صناعات قطر
Industries Qatar

FOR IMMEDIATE RELEASE

# Industries Qatar announces a net profit of QR 3.5 billion for the six-month period ended 30 June 2021

- Group reported the highest quarterly profit since 2013, on the back of constructive macroeconomic drivers
- Earnings per share (EPS) stood at QR 0.58 for the six-month period ended 30 June 2021, as compared to QR 0.12[1] for the same period last year
- Group's liquidity position continues to remain robust with total cash exceeding QR 11 billion
- Ongoing sequential recovery driving demand, with prices continued its positive trajectory during Q2-21
- IQ's operations remained resilient, as the Group continue to focus on ensuring safe, efficient and reliable operations

**Doha, Qatar; 5 August 2021:** Industries Qatar ("IQ" or "the Group"; QE Ticker: IQCD), today reported a net profit of QR 3.5 billion for the six-month period ended 30 June 2021, representing an increase of 391% compared to the same period last year.

**Updates on macroeconomic environment**

The economic momentum built upon effective ongoing vaccination campaign and ease of lockdowns in major markets allowed sequential recovery and led to a stronger consumer demand and rising oil prices. In addition, industry supply constraints and global logistical bottlenecks remained evident throughout the period across industrial sectors, especially for petrochemicals and fertilizers. These macro imbalances enabled positive trajectory of commodity prices and led to margin improvements.

**Operational performance updates**

| Key performance indicators | 1H-21 | 1H-20 | Variance (%) [1H-21 vs 1H-20] | Q2-21 | Q1-21 | Variance (%) [Q2-21 vs Q1-21] |
|---|---|---|---|---|---|---|
| Production (MT' million) | 7.8 | 8.3 | -6% | 4.0 | 3.8 | +8% |
| Plant utilization rates (%) | 98% | 93% | -- | 102% | 95% | -- |
| Average reliability factor (%) | 99% | 97% | -- | 99% | 97% | -- |

Group's operations continue to remain efficient with Group's share of production for the six-month period ended 30 June 2021 reaching 7.8 million MTs, marginally down by 6% versus 1H-20. This was primarily driven by Group's strategic decision to mothball part of its steel facilities since April'20, commercial

[1] Net profit and earnings per share for 1H-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

shutdown at the MTBE facilities during Q1-21 and a planned shutdown during Q1-21 at certain fertilizer facilities. Plant utilization rates for 1H-21 reached 98%, while average reliability factor also stood at 99%.

**Financial performance updates – 1H-21 vs 1H-20**

| Key financial performance indicators[2] | 1H-21 | 1H-20 | Variance (%) |
|---|---|---|---|
| Average selling price ($/MT) | 516 | 381 | +35% |
| Sales volumes (MT' 000) | 5,007 | 3,589 | +40% |
| Revenue (QR' billion) | 9.2 | 5.4 | +69% |
| EBITDA (QR' billion) | 4.5 | 1.5 | +188% |
| Net profit (QR' billion) | 3.54 | 0.72 | +391% |
| Earnings per share (QR) | 0.58 | 0.12 | +391% |
| EBITDA margin (%) | 49% | 29% | -- |

Note: Revenue and EBITDA measures have been reported based on non-IFRS based proportionate consolidation

For the first half of 2021, the Group recorded a net profit of QR 3.5 billion as compared to QR 0.72 billion for 1H-20, up by 391%. The Group revenue also improved by 69% to reach QR 9.2 billion as compared to QR 5.4 billion for 1H-20 (assuming proportionate consolidation). Earnings per share (EPS) amounted to QR 0.58 for 1H-21 versus QR 0.12 for 1H-20. EBITDA increased by 188% and reached QR 4.5 billion for 1H-21 in comparison to QR 1.5 billion for H1-20.

Group's financial performance for 1H-21 versus same period last year was largely attributed to several factors, including:

- Improvement in product prices:
  Blended product prices at the Group level, increased by 35% compared to 1H-20, translating into an increase of QR 3.1 billion in Group's net profits. Price increase, mostly linked to market prices, was noted across all the Group's segments, with fertilizer's segment reporting a contribution of QR 1.4 billion, while petrochemicals contributed QR 1.3 billion towards the overall growth in profitability compared to 1H-20. The steel segment's contribution amounted to QR 0.5 billion towards current period's earnings growth versus same period of last year.

- Improvement in sales volumes:
  Sales volumes increased by 40% versus 1H-20, driven by multiple factors, including additional sales volumes relating to Qafco trains 1-4 reported as part of 1H-21 volumes, whereas the same were not reported in 1H-20, as the trains operated under a temporary gas processing arrangement for the first seven months of 2020. Additionally, the previous year's sales volumes were affected by higher planned and unplanned shutdowns. Nevertheless, improvement in the sales volumes were offset to an extent by reduction in volumes due to mothballing of steel facilities, commercial shutdown at fuel additives facilities and planned shutdown of certain fertilizer related facilities.

- OPEX:
  Group operating expenses increased by 17% versus 1H-20. This increase was attributed to higher variable cost on account of increased sales volumes. The Group also continue to benefit from the additional layer of cost optimization initiatives implemented in the second half of 2020.

[2] All the financial performance indicators relating to 1H-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

**Financial performance updates – Q2-21 vs Q1-21**

| Key financial performance indicators | Q2-21 | Q1-21 | Variance (%) |
|---|---|---|---|
| Average selling price ($/MT) | 549 | 481 | +14% |
| Sales volumes (MT' 000) | 2,543 | 2,464 | +3% |
| Revenue (QR' billion) | 5.0 | 4.2 | +17% |
| EBITDA (QR' billion) | 2.5 | 1.9 | +29% |
| Net profit (QR' billion) | 2.1 | 1.5 | +42% |
| Earnings per share (QR) | 0.34 | 0.24 | +42% |
| EBITDA margin (%) | 51% | 46% | -- |

Note: Revenue and EBITDA measures have been reported based on non-IFRS based proportionate consolidation

Compared to Q1-21, the Group revenue improved by 17%, while the net profits improved by 42%. EBITDA for Q2-21 reached QR 2.5 billion, up by 29% versus the previous quarter. The improved quarter-on-quarter results were primarily driven by continued cyclical macroeconomic tailwinds echoed from Q1-21, while supply remained pressured and pushed product prices higher. Although, petrochemical prices have started to soften specifically in the later part of Q2-21 following improved supply, but the overall price trend remained buoyant. Sales volumes have improved marginally due to improved production.

**Financial position**

| Key performance indicators | As at 30-Jun-21 | As at 31-Dec-20 | Variance (%) |
|---|---|---|---|
| Cash and cash equivalents (QR' billion) | 11.1 | 9.8 | +14% |
| Total Assets (QR' billion) | 37.5 | 36.0 | +4% |
| Total Equity (QR' billion) | 35.3 | 33.8 | +5% |

Note: Cash and cash equivalents has been reported based on non-IFRS based proportionate consolidation

Group's financial position continue to remain robust, with the liquidity position at the end of 30 June 2021 reaching QR 11.1 billion in form of cash and bank balances, after accounting for a dividend payout for the financial year 2020 amounting to QR 2.0 billion. Currently, the Group has no long-term debt obligations. Group's total assets and total equity reached QR 37.5 billion and QR 35.3 billion, respectively, as at 30 June 2021. During the period, the Group generated positive operating cash flows of QR 3.7 billion, with free cash flows of QR 3.4 billion.

**Segmental performance highlights**

**Petrochemicals:**

| Key performance indicators | 1H-21 | 1H-20 | Variance (%) [1H-21 vs 1H-20] | Q2-21 | Q1-21 | Variance (%) [Q2-21 vs Q1-21] |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 1,388 | 1,287 | +8% | 732 | 656 | +12% |
| Average selling price ($/MT) | 887 | 526 | +69% | 940 | 828 | +14% |
| Sales volumes (MT' 000) | 998 | 923 | +8% | 526 | 472 | +11% |
| Revenue (QR' million) | 3,119 | 1,707 | +83% | 1,740 | 1,378 | +26% |
| Net profit (QR' million) | 1,495 | 309 | +383% | 886 | 608 | +46% |

Note: The above figures have been reported based on non-IFRS based proportionate consolidation

The segment reported a net profit of QR 1.5 billion for 1H-21, up by 383% versus 1H-20. This notable increase in profitability was primarily driven by improved product prices owing to improved macro environment and supply shortages. Profit improvement was also partially aided by the return of MTBE production, which was on a commercial shutdown during most of Q1-21.

Blended product prices for the segment rose by 69% versus 1H-20, with polyethylene (LDPE) prices showing a marked improvement of 75%. Sales volumes marginally up by 8%, compared to the same period last year, on account of improved production levels. The growth in product prices coupled with inclined sales volumes led to an overall increase in revenue by 83% within the segment, to reach QR 3.1 billion for 1H-21.

Although, during 1H-21, MTBE production volumes were impacted due to the commercial shutdown, but it was entirely offset by higher polyethylene volumes as some of the polyethylene facilities were on maintenance shutdown during 1H-20 and led to a moderate growth in segment's production volumes versus 1H-20.

**Fertilizers:**

| **Key performance indicators** | **1H-21** | **1H-20** | **Variance (%)** **[1H-21 vs 1H-20]** | **Q2-21** | **Q1-21** | **Variance (%)** **[Q2-21 vs Q1-21]** |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 4,835 | 4,974 | -3% | 2,529 | 2,306 | +10% |
| Average selling price ($/MT) | 359 | 232 | +55% | 388 | 326 | +19% |
| Sales volumes (MT' 000) | 3,028 | 1,640 | +85% | 1,628 | 1,400 | +16% |
| Revenue (QR' million) | 3,842 | 1,929 | +99% | 2,230 | 1,612 | +38% |
| Net profit (QR' million) | 1,538 | 372 | +314% | 943 | 595 | +59% |

Note: Figures for 1H-20 includes retrospective effects of acquisition of Qafco's 25% stake, with effect from 01 January 2020

Fertilizer segment reported a net profit of QR 1.5 billion for 1H-21, with an increase of 314%, versus same period of last year. This increase was primarily driven by growth in revenues which increased by 99% in 1H-21, to reach QR 3.8 billion. Selling prices improved by 55% versus 1H-20, which reflected positively on the segmental performance and led to improved EBITDA margins. Supply bottlenecks, together with strong global coarse grains demand led to a record high crop prices, improving farmers' affordability for fertilizers and supported strong price trends for nitrogen-based fertilizers.

Sales volumes increased during 1H-21 in comparison to 1H-20 by 85%, as volumes relating to Qafco trains 1-4 were recorded as part of 1H-21 sales volumes. Production within the segment was marginally down by 3% versus 1H-20, as Qafco trains 1-4 underwent higher number of days of planned maintenance during the current period, compared to the same period last year.

**Steel:**

| **Key performance indicators** | **1H-21** | **1H-20** | **Variance (%)** **[1H-21 vs 1H-20]** | **Q2-21** | **Q1-21** | **Variance (%)** **[Q2-21 vs Q1-21]** |
|---|---|---|---|---|---|---|
| Production (MT' 000) | 1,558 | 2,058 | -24% | 779 | 779 | +0% |
| Average selling price ($/MT) | 619 | 487 | +27% | 694 | 571 | +22% |
| Sales volumes (KMT) | 981 | 1,025 | -4% | 390 | 591 | -34% |
| Revenue (QR' million) | 2,212 | 1,794 | +23% | 984 | 1,228 | -20% |
| Net profit (QR' million) | 496 | -1,389 | +136% | 237 | 259 | -8% |

Steel segment continued its profit-making trajectory, after having a difficult first half of 2020 and following strategic restructuring initiatives implemented last year. Net profit for the current period amounted to QR 496 million versus a net loss of QR 1.4 billion in 1H-20. This noticeable improvement was mainly due to the following factors:

- Selling prices improved by 27% during the current period compared to 1H-20, due to increase in demand linked to a rebound in construction activity, along with higher raw material costs internationally.
- Mothballing of certain steel facilities allowed the segment to primarily focus on profitable domestic market, which led to adjust its cost base. Moreover, due to better international prices, the segment was also able to sell some volumes outside the domestic market.
- Recognition of one-off impairment expenses during 1H-20, amounting to QR 1.2 billion, relating to the facilities moth-balled, thus improving current year's comparative performance.
- By changing the raw material mix, the segment reduced its production costs without affecting quality of the final product.

**Earnings Call**

Industries Qatar will host an IR Earnings call with investors to discuss the results, business outlook and other matters on Tuesday, 10th August 2021 at 1:30 pm Doha Time. The IR presentation that accompanies the conference call will be posted on the 'financial information' page within the Investor Relations section at IQ's website.

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### About Industries Qatar (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 subsidiary 100% owned 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.

For more information about the earnings announcement, email iq@qp.com.qa or visit 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.

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.

There are a number of factors that could affect the realization 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. Values expressed in US $'s have been translated at the rate of US $1 = QR 3.64.

Amounts relating to income statement, including revenue, net profits, production, sales volumes, have been computed and reported for the purpose of this press release on proportionate basis, based on the share of ownership of IQ in its respective joint ventures. Specifically, Petrochemical segment's revenue is computed by taking the Group share of revenue in Qapco and Qafac. Qapco's revenue is computed by taking the share of revenue in its joint ventures namely Qatofin, QVC and QPPC. This revenue may differ from the revenues reported in the consolidated financial statements.

#### DEFINITIONS

**Adjusted Free Cash Flow:** Cash Flow From Operations - Total CAPEX - Dividends • **CAGR:** 5-Year Compound Annual Growth Rate • **Cash Realization 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 Capitalization x 100 • **DRI:** Direct Reduced Iron • **EBITDA:** Earnings Before Interest, Tax, Depreciation and Amortization calculated as (Net Profit + Interest Expense + Depreciation + Amortization) • **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