IQ DECLARES PROFIT OF QR 2.8 BILLION FOR H1, 2014

Results in line with budget, Stock now included under MSCI Qatar Index

Second quarter net profit of QR 1.2 billion • earnings primarily impacted by general and warranty shut-downs and tightened fertiliser markets • Qatar Steel's recently launched EF-5 steel melt shop ramped up and operates at 84% capacity • Stock now included under MSCI Qatar Index • Liquidity position across all the group continue to remain very strong at QR 6.3 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 six months ended June 30, 2014 with net profit of QR 2.8 billion.*

In comments issued to the Qatar Exchange, H.E. Dr. Mohammed Bin Saleh Al-Sada, Minister of Energy and Industry, Chairman and Managing Director of Industries Qatar, stated, “Industries Qatar closed the second quarter of 2014 with net profit of QR 1.2 billion, a decrease of QR 0.3 billion over the first quarter of 2014, as the group continued its series of major shutdown program including warranty shutdowns that were planned for the first half of 2014. These preventive maintenance and warranty shut-downs are an essential requirement for large, industrial facilities as they can help minimise unplanned disruption, ensure product quality is maintained and, ultimately, contribute to an extension of the plants' production life, improved reliability, and optimize environmental impact. I can now confirm that the significant portion of the planned shutdowns has been completed and the group's facilities are much more sustainable than ever before and paving the way for a new era of growth and operational excellence. The results were also impacted by a steeper decline in the fertiliser prices in the current quarter due to difficult trading conditions in the fertiliser segment. We also welcome the elevation of Qatar Exchange to “Emerging Market” status from the “Frontier Market” status and inclusion of Industries Qatar to the MSCI (Morgan Stanley Capital International) Index. The inclusion of Industries Qatar to the MSCI Index clearly signifies MSCI's recognition of IQ's contribution to the state's capital market development. The liquidity position across all the group continue to remain very strong at QR 6.3 billion despite of having a moderate financial results in the first half of the year and after distributing the previous year's record QR 6.7 billion dividend”.

EF-5 Project Update

Commenting on the progress of the recently launched EF-5 steel melt shop, Mr. Abdulrahman Ahmad Al-Shaibi, Chief Coordinator, Industries Qatar, stated, “The ramp up in production of the

recently launched steel melt shop has been excellent and so far produced more than 336,000 MT's of billets during the first half of 2014 exceeding the budget by 32% and currently operating at 84% of its designed capacity. The EF5 production has helped in increasing sales of billets with consistent supplies to our fully owned subsidiary, Qatar Steel - Dubai, for production of rebar and wire-rod coils. We expect the facility to reach close to its designed capacity in 2015".

Commenting further on the subject, Mr. Al-Shaibi remarked "The original intention was for the new steel melt shop's electric furnace to immediately replace two of Qatar Steel's old electric furnaces; however, Qatar Steel has subsequently decided to continue operating EF-1 and EF-2 for an additional year, before decommissioning those old facilities in Q2-2015".

Financial Results

Briefing on the group's first half year financial performance, Mr. Al-Shaibi further stated, "The muted year-on-year financial results can be primarily attributed to reduced sales volumes following extensive planned preventive maintenance and warranty shut-downs in the majority of the group's key facilities, and tightened operating margins primarily due to weaker fertiliser prices, increased operating expenses and annual cost inflation, which were only partially dampened by the commercial launch of Qatar Steel's QR 1.2 billion EF-5 facility."

Revenue

Reported revenue for the six months period ended June 30, 2014 was QR 3.1 billion, an increase of QR 0.05 billion, or 1.6%, on the same period of 2013; however, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 8.6 billion, a decrease of QR 1.3 billion, or 13.4%.

Reported revenue for the second quarter was QR 1.8 billion, an increase of QR 0.5 billion or 37.5% compared to first quarter, which was primarily driven by the operation of EF-5.

Petrochemical Segment[1]

Petrochemical revenue for the first six months of 2014 was QR 2.9 billion (2013, H1: QR 3.3 billion), a year-on-year decrease of QR 0.4 billion, or 11.4%. This reduction is primarily driven by extensive, planned shut-downs across all plants within the segment: Qapco's ethylene plants lost an average of 36 days per plant, LDPE units an average of 41 days per plant, and the LLDPE facility lost 32 days following the general shut-down during the first half of 2014. In addition, the group's fuel additives joint venture, Qafac, recorded a total of 64 days of downtime in its methanol facility and 46 days of downtime in the MTBE unit following routine, planned maintenance during the reporting period.

[1] Petrochemical segment revenue was computed assuming proportionate consolidation (IAS 31) which includes the revenues of Qapco's joint ventures Qatofin, QVC & QPPC

These shutdowns resulted in the segment recording an adverse volume variance of QR 0.6 billion and a 204,000 MT reduction in sales volume. Quarterly utilisation rates were similarly affected, with the segment averaging 75% in comparison to its historical average of between 95% and 110%.

"Petrochemical prices, on the other hand, were buoyant with strong demand and global supply limitations particularly aiding polyethylene prices," remarked Mr. Al-Shaibi. " LDPE registered a strong 11.3% year-on-year increase while LLDPE registered a moderate growth of 7.3%. Methanol registered a year-on-year growth of 27.7% to close at $ 421 per MT, on global supply constraints.

Petrochemical revenue for the second quarter of 2014 was QR 1.5 billion, registering an increase of 0.8% on the previous quarter. The heightened maintenance in the fuel additive segment (27 days in Q1, 2014 v. 83 days in Q2, 2014) was fully compensated by moderate increased polyethylene sales volume and selling prices. The segment closed the quarter with an overall utilisation rate of 75.5% (2014 Q1: 82%).

Fertiliser Segment

The fertiliser segment closed the first half of 2014 with muted revenue of QR 2.5 billion, a decline of QR 1.0 billion, or 28.2%, versus the first six months of 2013. This decline was primarily attributable to both significant reduction in sales volumes and selling prices. Versus last year, sales volumes declined by 16.4% as Qafco's two largest production units, trains 5 and 6, commenced mandatory, warranty-related shut-downs in the period and a 14% reduction in the urea prices.

Downtime in the first half was higher than expectations, as the segment's ammonia's trains 1 to 4 experienced unplanned shutdowns. The segment in total lost 225 days versus a plan of 160 days during the first six months on account of planned and unplanned shutdowns. Lost production during the period resulted in the segment's utilisation losing 9.0 percentage points to average 88.5% for the current period. 2013, H1: 97.5%).

Commenting on the fertiliser segment's first half revenue, Mr. Al-Shaibi said, "Versus the last year, the segment's revenue was significantly impacted on account of both reduced sales volumes and selling prices. Of the total adverse revenue variance of QR 1.0 billion, adverse sales volumes were primarily driven by warranty related shutdowns of Qafco's trains 5 and 6, added QR 0.6 billion and the unfavorable urea price accounted for the remainder of the variance.

Revenue in the second quarter was down on the last quarter by QR 0.2 billion, or 17.4 %, following a 22.7% reduction in the weighted average price of urea despite a marginal increase in sales volumes during the quarter. Compared to the previous quarter, urea prices were declined by $87 per MT to close at $295 / MT.

Steel Segment

Steel segment reported a revenue of QR 3.1 billion for the first six months of 2014, a marginal increase on the same period of 2013 of QR 0.05 billion, or 1.6%, and significantly up on the first quarter of 2014 by QR 0.5 billion, or 37.5%. The benefit of the launch and initial ramp-up of the new EF-5 facility on the first half of 2014 was offset by a moderate price reduction in rebar. Rebar prices on average has declined 5% year-on-year to close at QR 2,389 / MT. A significant portion of EF-5's production to date of 336,000 MT of billets was sold to Qatar Steel FZE, a wholly-owned subsidiary of Qatar Steel, and significantly boosted that company's wire rod and rolling mill utilisation rates following the UAE-based subsidiary's shut-down in the first quarter of 2014. Expectations are that EF-5's production levels will gradually improve during the year, with production being principally sold to Qatar Steel's UAE subsidiary, and within the region.

The significant revenue increase of QR 0.5 billion versus the last quarter was almost entirely due to the additional sales volumes of DRI / HBI and billets in the second quarter of 2014. During the second quarter 167,000 MT's of billets and 91,000 MT's of DRI / HBI's were incrementally sold, which accounted for the second quarter revenue increase.

Profits and Margins

Commenting on the group's net profit for the first half year, Mr. Al-Shaibi said, "Consolidated net profit in the first half year was in line with budgeted expectations as the moderate increase in urea prices noted during the first half of the year was more or less offset by higher than expected unplanned maintenance days."

Consolidated Earnings

Consolidated EBITDA for the six months ended June 30, 2014 was QR 2.9 billion, a decrease of QR 1.9 billion, or 37.2%, on the same period of 2013, and a QR 0.3 billion, or 20.9%, drop on the previous quarter. "Group earnings in the second quarter was significantly impacted by fertiliser price deflation, and heightened operating costs." continued Mr. Al-Shaibi.

"Similarly, the extended, planned shut-downs noted across all segments during the first half of the year, weak comparatives due to the inclusion of Muntajat marketing fees from the end of the first quarter in 2013, moderate key product price deflation, and general operating cost inflation, all contributed to the overall QR 1.9 billion drop in EBITDA compared to last year."

Net profit for the first half of 2014 was QR 2.8 billion, a decrease of QR 1.7 billion, or 37.2%, against the corresponding period of 2013, with the year-on-year movement attributable to the same reasons as the EBITDA variance.

Segmental EBITDA Margins

Petrochemical EBITDA margin[2] closed the half year at 50.8%: down 9.3 percentage points on the first half of 2013. The reduction the margin was primarily attributable on account of lower sales volumes due to the major shut-downs, the associated shut-down related maintenance expenditure, increased selling expenses and other operating expenses including ethylene purchases and losses relating to retirement of fixed assets. Versus the first quarter of 2014, petrochemical margin declined by 4.0 percentage points on account of reduced fuel additive prices, primarily methanol and increased operating expenses. Versus the last quarter, on average, methanol prices have declined by more than 30%.

EBITDA margin in the fertiliser segment averaged 47.0% during the first six months of 2014, deteriorating 15.4 percentage points on account of circa 14% decline in the year-on-year average urea price, increased repairs and maintenance expenses on associated with warranty shut-downs, partial accrual of operating costs in the prior period and the commencement of marketing activities by Qatar Chemical and Petrochemical Marketing and Distribution Company QJSC, trading as "Muntajat", towards the end of the first quarter of 2013 resulted in heightened selling expenses. Versus the previous quarter, EBITDA margins shrunk by 13.8 percentage points, in line with a more than 20% decline in the urea prices and general increase in the operating costs.

In the steel segment, EBITDA profitability closed the six month period at 26.5% from 35.6% in the same period of 2013. Increased raw material costs on account of EF-5 start-up, increase in operating expenses, changes to the product mix and increased general and administration expenses all contributed towards the adverse year-on-year EBITDA movement. EBITDA margin deteriorated by 7.9 percentage points on the previous quarter on account of increased raw material costs primarily associated with EF-5 launch.

Production Shut-Down Timetable

The latest major planned down-time schedule in production days for the third quarter of 2014, with prior year comparatives, is as follows:

Plant / Product	2014, Q3	2013, Q3
LLDPE	5 days	0 days
DR, EF / CC, RM (Qatar Steel)	86 days	98 days

The downtime in Qatar Steel represents less than 10% of the total production days.

[2] EBITDA margin for the petrochemical segment was computed assuming proportionate consolidation (IAS 31) which includes the revenues of Qapco's joint ventures Qatofin, QVC & QPPC

This shut-down schedule is indicative of current plans only, and actual down-time may vary from the latest plan.

Credit Rating Update

The Group's fertliser joint venture, Qafco, in Q2, 2014 decided to discontinue to its issuer credit rating (previously rated as Aa3 by Moody's and A+ by S&P) for its own business reasons and there is no inherent rating requirement by its current borrowing covenants. Qafco is confident of getting re-rated easily in case such a requirement would arise in the future.

Major CAPEX / Investments Update

SOLB Steel Company

Qatar Steel's Saudi Arabian-based 31.03% associate, SOLB Steel Company, commenced commercial operations of a 1.0 million MT PA steel melt shop and a 0.5 million MT PA rolling mill in January 2013. The steel melt shop and the rolling mill are operating almost at its full capacity. Construction of a second rolling mill is in progress and is expected to be commissioned in July 2014. Qatar Steel's total investment contribution was QR 225.0 million for both phases.

CO_2 Recovery Project

The QR 0.1 billion CO_2 recovery project is designed to capture over 500 MT per day of carbon dioxide produced by the group's fuel additives joint venture, Qafac, and utilise it in the production of methanol. The project is expected to not only reduce Qafac's greenhouse gas emissions, but simultaneously boost the group's production of methanol by circa 46,000 MT PA.

When commercially launched in the fourth quarter of 2014, the facility is expected to be the region's largest of its kind and a source of incremental profits to the group.

Algerian Qatari Solb Company

Qatar Steel holds a 50% stake in a special purpose vehicle, Qatar Steel International Company QPSC, which in turn has a 49% share in Algerian Qatari Solb Company, a joint venture formed with entities controlled by the government of Algeria to develop a 2.0 million MT PA integrated steel mill in Algeria.

Elaborating on the latest developments, Mr. Al-Shaibi confirmed, "The Articles of Association of the joint venture were signed with the Algerian parties in January, 2014 and subsequently the new joint venture company was formed in Algeria. The first phase of the project envisages a direct

reduction plant, steel melt shop and rolling mill being built at an estimated equity contribution from Qatar Steel of around QR 0.6 billion, and a project completion date of Q1, 2018."

Al Sejeel Petrochemical Complex

With regards the Al Sejeel Petrochemical Complex in which IQ has an indirect 16% stake through its petrochemical joint venture, Qapco, and is expected to significantly boost ethylene (270,000 MT PA) and LLDPE (95,000 MT PA) production, and add HDPE (179,000 MT PA), propylene (89,000 MT PA) and polypropylene (90,000 MT PA) to the group's product list, Mr. Al-Shaibi commented, "The project has now moved to the Front-End Engineering and Design phase with the appointment in December, 2013 of Tecnimont SPA as the FEED contractor. The project is on track with a tentative commercial launch date of Q4, 2018. The petrochemical complex, which includes a world-scale ethane / butane / naphtha mixed-feed steam cracker, remains an important part of IQ's growth and diversification plans for the latter part of the decade."

Continuing, Mr. Al-Shaibi said, "The total project capital expenditure is subject to future revision, but is currently estimated at QR 22.8 billion, with IQ's budgeted equity investment being QR 1.1 billion. This estimate is not likely to be finalised until the award of an EPC contract."

Conclusion

In conclusion, H.E. Dr. Al-Sada remarked, "The successful and timely completion of a significant proportion of the group's 2014 shut-down plan in the first half of 2014 is an important operational achievement as it provides assurance to shareholders of the importance senior management place on regular and thorough maintenance of the group's assets. We look forward to the balance of the year optimistically with our production assets expected to operate even more efficiently after the very successful preventive maintenance and warranty shutdowns.

"In addition, we expect to further benefit during rest of the year from increased billets production from Qatar Steel's recently-launched EF-5 facility, and complete the other projects due to launch during the remainder of the year – namely SOLB Steel Company's second rolling mill, and Qafac's CO_2 recovery facility.

"The group is also in the process of implementing the initiatives identified during the first phase of the growth strategy that are focusing on maximising value of the current assets in Qatar. Significant progress has been made towards implementing these initiatives. I am sure, once implemented these initiatives will enhance asset efficiency which will in turn contribute towards the continued growth of Industries Qatar for the benefit of our valued shareholders."

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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 2010 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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