

## **IQ posts QR 0.7 billion net profit for the first quarter of 2019**

- Net profit impacted by weaker prices and periodic maintenance
  - Planned maintenance for the period successfully completed
- **Strong liquidity position maintained as total cash across the group stands at a healthy QR 9.9 billion after paying 2018 dividends of QR 3.6 billion.**
- **EPS of QR 1.11.**
- **Sales volumes affected by periodic maintenance.**
- **Price deflation affected the group's financial performance by ~QR 0.4 billion.**
- **Market capitalization of ~QR 75 billion as at 31 March 2019 with a market-to-book ratio of ~2.3x**

**Doha, Qatar • 22 April 2019** - 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, fertilizer and steel products, announced its financial results for the period ended 31 March 2019 with net profit of QR 0.7 billion and earnings per share of QR 1.11, compared to net profit of QR 1.3 billion and earnings per share of QR 2.10 for the same period of 2018. Cash and bank balances across the group stand at QR 9.9 billion after paying 2018 dividends of QR 3.6 billion.

During the current reporting period, the group operated under tightened trading conditions, as demand for products remained somewhat low and the product prices have softened. Product prices on average have declined by ~9% which has contributed for a ~QR 0.4 billion reduction in the group’s net earnings. Overall sales volumes, on the other hand, were also slightly down on the backdrop lower production on account of periodic maintenance.

The cash position across the group remained strong with total cash across the group of QR 9.9 billion after paying the 2018 annual dividend of QR 3.6 billion, and total debt of only QR 25.5 million, reflecting the group’s strong liquidity position.

## **Financial Results**

### **Revenue**

Reported revenue under IFRS 11 for the period ended 31 March 2019 was QR 1.3 billion, a marginal decrease of 8.4%, over the same period of 2018. This year-on-year reduction was due to a moderate fall in the prices of the group’s steel products following muted demand and excess supply in the key markets, despite a slight improvement in the sales volumes.

On the other hand, on a like-for-like basis, management reporting revenue - assuming proportionate consolidation - was QR 3.5 billion, a decrease of QR 0.5 billion or 12.3%, versus the same period of 2018. This year-on-year reduction was primarily driven by a moderate reduction in the product prices across all segments, most notably in the prices of petrochemicals and steel products, and muted demand in some of the major buying countries. The reduction was also further magnified by the lower sales volumes due to weaker demand and lower production volumes on account of periodic maintenance.

Prices of petrochemical products were moderately down compared to the same period of 2018. A marginal reduction in crude oil prices, and muted demand in some major markets due to unfavorable economic conditions resulted in weaker petrochemical product prices. Petrochemicals sales volumes were also down on last year due to periodic planned shutdowns in one of the joint ventures.

Fertilizer prices, on the other hand, have improved marginally compared to the same period of 2018. The increase was driven by improved demand from some of the large agricultural economies, together with increased raw material costs and regulatory pressure on non-environment compliant producers. Sales volumes, however were marginally down last year.

Prices in the steel segment were also down year-on-year due to a number of reasons, including lower demand and higher competition. In the domestic market, the prices were affected by the relatively lower demand in the current period, while the regional demand was also affected by the availability of low price steel from non-GCC producers, especially Turkey. Prices in other markets, like the Far East, were affected by the supply of low cost steel from countries like China. Nevertheless, the segment was able to maintain its sales volumes as these volumes have marginally increased on last year.

### Net Profit

Net Profit reported for the period ended 31 March 2019 was QR 0.7 billion (earnings per share of QR 1.11), a reduction of ~QR 0.6 billion, or ~47 % on the same period of last year. This reduction was primarily driven by a combined effect of moderately lower prices, slightly decreased sales volumes, and a slight increase in the operating costs.

### Cash and Debt Position

Cash across the group stands at QR 9.9 billion, after paying the 2018 dividends of QR 3.6 billion, and operating and capital expenditure. Total debt across the group is only QR 25.5 million. This debt is expected to be settled during the second half of 2019.

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*For more information about this press release, email [iq@qp.com.qa](mailto:iq@qp.com.qa) or visit [www.iq.com.qa](http://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.

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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 document.

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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 = QR 3.64.

## DEFINITIONS

**Adjusted Free Cash Flow:** Cash Flow From Operations - Total CAPEX - Dividends • **CAGR:** 5-Year 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 • **DRI:** Direct Reduced Iron • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortisation calculated as (Net Profit + Interest Expense + Depreciation + Amortisation) • **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 capitalization / Net Profit) • **Utilization:** Production Volume / Rated Capacity x 100

## ABOUT 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 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, 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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