



# Industries Qatar

## Investor Relations Presentation

Q3, 2019

*“One of the region’s industrial giants with interests in the production of a wide range of petrochemical, fertilizer and steel products.”*

# DISCLAIMER

The companies in which Industries Qatar Q.P.S.C. directly and indirectly owns investments are separate entities. In this presentation, “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.

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## GENERAL NOTES

IQ’s accounting year follows the Gregorian calendar year. No adjustment has been made for leap years. Where applicable, all values refer to IQ’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:** 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 • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortisation calculated as (Net Profit + Interest Expense + Depreciation) • **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 • **mmBTU:** Million British Thermal Units • **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 Industries Qatar

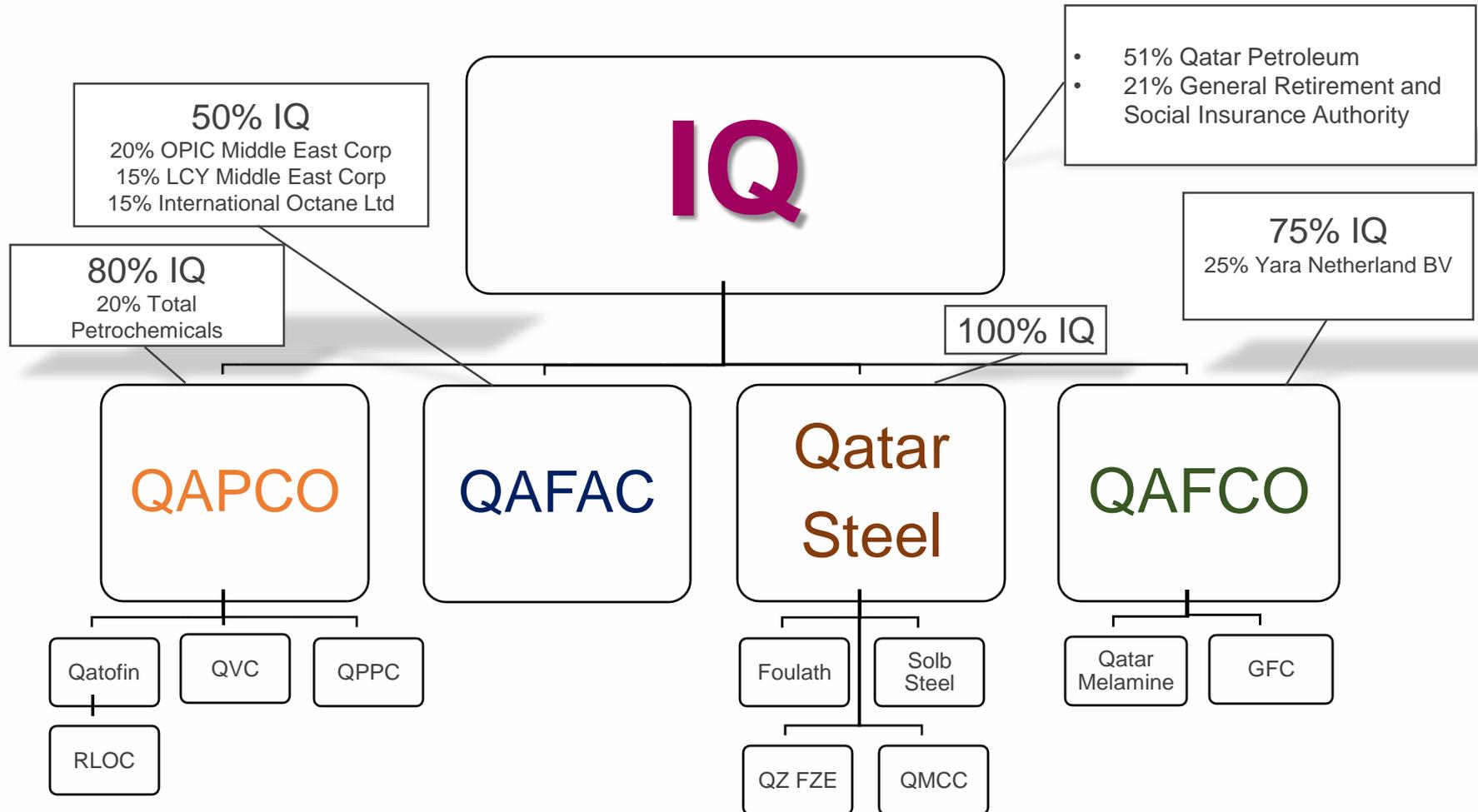


# About IQ

- Industries Qatar Q.P.S.C. (“IQ” or “the group”; QSE: IQCD) was incorporated on April 19, 2003 and listed on the Doha Securities Market (precursor to the Qatar Stock Exchange) in 2003;
- The issued share capital consists of 6.05 billion shares ◦ The free float consists of 2.97 billion ordinary shares, with 49% of the market capitalization as a foreign ownership limit, and a maximum shareholding size for general shareholders of 2.0% of the issued share capital;
- IQ is credit rated by Standard & Poor’s (A+; stable) and Moody’s (A1; stable);
- Qatar Petroleum provides most head office functions through a comprehensive service-level agreement.
- The operations of the subsidiary and joint ventures remain independently managed by their respective Boards of Directors and senior management teams;

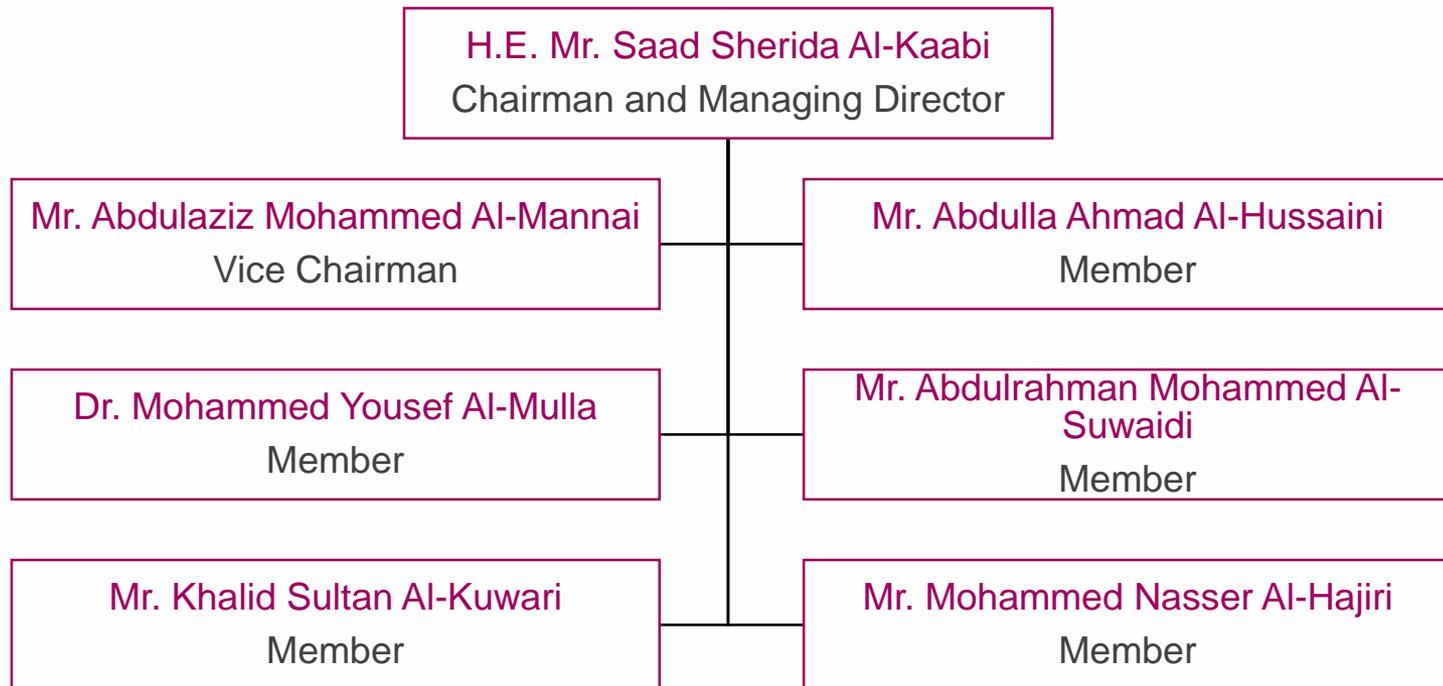
# Group Structure

- Through its group companies, IQ operates in 3 business segments - **Petrochemical**, **Fertilizer** and **Steel**;
- Production facilities are principally located in the State of Qatar ▫ head count is circa 5,700 employees;



# Board of Directors

- The Board of Directors of the group consists of:



# Competitive Advantages

- Assured feedstock supply
- Feedstock competitively priced
- Economies of scale
- Synergy benefits
- Operationally diversified

Low cost producer

- Solid liquidity position
- Low level of debt
- Cash flow generation even under difficult conditions
- Sound dividend record
- Stable EBITDA margin
- A+ / A1 rated

Strong financial position

Market leadership

- Major steel producer in the region
- World's largest single site urea producer
- Dedicated marketing support
- Reputed listed entity

Experienced senior leadership team

- 51% held by QP
- Industry experts in the senior management team
- Reputable partners (Total, Yara etc.)

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# Governance Structure

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# Governance Structure

## Board Structure

- IQ Board of Directors consists of seven (7) Directors, all of whom were appointed by the Special Shareholder, which is Qatar Petroleum. QP appoints only qualified and eligible Board Directors who are sufficiently experienced to perform their duties effectively in the best interest of the Company and dedicated to achieving its goals and objectives.

## Board Committees

- The Board of Directors established Board Committees and Special Committees to carry out specific tasks. The Board remains liable for all the powers and authorities so delegated. Currently, Board Committees are Audit Committee and Remuneration Committee.

## Governance and Compliance

- IQ is firmly committed to implementing the principles of good governance set out in the Governance Code for Companies Listed on the Main Market issued by Qatar Financial Markets Authority (QFMA), that are consistent with the provisions of the Company's AoA.
- The Board of Directors always ensures that an organizational framework, that is consistent with the legal and institutional framework of the listed companies, is in place at the Company level. This is achieved through a process of reviewing and updating governance implementation whenever required.

## Authorities

- No one person in the Company has unfettered powers of decision. Decision-making process is always done in accordance with the Company's Manual of Authorities and the relevant regulations.

# Governance Structure

## Remuneration

### Board of Directors

- The Company has developed a periodically revisited remuneration policy for Board members. The policy has fixed component for Board membership and attending meetings and performance-related variable component. The proposed remuneration of Board members shall be presented to the General Assembly for approval.

### Executive Management

- All financial, administrative and head office services are provided by resources from QP under a service-level agreement. Accordingly, the salary of the Company's Managing Director, who represents the Executive Management of Industries Qatar, is determined and approved by the Company's Board of Directors. IQ Managing Director is not entitled to receive remuneration in his capacity.

### Shareholders rights

- The Company's Articles of Associations provide for the rights of shareholders, particularly the rights to receive dividends, attend the General Assembly and participate in its deliberations and vote on decisions, tag along rights as well as the right to access information and request it with no harm to the Company's interests.

### Disclosure and Transparency

- The Board ensures that all disclosures are made in accordance with the requirements set by regulatory authorities, and that accurate, complete and non-misleading information is provided to all shareholders in an equitable manner.

### Company's control system

- The Company adopted an internal control system that consists of policies and operating procedures for risk management, internal and external audit, monitoring Company's compliance with the relevant regulations. Clear lines of self-control, responsibility and accountability throughout the Company are therefore set.
- The internal control framework is overseen by the senior Executive Management, the Audit Committee and the Board of Directors.

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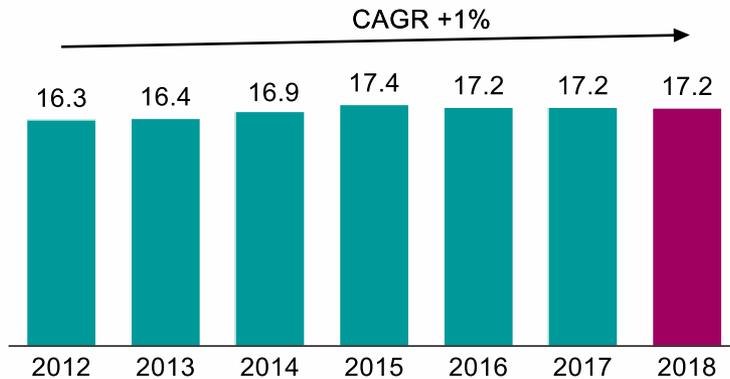
## Results at a glance (2012-2018)

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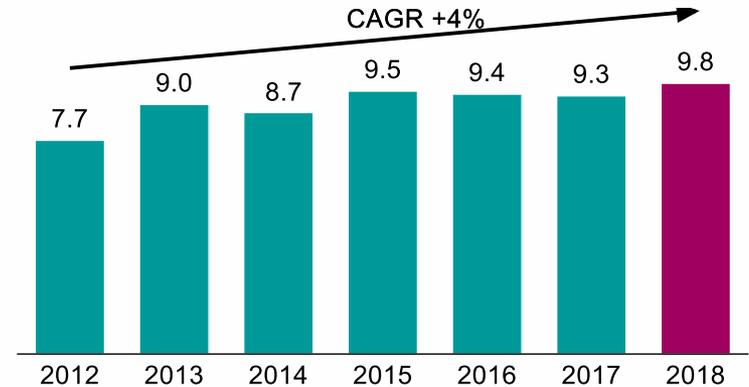
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# Results at a Glance (2012-2018)

## Production (M MT's)

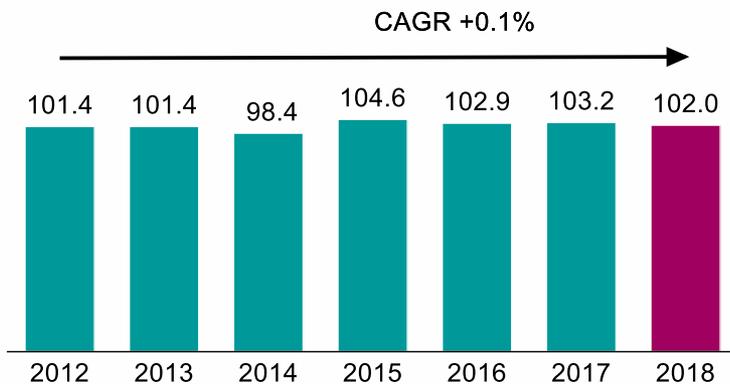


## Sales Volumes (M MT's)

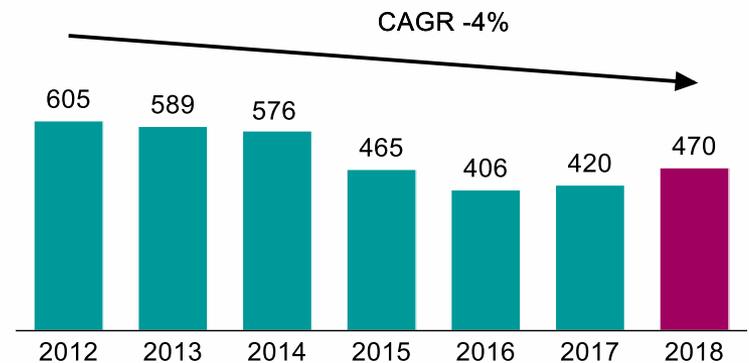


Production grew from 16.3 million MT's in 2012 to 17.4 million MT's in 2015 and continued to remain relatively stable thereafter ▪ In line with growth in production, the sales volume grew over the period and reached its highest in 2018 ▪ selling prices got affected significantly due to economic cycles

## Utilization (%)

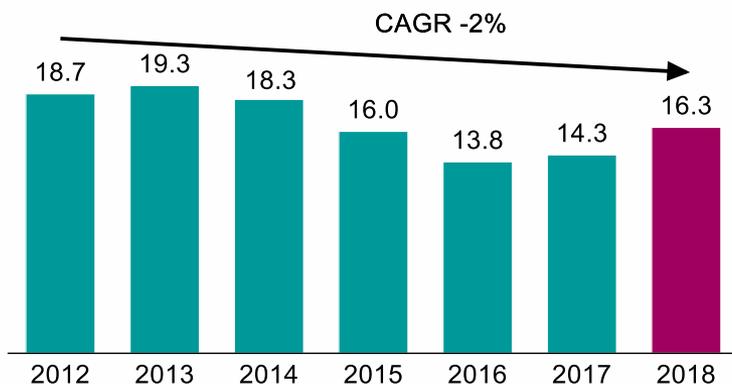


## Selling Prices (USD / MT)

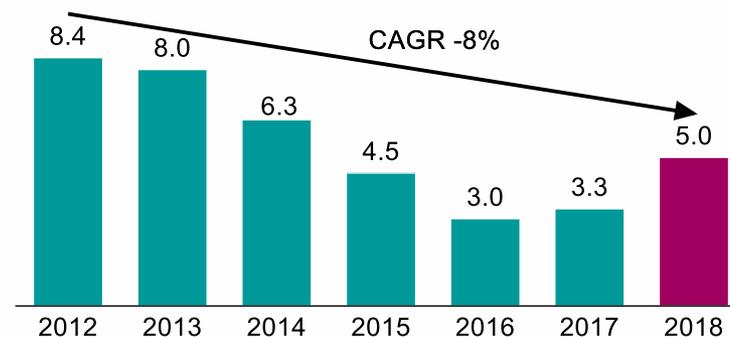


# Results at a Glance (2012-2018)

## Revenue (QR Bn)



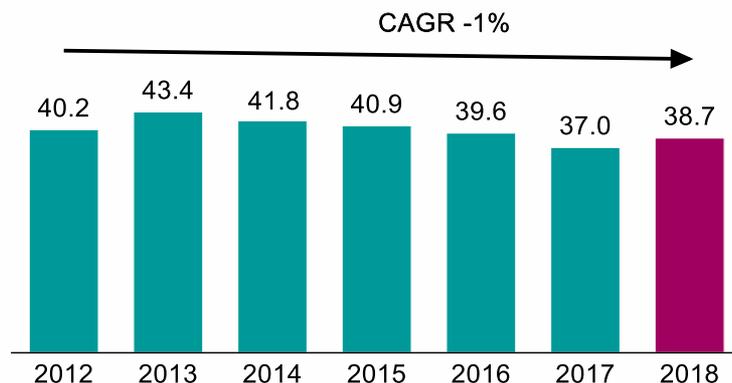
## Net income (QR Bn)



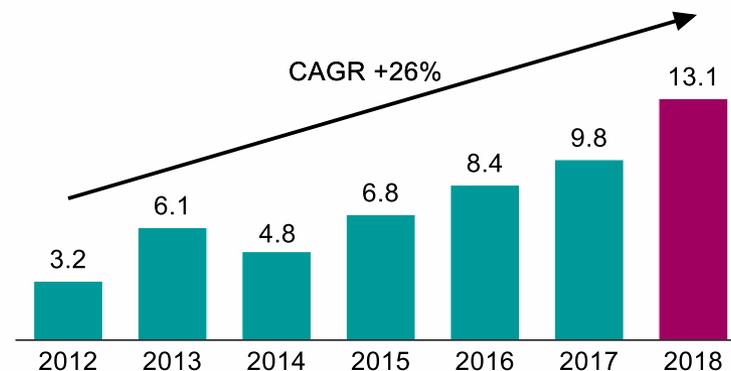
In line with the lower selling prices, the revenue declined during 2015-2017, but recovered in 2018

- reduction in revenues together with increased operating costs affected the net income during the same period
- cash across the group continued to grow and reached its highest in 2018

## Total Assets (QR Bn)



## Net Cash / (Debt) (QR Bn)



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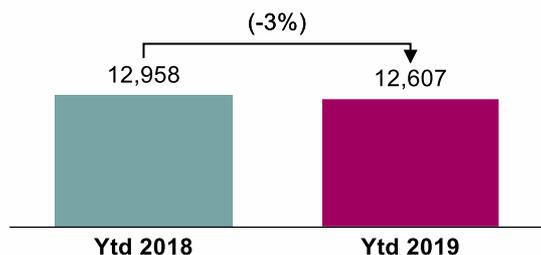
## Results at a glance (Year-to-date, Q3, 2019)

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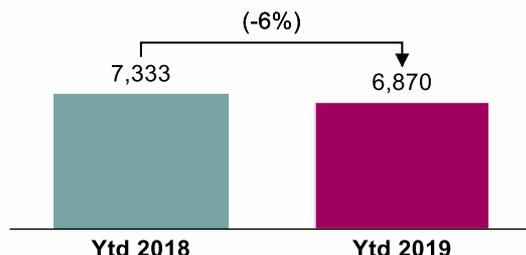
# Key Highlights

## Production (MT'000)



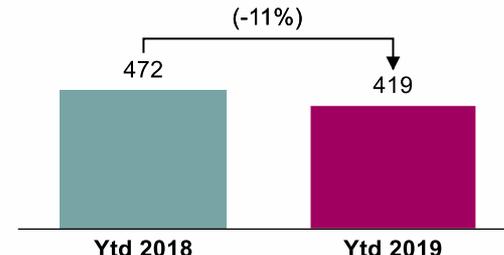
Production of 12.6 million MT's, marginally down on 2018. Production affected by periodic planned maintenance and unplanned shutdowns.

## Sales Volumes (MT'000)



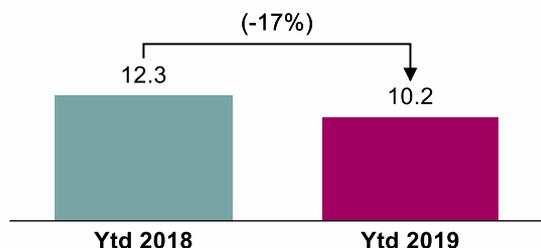
Sales volumes of 6.9 million MT's, marginally down on 2018. In line with weaker market supply-demand dynamics, sales volumes were down on last year.

## Selling Prices (\$ / MT)



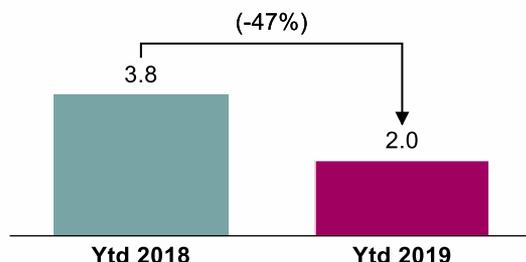
Average Selling price for the year is USD 419 / MT down by 11% versus 2018.

## Revenue (QR Billion)



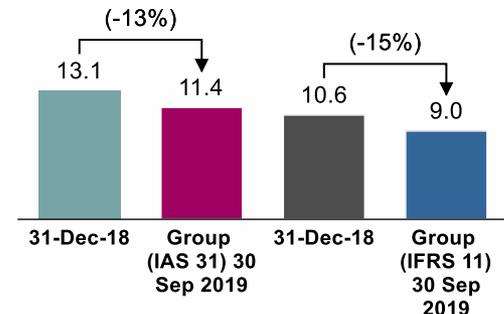
Group Revenue of QR 10.2 billion, down 17% on last year, driven by combined effect of lower volumes and prices.

## Net profit (QR Million)



Net income of QR 2.0 billion, significantly down by 47% on 2018. Lower revenue driven by lower price / volume mix led to lower net income for the year.

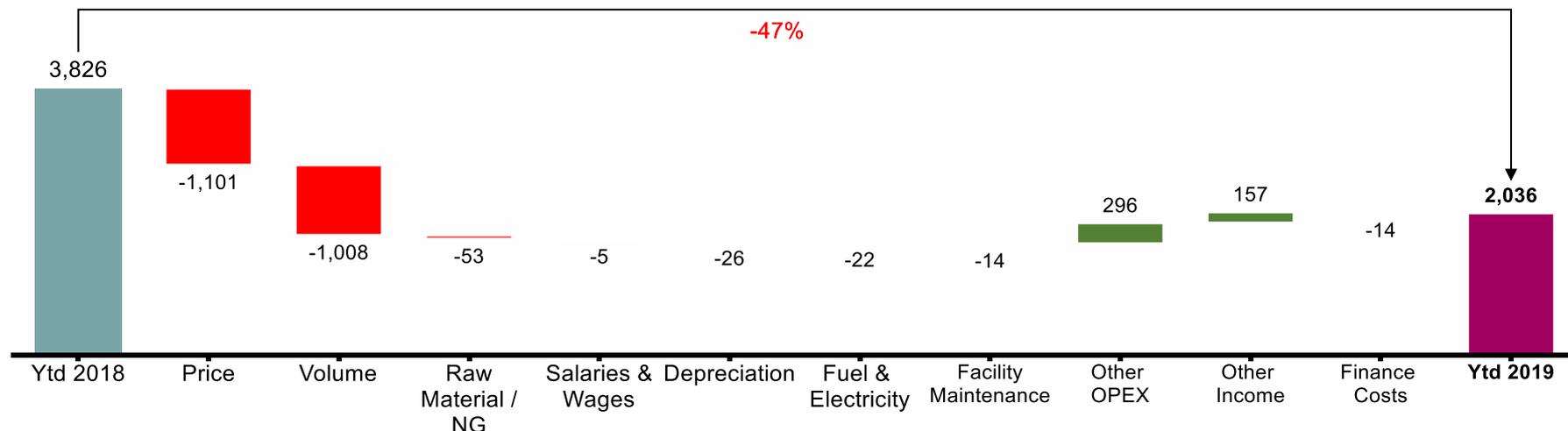
## Net Cash / (Debt) (QR Billion)



Total cash across the group stands at QR 11.4 billion with debt of only QR 10.9 million. Total cash decreased from last year due to payment of 2018 dividend of QR 3.6 billion.

# Net Profit Variance Analysis (versus Actual 2018)

Net profit of **QR 2.0** billion, significantly down on last year • driven by lower prices, sales volumes, partially offset by other income and income from associates • OPEX decreased primarily due to lower production / sales.



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# Dividend and market statistics

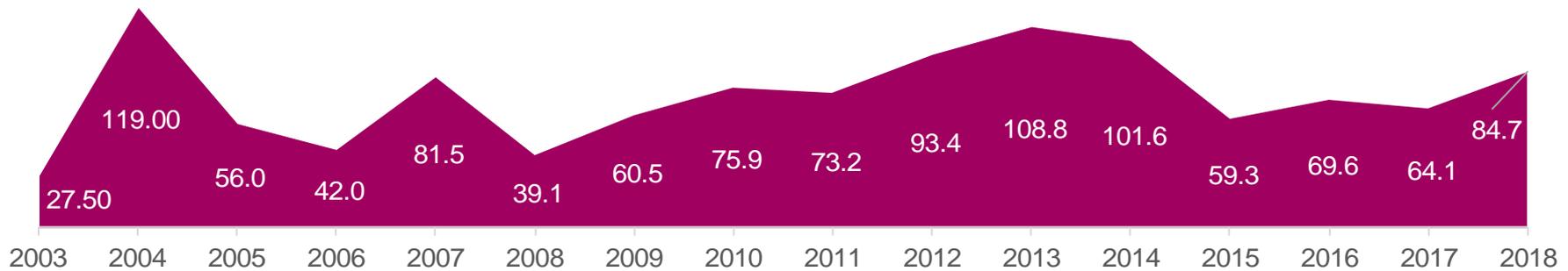
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# Dividend Record & Market Statistics (2003-2018)



Market Capitalization (QR Billion)



- To date, cash dividends totaling QR 51 billion have been distributed, equivalent to QR 84.5 per share;
- The Company was included on the MSCI Qatar Index in May 2014.
- DPS in this slide does not take into account the mandatory QFMA stock split during 2019.

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# Segmental Details

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ALL TYPE OF CATALYSTS AND CATALYSTS SOLVENT SHALL BE COLLECTED IN GLASS BOTTLE



البيس  
النظارات الواقية  
Wear goggles



SP-E-01  
(OR 303 SP-301)

| Item        | Quantity |
|-------------|----------|
| 1. Catalyst | 100g     |
| 2. Solvent  | 100ml    |
| 3. Catalyst | 100g     |
| 4. Solvent  | 100ml    |
| 5. Catalyst | 100g     |
| 6. Solvent  | 100ml    |
| 7. Catalyst | 100g     |
| 8. Solvent  | 100ml    |
| 9. Catalyst | 100g     |
| 10. Solvent | 100ml    |

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# Segmental Details: Petrochemical

- The companies in the Petrochemical segment (Qapco, Qatofin, Qafac and QVC) are engaged in the production of:

| Product      | (in 000 MT PA)        |
|--------------|-----------------------|
|              | Capacity <sup>1</sup> |
| Ethylene     | 920                   |
| LDPE         | 600                   |
| LLDPE        | 280                   |
| Methanol     | 500                   |
| MTBE         | 305                   |
| <b>Total</b> | <b>2,523</b>          |



- The segment's primary feedstocks are methane gas (which is used for the production of methanol), ethane gas (ethylene & PE) and butane gas (MTBE);

- Revenue for the first nine months of 2019 saw a decline of 26% when compared to the same period last year.
- Softening demand for petrochemical products in key markets, combined with declining market prices for petrochemical products, which are closely linked to crude oil prices, contributed to the overall decrease in the revenues.
- The reduction was also driven by periodic maintenance shutdowns, aimed at improving health, safety and environment standards whilst also focusing on enhancing the performance and efficiency of assets.



# Segmental Details: Fertilizer

- **Qatar Fertiliser Company** has six ammonia and six urea production trains all of which are located in Qatar.

| <b>Product</b> | <i>(in 000 MT PA)</i><br><b>Capacity<sup>1</sup></b> |
|----------------|--|
| Ammonia        | 2,880  |
| Urea           | 4,468  |
| Melamine       | 26   |
| <b>Total</b>   | <b>7,245</b>   |



- The segment's primary feedstock is **methane gas** (which is used for the production of ammonia) and **ammonia** (which is used for production of urea).
- Fertilizer prices have remained relatively stable during the first nine months of 2019 and during the third quarter of the year. As a result, the sales volume remained relatively stable with a marginal decline of 1% in first nine months of 2019.
- The price stability of fertilizers was primarily driven by supply-demand dynamics in the global markets, where the stricter regulations imposed on large producing countries, together with stringent export restrictions, has negatively impacted the supply curve, whereas the demand side has remained soft due to its cyclical nature.



DCI

QATAR STEEL

QATAR STEEL

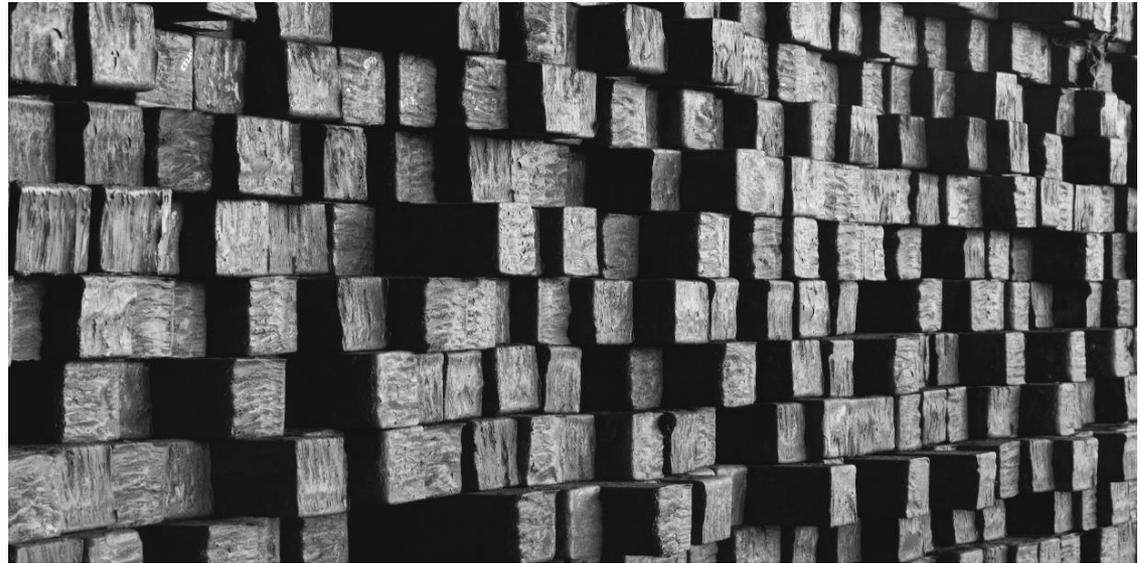
# Segmental Details: Steel

- Qatar Steel Company Q.S.C. produces a number of intermediate steel products.

The production capacity of the plants are:

| <b>Product</b> | <i>(in 000 MT PA)</i> |
|----------------|-----------------------|
|                | <u>Capacity</u>       |
| DRI / HBI      | 2,300                 |
| Rebar          | 1,800                 |
| Billets        | 2,520                 |
| Coil           | 240                   |
| <b>Total</b>   | <b>6,920</b>          |

- The segment's primary raw material is **oxide pellets** and **scraps**.



- The sales volumes in the steel segment saw a moderate decline of 8% in the nine month period of 2019, compared to the same period last year. This is attributed to softer domestic demand due to a majority of the large infrastructure projects are at near completion stage, however, the near to medium prospects remain encouraging.
- Demand for steel in international markets remained subdued due to increased competition from relatively lower cost producers from emerging markets that compete on low-cost metrics compared to the high-quality and price metrics.

# CAPEX and Cash Flows (2019 - 2023)

- Cumulative CAPEX / PUD spend of only **QR 7.4 billion** across all segments;  
Routine capex (PPE addition, and maintenance) of QR 4.7 billion and QR 2.7 billion budgeted for PUD;
- Qapco
  - Routine CAPEX of QR 1.36 billion related HSE, and other projects;
  - QR 0.12 billion of PUD related to two projects (waste water treatment & power generation project)
- Qafac
  - QR 0.7 billion routine spending primarily related to turnaround related expenses
- Qafco
  - Major investment in Ammonia 7 (CAPEX of QR 2.5 billion, addition of 0.4 million MT's of ammonia once completed)
  - Routine CAPEX of QR 1.95 billion related to maintenance, replacement, turnaround and other minor projects;
- Qatar Steel
  - No significant investment in PUD
  - Routine CAPEX of QR 0.87 billion related to maintenance replacement, turnaround and other minor projects
- Additional borrowing of QR 1.3 billion to partially finance Ammonia 7
- Strong dividend capacity driven by cash flows

## CAPITAL EXPENDITURE (in QR Billion)

|                                    | 2019       | 2020       | 2021       | 2022       | 2023       | Total      |
|------------------------------------|------------|------------|------------|------------|------------|------------|
| Waste Water Treatment              | 0.0        | 0.1        | 0.0        | 0.0        | 0.0        | <b>0.2</b> |
| Power Generation                   | 0.1        | 0.0        | 0.0        | 0.0        | 0.0        | <b>0.1</b> |
| Ammonia 7                          | 0.0        | 0.6        | 1.3        | 0.4        | 0.3        | <b>2.5</b> |
| Other Routine CAPEX & PPE Addition | 2.0        | 1.9        | 0.2        | 0.6        | 0.0        | <b>4.7</b> |
| <b>Total CAPEX</b>                 | <b>2.2</b> | <b>2.6</b> | <b>1.5</b> | <b>0.9</b> | <b>0.3</b> | <b>7.4</b> |

## CASH FLOWS (in QR Billion)

|                         | 2018        | 2019        | 2020        | 2021        | 2022        | 2023        |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Cash Flows:</b>      |             |             |             |             |             |             |
| - Operating             | <b>+6.3</b> | +5.0        | +5.0        | +5.3        | +6.0        | +6.2        |
| - Investing             | <b>-0.3</b> | -2.2        | -2.1        | -2.6        | -1.1        | -1.2        |
| - Financing             | <b>-3.2</b> | -0.6        | -0.1        | +0.6        | +0.4        | +0.3        |
| <b>FCF</b>              | <b>+5.5</b> | <b>+3.0</b> | <b>+2.9</b> | <b>+2.9</b> | <b>+4.9</b> | <b>+5.0</b> |
| <b>Cash Realisation</b> | <b>125%</b> | <b>139%</b> | <b>150%</b> | <b>138%</b> | <b>133%</b> | <b>133%</b> |

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# Sales and Marketing

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# Sales and Marketing

- Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C. (trading as “Muntajat”), a wholly-owned company of the government of the State of Qatar, has the exclusive rights to purchase, market, sell and distribute the State’s production of **petrochemical** and **Fertilizer** regulated products; and
- Marketing and distribution of **Steel Products** have been shifted to **Muntajat** in early 2018 after showing positive benefits to the other segments.



For further information, **Industries Qatar** can be contacted as follows:

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