



# INTERVIEW

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## DOCUMENT DETAILS:

Document Reference	IQ/PR/070808 Eng.DOCX
For Immediate Release	August 08, 2007

## INDUSTRIES QATAR PRESS CONFERENCE

**What are the strategies of Industries Qatar ("IQ") and the extent of its contribution to the Qatari economy?**

The company endeavors to attain more achievements and excellence in its financial and operational performance. It intends to proceed on its strategies that aim at realization of steady integration among its group of companies in a way that supports and reinforces the state's strategies in developing the national economy. This has immensely contributed to the country's economic development by providing high quality products and qualified national employees.

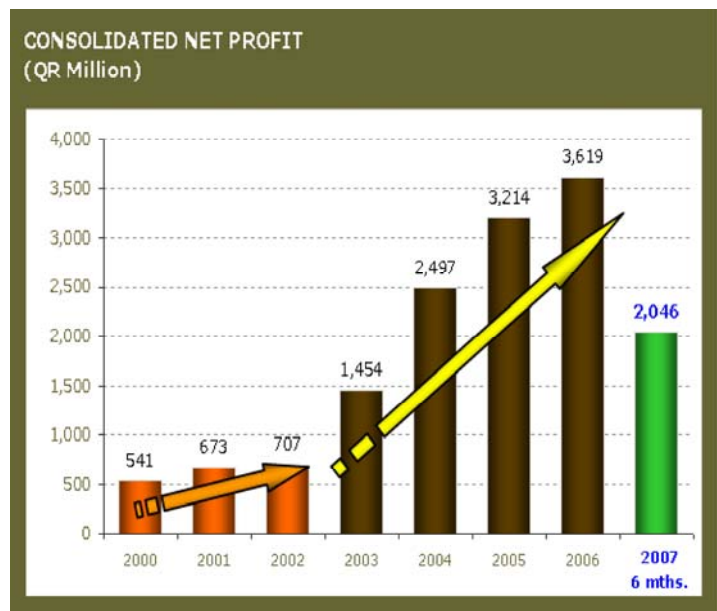
This strategy of integration resulted in the growth of revenue and assets of the company that resulted in the increase of wealth of shareholders in particular and the

Qatari economy in general. IQ, by adopting the above strategies, aspires to become a key player in the scope of its business, not only in Qatar but also worldwide.

### **Did IQ succeed in attaining economical and operational integrity among its group of companies?**

We can confidently say yes, and to support this we compiled the financial results of the group companies during the three years prior to the inception of IQ and compared the same with the results achieved during the period since inception and it clearly showed that growth rates prior to the inception were far below their equivalents in all areas after inception. This proves that

the entire group companies are smoothly operating within a unified set of systems based on a strategy with clearly prescribed objectives and has attained the required objectives. The company's results also prove the extent of the privatization strategy recently adopted by the state.



### **In your opinion, what are the major factors behind the success of IQ?**

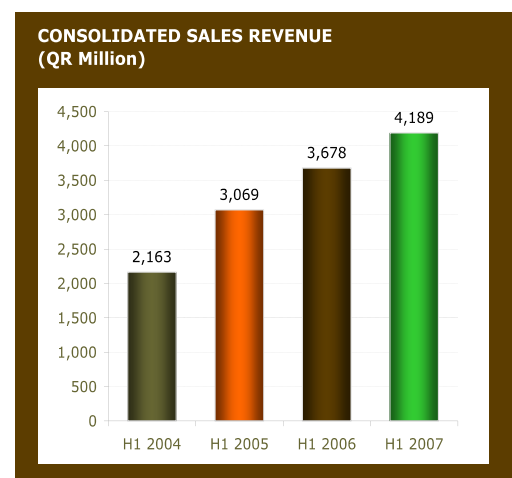
No doubt that the main elements behind the successes attained by the company are attributed to the developed infrastructure, the skilled human resources, the stable supplies of gas, economic and political stability. Above all, the wise, economic policy laid by H.H. the Emir, Sheikh Hamad Bin Khalifa Al Thani and H.H. the Heir

Apparent, Sheikh Tamim Bin Hamad as well as the guidance and careful follow-up of H.E. the Deputy Premier and Minister of Energy and Industry, Abdulla Hamad AL Attiya. Such policies and directives were adopted by the company as main guidelines in its activities for attainment of successes, utilizing the most advanced technologies and highest skills required for such industries. And these policies facilitated for IQ to reach success with high rates of return and growth in all levels.

**It's noted from the financial results announced by the company that all major indicators have recorded strong and excellent performance during the first half of 2007, mainly the growth of net profits by 28%, what do you think are the reasons behind such performance?**

We would like to indicate here that despite the adverse impact of the scheduled routine shutdown for 42 days of two of the major companies of the group, namely Qatar Petrochemical Company ("QAPCO") and Qatar Fuel Additives Company ("QAFAC"), during the report period, the company attained an unprecedented record of net profits of QR 2.046 billions with a growth of 28%, compared to the same period in 2006. This resulted in the increase of the return per share to QR 4.09 compared to QR 3.2 in the first half of 2006. The said growth can be attributed to many factors among which:

- The increase of company sales that reached QR 4.2 billion during the report period (with a growth rate of 14%) compared to the corresponding period last year. The increase of sales revenues is attributed to the increase of



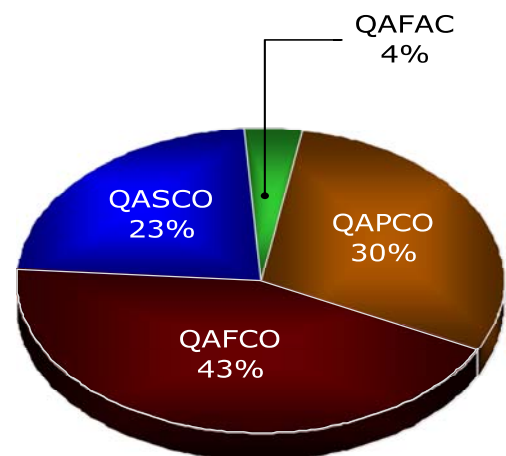
volume of production and growing world demand for such products in addition to the increases of global energy prices and its positive impact on the prices of the company products.

- Management competency in controlling operation expenses in the group companies, resulting in raising operation efficiency. This was possible as the increase of cost of sales was only 5% whereas sales revenue increased by 14%, the fact that resulted in increasing the profit margin to QR 2.1 billions or a growth rate of 24%.
- The company income from its investments increased by 81% due to increase of dividends received from IQ share in its group of companies.

### **How do you evaluate the performance of IQ group of companies?**

As you are aware, IQ is a holding company and the parent for a group of affiliate and associate companies. Consequently, the financial and operational performance of these companies has an impact on the results of the parent company. And as indicated earlier, the unified work system and the excellent performance of those companies form the main features of IQ

and support it to be one of the main pillars of the Qatari economy. Looking into the attained total net profits of QR 2.046 billions, we notice that Qatar Fertiliser Company contributes the major share by 43% of such net profits (this was due to the rise of UREA prices), followed by QAPCO which contributed by 30% then Qatar Steel (“QS”) by 23% (increase of QS contribution was due to increase of its sales with the



partial operation of its new expansion project, which is due to complete by the end of 2007). The contribution of QAFAC was 4%.

### **What is your assessment for the ongoing capital projects of IQ?**

IQ always aspires to attain steady growth in the value of its assets and aims to increase operation revenues, and that is why we see increasing number of project in progress and at a cost of 27% over the capital investments shown in the company's financial statements at the end of 2006.

Therefore, IQ endeavors to seize investment opportunities and expands in those projects of high economic feasibility so that such projects can positively contribute in enhancing the Qatari economy, coping and associating with advanced and new technologies and achieving integration between various economic sectors. Within this framework, the volume of investments in our new and expansion of existing projects are around QR 14.7 billion. IQ always strives to offer a new project or more to its shareholders every year to ensure sustainable development and improved performance.

### **What are the latest developments in your expansion projects and their completion time schedules?**

IQ has actually worked for execution and development of existing projects through strengthening their competitive edge while seeking new and promising investment opportunities. These investments will ensure attaining high rates of sales growth and high rates of future profitability in a way that serves the Qatari economy in general and the shareholders in particular.

The list of Major expansion projects include:

**QS Phase I Expansion:** At a total cost of QR 2.09 billion, this project is expected to increase the production capacity of DRI by 1.5 million metric tonnes per annum (“MTPA”), billets by 0.6 million MTPA and bars by 0.7 million MTPA and the project is expected to have an IRR of 18%. Partial operation of phase one of this project has actually started while completion of the remaining are expected in phased manner, and the last phase is expected to finish by November 2007.

**QAPCO Ethylene Expansion II:** At a total cost of QR 0.8 billion, this project is expected to increase the production capacity of ethylene by 0.2 million MTPA and the project is expected to have an IRR of 17%. The commercial production from this project is expected to start in the next few weeks.

**Qatofin:** Qatofin is a joint venture between QAPCO, Total Petrochemicals and Qatar Petroleum. At a total cost of QR 4.5 billion, this project is expected to produce linear low-density polyethylene of 0.3 million MTPA and ethylene 0.4 million (both QAPCO’s share) and the project is expected to have an IRR of 19%. Production from this project is expected to start by the last quarter of 2008.

**IQ Tower:** This tower is to be built at a total cost of QR 0.7 billion. The tower is expected to contribute to the revenue in the form of rental income and also serve as a prestigious symbol of IQ, being the biggest listed company in Doha Stock Market. The project is expected to have an IRR of 15% and will be operational in 2009.

There are also a number of projects in the pipeline in the phase of feasibility studies. Thus, the total cost of capital investments mentioned above is about QR 26.7 billions, where IQ share is about QR 14.7 billions.

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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.