Industries Qatar posts solid half-year results for 2018 with net profit of QR 2.5 billion

Results significantly up on last year ■ improved performance driven by strong prices and volumes ■ Facilities operated within historical range

- EPS of QR 4.15.
- Results significantly up on last year by ~56%.
- Liquidity position remains robust with total cash across the group of QR 10.2 billion and total debt of only QR 0.2 billion.
- Muntajat assumes responsibility to market, sell and distribute the group's steel products as of 1 May 2018.
- Rating agency Moody's Investors Service (Moody's) affirms its A1 rating for Industries Qatar and changes the outlook to stable from negative.

DOHA, QATAR – 08/08/2018: Industries Qatar ("IQ" or "the group"; QE: IQCD), one of the region's industrial giants with interests in the production of a wide range of petrochemical, fertilizer and steel products, has announced its financial results for the half-year ended 30 June 2018 with net profit of QR 2.5 billion and earnings per share of QR 4.15. This compares with net profit of QR 1.6 billion and earnings per share of QR 2.66 for the corresponding period of 2017. The results are also well ahead of the group budget expectations for 2018.

Overview

Financial and operational performance of the group for the period ended 30 June 2018 was very impressive, as the group recorded net profit of QR 2.5 billion. The performance during Q2, 2018 was also quite commendable with net profit of QR 1.2 billion. Improved product prices, stable sales volumes, efficiently managed operating assets base and continued focus on cost improvements were the driving forces behind this impressive performance.

The group's sales volumes have moderately improved on last year, despite a number of planned and unplanned shutdowns in some facilities. Polyethylene sales improved through higher production, as the segment was on an extended unplanned shutdown during the first half (specifically during Q1, 2017) of 2017. Recovery in the global demand has aided the group's fertilizer segment, while the sales of steel products have improved due to the change of geographical mix.

Product prices across most segments have moderately increased versus the same period of 2017. Polyethylene prices have started to stabilize, while fuel additive prices have improved notably compared to last year. The stability of crude oil prices has supported both polyethylene and fuel additive prices to remain strong throughout the year. Fertilizer prices have shown a modest rise driven by tightening of supplies, and a general recovery in demand. Steel prices remain strong as prices in the current year have steadily risen. Increase in raw materials costs, resurgence of demand in some geographies were the key factors those contributed to the increase in the steel prices.

The group's financial position remains solid as cash across the group stands at QR 10.2 billion after paying 2017's dividend of QR 3.0 billion, and periodic debt payments amounting to QR 0.3 billion. Total debt across the group now stands at QR 0.2 billion, down from QR 0.5 billion as at 31 December 2017.

Financial Performance

Revenue

Revenue reported under IFRS 11 for the period ended 30 June 2018 was QR 3.0 billion, up significantly by ~50% on last year. A combination of moderate improvement in sales volumes and selling prices has contributed for this significant revenue growth.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 8.1 billion, a significant increase of 24% over 2017.

This increase was due to the combined effect of improved prices and volumes versus the previous year.

Net Profit

Net Profit for the period ended 30 June 2018 was QR 2.5 billion, a significant increase of QR 0.9 billion, or ~56%, on the prior year. Improved prices and sales volumes versus the last year together with improved performance of the joint ventures were the driving forces behind the increased earnings for the first half of 2018.

Other Matters

Migration of steel marketing, sales and distribution to Muntajat

Qatar Chemical and Petrochemical Marketing and Distribution Company, Q.J.S.C (trading as “Muntajat”) assumed responsibility to market, sell and distribute the group’s steel products with effect from 1 May 2018. With this agreement, Muntajat assumes the sole responsibility of marketing the group’s entire sales volumes. The group expect to benefit significantly from this arrangement via realizing greater synergies, cost improvements and access to a wider geographical network.

Credit rating update

Rating agency Moody’s Investors Service (Moody’s) has affirmed its A1 rating for Industries Qatar and changed the outlook to stable from negative.

###

For more information about this press release, email iq@qp.com.qa or visit www.iq.com.qa

DISCLAIMER

The companies in which Industries Qatar QSC 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 QSC.

This report contains forward-looking statements concerning the financial condition, results of operations and businesses of Industries Qatar QSC. 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 realisation 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.

Industries Qatar QSC, its Directors, officers, advisors, contractors and agents shall not be liable in any way for any costs, losses or other detrimental effects resulting or arising from the use of or reliance by any party on any forward-looking statement and / or other material contained herein. Industries Qatar QSC, its subsidiary, joint ventures and associated companies are further in no way obliged to update or publish revisions to any forward-looking statement or any other material contained herein which may or may not be known to have changed or to be inaccurate as a result of new information, future events or any reason whatsoever. Industries Qatar QSC does not guarantee the accuracy of the historical statements contained herein.

GENERAL NOTES

Industries Qatar’s accounting year follows the calendar year. No adjustment has been made for leap years. Where applicable, all values refer to Industries Qatar’s share. Values expressed in QR billions and percentages have been rounded to 1 decimal point. All other values have been rounded to the nearest whole number. Values expressed in US $’s have been translated at the rate of US $1 = QR3.64.

DEFINITIONS

Adjusted Free Cash Flow: Cash Flow From Operations - Total CAPEX - Dividends • **CAGR:** 5-Year Compound Annual Growth Rate • **Cash Realisation 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 Capitalisation x 100 • **DRI:** Direct Reduced Iron • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortisation calculated as (Net Profit + Interest Expense + Depreciation + Amortisation) • **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 capitalisation / Net Profit) • **Utilization:** Production Volume / Rated Capacity x 100

ABOUT IQ

Industries Qatar QSC 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 QSC (“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 Fertilizer 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.

CONTACT DETAILS:

Name	Mr. Saad Sherida Al-Kaabi
Title	Chairman and Managing Director
Company	Industries Qatar Q.P.S.C.
Telephone Number	(974) 4013-2080
Fax Number	(974) 4013-9750