Industries Qatar announces net profit of QR 2.6 billion for the year ended 31 December 2019
Board of Directors recommends cash dividend of QR 0.40 per share

- IQ continues to demonstrate a robust financial position with cash and bank balances across the Group at QR 12.4 billion
- Group debt-free at year-end 2019 as all outstanding debts settled
- Group operating facilities maintain efficiency and the Group's average reliability factor reached 96% amid a focus on preventive maintenance
- Earnings per share (EPS) of QR 0.43 for the financial year 2019
- Cash dividend of QR 0.40 per share is recommended, equating to a payout of 94% of 2019 earnings

Doha, Qatar; February 10, 2020: Industries Qatar (“IQ” or “the Group”; QE Ticker: IQCD), one of the region’s industrial giants with holdings in petrochemical, fertilizer and steel producers, today reported a net profit of QR 2.6 billion for 2019.

Business performance and outlook
IQ’s business performance in 2019 reflected the challenging macroeconomic environment that prevailed in 2019, which was marked by weaker global demand, lower global GDP growth, trade conflicts and overcapacities. This led to increased pressure on the prices of our product portfolio in various markets, which negatively affected the financial performance. The Group responded to these external pressures by leveraging its competitive advantages such as long-term access to feedstock and a relatively low-cost operating infrastructure. In addition, the Group’s partnership with Muntajat, a leader in marketing and distributing chemicals, fertilizers and steel products aided to maintain the sales volume at 9.5 million MT per annum, down by 2%, compared to last year, and improved IQ’s access to global markets.

A relentless focus on HSE improvements continued to benefit the Group, with Qatar Steel (QS) and Qatar Fuel Additives Company (QAFAC) receiving prestigious industry awards for the quality of their HSE programs. QAFAC also completed the largest maintenance turnaround in its history - on time, within budget and without any lost-time incidents.

Commenting on the financial and operational performance for 2019, H.E. Mr. Saad Sherida Al-Kaabi, Chairman of the Board of Directors and Managing Director, said:

“Despite a difficult business climate, our operations were resilient and responded effectively to regional and global market challenges. Efficient, reliable production was maintained without

IQ Financial Results – for year ended 31 December 2019
sacrificing on our strict health, safety and environmental (HSE) standards. Cost containment progressed, while we put emphasis on the quality of our supply chains and marketing activities. Operational excellence, cost efficiencies and a relentless focus on HSE will be key going forward towards maintaining a lean organization that continues to preserve shareholder value.”

Financial performance and financial position

For the year ended 31 December 2019, the Group recorded a net profit of QR 2.6 billion as compared to QR 5.0 billion, down 49%, while total revenues declined by 16% to reach QR 13.7 billion (assuming proportionate consolidation) as compared QR 16.3 billion for 2018. The Group recorded earnings per share (EPS) of QR 0.43 for the financial year 2019, as compared to QR 0.83 for last year.

Financial performance in 2019 was largely impacted by external macroeconomic factors that were not within the Group’s control. These adverse conditions directly translated into declining commodity prices and caused product prices to fall across the Group. Average selling prices declined by 14% year-on-year, which contributed to a decrease of QR 2.0 billion in the Group’s net profits for the financial year 2019 as compared to last year.

Group sales volumes were also affected by macro imbalances in supply and demand, which were also influenced by lower production due to planned and unplanned maintenance shutdowns. Sales volumes for the Group declined by 2% year-on-year, which contributed to a decline of QR 641 million in the Group’s net profit for the year. The Group’s production volumes as well fell by 1% as compared to last year, amid the shutdowns. These preventive maintenance programs ensure HSE standards, plant life, quality assurance and reliability to maintain long-term operational efficiency targets.

In the fourth quarter, total Group revenue declined by 2% to reach QR 3.5 billion compared to the third quarter of 2019, while net profit declined by 7% compared to the third quarter to reach QR 539 million, owing to the deteriorating macro-economic conditions which led to a decline of 11% in Group’s average selling prices. The decline in profitability was slightly offset by impairment reversals from an investment in an associated company. The sales volumes remained resilient in the fourth quarter as compared to the third quarter, with an increase of 10%. The production levels declined by 3%, due to maintenance shutdowns.

The Group’s financial position remained robust, with the liquidity position at the end of the year reaching QR 10.7 billion in cash and bank balances, after accounting for a QR 3.6 billion dividend paid for 2018 during the year. IQ Group’s net cash and bank balance including proportionate share of joint ventures reached QR 12.4 billion as at 31 December 2019. This is a testament to the Group’s efficient and effective cash-flow generation capabilities, which provide confidence and sustainability in turbulent times.

At the end of 2019, the Group was able to settle its entire debt obligation, making the Group debt-free. Group’s total assets and total equity reached QR 35.9 billion and QR 34.2 billion, respectively, as of 31 December 2019.
Proposed Dividend Distribution
After reviewing the year’s financial performance in light of macroeconomic conditions, the Group’s liquidity position, and taking into account future investing and financing needs, the Board of Directors proposed a total annual dividend distribution for the year ended 31 December 2019 of QR 2.4 billion, equivalent to a payout of QR 0.40 per share and representing a payout ratio of 94%.

Operational highlights by segment

Petrochemicals:
Profits in the Petrochemicals segment remained under pressure, with net profit declining by 47% in 2019 compared to year 2018, to reach QR 1.3 billion. This was mainly due to softening demand for petrochemical products in key markets, excess capacities, new environmental regulations in selected economies and declining prices.

Blended product prices in the Petrochemicals segment declined by 15%, and sales volumes fell by 12%, year on year, on the back of weaker demand and rising capacity, which led to a decline in revenue by 25% within the segment to reach QR 4.4 billion for the financial year 2019.

Production volumes dropped 10% from 2018 due to planned and unplanned maintenance shutdowns, which were critical to plant life, HSE standards and product reliability.

Fertilizers:
In the Fertilizers segment, net profit declined 37% from 2018 to reach QR 873 million, largely as the result of an overall decline in selling prices of 9%, amid supply-demand imbalances. This led to a decrease of 9% in the segment revenues compared to the last year.

In contrast, the Group maintained sales volumes at 2018 levels, despite pressure from both the demand and supply sides. Production remained stable, with an increase of 2% in overall volumes compared to the last year, and a new production record was reached for ammonia and near-record production levels were achieved for urea.

Steel:
The Steel segment reported revenue of QR 5.1 billion, a reduction of 12% from the previous year. This reduction was driven mainly by the effect of lower selling prices, which declined by 12%, which was slightly offset by a marginal increase in sales volumes of 1% compared to 2018.

Local demand for steel softened as many large infrastructure projects in Qatar neared or reached completion. Nevertheless, near- to medium-term prospects for the Steel segment remain encouraging. Internationally, however, demand for steel was limited amid increased competition from low quality, lower-cost emerging market producers.

Aggressive international competition and weaker local demand adversely affected financial performance within the Group’s steel business, which reported a net profit of QR 36 million, a decline of 95% compared to the previous year. On a positive note, the steel segment’s associate investments performed well versus the previous year.
Earnings Call
IQ will host an IR Earnings call for its full-year earnings with investors to discuss the results, business outlook and other matters on Thursday, 13 February 2020 at 2:00 p.m. Doha Time. The IR presentation that accompany the conference call will be posted on the publications page of the IQ website.

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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 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 = 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