVID-19 pandemic and weaker crude oil prices*
- *Profitability further impacted due to recognition of one-of impairment loss of QR 1.2 billion related to steel segment's mothballing of certain facilities in Qatar*
- *Positive offset on recognition of one-off fair value gain of QR 1.2 billion on revaluation of 75% stake in Qatar Fertilizer Company (Qafco), as IQ now recognize Qafco as a subsidiary with a 25% non-controlling interest, following expiry of the JV agreement with Yara and QP's acquisition of Yara's 25% stake in Qacfo*
- *Several measures in place to safeguard operating assets, people, operations and shareholder interest*
- *Group operating facilities maintain efficiency with average reliability factor at 96% amid focus on preventive maintenance*
- *Group continues to focus on OPEX and CAPEX optimization initiatives to withstand market volatilities and maintain competitiveness*

Doha, Qatar; 27 July 2020: Industries Qatar ("IQ" or "the Group"; QE Ticker: IQCD), one of the region's industrial giants with holdings in petrochemicals, fertilizers and steel producers, today reported a net profit[1] of QR 485 million for the six months period ended 30 June 2020, with a total Group revenue[2] of QR 4.9 billion and an EBITDA of QR 1.3 billion for the six months period ended 30 June 2020.

Business performance and macroeconomic backdrop

IQ's business performance during first half of 2020 continued to reflect the challenging macroeconomic conditions prevailed since 2019, marked by weaker global demand, trade conflicts, stymied global GDP growth. The negative macroeconomic environment was further augmented during the first half of 2020, due to the unprecedented dual headwinds of COVID-19 pandemic, which had a material unfavorable effect on consumer and industrial demand due to lockdowns, together with the decline in the crude oil prices. This led to increased pressure on the IQ's product prices in various markets, which negatively affected the Group's overall performance.

However, the Group was able to withstand such extreme external pressures posed by weaker product demand and lower prices by leveraging its competitive advantages, including its relatively low cost operating base; long-term access to uninterrupted feedstock supply; strong financial position; diversified product range; including an efficient and flexible production facilities; and a dedicated marketing and sales team, who were able to provide access to wider geographies in the most competitive means and thereby limiting the impact of such vulnerabilities.

In the current distressed situation, the sales and marketing team, provide a reasonable assurance to the Group, thereby, creating several arbitrage opportunities, including successful identification of new markets to divert the additional volumes and working closely with partners, customers and other government agencies to ensure the production, operations and sales & marketing activities remained uninterrupted.

The Group's operations remained resilient, as production volumes across the Group remained stable. Total production for the six months period ended 30 June 2020 reached 7.0 million MT, down on last year by 14%. The reduction was mainly driven by a number of factors and mainly due to the Group's strategic decision to mothball some of its steel facilities starting from Q2-20 for commercial reasons. In addition, the production was also impacted due to the periodic preventive turnaround maintenance, and unplanned shutdowns at some of the facilities. There were no plant stoppages due to any demand related reasons, amid COVID-19 spread, except for the planned shutdown of MTBE facility for a short period during Q2-20, due to commercial reasons. The MTBE facility is now back in operations, where, the impact to the Group in relation to temporary shutdown of MTBE facilities has remained immaterial, considering its overall contribution to the Group volumes.

[1] Attributable to equity holders of the Parent; excluding the portion relating to non-controlling interest
[2] Proportionately consolidated revenue

The Group's operating facilities operated with average reliability factor reached 96%, amid focus on preventive maintenance. The preventive maintenance programs are essential to ensure HSE standards, plant life, quality assurance and reliability to maintain long-term operational efficiency targets leading towards optimum plant performance.

Commenting on the financial and operational performance for the first half of 2020, **H.E. Eng. Saad Sherida Al-Kaabi, Chairman of the Board of Directors and Managing Director**, said: *"Despite extremely challenging circumstances for global markets, our operations and financial position continued to remain resilient and responded effectively to the evolving challenges posed by the recent headwinds. The Group companies continued to implement crisis management strategies since the start of the pandemic, which aided the Group to monitor and manage the business volatilities and threats posed by the spread of COVID-19, with a core focus on protecting its employees, assets and operations. Our marketing partner, has closely monitored the situation in our key markets, as the pandemic evolved, and acted prudently to minimize the disruptions to the marketing and supply chain activities, and was able to minimize the impact of global slowdown.*

The Group's competitive advantages, together with our flexibility in operations, and diversified portfolios, remained critical to the Group's response to these external challenges and aided to balance out our performance. The Group has also implemented a Group wide specific operating and capital expenditure optimization measures, in order to negate the negative impacts of the weaker economic environment. These measures will remain in place until the global economy recovers, and impact of the pandemic is fully defied, in order for us to ensure our businesses continue to remain resilient and maintain its competitiveness."

Financial performance and financial position

For the six months period ended 30 June 2020, the Group recorded a net profit of QR 485 million as compared to QR 1.5 billion, down by 67%, with reported total revenues of QR 4.9 billion (assuming proportionate consolidation), down by 26%, as compared to QR 6.7 billion for the same period last year. The Group recorded earnings per share (EPS) of QR 0.08 for the six months period ended 30 June 2020, as compared to QR 0.24 for the same period last year. EBITDA for the period amounted to QR 1.3 billion, compared to QR 2.2 billion, for the same period of last year.

Financial performance during the period was impacted by several external factors, including the global pandemic conditions, significant weaker oil prices and a notable decline in the product demand owing to weaker GDP growth, lack of industrial activity and subdued consumer and industrial participation.

These adverse conditions directly translated into declining commodity prices, where average selling prices declined by 5% compared to the same period of last year, which contributed to a decrease of QR 0.7 billion in the Group's net profits. The major reduction was noted in the petrochemical segment, which accounted for QR 0.5 billion, while fertilizer segment accounted for QR 0.2 billion of the total reduction.

Group's sales volumes declined by 29%, versus first half of 2019, driven by a combination of reasons including weaker demand, lower production on account of mothballing of certain steel facilities at Qatar Steel and periodic planned and unplanned maintenance. The decline was also attributed to the changes in sales & operating agreement of Qafco trains 1-4, where sales volumes relating to Qafco trains 1-4 has not been recognized in IQ books.

The Group's profitability was also impacted due to the booking of one-off impairment losses, amounting to QR 1.2 billion, recognized in relation to mothballing of certain Qatar Steel's production facilities. The Group adopted a prudent approach and decided to impair the net book-value of the related facilities, which were decided to be mothballed from the start of the second quarter of 2020.

On 31 December 2019, the Qafco's joint venture agreement between Yara and IQ was expired. Due to the expiry of the joint venture agreement and QP's acquisition of Yara's 25% stake in Qacfo, the management of IQ concluded that the Group now has a de-facto control over Qafco, with effect from 01 January 2020, with a 25% non-controlling interest.

The investment in Qafco was previously accounted for by the Group, as a joint venture using the equity accounting method. In line with the requirements of International Financial Reporting Standards (IFRS), at the date of reclassification of investment in Qafco as a subsidiary, the Group was required to remeasure its investment in Qafco to its acquisition-date fair value. Based on the management's provisional assessment of the fair value, using discounted cash flow model, a fair value gain amounting to QR 1.2 billion was recognized in the Group's income statement for the six months period ended 30 June 2020.

Compared to the first quarter of 2020, the Group revenue declined by 37% driven by lower prices and volumes. Net profits improved by 27%, quarter on quarter basis, mainly due to reduced operating costs. Operating costs have broadly declined on account of lower production volumes and recent optimization initiatives kicked-off by all the operating entities within the Group. The performance during Q2-20 was also impacted by the one-off impairment losses and one-off fair valuation gains.

In the latter part of Q2-20, there have been some signs of gradual recovery in the Global markets, on the back of continuous unprecedented stimulus and lifting of lockdown in major markets. The impact of the gradual recovery of the global economy, has not been fully factored in the Group's financial and operational results, as most economies started to show signs of recovery only during the latter part of Q2-20. On the same lines, the oil prices also began to recover only from June 2020. However, the risk of COVID-19 pandemic still persists and has not been fully eradicated, which may hamper the early signs of recoveries.

The Group's financial position continue to remain robust despite several macroeconomic headwinds, with the liquidity position at the end of 30 June 2020 reaching QR 11.3 billion in cash and bank balances[3], after accounting for a QR 2.4 billion dividend payment for 2019. Currently, the Group has no debt obligations. Group's total assets and total equity reached QR 38.6 billion and QR 32.3 billion, respectively, as at 30 June 2020.

During the period, the Group generated positive operating cash flows of QR 1.7 billion (with free cash flows of QR 1.5 billion). IQ's ability to generate positive operating cash flows in such such distressed market conditions is a testament to Group's efficient cash flow generation capabilities, effective cost structures and robust working capital management, which could safeguard the Group against any unexpected adversities.

[3] Cash and Bank across Group (proportionately consolidated)

Operational highlights by segment

Petrochemicals:

Performance of petrochemicals segment remained under pressure, as net profit declined by 54%, compared to 1H-19 and reached QR 309 million. This reduction was primarily driven by weaker products prices, following the low crude oil price environment and weaker economic activities in key markets due to subdued demand caused by the COVID-19 pandemic.

Blended product prices in petrochemicals segment declined by 24%, compared to 1H-19. Sales volumes marginally up by 3%, compared to the same period last year. On overall basis revenue declined by 22% within the segment, to reach QR 1.7 billion[4] for the current period. Production volumes almost remained similar to last year, as slightly lower production in polyethylene segment was offset by the higher production in the fuel additive segment.

Fertilizers:

Fertilizer segment reported net profit of QR 279 million, a decline of 36% compared to 1H-19. Selling prices were down on last year by 13% partly due to lower input costs and weak seasonal demand outweighed the gradual easing of supply side bottlenecks. Sales volumes were down by 46% due to the change in the sales and operating agreement for Qafco trains 1-4. The combined effect of lower volumes and prices had resulted in overall decline in revenue by 32% as compared to the same period of last year.

Production remained relatively stable, with overall production up by 8%, as compared to the same period last year. The segment experienced minimal interruptions in terms of both planned and unplanned maintenance shutdowns during 1H-20.

The gas sale and purchase agreement for Qafco's trains 1-4 expired in December 2019. A new agreement for gas sale and purchase is under discussion between Qafco and Qatar Petroleum. Alongside, during this interim period, Qatar Petroleum discussed and concluded the acquisition of 25% stake from Yara, which caused the delay in finalizing the new gas sale and purchase agreement for Qafco trains 1-4.

In the interim, as a short term measure, to ensure the business continuity of Qafco, and until the gas supply agreement is finalized between Qafco and Qatar Petroleum, a sales and operating arrangement was concluded, where Qafco would act as a producing agent, and the gas feedstock will be supplied by Qatar Petroleum, and Qatar Petroleum would off-take all the volumes produced for a processing fees plus a margin.

The expiry of the JV agreement and QP's acquisition of Yara's 25% stake in Qafco, has now given a de-facto control to the Group in Qafco, and Qafco would now be consolidated as a subsidiary, with a 25% minority interest, effective 01 January 2020.

Steel:

The steel segment reported net loss of QR 1.4 billion for the six months period ended 30 June 2020, compared to a net profit of QR 147 million for the same period of 2019. The net loss after excluding for the one-off effect of impairment would amount to QR 164 million, down 211% versus the same period of last year.

[4] Based on proportionately consolidated financial statements

The significant reduction in net profit versus last year was driven by several factors including the following:

- Booking of an impairment loss of QR 1.2 billion relating to the facilities mothballed. Qatar Steel took a prudent approach to impair the net book value of the facilities mothballed, as the Group foresees no possibility of restarting operations in relation to the mothballed facilities, in the immediate future. The Group will review the domestic and international demand periodically and will revert back to its normal capacity, if the need arise.

- Selling prices were down by 3%, compared to 1H-19, driven by weaker demand amidst spread of COVID-19 pandemic, which lead to muted construction activities.

- Sales volumes have declined against a backdrop of softened local demand as many large infrastructure projects in Qatar neared or reached completion. The sales volumes were also impacted due to the management's decision of mothballing certain facilities, with an intention to cater local sector demand only, as compared to the international demand, amid higher competition and declining margins internationally. Nevertheless, near- to medium-term prospects for the Steel segment domestically remained encouraging.

- Higher operating costs, as the segment sold some of the expensive inventories carried forward from the previous periods. The operating cost is expected to improve as effects of mothballing on the operating cost savings associated with mothballing to be realized over the next quarters.

Optimization initiatives

Given the current difficult market and macroeconomic outlook, the Group has further strengthen on its optimization initiatives to withstand the Group against external pressures, where the Group reviewed its operating expenditures, across all segments, and identified expenses which are not critical in the current circumstances. These measures included optimizing human resource structures, reducing direct costs in relation to utilities and maintenance, reducing non-production related expenditures including sales, marketing, corporate and administrative expenses.

Similarly, the Group reviewed its capital expenditure programs across all the segments and identified those expenditures that can either be avoided or deferred, without affecting the overall quality, safety, environmental aspects and reliability of the operations.

These measures would not only provide the Group with a broader access to free cash flows which is pivotal for business operating under volatile market conditions.

Earnings Call

IQ will host an IR Earnings call with investors to discuss the results, business outlook and other matters on Thursday, 6th August 2020 at 1:30 pm Doha Time instead of 28th July 2020. The IR presentation that accompany the conference call will be posted on the publications page of the IQ website.

-Ends-

About Industries Qatar (IQ)

Industries Qatar Q.P.S.C. was incorporated as a Qatari joint stock company on April 19, 2003. The business operations of the company comprise the direct holding of shares in the following subsidiary and joint venture companies: (i) Qatar Steel Company Q.P.S.C. ("QS"), a wholly-owned subsidiary, engaged in the manufacture and sale of steel billets and reinforcing bars; (ii) Qatar Petrochemical Company Limited QSC ("QAPCO"), a joint venture owned 80% by IQ, engaged in the production of ethylene, low-density polyethylene ("LDPE"), linear low-density polyethylene ("LLDPE") and sulphur; (iii) Qatar Fertiliser Company SAQ ("QAFCO"), a joint venture owned 75% by IQ, engaged in the manufacture of ammonia and urea; and (iv) Qatar Fuel Additives Company Limited QSC ("QAFAC"), a joint venture owned 50% by IQ, engaged in the production of methanol and methyl-tertiary-butyl-ether ("MTBE").

The operations of the subsidiary and joint ventures remain independently managed by their respective management teams.

For more information about the earnings announcement, email iq@qp.com.qa or visit www.iq.com.qa

DISCLAIMER

The companies in which Industries Qatar Q.P.S.C. directly and indirectly owns investments are separate entities. In this press release, "IQ" and "the Group" are sometimes used for convenience in reference to Industries Qatar Q.P.S.C.

This presentation may contain forward-looking statements concerning the financial condition, results of operations and businesses of Industries Qatar Q.P.S.C. All statements other than statements of historical fact are deemed to be forward-looking statements, being statements of future expectations that are based on current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, operations and business performance or events impacting the group to differ materially from those expressed or as may be inferred from these statements.

There are a number of factors that could affect the realization of these forward-looking statements such as: (a) price fluctuations in crude oil and natural gas, (b) changes in demand or market conditions for the group's products, (c) loss of market share and industry competition, (d) environmental risks and natural disasters, (e) changes in legislative, fiscal and regulatory conditions, (f) changes in economic and financial market conditions and (g) political risks. As such, results could differ substantially from those stated, or as may be inferred from the forward-looking statements contained herein. All forward-looking statements contained in this report are made as of the date of this document.

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GENERAL NOTES

Industries Qatar's accounting year follows the calendar year. No adjustment has been made for leap years. Values expressed in US $'s have been translated at the rate of US $1 = QR 3.64.

Amounts relating to income statement, including revenue, net profits, production, sales volumes, have been computed and reported for the purpose of this press release on proportionate basis, based on the share of ownership of IQ in its respective joint ventures. Specifically, Petrochemical segment's revenue is computed by taking the Group share of revenue in Qapco and Qafac. Qapco's revenue is computed by taking the share of revenue in its joint ventures namely Qatofin, QVC and QPPC. This revenue may differ from the revenues reported in the consolidated financial statements.

DEFINITIONS

Adjusted Free Cash Flow: Cash Flow From Operations - Total CAPEX - Dividends • **CAGR:** 5-Year Compound Annual Growth Rate • **Cash Realization Ratio:** Cash Flow From Operations / Net Profit x 100 • **Debt to Equity:** (Current Debt + Long-Term Debt) / Equity x 100 • **Dividend Yield:** Total Cash Dividend / Closing Market Capitalization x 100 • **DRI:** Direct Reduced Iron • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortization calculated as (Net Profit + Interest Expense + Depreciation + Amortization) • **EPS:** Earnings per Share (Net Profit / Number of Ordinary Shares outstanding at the year-end) • **Free Cash Flow:** Cash Flow From Operations - Total CAPEX • **HBI:** Hot Briquetted Iron • **LDPE:** Low Density Poly Ethylene • **LLDPE:** Linear Low Density Poly Ethylene • **mmBTU:** Million British Thermal Units • **MT PA:** Metric Tons Per Annum • **MTBE:** Methyl Tertiary Butyl Ether • **Payout Ratio:** Total Cash Dividend / Net Profit x 100 • **P/E:** Price to Earnings (Closing market capitalization / Net Profit) • **Utilization:** Production Volume / Rated Capacity x 100