

FOR IMMEDIATE RELEASE

USD 1.0 billion deal reaffirms IQ's position and value proposition

IQ acquires QP's 25% stake in QAFCO

Doha, Qatar; 23 August 2020: Industries Qatar ("IQ"; QE Ticker: IQCD), one of the region's industrial giants, announced today that the Company's Board of Directors, in its meeting held on 23rd August 2020, has approved the proposed purchase of Qatar Petroleum's 25% stake in Qatar Fertiliser Company ("QAFCO"), and to convene an Extraordinary General Assembly ("EGA") meeting to obtain the shareholders' approval of the transaction. The effective date of the transaction would be 1st January 2020, until expiry of the new Gas Sale and Purchase Agreement ("GSPA"), for a proposed purchase consideration of USD 1.0 billion. The date and timing of the EGA meeting will be announced in due course.

The purchase of QP's stake in QAFCO is consistent with IQ's strategy to build its presence and create value across the downstream sector. This transaction specifically enhances the shareholder value by transforming IQ into a 100% owner of the world's largest single site urea producer and expanding its footprints in a well-established fertilizer business, with a proven track record of operational excellence and market positioning, along with resilient cash flow generation capabilities, spurred by synergistic opportunities.

As part of the transaction, QAFCO has entered into a new GSPA with Qatar Petroleum with effect from 1st August 2020 until 31st December 2035, covering the gas requirements of QAFCO trains 1-6 and Qatar Melamine Company ("QMC").

In addition, and as part of the same transaction, IQ's Board of Directors also approved QAFCO's acquisition of Qatar Petroleum's 40% stake in QMC, effective 1st July 2020.

Being the sole shareholder of QAFCO, IQ will now have full control of QAFCO, which would provide IQ the ability to appoint all members of QAFCO's board of directors, and make investing, financing and dividend decisions, independently, where, QAFCO's board will ensure the strategic alignment and oversee further creation of value for QAFCO and its sole shareholder.

Brief Description of QAFCO

Qatar Fertilizer Company P.S.C. (“QAFCO”) was incorporated in 1969 as a joint venture with a commercial registration no. 29, and is currently owned by IQ (75%) and Qatar Petroleum (25%). Being Qatar's first large-scale venture in the fertilizers sector, QAFCO is specifically engaged in production of Urea and Ammonia. QAFCO was established to diversify the economy and utilize the nation's enormous gas reserve, and has evolved steadily over the past five decades as a world-class fertilizer producer. The Company's registered office is at P.O. Box 50001, Mesaieed, State of Qatar. QAFCO currently owns subsidiary level stake in Gulf Formaldehyde Company (70%) and Qatar Melamine Company (60%).

QAFCO'S participates in the production of the following products:

Ammonia: QAFCO produces approximately 3.8 million metric tons of ammonia annually of which approximately 80% of the ammonia produced is used as a feedstock for urea production, while the rest is exported to Indian-Subcontinent, Asia, North America and South America. The exported ammonia is mainly used as a feedstock for urea and ammonium phosphate production.

Urea: QAFCO has an approximate urea capacity of 5.7 to 5.8 million metric tons per year and primarily makes prilled and granular urea, which are both solid fertilizers, and exported to over 20 countries, in all regions of the world.

Urea Formaldehyde Condensate (UFC-85): UFC-85 is an anti-caking agent, which is added to urea products to improve its strength. Circa 65% of the UFC-85 produced by Gulf Formaldehyde Company is used in QAFCO'S urea plants, with the remainder exported to neighbouring GCC countries.

Melamine: The diversification of QAFCO into melamine production through Qatar Melamine Company marks the debut of a new potentially beneficial industry in Qatar. The company avails the competitive advantage it enjoys in terms of abundance of feedstock and energy supplies. With a design capacity of 60,000 Mt per year, the plant is the largest melamine plant in the Middle East.

With six world-class trains producing annual capacity of 3.8 million MT of ammonia and 5.6 million MT of urea, QAFCO stands proudly as the world's largest single-site producer and exporter of urea with up to ~14% share of the world supply. QAFCO is strongly committed to operating its assets safely, efficiently and in an environmentally responsible manner to produce high quality Ammonia and Urea.

The total share capital of QAFCO comprises of 10 million fully paid-up shares, where, IQ currently owns 7.5 million shares representing 75% ownership and the rest of 2.5 million shares is owned by Qatar Petroleum representing 25% ownership. Under the proposed terms of transaction, IQ will purchase 2.5 million shares from Qatar Petroleum, representing 25% ownership.

The Board of Directors of QAFCO currently comprises of 8 members, where 6 members are representing IQ and 2 members representing Qatar Petroleum. Some of QAFCO Board Directors are Qatar Petroleum employees, and QAFCO's Managing Director & CEO is an IQ Board member. Following the completion of the transaction, IQ will nominate all the members of QAFCO's Board of Directors.

QAFCO's SWOT analysis

Strengths

1. QAFCO is a well-established global player. It is the World's largest single site urea producer, exporting up to ~14% of world's urea supply.
2. Owned by one of the reputed listed entities.
3. Assured feedstock by Qatar Petroleum under the long-term feedstock supply agreement.
4. Access to a world-class marketer and distributor of fertilizer products with global presence, actively managing prices and distribution channels, securing QAFCO product offtake.
5. Strong financial position with no debt and strong EBITDA margins together with access to superior production technology
6. Relatively newer facilities with QAFCO trains 5 & 6.
7. Lower operating costs with efficient and effective optimization plans implemented.
8. Despite COVID-19 has adversely affected global trade for most industries, agriculture and food security remain a key priority for most countries and the industry is therefore seen to be more resilient compared to others. As such, QAFCO has pushed on with fertilizer production throughout the crisis, given the resilience of the sector.

Weaknesses

1. Some of the facilities are dated (i.e. QAFCO trains 1 & 2) and therefore could have an adverse impact on the overall operational efficiency and may require higher capital expenditures to maintain and operate in the future.

Opportunities

1. Through this transaction, Industries Qatar is enabling further integration and streamlining of the fertilizer value chain in Qatar, which is likely to result in further commercial optimization.
2. Room for higher operational efficiency, should investments be made to upgrade the relatively dated facilities.

Threats

1. No major maintenance or expansionary CAPEX have been spent in the recent past as the last major investment was made in 2013.
2. QAFCO is subject to intense global competition as it produces basic commodities and no specialty products and therefore cannot differentiate itself from other players in the market.
3. Regional competition is also likely to increase the threat level as regional players look to enhance operational efficiency and reposition.
4. Given that QAFCO's products are regularly traded commodities, the Company is exposed to commodity price fluctuations. Adverse price movements are expected in the

short term following the outbreak of COVID-19 and low oil prices. Increased volatility (and uncertainty) is expected, and this would need to be managed well, namely through contracting and price risk hedging.

Key elements of the proposed transaction

– *Percentage of shares to be purchased and sources of funding*

Industries Qatar proposes to purchase 25% stake in QAFCO, currently owned by Qatar Petroleum at a purchase consideration of USD 1.0 billion. The transaction will be 100% sourced by IQ's own sources of funds available to IQ in form of unrestricted cash and bank balances, including short term money market investments. The cash and bank balance position including short term fixed deposits of IQ as at 30 June 2020 was QR 11.3 billion.

– *Relationship between transaction parties*

Industries Qatar is 51% owned by Qatar Petroleum. The Board of Directors of IQ comprises of seven members, all of whom are appointed by Qatar Petroleum being the special shareholder and Parent Company of IQ.

For further details about IQ, please visit the company's website www.iq.com.qa.

– *Timeline of the transaction*

The proposed transaction and the related economic benefits would be transferred to IQ with effect from 01 January 2020, and would be subject to the approval from IQ's shareholders based on a resolution to be passed in an extra ordinary general assembly meeting to be held by IQ, in accordance with its Articles of Association. The transaction will be further subject to other regulatory and other customary approvals, which may be required in accordance with the local statute of State of Qatar.

– *Financial implications of the transaction on the financial position and performance of IQ*

Based on the completion of the transaction, following would be the main financial implications:

1. Total net assets to increase, as QAFCO now would be considered as a 100% owned subsidiary with no minority interest.
2. Cash and bank balances expected to decrease on account of USD 1.0 billion payment in form of purchase consideration.
3. IQ group sales, cost of goods sold, selling and marketing expenses, general and administrative expenses, operating and free cash flows, will be boosted with additional 25% contribution from QAFCO's financial statements with no minority interest.

– *Advantages and opportunities, and disadvantages and threats may result from the transaction for IQ and its shareholders*

Advantages and opportunities

1. The transaction of the remaining equity stake in QAFCO would give IQ full control over both QAFCO and QMC, and therefore IQ would have the opportunity to make strategic decisions especially with regards to the following:
 - a) Investment decisions in the existing facilities, including diversifying QAFCO's product offering to include more strategic products;

- b) Financing and dividend distribution decisions;
 - c) Use of excess cash generated by the business;
 - d) Better production flexibility and taking strategic advantage of any commercial arbitrage.
2. The transaction is estimated to provide positive net present value, with a buoyant IRR.
 3. The transaction aided to secure a new gas supply agreement with Qatar Petroleum, with more favourable terms to QAFCO.

Disadvantages and threats

1. Full exposure to commodity price risks, especially considering the short term expected adverse price movements due to COVID-19 and low oil prices and uncertain economic recovery profile.
2. Full exposure to operating risk of the entity, which was previously shared between the two entities.
3. Additional stake in QMC, thus increased exposure to a highly volatile commodity with lack of certainty on future outlook.

Other Agenda items for the Extra Ordinary General Assembly meeting:

Other agenda items for the Extra Ordinary General Assembly meeting, other than purchase of QAFCO's 25% stake from Qatar Petroleum, would include:

- 1- Approving the proposed amendments to the constitution of the Company's Board of directors where the Board shall now consist of eight (8) Directors, seven (7) of whom are appointed by the Special Shareholder, provided that the Chairman and the Vice Chairman are amongst them. One (1) Director shall be appointed by the General Retirement and Social Insurance Authority. The new composition of the Board of Directors shall come into effect from the upcoming term of the Board that will start from the date of holding the General Assembly meeting to approve the financial statements of the financial year ending 31 December 2020.
- 2- To delegate the IQ's Board of Directors to negotiate, approve, sign and take all actions necessary to finalize a long-term strategic agreement regulating the relationship between Qatar Petroleum and IQ.

Brief Explanation of the aforementioned agenda item

With the exception of Qatar Steel, all of IQ's group companies are JV's with foreign partners. Earlier this year, Yara departed as a JV partner in QAFCO following the expiry of the partnership. Going forward, the joint venture agreements of Qatar Fuel Additives Company (QAFAC) and Qatar Petrochemical Company (QAPCO) will be expiring in the upcoming years.

Furthermore, Qatar Petroleum (QP) being the sole provider of feedstock, land, utilities and several other essential elements that are instrumental in the successful operation of the plants, and the related agreements that govern the provisions of these critical aspects of the facilities will also be expiring.

In order to provide a stable and reliable business model for IQ, which is able to meet the expectations of the shareholders, the approval of the aforementioned agenda item would authorize IQ's Board of Directors to take the appropriate action regarding IQ's rights in the stakes of other partners with the expiry of the joint venture agreements of QAPCO and QAFAC, in accordance with the IQ's objects as set out in the IQ's Articles of Association.

-Ends-

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 ("QAFAC"), 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.

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 press release 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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