



# INTERVIEW

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## DOCUMENT DETAILS:

Document Reference	IQ/PR/090901 Eng.DOCX
For Immediate Release	September 1, 2009

## OXFORD BUSINESS GROUP TALKS TO MOHAMMED AL SHERAWI, CHIEF COORDINATOR, INDUSTRIES QATAR

**How does the on-going financial turmoil impact the industrial sector as a whole, and your group in particular?**

As you know, countries are becoming increasingly linked through economic integration, globalization and vast advancement in communication and free trade. This makes no country or economy to survive outbursts occur globally.

Qatar, as a country with significant levels of international trade both in terms of exports and imports, has been moderately affected by the current global meltdown resulting from liquidity constraints. Consumers and firms were compelled to cut down their consumption spending and private sector investments. These two factors being the major stimulators of an economy, drastic reduction in consumption and

investment spending resulted in unprecedented economic slowdown, and thereby danger of recession. However, the impact on Qatar economy and on our group in particular will remain moderate.

As far as Industries Qatar's ("IQ") group is concerned, its products are sold to intermediaries producing consumer goods for consumers on the one hand and to the construction sector on the other hand. Since these two sectors are primarily hit by the current crisis, the global financial turmoil should have affected IQ group to a greater extent. However I would describe the impact on IQ group as "*low to moderate*" for the following reasons:

First of all, many of our products are sold in emerging markets, which are far less affected by the current credit crunch. These markets are very large in size, therefore less prone to demand volatility. These economies are expected to grow at a higher growth rate compared to their western counterparts. Secondly, we demonstrate a sound financial position with high liquidity and low levels of leverage. This makes the group less dependant on external borrowing for investment funding. As a result, we will have smooth progress in rolling over our investment plans. Thirdly, IQ group has a low cost operating structure, making us as one of the very competitive producers in the region. Our investment decisions are based on detailed feasibility studies using various scenarios to ensure our investments remain viable even with conservative estimates. Most importantly, IQ group is managed by highly skilled professionals with vast experience. They have seen peaks and troughs of the industry and have the expertise to optimize the resources during a period of economic turbulence such as the current financial turmoil.

**In your opinion, what specific measures could be taken by the private and public sector at this important juncture to circumvent the crisis?**

The most important measure that both private and public sectors should take at this crucial moment is to build confidence and explore their key strengths. We should also look at the current turmoil as an opportunity rather than as an obstacle. We must consolidate our resources and core competencies and demonstrate our confidence in the economy and the efforts taken by the government to neutralize adverse impacts, by maintaining our investments and operating plans.

Unlike the Great Depression of 1930's, the impact of the current financial crisis will evade soon, as world leaders were prompt at circumventing the adverse effects and initiating the recovery process. Therefore this expected period of recovery is an ideal platform for firms in private and public sector to look for new opportunities.

As far as IQ group is concerned, we will continue to invest in all approved plans. We are also in search of new lucrative ventures, and confident in generating substantial returns to the shareholders.

**Recently QP has privatized the entities which are servicing the O&G sector. How does this step contribute towards the economic development of Qatar?**

Our Emir, H.H. Sheikh Hamad Bin Khalifa Al Thani is always keen to broad base the ownership of state-controlled organizations. Privatization is a common platform used by many economies to achieve sustainable economic development both at the macro and micro levels.

The privatization of entities, which are servicing the O&G sector - namely Gulf International Services - allowed general public to invest in the largest sector of the Qatari economy. This has helped investors widen their knowledge in the O&G sector and create awareness about capital markets.

Privatization vests substantial challenges and responsibilities in the top management of these entities, as they are subject to regular stakeholder scrutiny. As a result, they are bound to improve value for money in order to meet stakeholder expectations. They also need to be more transparent in terms of financial reporting, allocate economic resources prudently and maintain ethical business practices.

All of these will in turn improve the return on investment, which will boost the investor's confidence and thereby help an economy to grow.

**In your opinion, how will the proposed Gulf Cooperation Council ("GCC") single currency help the region to overcome the current economic slowdown?**

The creation of the proposed GCC single currency will benefit the Gulf region in many ways. It will substantially reduce transaction costs, which will improve profitability and allow businesses and individuals to increase business opportunities within the GCC region. This in turn will enhance consumption spending and thereby demand for goods and services, inducing firms to boost up their investment expenditure. Both these factors will inject the much needed funds to the economy, and hence accelerate economic growth.

Moreover, the advent of the single currency will substantially reduce exchange rate risks and put an end to speculative hedging instruments. The single currency will

further restore the much needed liquidity to the financial markets in the region. The reduction in transaction costs will allow banks and financial institutions to provide cross-border transactions with a wider array of banking services.

Single GCC currency will also improve price transparency of goods and services within the GCC region. The customers within the region will be able to measure the prices of goods amongst the GCC countries using a common denominator, thus creating greater competition amongst the GCC nations, which will in turn benefit the end customer in terms of reduced prices and improved quality. Further the pressure on reducing prices will curtail inflation and strengthen the macro economic stability within the GCC region.

In conclusion, the proposed GCC single currency will cause demand to increase, transaction cost to decrease, eliminate economic uncertainty, create macro-economic stability and restore liquidity. These are the prime needs of this hour for the GCC nations.

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#### **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 and sale 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 and sale of ammonia and urea; (iv) Qatar Fuel Additives Company Limited QSC (“QAFAC”), a joint venture owned 50% by IQ, is engaged in the production and export of methanol and methyl-tertiary-butyl-ether (“MTBE”); and (v) Fereej Real Estate Company, a joint venture owned 34% by IQ, engaged in investing in residential and commercial buildings, and the provision of facilities management and construction project management services.

The operations of the subsidiary and joint ventures remain independently managed by their respective management teams.