

# Industries Qatar posts net profit of QR 1.3 billion for Q1 2018

**IQ continues to deliver strong operational and financial performance ■ Results up on last year and last quarter ■ Foreign ownership limit raised to 49% ■ Results aided by stable prices ■ Facilities operated within historical range**

- Net profit of QR 1.3 billion, corresponding to an EPS of QR 2.10;
- Results significantly up on last year by ~37%, and last quarter by ~32%
- Performance improvement attributed to resilient prices and improved sales volumes;
- Liquidity position remains robust with total cash across the group of QR 8.8 billion and total debt of only QR 0.4 billion;
- Offtake agreement signed between the group and Muntajat, to market, sell and distribute the group's steel products;
- Foreign ownership limit raised to 49% with effect from April 8, 2018.

**DOHA, QATAR - 26/04/2018:** 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 financial results for the quarter ended 31 March 2018 with a net profit of QR 1.3 billion and earnings per share of QR 2.10. This compares with net profit of QR 0.9 billion and earnings per share of QR 1.53 for the corresponding period of 2017. The results are also well ahead of the group budget expectations for 2018.

## **Overview**

The group reported impressive operational and financial performance with the group’s revenues and net profit improving over the last year, and last quarter. Higher product prices versus last year, stable sales volumes, and continued focus on cost management were the driving factors of this commendable performance.

The group’s sales volumes have moderately improved on last year amidst a number of planned and unplanned shutdowns in some facilities. Polyethylene sales improved through higher production, as the segment was on an extended unplanned shutdown during the first quarter of 2017. Recovery in the global demand has aided the group’s fertilizer segment, while the sales of steel products improved due to the change of geographical mix.

Product prices across most segments have moderately elevated on last year. Polyethylene prices have continued their recovery and have started to stabilize while fuel additive prices have improved notably on last year. The stability of crude oil prices has supported both polyethylene and fuel additive prices to remain strong. Fertilizer prices as well have shown a modest rise driven by tightening of supplies, and a general recovery in demand. Steel prices have soared compared to the previous year and previous quarter. Increase in raw materials costs and short supply of some consumables were the key factors that contributed to the increase in the steel prices.

The group’s financial position remains solid as cash across the group stands at QR 8.8 billion after paying 2017’s dividend of QR 3.0 billion, and periodic debt payments amounting to QR 0.1 billion. Total debt across the group now stands at QR 0.4 billion, down from QR 0.5 billion as at 31 December 2017.

## **Financial Performance**

### **Revenue**

Revenue reported under IFRS 11 for the period ended March 31, 2018 was QR 1.4 billion, up significantly on last year. A significant price uptick in the group’s steel products was the contributing reason for this notable increase in the revenue.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 4.0 billion, a moderate increase over 2017. Both prices and volumes were the driving factors contributing to this increase.

### **Net Profit**

Net Profit for the year ended March 31, 2018 was QR 1.3 billion, a significant increase of QR 0.3 billion, or ~37%, on the prior year. Improved prices and sales volumes versus the last year were the driving forces behind the increased earnings.

### **Other Matters**

#### **Migration of steel marketing, sales and distribution to Muntajat**

The group has signed an offtake agreement with Qatar Chemical and Petrochemical Marketing and Distribution Company, Q.J.S.C (trading as “Muntajat”) to market, sell and distribute the group’s steel products with effect from May 1, 2018. The group expect to benefit significantly from this arrangement via realizing greater synergies, cost improvements, and access to a wider geographical network. With this agreement, Muntajat assumes the sole responsibility of marketing the group’s entire sales volumes.

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## 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 Fertilizer 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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