FOR IMMEDIATE RELEASE

# Industries Qatar reports a net profit of QR 5.6 billion for the nine-month period ended 30 September 2021

- IQ sets another record with a quarterly net income of QR 2.1 billion since Q2-12, while benefitting from constructive macroeconomic drivers
- Earnings per share (EPS) stood at QR 0.93 for the nine-month period ended 30 September 2021, as compared to QR 0.20[1] for the same period last year
- Group's liquidity position continues to remain robust with total cash and bank balances exceeding QR 13 billion
- Prices across IQ's product range continued a positive trajectory during Q3-21 amid ongoing sequential recovery in demand coupled with supply constraints, except for softened prices for PE amid supply side recovery
- IQ continue to focus on ensuring safe, efficient, and reliable operations, with robust preventive maintenance programs which remained central to operations

**Doha, Qatar; 25 October 2021:** Industries Qatar ("IQ" or "the Group"; QE Ticker: IQCD), today reported a net profit of QR 5.6 billion for the nine-month period ended 30 September 2021, representing an increase of 360% compared to the same period last year.

**Updates on macroeconomic environment**

Successful rollout of vaccines and progression of societal reopening around the world allowed greater consumer confidence, with robust global demand for downstream products. On the other hand, supplies for key commodity products were interrupted due to recurring natural disasters, coupled with supply chain bottlenecks which remained evident throughout the year. These supply-demand imbalances have assisted commodity prices to remain strong throughout the year. Moreover, recent energy crisis in Europe and power rationing measures in China is also playing a part in soaring price trajectories for commodities. However, with supply side ease outs in polyethylene coupled with inventory built-up, global PE prices have softened to an extent during Q3-21, while year-on-year price trajectories remained positive.

[1] Net profit and earnings per share for 9M-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

**Operational performance updates**

| Key performance indicators | 9M-21 | 9M-20 | Variance (%) [9M-21 vs 9M-20] | Q3-21 | Q2-21 | Variance (%) [Q3-21 vs Q2-21] |
|---|---|---|---|---|---|---|
| Production (MT' million) | 11.7 | 12.0 | -3% | 3.9 | 4.0 | -3% |
| Plant utilization rates (%) | 98% | 93% | -- | 98% | 102% | -- |
| Average reliability factor (%) | 97% | 95% | -- | 96% | 98% | -- |

Group's operations continue to remain resilient with production volumes for the nine-month period ended 30 September 2021 reaching 11.7 million MTs, with a marginal decline of 3% versus same period of last year. This was primarily driven by Group's strategic decision to mothball part of its steel facilities since April'20, commercial shutdown at its MTBE facilities during Q1-21, coupled with planned & unplanned maintenance at fertilizer facilities. Plant utilization rates for the period reached 98%, while average reliability factor also stood at 97%.

**Financial performance updates – *9M-21 vs 9M-20***

| Key financial performance indicators[2] | 9M-21 | 9M-20 | Variance (%) |
|---|---|---|---|
| Average selling price ($/MT) | 541 | 378 | +43% |
| Sales volumes (MT' 000) | 7,358 | 5,483 | +34% |
| Revenue (QR' billion) | 14.1 | 8.0 | +76% |
| EBITDA (QR' billion) | 7.0 | 2.7 | +161% |
| Net profit (QR' billion) | 5.6 | 1.2 | +360% |
| Earnings per share (QR) | 0.93 | 0.20 | +360% |
| EBITDA margin (%) | 50% | 33% | -- |

Note: Revenue and EBITDA measures have been reported based on non-IFRS based proportionate consolidation

For the nine months period of 2021, the Group recorded a net profit of QR 5.6 billion as compared to QR 1.2 billion for the same period last year, up by 360%. Group revenue also improved by 76% to reach QR 14.1 billion as compared to QR 8.0 billion for nine months of 2020. Earnings per share (EPS) amounted to QR 0.93 for the period versus QR 0.20 for the same period of last year. EBITDA increased by 161% and reached to QR 7.0 billion.

Group's financial performance for the current nine-month period versus last year was largely attributed to several factors, including:

- Product price improvement:
  Blended product prices at Group level reached to USD 541/MT, a 43% increase compared to the same period of 2020, translating into an increase of QR 5.3 billion in Group's net profits. Price increase was mostly linked to elevated market prices across all the segments, with fertilizer segment reporting a contribution of QR 2.8 billion, while petrochemicals segment contributed QR 1.8 billion towards the overall improvement in profitability versus 9M-20. Steel segment contributed QR 0.7 billion to earnings growth versus same period of last year.

- Improvement in sales volumes:
  Sales volumes increased by 34% versus last year, driven by multiple factors, including additional sales volumes relating to Qafco trains 1-4 reported as part of 9M-21 volumes, whereas the same were not

[2] All the financial performance indicators relating to 9M-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

reported for the first seven months of 2020, as the trains operated under a temporary gas processing arrangement during that period. Nevertheless, improvement in the sales volumes were partially offset by reduction in volumes due to mothballing of steel facilities, commercial shutdown at fuel additives facilities and Qafco's planned & unplanned shutdowns.

OPEX:
Group operating expenses increased by 25% versus 9M-20. This increase was attributed to higher variable cost on account of increased sales volumes and raw materials costs. On the other hand, the Group continue to benefit from the recent cost optimization initiatives implemented since the second half of 2020.

**Financial performance updates – *Q3-21 vs Q2-21***

| Key financial performance indicators | Q3-21 | Q2-21 | Variance (%) |
|---|---|---|---|
| Average selling price ($/MT) | 595 | 549 | +8% |
| Sales volumes (MT' 000) | 2,352 | 2,543 | -8% |
| Revenue (QR' billion) | 5.0 | 5.0 | +0.1% |
| EBITDA (QR' billion) | 2.6 | 2.5 | +3% |
| Net profit (QR' billion) | 2.1 | 2.1 | +1% |
| Earnings per share (QR) | 0.34 | 0.34 | +1% |
| EBITDA margin (%) | 52% | 51% | -- |

Note: Revenue and EBITDA measures have been reported based on non-IFRS based proportionate consolidation

Compared to Q2-21, Group revenue and net profit remained relatively flat during Q3-21. The benefits captured from improved selling prices (+8%) were almost offset by reduced sales volumes, amid lower plant operating rates especially within fertilizer segment and lesser steel demand domestically due to seasonal effects. EBITDA for Q3-21 improved marginally to reach QR 2.6 billion, up by 3% versus Q2-21.

Average selling prices improved by 8% mainly on account of higher urea and steel prices. Fertilizer prices continue to improve during the quarter against a backdrop of strong demand and higher natural gas prices coupled with supply constraints. While petrochemical prices were softened from last quarter's peak on account of enhanced supply. Steel prices remained robust on account of persistent elevated steel prices internationally.

**Financial position**

| Key performance indicators | As at 30-Sep-21 | As at 31-Dec-20 | Variance (%) |
|---|---|---|---|
| Cash and cash equivalents (QR' billion) | 13.4 | 9.8 | +37% |
| Total Assets (QR' billion) | 39.7 | 36.0 | +10% |
| Total Equity (QR' billion) | 37.4 | 33.8 | +11% |

Note: Cash and cash equivalents has been reported based on non-IFRS based proportionate consolidation

Group's financial position continue to remain robust, with the liquidity position as at the end of 30 September 2021 reaching QR 13.4 billion in form of cash and bank balances, after accounting for a dividend payout for the financial year 2020 amounting to QR 2.0 billion. Currently, the Group has no long-term debt obligations. Group's total assets and total equity reached QR 39.7 billion and QR 37.4 billion, respectively, as at 30 September 2021. During nine-month period, the Group generated positive operating cash flows[3] of QR 6.2 billion, with free cash flows[4] of QR 5.6 billion.

[3] Reported based on non-IFRS based proportionate consolidation
[4] Reported based on non-IFRS based proportionate consolidation

## Segmental performance highlights

### Petrochemicals:

| Key performance indicators | 9M-21 | 9M-20 | Variance (%) [9M-21 vs 9M-20] | Q3-21 | Q2-21 | Variance (%) [Q3-21 vs Q2-21] |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 2,127 | 2,016 | +6% | 739 | 732 | +1% |
| Average selling price ($/MT) | 876 | 539 | +62% | 854 | 940 | -9% |
| Sales volumes (MT' 000) | 1,518 | 1,438 | +6% | 520 | 526 | -1% |
| Revenue (QR' million) | 4,686 | 2,730 | +72% | 1,567 | 1,740 | -10% |
| Net profit (QR' million) | 2,173 | 624 | +248% | 678 | 886 | -23% |

Note: The above figures have been reported based on non-IFRS based proportionate consolidation

Petrochemical segment reported a net profit of QR 2.2 billion for 9M-21, up by 248% versus 9M-20. This notable increase was primarily linked to improved product prices owing to better macroeconomic dynamics and supply scarcities. Profit improvement was also partially supported by the return of MTBE production to full scale, which was on a commercial shutdown for a certain period during the first half of this year.

Blended product prices for the segment rose by 62% versus 9M-20, with polyethylene (LDPE) prices showing a marked improvement of 67%. Sales volumes improved by 6%, compared to the same period of last year, on account of improved production levels which also increased by 6%. The growth in product prices coupled with inclined sales volumes led to an overall increase in revenue by 72% within the segment, to reach QR 4.7 billion for 9M-21.

Q3-21 segmental revenue declined by 10% as compared to Q2-21, mainly due to a decline in average selling prices by 9%. Decline in topline earnings led to a quarter on quarter reduction in segment's net earnings. Q3-21 selling prices softened compared to Q2-21, mainly on account of global supply side recoveries and improved inventory levels. Q3-21 production levels remained flat with a marginal increase of 1% as compared to Q2-21.

During Q4-21, polyethylene facilities are expected to be on a general shutdown for slightly over two months in order to ensure asset integrity and reliability.

### Fertilizers:

| Key performance indicators | 9M-21 | 9M-20 | Variance (%) [9M-21 vs 9M-20] | Q3-21 | Q2-21 | Variance (%) [Q3-21 vs Q2-21] |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 7,202 | 7,237 | -0.5% | 2,367 | 2,529 | -6% |
| Average selling price ($/MT) | 401 | 237 | +69% | 481 | 388 | +24% |
| Sales volumes (MT' 000) | 4,613 | 2,743 | +68% | 1,585 | 1,628 | -3% |
| Revenue (QR' million) | 6,534 | 2,981 | +119% | 2,691 | 2,230 | +21% |
| Net profit (QR' million) | 2,818 | 526 | +436% | 1,280 | 943 | +36% |

Note: Figures for 9M-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

Fertilizer segment reported a net profit of QR 2.8 billion for 9M-21, with an increase of 436%, versus the same period of last year. This increase was primarily driven by topline growth where revenue increased by 119% for the nine month period of 2021, to reach QR 6.5 billion. Selling prices improved significantly by 69% versus 9M-20, which reflected positively on segmental performance and led to improved EBITDA margins. Restricted supply from key exporting economies, rising gas prices, production bottlenecks in some countries, together with strong demand from key crop-growing regions has been a driving force behind high fertilizer prices.

Sales volumes increased by 68% during 9M-21 in comparison to 9M-20, as full volumes relating to Qafco trains 1-4 were recorded as part of 9M-21, as against absence of volumes for the first seven months of 2020, amid temporary gas processing arrangement. Production within the segment remained flat compared to last year, while the operating days broadly remained in-line with last year.

Q3-21 segmental revenue increased by 21% as compared to Q2-21, mainly on account of continued higher fertilizer prices, which on an average increased by 24% quarter-on-quarter basis. This was partially offset by marginal decline in sales volumes by 3% in line with lower production volumes that declined by 6% amid unplanned shutdowns. Growth in revenue led to a growth in segment's net earnings which increased by 36% compared to Q2-21.

As part of the segment's routine maintenance program, a pair of trains will be on a planned maintenance for approximately 30 days during Q4-21 in line with Group's strategy to achieve operational excellence while ensuring reliability.

**Steel:**

| **Key performance indicators** | **9M-21** | **9M-20** | **Variance (%) [9M-21 vs 9M-20]** | **Q3-21** | **Q2-21** | **Variance (%) [Q2-21 vs Q1-21]** |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 2,335 | 2,739 | -15% | 777 | 779 | -0.2% |
| Average selling price ($/MT) | 652 | 498 | +31% | 781 | 694 | +13% |
| Sales volumes (MT' 000) | 1,227 | 1,302 | -6% | 246 | 390 | -37% |
| Revenue (QR' million) | 2,913 | 2,332 | +25% | 701 | 984 | -29% |
| Net profit (QR' million) | 629 | -1,363 | +146% | 133 | 237 | -44% |

Following the strategic restructuring initiatives implemented last year, steel segment returned to profitability in 2021. Net profit for the current period amounted to QR 629 million versus a net loss (including impairment) of QR 1.4 billion in 9M-20. This noticeable improvement was mainly due to many factors including:

- *Selling prices improvement:* selling prices improved by 31% compared to 9M-20, due to increase in demand linked to a rebound in construction activity. Iron ore prices on the other hand have continued to remain volatile with a significant price hike during the early parts of the year, followed by recent lower trajectories.
- *Focused marketing:* the Group now focus on selling in more profitable domestic and regional markets on its current reduced production capacity. Nevertheless, the Group also made few international sales on an opportunistic basis.
- Absence of one-off impairment expense amounting to QR 1.2 billion linked to mothballing decision booked during last year, thus improving current year's comparative performance.
- By changing the raw material mix, the segment reduced its production costs without affecting quality of the final product thus improving operating margins.

Q3-21 revenue decreased by 29% as compared to Q2-21, mainly due to lower sales volumes, which declined by 37% on a quarter-on-quarter basis amid softened demand on account of seasonal effects. This was partially offset by higher selling prices (+13%). Q3-21 profitability declined by 44% compared to Q2-21, due to decline in revenue and realizing higher iron ore cost prices which specifically prevailed during first half of 2021.

**Earnings Call**
Industries Qatar will host an IR Earnings call with investors to discuss the results, business outlook and other matters on Monday, 1st November 2021 at 1:30 pm Doha Time. The IR presentation that accompanies the conference call will be posted on the 'financial information' page within the Investor Relations section at IQ's website.

-Ends-

**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 subsidiary 100% owned 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 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