صناعات قطر
Industries Qatar

Press Release

For the year ended 31 December, 2016

IQ DECLARES FULL YEAR NET PROFIT OF QR 3.0 BILLION ● DIVIDEND OF QR 2.4 BILLION RECOMMENDED

Commendable financial performance in a challenging environment • Efficiently managed assets leading to stable operational performance • Excellent financial position with record liquidity position • Performance well ahead of group's budget expectations • Group benefited from the on-going optimization programs • Current year performance impacted by weaker product prices, unplanned outages and one-off exceptional items • Dividend of QR 4.0 per share recommended

- **Excellent financial position maintained with cash and bank balances reaching to a record QR 11.3 billion across the group.**
- **Dividend payout ratio of 82%; remains one of the highest in group's dividend history.**
- **Sound operating performance with stable production and sales volumes.**
- **Operational KPI's remained firm with a utilization of 103%.**
- **Operating costs improved following the ongoing cost and operational optimization programs.**
- **Full year net profit of QR 3.0 billion, down by ~34% on last year, impacted by weaker prices, and one-off items.**
- **Product price deflation affected the group's results by ~QR 1.9 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, fertilizer and steel products, announced its financial results for the period ended 31 December, 2016 with a net profit of QR 3.0 billion.

Reported results for the year are considered highly commendable considering the challenging macro-economic and competitive environment in which the group was operating under during 2016. The year started on a cautionary note with oil prices falling below U$ 30 per barrel and presented many challenges to the group during the year.

The low oil price environment had a direct and a significant impact on the group's petrochemical segment[1] as prices remained very low in the early part of 2016. The lower oil prices presented greater opportunities for the non-natural gas based petrochemicals producers (e.g. naphtha based producers) to be more competitive and posed serious challenges for the gas based petrochemical producers.

Whilst the low oil price environment presented a lot of challenges for the petrochemical segment, the fertilizer segment was faced with other significant issues. The prices of the group's fertilizer products came under severe pressure in 2016 due to the current and expected level of elevated supply, weaker global demand, currency issues, and reached a record low early in the second half of the year. These prices have somewhat recovered in the latter part of the year due to a gradual rise in costs for some producers, and a slight improvement in the overall demand.

The steel segment on the other hand had a set of different challenges. Spend cuts, delays, and cancellation of major government and infrastructure projects in the region have resulted in lower steel demand. In addition, steel supply in 2016 has expanded due to lower production costs arising from the decline in material costs, which exerted further pressure on the product prices. However, the segment was able to improve its operating costs significantly, thereby neutralizing the adverse impacts which arose from lower demand.

Nevertheless, the group's financial and operating results significantly exceeded the budgeted expectations with stable production, sales volumes and improved operating costs.

Financial Performance

Revenue

Full year revenue reported under IFRS 11 was QR 4.7 billion, a decrease of ~ 11% versus 2015. This year-on-year decrease was driven by a combination of factors including weaker product prices together with marginally lower sales volumes due to a reduction in the sales of some of the intermediate products.

[1] Petrochemical segment includes a polyethylene entity (QAPCO) and a fuel additive entity (Qafac.

On the other hand, on a like-for-like basis, management reporting revenue[2] - assuming proportionate consolidation - was QR 13.8 billion, a year-on-year decrease of ~14%. This variance was largely due to a general decrease in the product prices across all segments, most notably in the prices of fertilizers and fuel additives. The reduction in the selling prices has affected the group revenue to the extent of ~QR 1.9 billion. Sales volumes however remained broadly flat on last year. The improved sales volumes in the polyethylene segment was broadly offset by the lower sales volumes in the fuel additives segment.

Net Profit

Net profit for the period under review was QR 3.0 billion, translating to an earnings per share of QR 4.9, down ~34% versus 2015 (2015 EPS of QR 7.4). This reduction was driven primarily by the lower revenues on account of a notable price deflation across all operating segments, and most notably in the fertilizer and fuel additives segments, and a number of other non-recurring one-off expenses primarily relating to the impairment of ~QR 0.4 billion at the fertilizer joint venture. The impact of the price reduction on the group's profit was partially offset by the improvement in the operating costs due to the benefits realized on account of ongoing cost optimization initiatives.

Financial Position

The group's financial position continued its solidity with cash and bank balances[3] reaching a record high of QR 11.3 billion across the group; an increase of QR 0.7 billion on 31 December 2015. The group's total debt[4] amounts to QR 2.9 billion, down QR 0.8 billion versus 31 December 2015. The improved financial position has resulted in a notable improvement in the group's liquidity position and debt metrics.

Proposed Dividend Distribution

Realizing the State's vision of sharing part of the wealth generated in the oil and gas segment with its citizens, the Board of Directors has supported, and continues to support, a rational and prudent dividend payout practice that balances the needs and aspirations of shareholders while maintaining adequate liquidity within the group for actual and potential investment requirements, debt obligations and unexpected adverse trading conditions.

Taking the above factors into consideration, the Board of Directors has proposed a total annual dividend distribution for the year ended December 31, 2016 of QR 2.4 billion, equivalent to a payout of QR 4.0 per share and representing a payout ratio of 82%.

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[2] Refers to the share of revenue in the group's joint ventures and subsidiary.
[3] Cash and Bank balances refers to cash, bank balance and deposits held across all group companies.
[4] Total debt refers both short and long-term debt obligations across all group companies.

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 document.

Industries Qatar QSC, its Directors, officers, advisors, contractors and agents shall not be liable in any way for any costs, losses or other detrimental effects resulting or arising from the use of or reliance by any party on any forward-looking statement and / or other material contained herein. Industries Qatar QSC, its subsidiary, joint ventures and associated companies are further in no way obliged to update or publish revisions to any forward-looking statement or any other material contained herein which may or may not be known to have changed or to be inaccurate as a result of new information, future events or any reason whatsoever. Industries Qatar QSC does not guarantee the accuracy of the historical statements contained herein.

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 • **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 capitalisation / Net Profit) • **Utilisation:** Production Volume / Rated Capacity x 100

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, 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.

CONTACT DETAILS:

Name	Mr. Saad Sherida Al-Kaabi
Title	Chairman and Managing Director
Company	Industries Qatar QSC
Telephone Number	(974) 4013-2080
Fax Number	(974) 4013-9750