



صناعات قطر
Industries Qatar

Press Release

For the period ended 31 December, 2017

IQ delivers strong operational and financial performance for 2017 • Dividend of QR 5 per share recommended

- **Full year net profit of QR 3.3 billion, up ~ 12% on last year;**
- **Solid financial position with total cash of QR 10.3 billion, and minimal debt of QR 0.5 billion across the group;**
- **Efficiently managed operating assets leading to consistent operational performance, with production broadly within historical range;**
- **Sales volumes remained stable amidst the blockade and unplanned outages;**
- **Operating costs stabilized with improvement noted in controllable operating expenditure.**

DOHA, QATAR- 12/02/2018: 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, announced its full year financial results for 2017 with net profit of QR 3.3 billion and earnings per share of QR 5.48. This compares with net profit of QR 3.0 billion and earnings per share of QR 4.88 for the corresponding period of 2016. The group was also able to exceed the budget expectations for 2017.

Overview

The group’s financial and operational performance for the year is considered credible amidst several challenges including the effect of the blockade, unplanned shutdowns in some of the facilities, a general increase in raw material costs (most specifically the cost of raw materials of steel), higher utility prices and muted demand in some geographies. Despite of all these challenges, the group was able to maintain its production levels, and sales volumes, reduce the controllable operating expenditure, and marginally improve its selling prices. As a result, the group was able to outperform last year’s performance by ~12%.

The group’s sales volumes have remained unchanged on last year amidst a number of unplanned shutdowns in some facilities, and muted demand in some markets. The stable sales volumes despite the challenges affirms the group’s operations were robust and its ability to operate under tough trading conditions. The group’s robust business continuity programs, and the timely support of our marketing partner, “Muntajat”, were important factors that supported the group in maintaining its sales volumes.

Product prices have improved slightly on last year with all segments reporting improvement in prices. The petrochemical segment has shown marked recovery while the fertilizer and steel segments have shown slight improvements over the last year. Recovery and stability of the crude oil prices together with reduced supplies, most notably due to unplanned outages in some large facilities in some large economies during the second half of 2017, have contributed to the improvement in the petrochemical prices. Fertilizer prices too have shown modest upward momentum, most specifically in the fourth quarter of 2017 due to increased demand in some of the large agricultural economies. Steel prices have moved within a narrow range during the year with prices showing positive momentum in the later part of the year. Increase in raw materials costs, short supply of some consumables together with higher demand in some destinations were the key factors in stabilizing the prices in the tail end of 2017.

The group’s financial position remains solid as cash across the group stands at QR 10.3 billion after paying 2016’s dividend of QR 2.4 billion, and periodic debt payments amounting to QR 2.4 billion across the group. Total debt across the group stood at QR 0.5 billion, down from QR 2.9 billion on 31 December 2016.

Financial Performance

Revenue

Revenue reported under IFRS 11 for the period ended December 31, 2017 was QR 4.6 billion, remained almost flat over the same period of 2016. The slight increase in the prices almost offset a marginal decrease in the sales volumes.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 14.3 billion, improved slightly over 2016. A slight increase in the price across all segments was the primary reason for the revenue improvement.

Net Profit

Net profit reported for the year ended December 31, 2017 was QR 3.3 billion, an increase of QR 0.3 billion, or ~12%, on the prior year. This favorable variance was driven by stronger financial performance across the group due to improved revenues, reduced controllable operating expenditure, and the significantly reduced major one-off items in the current year, as the group recognized a large one-off expense primarily related the impairment of ~QR 0.4 billion at the fertilizer joint venture in 2016. Operational and financial performance is to stabilize further with the ongoing cost and operation optimization efforts.

Proposed Dividend Distribution

The Board of Directors propose a total annual dividend distribution for the year ended December 31, 2017 of QR 3.0 billion, equivalent to a payout of QR 5 per share and representing a payout ratio of 91.2%.

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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 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 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.

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