



INTERVIEW

CONTACT DETAILS:	
Name	Ms. Mishael Al-Ansari
Title	PR Manager
Company	Qatar Petrochemical Company Limited QSC ("QAPCO")
Telephone Number	(974) 424-2445
Fax Number	(974) 424-2506
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OXFORD BUSINESS GROUP INTERVIEW WITH QAPCO'S GENERAL MANAGER

How do you envisage procurement challenges being overcome now and in the future?

No doubt that Procurement of material and services has become an integral part of our corporate performance and is therefore, drawing increased attention of Qatar Petrochemical Company's ("QAPCO") management. Fortunately, we have been capable of overcoming the procurement challenges in the past and we are still trying to cope with any procurement problems through adopting a corporate procurement strategy, ensuring it is aligned with corporate objectives, and by overseeing arrangements for procurement and contract management to ensure they are operating effectively. The company has been making key decisions in the procurement process

for major projects, which would include agreeing the outline business case as well as awarding contracts. Our target is to deliver progress and efficiency through procurement best practice. The essential elements of our corporate procurement are, of course, cost effective and efficient services.

How do you see collaboration between the energy sector and the Ministry of Environment developing? To what extent can potential conflicts of interest be overcome?

The environment issue is of great importance not only for the energy sector but also for the country as a whole. Our collaboration with the local environment authorities, which is Ministry of Environment, has always been excellent. There have been few environmental related issues, which require heavy capital investment on operations. Our proposal to resolve the issues are under review with the Ministry of Environment with the support of Qatar Petroleum HSE. QAPCO, as a major producer of ethylene, polyethylene and sulphur, established Environmental Management System, which has been certified as per the requirements of ISO 14001 Standards. QAPCO has turned all its operations to be environment friendly as much as it can. We are always sincere and committed to environmental protection. We are confident that any of the issue concerning environment having conflicting stands will be resolved amicably.

**What factors are considered in deciding the outsourcing of plant maintenance?
What are the benefits of outsourcing total plant maintenance?**

We believe there are a number of issues facing organizations or companies for plant maintenance outsourcing as an improvement initiative, such as the existence of a competitive outsourcing market , how much maintenance to outsource, establishing an

appropriate tendering process, establishing an appropriate specification of requirements. The two critical outsourcing factors in deciding outsourcing total plant maintenance are outsourcing risks and service quality. Careful consideration of all major issues is vital for taking the decision to outsource any major function, such as plant maintenance.

Outsourcing plant maintenance has various advantages and benefits. It allows companies to avail high-quality services. In this highly-globalized world where there is tight competition among businesses, it is easy to find a good quality skilled and specialized services which can help companies further expand, increase its productivity level, improve the skills and talents of its employees, enhance efficiency level, increased level of quality, improved business performance, and increased value of the products and services.

Though Outsourcing has several advantages, we have to keep a balance between our risk taking capacity on outsourcing and economic consideration. Like insurance, we should keep the strategic maintenance within the company by deploying its own maintenance team and should not fully depend on outsourcing. Economically, outsourcing is a cost effective strategy which can be adopted on every business aspect especially on distribution, expansion, product and service improvement, and customer assistance, companies can provide better services and products to their customers.

In your opinion, how might a common Gulf Cooperation Council (“GCC”) market impact or further liberalize the petrochemicals sector?

GCC region is becoming the fastest growing and key industrial petrochemical sector in the world. This region exerts an increasing influence on global petrochemical markets

over the long term due to its ability for volume and advantaged feedstock position. The dominance of GCC region in oil and hydrocarbon markets is increasing day by day due to its strengthened competitive position, which shall have very positive impact in breaking the dominance of certain big petrochemical companies world-over.

How is the QAPCO project progressing and how has the global energy environment impacted it?

QAPCO's projects are doing well and its existing plants are continued to produce at its maximum capacity with out any impact of recession or financial crisis world over due to its competitive leverage and expanded marketing network to sell its low density polyethylene ("LDPE") to over 4,500 customers spread over 85 countries worldwide. QATOFIN, a subsidiary of QAPCO has successfully commissioned its LLDPE plant of the Capacity of 450 KT per annum in 2009 and start producing LLDPE. QAPCO has also laid the foundation stone for LDPE-3 line, which will increase its LDPE capacity from 400 KMT at present to 700 KMT per annum by end of 2011. The Ras Laffan Cracker is also in the process of start-up with an ethylene designed capacity of 1.3 KMTPA ethylene production is expected in the first quarter of 2010.

We do not foresee any situation to it adversely influenced by any energy or financial crises.

How has reduced consumption demand impacted strategy and how do you see this developing in the medium term? Will focus still tend toward the east rather than western markets?

The abrupt slowdown and contraction of the global economy has fundamentally reduced the consumption of petrochemicals, particularly olefins and LDPE. However,

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the reduced demand has not impacted our strategy to increase production and to build up a big global networking in the world strategic market, to cover not only the east and Far East, but western markets as well. Our competitive position has allowed us to spread our wings world-over in all directions to sell our products.

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ABOUT QAPCO:

Incorporated in 1974 as a joint venture, Qatar Petrochemical Company Limited QSC (“QAPCO”) is currently owned by Industries Qatar QSC (“IQ”) [80%] and TOTAL Petrochemicals (France) [20%]. QAPCO has two joint ventures, Qatofin Company Limited QSC and Ras Laffan Olefins Cracker Company, and two associated companies, Qatar Vinyl Company Limited QSC and Qatar Plastic Products Company WLL.

QAPCO was established with the aim of utilising the associated and non-associated ethane gas from petroleum production. QAPCO is one of the leading producers of ethylene and variable grade low-density polyethylene (“LDPE”) [under the brand name “Lotrene”] in the Middle East, with sulphur being its by-product. The LDPE is marketed in over 75 countries, with the main markets being the Middle East, Far East, Africa and the Indian sub-continent. A substantial part of the ethylene produced is used in the LDPE production process, with the remainder being supplied to QAPCO’s associate, QVC, to meet its feed requirements. In 2009, QAPCO commenced production of linear low-density polyethylene (“LLDPE”).