INDUSTRIES QATAR QSC

Press Release

IQ DECLARES NINE MONTHS PROFIT OF QR 6.3 BILLION

Strong sales volume growth, cash reserves rise to record levels in build-up to year-end

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صناعات قطر
Industries Qatar

- *One of the highest nine month profits on record*
- *New facilities operating at capacity*
- *Sales volumes up year-on-year*
- *Cash levels across all group companies up by over QR 2 billion versus the same period of 2012 reflecting the group's enhanced cash position*

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 nine months ended September 30, 2013 with net profit of QR 6.3 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, "IQ continued its record-breaking full year results in 2012 with commendable year-to-date earnings as net profit for the nine months ended September 30, 2013 was QR 6.3 billion, one of the group's strongest nine-month results. This result was supported by strong incremental sales volumes following the launch of over QR 12.8 billion of facilities that added 2.0 million MT of urea and 240,000 MT of LDPE capacity during 2012. Furthermore, total cash and short-term deposits across all of the group's companies have grown by QR 2.0 billion over the same period of last year to reach QR 10.3 billion by the close of 30 September 2013, indicating the group's enhanced cash position."

Financial Results

Commenting on the financial results, Mr. Abdulrahman Ahmad Al-Shaibi, Chief Coordinator, Industries Qatar, stated, "The group recording strong year-on-year volume growth following the launch last year of new petrochemical and fertiliser facilities, while also maintaining exceptional petrochemical and steel EBITDA margins. Results, however, were adversely impacted by continued significant fertiliser price deflation, in line with international trends, and heightened fertiliser operating costs following increases in natural gas rates under the supply and purchase agreement with Qatar Petroleum."

Revenue

Reported revenue for the nine months ended September 30, 2013 was QR 4.4 billion, a decrease of QR 0.4 billion, or 8.2%, on the restated results for the same period of 2012; however, on a like-for-like basis under the previous accounting standard, reported revenue would have been QR 14.4 billion, an increase of QR 0.2 billion, or 1.5%.

Petrochemical Segment

Petrochemical revenue for the first nine months of the year was QR 3.8 billion, up QR 0.4 billion, or 11.5%, versus the same period of 2012. The segmental performance can be entirely attributed to significantly-improved sales volumes following the commercial launch of the group's third LDPE plant in the third quarter of 2012 and subsequent ramp-up, and fuel additive comparatives adversely impacted by a number of significant planned / unplanned shut-downs in 2012 (2012, Q3 Ytd: 83 days). Total LDPE sales volume increased by 129,000 MT, or 47.1%, versus the corresponding period of 2012, while overall LDPE utilisation remained at a creditable 103% (2012, Q3 Ytd: 109%). MTBE sales volumes were up 5.3% year-on-year, primarily due to the prior year shut-downs, with utilisation rates averaging a commendable 93% and 104% year-to-date for methanol and MTBE respectively (2012, Q3 Ytd: 81% and 96% respectively).

"Petrochemical prices remain generally weak with most key product prices down on the same period of 2012," elaborated Mr. Al-Shaibi. "LDPE is a notable exception: the quarterly weighted average price has held steady year-on-year, as the commodity benefited from short supply from the Middle East and Asia due to maintenance shut-downs and / or reduced production levels on high input costs, coupled with strong demand from core Asian derivative markets. MTBE prices though recovered in the current quarter, on the other hand, have experienced a degree of volatility throughout the year in line with global oil prices."

Petrochemical revenue for the third quarter of 2013 was QR 1.4 billion, up QR 0.3 billion, or 23.9%, on the previous quarter. The favorable variance can be attributed to a combination of a strengthening in LDPE and MTBE prices in the current quarter, and improved sales volumes following minor unplanned shut-downs in the previous quarter (15 days and 20 days respectively). The segment closed the quarter with an overall utilisation rate of 101% (2013, Q2: 98%).

Fertiliser Segment

The fertiliser segment closed the period ended September 30, 2013 with revenue of QR 4.8 billion, up QR 0.2 billion, or 3.8%, on the corresponding period of 2012. The segmental improvement was exclusively due to incremental urea sales volumes following the commercial launch of Qafco 5 and 6 during the second half of the previous year and subsequent ramp-up, as weighted average urea prices continued their negative trend, in line with international prices, closing over 15% down on the same period of 2012.

Revenue for the third quarter was QR 1.3 billion, a reduction of QR 0.4 billion, or 22.1%, on the previous quarter. This reduction was similarly due to weak urea prices, with quarterly average prices declining by almost $80 / MT, or 21.4%, on the previous quarter. Urea prices have now declined by over $100 / MT since the beginning of the year to close at a 3-year low of $293 / MT. The segment's quarterly revenue was further impacted by planned facilities maintenance down-time (ammonia: 28 days, urea: 23 days).

Commenting on the ongoing weak nitrogenous fertiliser price outlook, Mr. Al-Shaibi said, "IQ is in a uniquely strong position to weather the current downturn in global fertiliser prices that has seen the group's quarterly weighted average urea price drop by almost 40% since the current commodity cycle high of $487 / MT in the third quarter of 2011. Firstly, and most importantly, urea capacity increased by an additional 2.0 million MT / PA in 2012, meaning that the group can continue to expect strong headline results as improved sales volumes should be able to compensate for all but the most severe and prolonged period of price deflation. So, while lower urea prices weighed down year-to-date revenue by QR 0.7 billion, improved year-on-year urea volumes added QR 0.8 billion. Secondly, the group should benefit from the improved marketing expertise of the State of Qatar's wholly-owned petrochemical and chemical marketing specialist company, Muntajat, following the transfer of all sales-related activities in the first quarter. It should also be noted that year-to-date realised urea prices are broadly in line with the 2013 budget, and production levels have been maintained within historical norms."

Steel Segment

Revenue for the nine months ended September 30, 2013 was QR 4.4 billion, a decrease of QR 0.4 billion, or 8.2%, versus last year, while third quarter sales totaled QR 1.3 billion, down QR 0.1 billion, or 5.9%, over the second quarter of 2013. The year-on-year and quarter-on-quarter performances were both negatively impacted by lower DRI / HBI sales volumes (circa -169,000 MT and -17,000 MT respectively), as the group's steel subsidiary continued to reserve strategic DRI / HBI stocks for the commissioning of the EF5 green field steel melt shop. Third quarter volumes were also impacted by 72 days of planned and unplanned maintenance down-time across various plants (2013, Q2: 52 days). Re-bar pricing trends, however, remained broadly consistent with previous quarters primarily due to resilient domestic demand.

Profits and Margins

On the subject of the group's profits and profitability, Mr. Al-Shaibi remarked, "The group recorded year-to-date earnings of QR 6.3 billion, a decrease of QR 0.3 billion, or 4.8%, against the same period of 2012. Although the earnings were moderately down on 2012, the earnings still remain as one of the highest ever of the last ten years and was in line with budgeted expectations. However, in contrast to the record results of 2008 when net profit was driven by rampant commodity price inflation, the earnings of this reporting period were entirely volume driven, and come against the back-drop of tighter fertiliser operating margins, and several key product prices at near-term lows.

"These resolute results serve to vindicate the previous decisions of the Board of Directors to invest heavily in improving the efficiency of existing facilities and in expanding capacity, and lend support to the future investment plans as outlined in the recently announced group growth strategy - sustained growth throughout the commodity cycle can only be truly assured through judicious yet bold investment in improving capacity."

Consolidated Earnings

EBITDA for the nine months ended September 30, 2013 was QR 6.5 billion, a decrease of QR 0.3 billion, or 4.9%, on the same period last year. "Benefits gained from higher sales volumes following the commercial launches of Qafco 5, 6 and LDPE-3, weak prior year comparatives due to extended fuel additives shut-downs in 2012 and improved operating results at several of the group's local and regional investments, were off-set by general price weakness and increased fertiliser and, to a lesser extent, petrochemical, operating costs," continued Mr. Al-Shaibi.

Quarter-on-quarter consolidated EBITDA deteriorated by QR 0.3 billion, or 12.8%, largely due to unfavourable price movements of the group's fertiliser products, and higher petrochemical operating costs / reduced other operating income.

Net profit for the first nine months of 2013 was QR 6.3 billion, a decline of QR 0.3 billion, or 4.8%, against the corresponding period of 2012. Significant incremental depreciation and finance charges following the capitalisation of the new fertiliser and petrochemical assets in 2012 accounted for the additional movement in net profit vis-à-vis EBITDA. Versus the previous quarter, net profit changed in line with EBITDA.

Segmental EBITDA Margins
Petrochemical EBITDA margin closed the third quarter at 78.0%: marginally down on the first nine months of 2012 by 1.2 percentage points, as higher LDPE-3 operating costs and reduced other operating income negated the positive impact of increased LDPE and fuel additives production levels, and a 26.3% improvement in profits in Qapco's 63.64% joint venture, Qatofin (v 2012, Q3 Ytd: +QR 142.0 million). Versus the previous quarter, petrochemical margins slipped by 3.6 percentage points mainly due to reduced other operating income in the current quarter (2013, Q2: 79.4%).

Year-on-year, fertiliser EBITDA margin deteriorated by 12.0 percentage points to close at 57.2% principally due to the significant reduction in fertiliser prices and the increase in the average feedstock unit cost following the revision to the natural gas supply and purchase agreement rates for trains 1 to 4, and incremental supply to train 5. This decline was despite the benefits derived from higher economies of scale resulting from the new, state of the art, efficient production facilities, the final installment of the take-or-pay liability due to Qatar Petroleum paid in the prior year (v 2012, Q3 Ytd: +QR 76.7 million) and the return to profitability of the joint venture's subsidiary, Qatar Melamine Company (v 2012, Q3 Ytd: +QR 45.2 million). Versus the second quarter, margin shrank by 15.3 percentage points due to urea price deflation (v 2013, Q2: -7.7%) and reduced other income.

EBITDA profitability in the steel segment improved from 31.9% in the first nine months of 2012 to 35.0% in the same period of 2013 despite the lower year-on-year revenue on account of the cumulative effect of lower iron ore costs, a superior sales mix and enhanced results from associates (v 2012, Q3 Ytd: +QR 30.9 million). EBITDA margin in the third quarter dipped by 1.1 percentage points to 34.0% largely due to the marginal reduction in product prices experienced in the third quarter.

Production Shut-Down Timetable
The latest major planned down-time schedule for the fourth quarter of 2013, with prior year comparatives, is as follows:

- Ethylene: 0 days (2012, Q4: 0 days);
- LDPE: 10 days (2012, Q4: 0 days);
- LLDPE: 0 days (2012, Q4: 0 days);
- Ammonia: 16 days (2012, Q4: 26 days);
- Urea: 14 days (2012, Q4: 26 days); and
- DR, EF / CC, RM: 50 days (2012, Q4: 140 days).

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

Major CAPEX / Investments Update
Continuing, Mr. Al-Shaibi provided a brief update on the group's current major CAPEX and investment portfolio:

EF5
In Q2, 2010, the group's steel subsidiary, Qatar Steel, commenced work on its EF5 project consisting of a QR 1.2 billion green field steel melt shop built adjacent to its main facility in Mesaieed Industrial City, Qatar. The facility has a design capacity

of 1.1 million MT / PA of billets. The commercial launch of the facility is now expected to take place in the early part of Q1, 2014. The original intention was for the new steel melt shop's electric furnace to immediately replace two of the company's existing electric furnaces, increasing the company's net saleable billets capacity by 285,000 MT / PA. However, Qatar Steel has subsequently confirmed its intention to continue operating EF1 and EF2 for an additional two years, before decommissioning those facilities in 2015.

SOLB Steel Company (formerly known as "South Steel Company WLL")

Qatar Steel's Saudi Arabian-based 31.03% associate, SOLB Steel Company ("SOLB Steel"), completed commissioning of a 1.0 million MT / PA steel melt shop and a 0.5 million MT / PA rolling mill in late 2012, with construction of a second similar rolling mill in progress and now due to be completed in the second half of 2014. Commercial operations commenced in December 2012, and Qatar Steel's total investment contribution was QR 225.0 million for both phases.

CO2 Recovery Project

The QR 0.1 billion CO2 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.

Qatar Steel International / Algerian Joint Venture

Qatar Steel holds a 50% stake in a special purpose vehicle, Qatar Steel International Company QPSC ("QSIC"), which in turn has a 49% share in a joint venture formed with the government of Algeria and other local parties established to develop a 2.0 million MT / PA integrated steel mill in Algeria.

Elaborating on the latest developments, Mr. Al-Shaibi confirmed, "A shareholders' agreement was signed with the Algerian government on March 24, 2013 following the signing in January of a conditional joint venture agreement. Subject to the fulfillment of outstanding commercial issues, the formation of the joint venture entity is due to be completed before the end of the year.

"The first phase of the project envisages a direct reduction plant, steel melt shop and rolling mill being built at an estimated equity contribution to Qatar Steel of QR 0.5 billion, with a commercial launch date of 2017."

Al Sejeel Petrochemical Complex (formerly referred to as the "QP : Qapco Ras Laffan 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 (250,000 MT / PA) and LLDPE (68,800 MT / PA) production, and add HDPE (166,000 MT / PA) and polypropylene (169,000 MT / PA) to the group's product list, Mr. Al-Shaibi commented, "Following the signing of a heads of agreement with Qatar Petroleum in the early part of 2012, and subsequent appointment of Qapco as project manager and completion of an initial feasibility study, the project is progressing satisfactorily through the front-end engineering design phase with the recent selection and appointment of polyethylene and polypropylene technology providers.

"The project is on track with a tentative commercial launch date of 2018. No changes to the product list, shareholder names or participation are under consideration, but the expected production capacities of the major products have been updated. 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 up to QR 24.4 billion, with IQ's budgeted share currently at QR 3.7 billion. This estimate is not likely to be finalised until the award of an EPC contract."

Significant Distribution and Marketing Changes

On November 22, 2012, Decree Law number 11 of 2012 was published in the Official Gazette mandating a new, wholly owned company of the government of the State of Qatar, Qatar Chemical and Petrochemical Marketing and Distribution Company QJSC (trading as "Muntajat"), with the exclusive rights to purchase, market, distribute and sell the State of Qatar's production of chemical and petrochemical regulated products to the global market. Accordingly, Industries Qatar's activities related to the marketing, distribution and selling of all of the group's products, with the exception of the group's steel products, have all now been progressively migrated to Muntajat. The Decree Law was effective from November 4, 2012 and Muntajat's operations commenced in Q1, 2013.

Significant Financial Reporting Changes

In May 2011, the International Accounting Standard Board issued IFRS 11 Joint Arrangements which superseded IAS 31 Interests in Joint Ventures, and is mandatory for annual periods beginning on or after January 1, 2013.

In previous years, the company accounted for its interests in joint ventures using proportionate consolidation, which allowed the company to consolidate its proportionate share of each line of the joint ventures' financial statements in accordance with IAS 31 Interests in Joint Ventures. IFRS 11 requires a joint venturer to recognise its interest in a joint venture as an investment and should account for that investment using the equity method.

The company has determined that with the adoption of IFRS 11 its interests in Qapco, Qafac and Qafco will meet the criteria for a joint venture. Accordingly, from January 1, 2013, on adoption of IFRS 11, Industries Qatar accounted for its interests in the above companies using the equity method.

The equity method of accounting requires Industries Qatar to present the carrying amount of its investments in joint ventures as a single line item in the statement of financial position, and its share of the joint ventures' net income as a single line item in the statement of comprehensive income. This change in accounting policy will not affect previously reported net income and shareholders' equity, but will affect most other line items in the statement of financial position, statement of comprehensive income and statement of cash flows.

With respect to concerns expressed regarding the application of the new method of accounting and its impact on financial disclosure by Industries Qatar, Mr. Al-Shaibi stated, "Firstly, I have to confirm that the change in the method of

accounting for our interests in our joint ventures Qapco, Qafac and Qafco is mandatory, and not an issue of management choice: as a company listed on the Qatar Exchange we are required to adhere to International Accounting Standards and, after receiving professional advice, those standards mandate this change. Management of Industries Qatar does not have the leeway to opt-out.

"And, secondly, management remains committed to openness and transparency. Our investor relations team has engaged with shareholders and investors to discuss ways in which to maintain, or even enhance, the group's historical commitment to comprehensive disclosure. And, it is not our intention to use this change to roll-back the improvements made over the last few years."

Conclusion

In conclusion, H.E. Dr. Al-Sada remarked, "Following the achievements of the first nine months of the year, the Board of Directors and senior management look forward to the rest of the year with confidence."

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For more information about this press release, email iq@qp.com.qa or visit www.iq.com.qa

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Industries Qatar

DISCLAIMER

The companies in which Industries Qatar QSC directly and indirectly owns are separate entities. In this presentation, "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 presentation are made as of the date of this presentation, as marked on the Cover page.

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GENERAL NOTES

IQ's accounting year follows the 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**: 5-Year Compound Annual Growth Rate (from 2012 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 • **Interest Cover:** (Earnings before Interest Expense + Tax) / Interest Expense • **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 • **Net Debt:** Current Debt + Long-Term Debt - Cash & Cash Equivalents • **Payout Ratio:** Total Cash Dividend / Net Profit x 100 • **P/E:** Price to Earnings (Closing market capitalisation / Net Profit) • **RCF:** Funds From Operations - Dividends • **ROA:** Return On Assets [EBITDA/ (Total Assets - CWIP - PUD) x 100] • **ROCE:** Return On Capital Employed [Net Profit before Interest & Tax / (Total Assets - Current Liabilities) x 100] • **ROE:** Return On Equity (Net Profit / Shareholders' Equity x 100) • **Utilisation:** Production Volume / Rated Capacity x 100 [For new facilities, measure includes first full operational quarter only]

ABOUT IQ

Industries Qatar QSC ("IQ") 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; (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").

Qatar Petroleum, the largest shareholder, provides all of the head office functions for IQ through a comprehensive service directive. The operations of the subsidiary and joint ventures remain independently managed by their respective Boards of Directors and senior management teams.

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