IQ posts net profit of QR 1.5 billion for the first half of 2019

- Second quarter profit moderately up on Q1, 2019
- Prices in some segments have shown signs of improvement in Q2, 2019
- Most facilities returned to normal operations following the planned maintenance in Q1, 2019

- Liquidity position remains strong as total cash across the group stands in excess of QR 10.7 billion after paying 2018 dividends of QR 3.6 billion.
- EPS of QR 0.24 compared to year-on-year EPS of QR 0.41.
- Sales volumes down on last year on account of planned periodic maintenance and unplanned outages.
- Price deflation affected the group’s financial performance by ~QR 0.6 billion.
- Market capitalization of ~QR 69.6 billion as at 30 June 2019 with a market-to-book ratio of ~2.1x.
Doha, Qatar • 1 August 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 financial results for the period ended 30 June 2019 with net profit of QR 1.5 billion and earnings per share of QR 0.24, compared to net profit of QR 2.5 billion and earnings per share of QR 0.41 for the same period of 2018. The earnings per share of the prior period has been reported taking into effect the stock split transaction mandated by Qatar Financial Markets Authority. Cash and bank balances across the group stand at QR 10.7 billion after paying 2018 dividends of QR 3.6 billion.

During the reporting period, the financial and operational performance of the group was materially affected due to several factors including tightening trading conditions and uncertain economic environment due to the drop in crude oil prices at the end of 2018. Consequently, demand for many of the group’s products remained somewhat low and the product prices have softened owing to uncertainty surrounding the global economy. Product prices, on average, have declined by ~10% compared to last year, which has contributed to a ~QR 0.6 billion reduction in the group’s year-to-date net earnings. Year-to-date sales volumes, on the other hand, were also moderately down on the backdrop of lower production due to planned periodic maintenance, which had a notable effect on the group’s net profit.

However, the group was able to improve its performance during the second quarter compared to the first quarter of 2019. This improvement was primarily driven by a gradual recovery in product prices, most notably in the prices of polyethylene and steel products.

The cash position across the group remained strong with total cash across the group of QR 10.7 billion after paying the 2018 dividend of QR 3.6 billion, and total debt of only QR 10.9 million, affirming the group’s strong liquidity position.

Financial Results

Revenue

Reported revenue for the period ended 30 June 2019 was QR 2.3 billion, a moderate decrease of 24% over the same period of 2018. This year-on-year reduction was due to a combined effect of lower selling price and sales volumes. Sales volumes in the steel segment were moderately down due to weak demand in the domestic market and the increasing international competition. The fierce international competition has forced the prices to decline further compared to the previous year.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 6.7 billion, a decrease of QR 1.5 billion or 18%, versus the same period of 2018. This year-on-year reduction was also driven by the combined effect of lower selling prices and sales volumes across all segments. Product prices were down ~10% across the group’s product suite on the backdrop of lower crude oil prices, while sales volumes were also down by ~9% on account of weaker demand, periodic planned maintenance and unplanned outages.
Prices of petrochemical products were moderately down compared to the first half of 2018. A marginal reduction in crude oil prices, and muted demand in some major markets resulted in weaker petrochemical product prices. Petrochemicals sales volumes were also down on last year due to periodic planned shutdowns and unplanned outages.

Fertilizer prices, on the other hand, have improved very marginally compared to the same period of 2018. This marginal increase was driven by a combination of factors including improved demand from some of the large agricultural economies, increased raw material costs and regulatory pressure on non-environment compliant producers. Sales volumes, however were marginally down on last year on account of slightly lower production.

Prices in the steel segment were also moderately down year-on-year due to a number of reasons, including weak domestic demand and higher global competition. In the domestic market, the prices were affected by the relatively lower demand in the current period due to the market almost reaching its matured stage as the majority of the large infrastructure projects have been completed, while the regional demand was also affected by the availability of low price steel from non-GCC producers, especially Turkey. Prices in other markets, such as the Far East, were affected by the supply of low cost steel from countries like China. The fierce international competition together with muted local consumption of steel have affected the volumes sold during the current year, and the steel sales volumes were down moderately on last year.

**Net Profit**

Net profit reported for the six months ended 30 June 2019 was QR 1.5 billion (earnings per share of QR 0.24), a reduction of ~QR 1.1 billion, or ~42% on the same period of last year. This reduction was primarily driven by a combined effect of moderately lower prices, slightly decreased sales volumes, but partially offset by improved operating costs, and earnings from associates.

Net profit for the second quarter of 2019 was QR 0.8 billion, a commendable increase of 16% over the first quarter of 2019. This improvement was primarily driven by a gradual recovery in the product prices, most notably in the prices of polyethylene and steel products.

**Cash and Debt Position**

Cash across the group stands at QR 10.7 billion, after paying the 2018 dividends of QR 3.6 billion, and operating and capital expenditure. Total debt across the group is only QR 10.9 million. This debt is expected to be settled during the second half of 2019.

**Credit Opinion**

Moody's Investor Services (MIS) has updated its credit opinion on the group and maintained A1 rating with a Stable Outlook.

###

*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 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 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 = QR 3.64.

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 capitalization / 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 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.

CONTACT DETAILS:

Name His Excellency Mr. Saad Sherida Al-Kaabi
Title Chairman and Managing Director
Company Industries Qatar Q.P.S.C.
Telephone Number (974) 4013-2080
Fax Number (974) 4013-9750