



# Notice to Shareholders of Industries Qatar (Q.P.S.C.)

We are pleased to invite you to attend the Company's Ordinary General Assembly meeting to be held on Sunday, March 1st, 2020 at 3:30 pm in Al Rayan Ballroom, Sheraton Hotel - Doha. In the case a quorum is not met, a second meeting will be held on Wednesday, March 4th, 2020 at 3:30 pm in the same location.

## Agenda of the Ordinary General Assembly Meeting

1. Listen to the Chairman's message for the financial year ended December 31, 2019.
2. Listen and approve the Board of Directors' Report on Industries Qatar's (IQ) operations and financial performance for the financial year ended December 31, 2019, and the plans of the Company.
3. Listen and approve the Auditors' Report on IQ's consolidated financial statements for the financial year ended December 31, 2019.
4. Discuss and approve IQ's consolidated financial statements for the financial year ended December 31, 2019.
5. Present and approve 2019 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend payment of QR 0.40 per share, representing 40% of the nominal share value.
7. Absolve the Board of Directors from responsibility for the financial year ended December 31, 2019 and approve their remuneration.
8. Appoint an external auditor for the financial year ending December 31, 2020 and approve their fees.

Eng. Saad Sherida Al Kaabi  
Chairman and Managing Director

## Notes

1. Please bring your Identity Card and NIN number issued by the Qatar Stock Exchange to the venue of the General Assembly meeting for registration, which will commence at 2:30 pm.
2. If you are not able to attend personally, you may wish to authorize another IQ shareholder to attend and vote on your behalf in the General Assembly meeting. You can do this by using a proxy form, which you can download from the Company's website: [www.iq.com.qa](http://www.iq.com.qa).
3. Once completed and signed, the proxy form must be delivered to Industries Qatar no less than 48 hours prior to the commencement of the General Assembly meeting.
4. No proxy may be appointed to act if, in consequence of such appointment, the proxy shall represent more than (5) percent of the Company's share capital when the shares of the person appointing the proxy are aggregated with the shares of the person appointed to act as proxy.
5. A shareholder may act as proxy for one or more shareholders according to the Company's Articles of Association.
6. Shareholders are advised that this Notice to Shareholders constitutes good and valid notice, with no need for distribution by normal post, under the Company's Articles of Association as approved by amendment under Extraordinary General Assembly Resolution of 19 April, 2009.

## IQ Board of Directors' Report (2019)

The Board of Directors is pleased to present its annual review of the financial and operational performance of Industries Qatar, an industrial giant in the region with interests in the production of a wide range of petrochemical, fertilizer and steel products.

### IQ Overview

IQ's ownership structure includes the largest shareholder, Qatar Petroleum, which holds a 51% stake. The General Retirement and Social Insurance Authority of Qatar (GRSIA) is the second-largest shareholder in the Company, which currently holds 21%. IQ is credit rated A+ by Standard & Poor's (S&P) and A1 by Moody's, with a stable outlook.

IQ is the second-largest company on the Qatar Exchange, with a market capitalization of QR 62.2 billion as of financial year-end 2019. The Group is a key contributor to Qatar's presence and weighting in global emerging markets indices, such as FTSE and MSCI.

### Our Strategy

The Group's base-case business strategy has been marked by its focus on market development and driving productivity and efficiency gains through a series of highly effective cost-optimization programs. We also selectively engage from time to time in capital projects that we believe will increase our competitive position and improve shareholder value.

### The Macroeconomic Backdrop

Global economies continued to suffer amid political uncertainty and trade conflicts throughout 2019. Resulting geopolitical and trade tensions weighed on GDP growth and limited demand for our product portfolio across the board. Excess production capacity in several of our markets, especially in the US and China, led to a decline in commodity prices and negatively affected the relationship between supply and demand for petrochemicals, fertilizers and steel products.

### Outlook

We made solid progress in 2019 to reduce controllable unit cost across the Group by 10% over five years' time, which is one of our core strategic objectives. Going forward, we are confident that the Group will remain on track to meet this ambitious goal through rigorous cost management resulting from ongoing and new optimization and improvement programs. This will boost our competitiveness and generate the financial resources to invest in our people, processes and technologies to unlock the Group's full potential to become a more lean organization.

As we expect the Group to maintain a strict cost-cutting posture, we are also committed to retaining the Group's position within the first quartile of industrial efficiency across all facilities. This will require a continued effort to enhance operational excellence and meet the highest HSE standards.

Reducing costs while optimizing operations will enhance shareholder value and boost our resilience to respond effectively to the cyclical nature of our markets.

### Health, Safety and Environment (HSE)

We continued to focus on the health and safety of workers in 2019, ensuring that process safety remained a core value. Together, we achieved an impressive series of HSE milestones, demonstrating our commitment to ensuring that all workplaces are safe. Those milestones included increasing the level of HSE awareness, introducing new process safety programs and implementing safer work systems, which were recognized with several prestigious industry awards.

The Group's strategy is focused on enhancing the level of existing HSE standards, while working as an organization to become an HSE role model for the region that adheres to global standards in the pursuit of operational excellence.

### Driving cost efficiencies and output optimization

The Group places a great emphasis on the need for efficiency and cost competitiveness to maintain its position as a leading, low-cost, efficient operator. In 2019, many of our companies reduced their controllable operating costs and maintained their excellent cost positioning in line with defined targets.

In terms of output optimization, IQ's main focus in 2019 was to ensure optimal production levels without compromising quality and safety standards. In this regard, the Group was able to successfully deliver on its budgeted capacities at facilities

producing urea, ammonia, methanol, MTBE and steel.

From time to time, there were planned and unplanned maintenance shutdowns at several of our facilities. Each of these maintenance shutdowns were in line with our Group's commitment to HSE, plant life, quality assurance and reliability standards, which ultimately contributes to improving Group's operational efficiency.

### Competitive Advantages

The Group's competitive advantages include an assured supply of feedstock; newer, more efficient, well-maintained and strategically located production facilities; a dedicated marketing entity; strategic alliances and partnerships with world-renowned companies; and – perhaps most importantly – highly qualified and talented people, led by an experienced senior management team that has transformed IQ into a regional leader.

These competitive advantages have been pivotal in enabling the Group to continuously improve its production facilities, product ranges, cost positioning, access to markets, operating asset base and cash position.

### Selling and marketing activities

Muntajat is a global leader in the marketing and distribution of chemicals, fertilizers and steel products. IQ's partnership with Muntajat has acted as a catalyst, enhancing the Group's access to markets worldwide and partially offsetting macroeconomic headwinds.

We take pride in considering ourselves to be a truly global business player, with Asia remaining the Group's largest market in 2019, supported by our substantial presences in North America and on the Indian sub-continent.

### Financial Results

IQ's business performance in 2019 was marked by the challenging macroeconomic environment, with net profit of QR 2.6 billion, falling by 49% as compared to the last year, and earnings per share of QR 0.43. Our financial performance was impacted largely by external factors including the slowdown in global economies, volatility in global commodity prices and trade conflicts.

These factors directly affected commodity prices, which at the Group level, declined by 14% during 2019 in comparison with last year, and contributed a decrease of QR 2.0 billion in the Group's earnings for the year ended 31 December 2019.

Sales volumes at the Group level declined by 2% compared with last year, contributing to a decrease of QR 641 million in Group earnings. Our sales volumes were also affected by macroeconomic factors which led to supply-demand imbalances, and a decline in production. For the full year, production levels were marginally down on 2018, by 1%, which was mainly attributed to planned and unplanned shutdowns.

### Petrochemical segment

The overall profitability of the Petrochemicals segment has remained under pressure, with a decline in net profit of 47% compared with 2018. This was mainly due to softening demand for petrochemical products in key markets, combined with declining prices.

Blended product prices in the Petrochemicals segment declined by 15%, coupled with a decline in sales volumes of 12% due to imbalances in the supply and demand curves. This caused an overall decline in revenues of 25% within the segment.

Production volumes also fell by 10% compared with the previous year, with utilization ratio stood at 93.1%, as a result of shutdowns that were critical to maintaining HSE standards.

### Fertilizers segment

The net profit of the Fertilizers segment declined 37% compared with the financial year ended 2018, largely as a result of a decline in revenues.

The decline in revenue of 9% was mainly attributed to the decline in selling prices, which fell by 9% as compared to the last year. Sales volumes remained stable with minimal increase of 0.5% as compared to 2018. Also, the production levels remained stable as compared to the last year with marginal a growth of 2%, keeping utilization

levels at 97.2%.

### Steel segment

During 2019, the overall performance of the Steel segment was affected by softer domestic demand as the majority of large infrastructure projects neared or reached completion. Demand for steel in international markets has remained subdued due to increased competition from even lower-cost producers from emerging markets that compete on a low-cost matrix compared to the high-quality and price matrix that the Group adopts.

Aggressive competition on the international front, coupled with weaker local demand, has adversely affected net profits, with a decline of 95% compared with last year.

Selling prices declined by 12% and with a marginal increase of 1% in sales volumes, affected the overall revenues of the segment, which declined by 12%. The decline in profitability was partially offset by a recovery in the share of income from associates during the year.

Production levels remained slightly low, as compared to the last year and reported a decline of 1%, with utilization ratio remained robust at 106.3%

### Financial Position

Despite operating in challenging markets, IQ continued to amass significant levels of liquidity, mainly derived from the receipt of dividends from Group companies. Our balance sheet remained healthy, with robust liquidity registered at year-end and no debt on the Group's balance sheet, which included QR 10.7 billion in cash and bank balances. Our total assets and total equity reached QR 35.9 billion and QR 34.3 billion, respectively, as of 31 December 2019.

The Group's financial and liquidity position is a testimony to its efficient cash generation capabilities, which safeguard the Group against unanticipated maintenance shutdowns and provide the resources to drive shareholder value through future expansion.

Currently, the liquidity profile of the Group is mostly comprised of short- to medium-term placements with a portfolio of A-rated banks within Qatar, which yielded an annualized return of 3.76% per annum for the financial year 2019. These funds have been placed in various maturity profiles from call deposits to one-year tenor fixed deposits, in line with the Group's liquidity and working capital management strategy and future CAPEX and OPEX plans. Going forward, the Group will continue to maintain an efficient and effective financial position and liquidity profile, to provide confidence and sustainability in turbulent times.

### CAPEX Updates

Capital expenditure was limited primarily to facility maintenance, amounting to QR 0.8 billion. According to the latest approved business plan through 2024, the Group's total planned CAPEX amounted to ~ QR 4.6 billion.

IQ is evaluating a wide spectrum of potential CAPEX opportunities associated with capacity expansions and reliability, efficiency and HSE improvements. The Group believes such investments are essential to maintaining its competitive position and adding shareholder value.

### Proposed Dividend Distribution

The Board of Directors proposes a total annual dividend distribution for the year ended December 31, 2019 amounting to QR 2.4 billion, equivalent to a payout of QR 0.40 per share, representing a payout ratio of 94%.

### Conclusion

The Board of Directors expresses its gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, the Amir of the State of Qatar, for his wise guidance and strategic vision. Our gratitude is also extended to H.E. Mr. Saad Sherida Al-Kaabi, Minister of State for Energy Affairs, Chairman of the Board of Directors and Managing Director, for his vision and leadership, and to senior management team of the Group companies for their hard work, commitment and dedication. We would also like to thank our esteemed shareholders for the great trust you place in us.

## CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

To the Shareholders of  
Industries Qatar Q.P.S.C.  
Doha  
Qatar

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Industries Qatar Q.P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to Note 4 of the consolidated financial statements, which describes that the Group has not applied the provisions of Article 4(11) of Law 24 of 2018 and Article 2(12) of the executive regulations accompanying the Tax Law on the basis of an agreement that is under signature with the appropriate authorities exempting the Group including its components from the relevant taxes in regard to these Articles. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

FOR MORE INFORMATION PLEASE VISIT [WWW.IQ.COM.QA](http://WWW.IQ.COM.QA) OR EMAIL US AT: [IQ@QP.COM.QA](mailto:IQ@QP.COM.QA)









