صناعات قطر
Industries Qatar

# Press Release

## For the quarter ended 30 September, 2016

# IQ DECLARES SOLID NET PROFIT OF QR 2.7 BILLION

Strong financial and operating performance in a highly competitive market • efficiently managed assets and operating reliability maintained • financial position continued to remain solid • performance well ahead of group's budget expectations • group continued to benefit from the on-going optimization programs • current year performance primarily impacted by weaker product prices

- **Improved operating performance on last year with stable production, utilisation and sales volumes**
- **Solid financial position maintained with total assets of QR 39.4 billion including cash of QR 10.6 billion and debt of only QR 3.2 billion**
- **Year-to-date net profit of QR 2.7 billion, down by ~29% on last year driven by weaker product prices**
- **Operational KPI's remained firm with utilisation of 104%**
- **Operating costs continue to improve following the ongoing cost and operational optimization programs**
- **Price deflation affected the group's results by ~QR 1.5 billion driven mainly by weaker fertiliser prices**

**DOHA, QATAR -** 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, fertiliser and steel products, announced its financial results for the period ended 30 September, 2016 with net profit of QR 2.7 billion.

The reported results can be considered highly competitive as the group operated in a highly challenging macro-economic and competitive market environment. All segments of the group operated under uncertain market conditions that have been prevailing for at least the last twelve to eighteen months, where the group's operations were hampered by a number of variables including volatility in the prices and excess supply of end products in the key markets. Product prices in all segments continued to remain weak – most notably, the prices of fertilisers and fuel additives where fertiliser prices have recorded significant reduction. Nevertheless, the group was able to witness laudable financial and operating results with stable production and sales volumes together with improved operating costs thereby significantly exceeding the group's budget expectations.

Prices of polyethylene products have remained stable after recovering substantially from their lowest level in early 2016. The demand for the petrochemical products appears to be promising with renewed interest shown in some key markets together with the tightening of supply due to delays in launching new capacities. Together with improved market dynamics and higher polyethylene production, the group was able to increase its sales volumes compared to the last year. The polyethylene production improved moderately on the previous year as some of the key polyethylene facilities were on maintenance during the last year. On the other hand, fuel additive prices and sales volumes were down on last year.

Fertiliser prices on the other hand continued to remain weak due to a combination of factors including current and expected level of elevated supplies, weaker demand, and currency depreciation in some fertiliser exporting countries. Nevertheless, fertiliser sales volumes were marginally upon last year in line with the flat year-on-year production.

Prices in the steel segment were also slightly down on 2015 due to muted demand in the major regional markets following the decision to reduce capital expenditure, together with availability of low priced steel from non-GCC producers, most specifically China and Turkey. Prices during the current year, however continued to remain stable with minimal quarterly movements. Sales volumes were also down on last year in line with the lower demand and the absence of sales of certain intermediate products in the current year. The impact of reduced sales volumes and prices were more than offset by the improved operating costs.

The group's financial position continued to remain solid with the group holding cash[1] in excess of QR 10.6 billion. The group's total debt amounts to QR 3.2 billion, down QR 0.6 billion versus 31 December 2015.

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[1] Cash refers to cash, bank balance and deposits held across the group companies

## Financial Performance

### Revenue

Revenue reported under IFRS 11 for the period ended September 30, 2016 was QR 3.4 billion, a decrease of 16 %, over the same period of 2015. This year-on-year decrease was driven by a marginal decrease in the prices of the group's steel products together with lower sales volumes on account of lower demand and the absence of the sales of certain intermediate steel products in the current year.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 10.2 billion, a decrease of 17%, versus the same period of 2015. This year-on-year variance was primarily due to a general decrease in the product prices across all segments, most notably in the prices of fertilisers and fuel additives.

### Net Profit

Net profit for the period under review was QR 2.7 billion (earnings per share of QR 4.5) down ~ 29% against the same period of 2015 (2015 EPS of QR 6.3). This year-on-year decrease in net profit was driven entirely by the lower revenues due to a notable price deflation across all operating segments most notably in the fertiliser segment. The reduction in revenues was somewhat offset by the operating costs improvements due to the benefits gained on account of ongoing cost optimisation initiatives.

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*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 presentation 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.

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## 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) • **Utilisation:** 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 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.

## CONTACT DETAILS:


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