صناعات قطر
Industries Qatar

Press Release

For the Financial Year ended December 31, 2014

IQ DECLARES FULL YEAR NET PROFIT OF QR 6.3 BILLION

Strong close to the year with second half profits up 24% versus the first half of the year

- **Full year profit up on budget by 12%**
- **Strong cash position with cash across all group companies reaching QR 9.5 billion**
- **Cash Dividend of QR 7.00 per share proposed, equivalent to a total payout of QR 4.2 billion**

DOHA, QATAR - 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, fertiliser and steel products, announced its financial results for the year ended 31 December, 2014 with net profit of QR 6.3 billion.

Results in the second half of the year showed a significant improvement over the first half of 2014 with the return to normal operations following the extensive maintenance downtime experienced across all segments: consolidated net profit improved by QR 0.7 billion, or 23.5%, with the petrochemical and fertiliser segments registering growth of 48.7% and 31.9% respectively. Second half earnings were also on par with the second half of 2013, clearly showing the group's ability to generate robust profits and cash flow even during the difficult international market conditions experienced during the latter part of this year.

Financial Results

Earnings in 2014 were supported by the launch and subsequent ramp-up of Qatar Steel's EF-5 facility in the first quarter and Qafac's CDR plant in the third quarter, as well as by strong full year average key petrochemical product prices. However, the group faced significant challenges from extended, planned shut-downs noted across all plants during the first half of the year, continued weak urea prices, and heightened operating costs. It is important to emphasise that the planned and unplanned shutdowns and challenging market conditions experienced were largely expected and accounted for in the group's 2014 budget, and are normal features of the industries the group operates within; furthermore, full year results were ahead of the group's 2014 budget.

Revenue

Reported revenue under IFRS 11 (Joint Arrangements) for the year ended December 31, 2014 was QR 6.0 billion, an marginal increase of QR 0.1 billion, or 2.5%, over the previous year; on a like-for-like basis, management reporting revenue - assuming proportionate consolidation under IAS 31 - was QR 18.2 billion, a decrease of QR 1.0 billion, or 5.4%, versus the same period of 2013.

Reported revenue for the fourth quarter was QR 1.3 billion, a moderate decrease of QR 0.2 billion, or 15.4%, versus the third quarter. Assuming proportionate consolidation, management reporting revenue was QR 4.7 billion, a decrease of QR 0.1 billion, or 2.9%, against the third quarter.

Petrochemical Segment[1]

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[1] Petrochemical segmental revenue computed using proportionate consolidation, as per IAS 31, and therefore consists of the group's proportionate share of Qapco revenue, and Qapco's proportionate share

The petrochemical segment closed the year with revenue of QR 6.8 billion assuming proportionate consolidation under IAS 31, a year-on-year decrease of QR 0.5 billion, or 6.8%. Full year weighted average key petrochemical product prices, particularly LDPE and LLDPE were up year-on-year, largely compensating the impact of the extensive, planned and unplanned shut-downs experienced across all plants within the segment, particularly during the first six months of 2014.

Petrochemical revenue for the fourth quarter of 2014 was QR 1.8 billion, a decrease of QR 0.2 billion, or 9.2%, on the previous quarter. This quarter-on-quarter decrease can be largely attributed to moderate price deflation across key products as the plunge in oil prices that began in early Q4, 2014 started to impact global petrochemical prices. Sales volumes, however, remained flat versus the third quarter of 2014 following the extensive planned and unplanned shutdowns in the first half of 2014.

Fertiliser Segment

The fertiliser segment closed the year ended December 31, 2014 with revenue of QR 5.5 billion, a reduction of QR 0.7 billion, or 11.2%, against the same period of 2013. The year-on-year decline in fertiliser revenue follows significant sales volume reductions mainly due to planned and warranty shut-downs across several fertiliser trains, and moderately weak weighted average urea prices.

Revenue in the fourth quarter was QR 1.6 billion, significantly up on the last quarter by QR 0.3 billion, or 21.1%. Fourth quarter segmental revenue was aided by a moderate spike in global ammonia prices, and the return to historical utilisation levels in the segment's urea facilities following the previous quarter's extensive unplanned downtime. Segmental production utilisation in the fourth quarter was 98.5%, moderately down by 3.2 percentage points over the last quarter due to unplanned downtime in the segment's ammonia facilities.

Steel Segment

Revenue in the steel segment totaled QR 6.0 billion for the twelve months ended December 31, 2014, a moderate increase of QR 0.1 billion, or 2.5%, compared to the same period of 2013. The benefit to the group's steel business of the launch and ramp-up of the new EF-5 facility in the first quarter of 2014 was partially offset by moderate re-bar price decline, reduced operating days due to planned and unplanned disruption, and strong prior year comparatives.

Revenue in the fourth quarter was QR 1.3 billion, a decrease of QR 0.2 billion, or 15.4%, versus the third quarter. The adverse variance occurred due to reduction both sales

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of revenue from its joint ventures, namely Qatofin and Qatar Vinyl Company, and its associate, Qatar Plastic Products Company.

volume and key product prices. Production levels were also down on increased downtime, with the quarterly segmental utilisation rate moving to 92% from 110%.

Profits and Margins

Consolidated EBITDA for the year ended December 31, 2014 was QR 6.6 billion, a decrease of QR 1.6 billion, or 19.4%, on the prior year. On a like-for-like basis, EBITDA - assuming proportionate consolidation under IAS 31 - was QR 8.0 billion, a decrease of QR 1.5 billion, or 16.2%, versus 2013. The adverse year-on-year variance resulted as the business was impacted by reduced sales volumes following extensive planned preventive maintenance and warranty shut-downs during the year, weak urea prices and heightened operating costs in the petrochemical and steel segments. Net profit for the year under review was QR 6.3 billion, a decrease of QR 1.7 billion, or 20.8%, against 2013, with the adverse year-on-year movement attributable to the same reasons as the EBITDA variance.

Consolidated EBITDA reported for the fourth quarter was QR 1.7 billion, a moderate decrease of QR 0.2 billion, or 10.7%, on the third quarter of 2014. This reduction in earnings was principally price-driven from the petrochemical segment following the plunge in oil prices that began in early Q4, 2014 as it started to impact global petrochemical prices. . Profit for the fourth quarter was QR 1.6 billion, a decrease of QR 0.3 billion, or 13.6%, versus the prior quarter, with the quarter-on-quarter movement due to the same reasons as the EBITDA variance.

Proposed Dividend Distribution

Since the initial public offering in April 2003, the Board of Directors has supported, and continues to support, a generous dividend payout practice that balances the needs and aspirations of shareholders with the necessity of maintaining adequate liquidity within the group for adverse market conditions and investment requirements, and the principles of financial prudence.

Accordingly, the Board of Directors, in their meeting held on January 8, 2015 proposed a total annual dividend distribution for the year ended December 31, 2014 of QR 4.2 billion, equivalent to a payout of QR 7.00 per share and representing 70% of the nominal value.

Conclusion

The group faced significant challenges in 2014 with the extensive major shutdown program, and weak fertiliser prices. However, the full year results are testament to the financial and operational resilience of the group, as earnings nevertheless still surpassed budgeted expectations by over 12.0%.

The group looks forward to 2015 with a firm belief in the group's competitive advantages and the knowledge that Industries Qatar is in a financially-sound position and is well-equipped for the future.

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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 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 presentation 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 presentation.

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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 (from 2013 actuals) • **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 - QR1.2bn government grant received in 2009) • **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) • **Utilisation:** Production Volume / Rated Capacity x 100 [For new facilities, measure includes first full operational quarter only]

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 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, is 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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