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Industries Qatar

FOR IMMEDIATE RELEASE

Industries Qatar reports a net profit of QR 7.0 billion for the nine-months period ended 30 September 2022, representing an increase of 28% compared to 9M-21

- Earnings per share (EPS) of QR 1.16 for 9M-22 compared to QR 0.91 for the same period of last year
- Year-on-year price trends continue to remain upwards, however, product prices declined versus previous quarter due to recent macro-volatilities
- IQ gives a go-ahead to QAFCO for a new world's largest blue ammonia train and awarded an EPC contract valued at approximately USD 1.06 billion
- IQ to fund the new PVC project announced by QVC and later become direct shareholder in QVC with a larger stake
- Liquidity continues remain robust with a total cash and bank balance of QR 17.1 billion
- Council of Ministers approved increasing the ownership percentage of non-Qatari shareholders in IQ up to 100%

Doha, Qatar; 26 October 2022: Industries Qatar ("IQ" or "the Group"; QE Ticker: IQCD), today reported a net profit of QR 7.0 billion for the nine-months period ended 30 September 2022, representing an increase of 28% compared to the same period of last year.

Updates on macroeconomic environment

Macroeconomic environment remained volatile throughout the year, as result of geopolitical uncertainty and recessionary fears on account of inflationary pressures and hawkish stance on interest rates by most of the Central banks. Also, exceptionally high energy prices in Europe are persistently weighing on most of the European producers. Additionally, China's strict zero-Covid policy and related lockdowns, coupled with slowdown in Chinese construction sector is bringing further uncertainties to the markets.

On overall basis, market prices across the Group's basket of products have declined versus 2Q-22 due to cautious consumer demand on account of macro-headwinds, coupled with comparatively lower crude prices. However, product prices remained strong versus last year on account of post-pandemic recovery phase.

Operational performance updates

Key performance indicators	9M-22	9M-21	Variance (%) [9M-22 vs 9M-21]	3Q-22	2Q-22	Variance (%) [3Q-22 vs 2Q-22]
Production (MT' million)	12.4	11.7	+6%	4.3	4.2	+2%
Plant utilization rates (%)	99%	97%	--	102%	100%	--
Average reliability factor (%)	97%	97%	--	99%	96%	--

Group's operations continue to remain robust as production volumes for the nine-months period improved by 6% to reach 12.4 million MT's. Restart of the previously mothballed DR-2 facility within Steel segment with a larger capacity, together with higher plant operating rates noted within the fuel additives segment contributed positively towards an overall growth in production volumes. Plant utilization rates for the nine-months period reached 99%, while average reliability factor remained at 97%.

Production slightly increased by 2% compared to the previous quarter, as incremental production in fertilizer and petrochemical segments were almost offset by lower steel production volumes.

Financial performance updates – *9M-22 vs 9M-21*

Key financial performance indicators	9M-22	9M-21	Variance (%)
Average selling price ($/MT)	735	546	+35%
Sales volumes (MT' 000)	7,711	7,291	+6%
Revenue (QR' billion)	20.1	14.1	+42%
EBITDA (QR' billion)	8.7	7.0	+23%
Net profit (QR' billion)	7.0	5.5	+28%
Earnings per share (QR)	1.16	0.91	+28%
EBITDA margin (%)	43%	50%	--

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

Group reported a net profit of QR 7.0 billion for the nine-months period ended 30 September 2022, demonstrating a notable growth of 28% versus the same period of last year. Revenue for the current period significantly grew by 42% to reach QR 20.1 billion as compared to QR 14.1 billion reported for the same period of 2021. Earnings per share (EPS) for 9M-22 was QR 1.16 versus QR 0.91 for the same period of last year.

Group's financial performance for the nine-months period 30 September 2022 was largely attributed to factors including:

- Product prices:
  Blended product prices significantly surged by 35% versus 9M-21 and reached USD 735/MT. Growth in product prices translated into an increase of QR 5.2 billion in Group's net earnings. The increase in product prices was mainly linked to elevated market prices across all the segments, on account of constructive macroeconomic drivers carried forward from the latter part of the last year.

- Sales volumes:
  Sales volumes for the period increased by 6% versus the same period of last year, primarily driven by higher plant operating rates and contributed QR 1.0 billion in Group's net earnings growth for the current period versus 9M-21.

- Operating cost
  Group operating cost increased by 53% versus same period last year. The increase in the operating cost was primarily linked to higher variable cost on account of increased sales volumes and end-product price indexed raw material cost.

Financial performance updates – *3Q-22 vs 2Q-22*

Key financial performance indicators	3Q-22	2Q-22	Variance (%)
Average selling price ($/MT)	635	818	-22%
Sales volumes (MT' 000)	2,595	2,463	+5%
Revenue (QR' billion)	5.9	7.1	-18%
EBITDA (QR' billion)	2.2	3.3	-34%
Net profit (QR' billion)	1.6	2.7	-41%
Earnings per share (QR)	0.27	0.45	-41%
EBITDA margin (%)	37%	46%	--

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

During 3Q-22, the Group revenue and net profit decreased notably due to declining selling prices. Decline in selling prices was mainly linked to softening demand and lower crude oil prices, amid macroeconomic uncertainties. Sales volumes on the other hand increased by 5%, mainly on the back of growth noted in production volumes.

Financial performance updates – *3Q-22 vs 3Q-21*

Key financial performance indicators	3Q-22	3Q-21	Variance (%)
Average selling price ($/MT)	635	595	+7%
Sales volumes (MT' 000)	2,595	2,352	+10%
Revenue (QR' billion)	5.9	5.0	+18%
EBITDA (QR' billion)	2.2	2.6	-17%
Net profit (QR' billion)	1.6	2.1	-21%
Earnings per share (QR)	0.27	0.34	-21%
EBITDA margin (%)	37%	52%	--

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

Compared to 3Q-21, the Group revenue for 3Q-22 increased by 18% notably due to better sales volumes (+10%) and higher selling prices (+7%). Growth in sales volumes was mainly linked to better plant operating rates achieved during the current quarter versus 3Q-21, while higher average selling price were realized during the current quarter in comparison to 3Q-21 mainly due to continued momentum from the previous year. Despite growth in revenue, bottom-line profitability declined by 21% mainly on account of higher operating cost.

Financial position

Key performance indicators	As at 30-Sep-22	As at 31-Dec-21	Variance (%)
Cash and bank balances (QR' billion)	17.1	16.0	+7%
Total Assets (QR' billion)	43.1	42.3	+2%
Total Equity (QR' billion)	40.5	39.5	+3%

Note: Cash and bank balances has been reported based on non-IFRS based proportionate consolidation

Group's financial position continue to remain robust, with cash and bank balances at QR 17.1 billion as of 30 September 2022, after accounting for a dividend payout relating to the financial year 2021 amounting to QR 6.0 billion. Currently, the Group has no long-term debt obligations.

Group's reported total assets and total equity reached QR 43.1 billion and QR 40.5 billion, respectively, as of 30 September 2022. The Group generated positive operating cash flows[1] of QR 7.5 billion, with free cash flows[1] of QR 6.9 billion during the first nine months of 2022.

Segmental performance highlights

Petrochemicals:

Key performance indicators	9M-22	9M-21	Variance (%) [9M-22 vs 9M-21]	3Q-22	2Q-22	Variance (%) [3Q-22 vs 2Q-22]
Production (MT' 000)	2,245	2,127	+6%	781	752	+4%
Average selling price ($/MT)	1,001	915	+9%	852	1,120	-24%
Sales volumes (MT' 000)	1,554	1,451	+7%	545	510	+7%
Revenue (QR' million)	5,491	4,686	+17%	1,639	2,017	-19%
Net profit (QR' million)	2,072	2,173	-5%	568	831	-32%

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

Petrochemicals segment reported a net profit of QR 2.1 billion for the nine-months ended 30 September 2022, marginally down by 5% versus the same period of last year. This marginal decrease was mainly due to a slight decline in gross margins, as growth in segmental revenue being almost offset against higher operating costs.

Blended product prices for the segment improved by 9% versus the same period of last year, as result of firm demand , higher energy prices coupled with supply bottlenecks. Sales volumes also improved by 7% compared to 9M-21, in line with growth in production volumes. Growth in selling prices combined with higher sales volumes, led segmental revenue to reach QR 5.5 billion for the current nine-months period, with an improvement of 17% versus the same period of last year. On a year-on-year basis, production volumes increased by 6%, as the segment's fuel additive operations were on a commercial shutdown during early parts of last year which affected last year's production volumes.

Revenue for the current quarter declined by 19% versus 2Q-22. This decline was primarily driven by a general decline in the petrochemical prices at the macro-level. Petrochemical prices on average decreased by 24%, largely attributable to challenging macroeconomic environment and weaker crude prices noted during the quarter. Reduction in prices lead to segmental profits to decline by 32%, to reach QR 568 million for 3Q-22.

[1] Reported based on non-IFRS based proportionate consolidation

Fertilizers:

Key performance indicators	9M-22	9M-21	Variance (%) [9M-22 vs 9M-21]	3Q-22	2Q-22	Variance (%) [3Q-22 vs 2Q-22]
Production (MT' 000)	7,187	7,202	-0%	2,495	2,392	+4%
Average selling price ($/MT)	669	401	+67%	572	742	-23%
Sales volumes (MT' 000)	4,702	4,613	+2%	1,563	1,516	+3%
Revenue (QR' million)	11,110	6,534	+70%	3,157	3,972	-21%
Net profit (QR' million)	4,164	2,818	+48%	857	1,562	-45%

Fertilizer segment reported a net profit of QR 4.2 billion for the nine-months period ended 30 September 2022, with an increase of 48% versus the same period of 2021. This increase was primarily driven by growth in revenue. Segment's revenue grew by 70% for 9M-22 versus last year, primarily due to improved selling prices. Selling prices improved significantly by 67% versus the same period of last year, where restricted supply from key exporting regions, together with inflationary pressures amid higher crop and energy prices remained key factors for an elevated year-on-year price trajectories for the fertilizers. Sales volumes also marginally increased during the current period versus 9M-21 mainly due to timing of shipments, while production volumes remained broadly flat versus last year on the back of relatively similar number of operating days.

On a quarter-on-quarter basis, segmental revenue declined notably by 21% versus the previous quarter owing to a significant reduction in the selling prices. A decline of 23% was noted in the selling prices during the current quarter, as markets remained cautious in a significantly elevated energy price environment. On the other hand, sales volumes improved marginally due to improved operating days and a growth of 3% was noted on a quarter-on-quarter basis. Segmental net profit for 3Q-22 declined by 45% mainly due to comparatively lower selling prices realized during 3Q-22 versus the previous quarter.

Steel:

Key performance indicators	9M-22	9M-21	Variance (%) [9M-22 vs 9M-21]	3Q-22	2Q-22	Variance (%) [3Q-22 vs 2Q-22]
Production (MT' 000)	2,970	2,335	+27%	991	1,047	-5%
Average selling price ($/MT)	664	652	+2%	595	729	-18%
Sales volumes (MT' 000)	1,455	1,227	+19%	487	437	+12%
Revenue (QR' million)	3,514	2,913	+21%	1,055	1,159	-9%
Net profit (QR' million)	774	629	+23%	153	360	-57%

Steel segment reported a net profit of QR 774 million, up by 23% versus the same period of last year. Improved segmental earnings were mainly driven by higher revenues, which increased by 21% versus same period of 2021. Additionally, segment's associate that produces and sell iron oxide pellets, Foulath Holdings, reported commendable financial results against a backdrop of improved operations. Qatar Steel's share of net earnings in Foulath increased by 240% versus 9M-21 and reached QR 269 million for the nine-months period ended 30 September 2022.

Growth in revenue was primarily driven by improved sales volumes by 19% due to higher production volumes. Production ramped up during this year, as the segment restarted DR-2 facility; a relatively larger facility that was previously mothballed and decided to mothball a smaller DR-1 facility. Selling prices on average only increased marginally by 2%, mainly due to softening domestic demand, coupled with slowdown in international steel prices.

On a quarter-on-quarter basis, segmental profit decreased by 57% versus 2Q-22 mainly on account of lower gross margins. Segment revenue declined by 9% mainly due to decline in selling prices which reduced by 18%, as most of the sales volumes were diverted to international markets, where margins tend to be comparatively lower than domestic market. On the other hand, sales volumes on quarter-on-quarter basis inched upwards by 12%. Higher volumes resulted in higher periodic operating cost contributing to lower gross margins.

Key CAPEX Update

During the current quarter the Group concluded two key CAPEX projects in the petrochemicals and fertilizers segment.

Firstly, the Group took a strategic decision to invest in a new blue ammonia train. Valued at approximately USD 1.06 billion, the new train will have a designed capacity of up to 1.2 million tons per annum (MTPA) of Blue Ammonia, making it the world's largest facility. The new train will be located in Mesaieed Industrial City (MIC) and will be operated by QAFCO as part of its integrated facilities, with an expected operational date by the 1st quarter of 2026. QAFCO will also collaborate with QatarEnergy Renewable Solutions (QERS) to convert conventional ammonia into blue ammonia based on global demand for such products. Also, QERS will be the sole off-taker & marketer of all Blue Ammonia produced by the new ammonia train.

Secondly, the Group also approved signing of a 'Principles Agreement', whereby IQ will be funding the construction of new Polyvinyl Chloride (PVC) plant announced during April 2022 by its indirect joint venture - Qatar Vinyl Company (QVC), and later would become a direct shareholder in QVC with a larger stake following the expiry of the current joint venture agreement (JVA). The project funding for IQ's share will be made from its Group's existing sources of free cash, ensuring an efficient and effective use of liquidity. QVC's JVA is expiring on 1st May 2026, upon which IQ will assume direct ownership in QVC with a larger shareholding percentage of 44.8% with immediate effect. Currently, IQ owns an indirect stake in QVC via QAPCO, equivalent to 25.52%.

Updates on Foreign ownership limit

In accordance with the proposed amendments to the Articles of Association approved during the Company's Extraordinary General Assembly meeting held in March 2022, the Board of Directors can decide on the foreign ownership limit, as per applicable laws and regulations, and may increase the foreign ownership limit up to 100%. Accordingly, a decision was made by the Company's Board of Directors at its meeting held in April 2022 to increase the ownership limit for non-Qatari shareholders to 100%.

Pursuant to a decision made by the Council of Ministers in its meeting held on 12 October 2022, it was approved to increase the percentage of ownership of a non-Qatari investor in the Company's capital up to 100%. All necessary measures will be taken in this regard with the relevant authorities.

Earnings Call

Industries Qatar will host an Earnings call with investors to discuss the latest results, business outlook and other matters on Wednesday, 2nd November 2022 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 Fertilizer 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@qatarenergy.qa or iq.investorrelations@qatarenergy.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.

Industries Qatar Q.P.S.C., it's 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. 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 • **MTPA:** 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