



صناعات قطر
Industries Qatar

Press Release

For the year ended December 31, 2018

IQ posts robust net profit of QR 5.0 billion for the year ended December 31, 2018

- Sales volumes and cash across the group reached to a new record • Dividend of QR 6 per share proposed
- Net profit significantly up ~ by 52% on last year;
- Solid financial position with total cash of ~ QR 13.1 billion, a new record for the group;
- Highest sales volumes reported since inception;
- Efficiently managed operating assets led to consistent operational performance with production marginally up on last year;
- Operating costs stabilized with improvement noted in controllable operating expenditure.

Doha, Qatar - 11/02/2019: 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 2018 with a net profit of QR 5.0 billion and earnings per share of QR 8.31, compared to a net profit of QR 3.3 billion and earnings per share of QR 5.48 for the full year 2017. This represents a significant increase of ~52% on 2017. Cash and bank balances across the group reached to a new record of QR 13.1 billion.

Overview

The financial year 2018 was extremely successful with the group achieving a number of new records. Sales volumes have increased marginally on last year and reached a new record for the group. Production volumes remained stable despite some planned and unplanned maintenance within some of the facilities. Total cash and bank balances across the group has reached to QR 13.1 billion, a new record for the group, whilst total debt across the group now stands at ~QR 26 million, making the group almost a debt free entity. Net profit grew significantly by ~52 % over 2017 to reach QR 5.0 billion, a highly commendable financial and operational performance, albeit product prices came under pressure during the latter part of the year and some of the raw materials and energy costs have seen a significant increase.

The group’s sales volumes have marginally increased on last year by ~4% and reached their highest levels since the group’s inception amidst a number of unplanned shutdowns in some production facilities and muted demand in some markets. Sales volumes in the petrochemical segment improved on last year, as the petrochemical production facilities returned to normal levels following unplanned outages in some of the facilities in early 2017. Fertilizer sales volumes remained almost flat despite that the fertilizer trains underwent a few planned and unplanned outages. Sales volumes in the steel segment saw a significant growth on last year due to a change in the marketing and distribution strategy.

Product prices have improved modestly by ~12% over 2017. Recovery in the crude oil prices throughout most of 2018 has contributed for the slight improvement in the petrochemical prices. Fertilizer prices have improved notably most specifically during second half of 2018 due to increased demand from some of the large agricultural economies, increased raw material costs, and regulatory pressure on environmentally non-compliant producers. Steel prices have shown a notable increase over 2017 primarily due to increase in raw materials costs and short supply of some key production related consumables.

Financial Performance

Revenue

Revenue reported, under IFRS 11, for the financial year ended December 31, 2018 was QR 5.8 billion, an increase of ~25 %, versus 2017. This significant year-on-year increase was primarily due to a combined effect of improved sales volumes and product prices in the group’s steel segment.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 16.3 billion, increased moderately by ~16% on last year. This increase was due to a combined effect of increased sales volume and product prices.

Net Profit

Net profit reported for the year ended December 31, 2018 was QR 5.0 billion (earnings per share of QR 8.31), a significant increase of ~QR 1.7 billion, or ~52 % on the prior year. This favorable variance was driven by a combined effect of increased product prices and sales volumes, but partially offset by escalation of raw material costs.

Financial Position and Cash Flows

The group's financial position remains solid as total cash and bank balances across the group¹ reached QR 13.1 billion, a new record for the group. Total debt across the group stood at only ~QR 26 million as at December 31, 2018.

Net cash flow across the group for the year ended December 31, 2018 was approximately QR 2.8 billion. The group's operating cash flows were adequate enough to meet capital expenditure requirements, make debt repayment and pay 2017 dividends.

Proposed Dividend Distribution

The Board of Directors proposes a total annual dividend distribution for the year ended December 31, 2018 of QR 3.6 billion, equivalent to a payout of QR 6 per share and representing a payout ratio of 72.2%.

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

¹ Cash and bank balances across the group = cash held at parent plus subsidiary plus joint ventures.

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 report contains 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 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 Q.P.S.C., 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 Q.P.S.C., 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 Q.P.S.C. 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 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 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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