



## HALF-YEAR 2008 PRESS CONFERENCE

### CONTACT DETAILS:

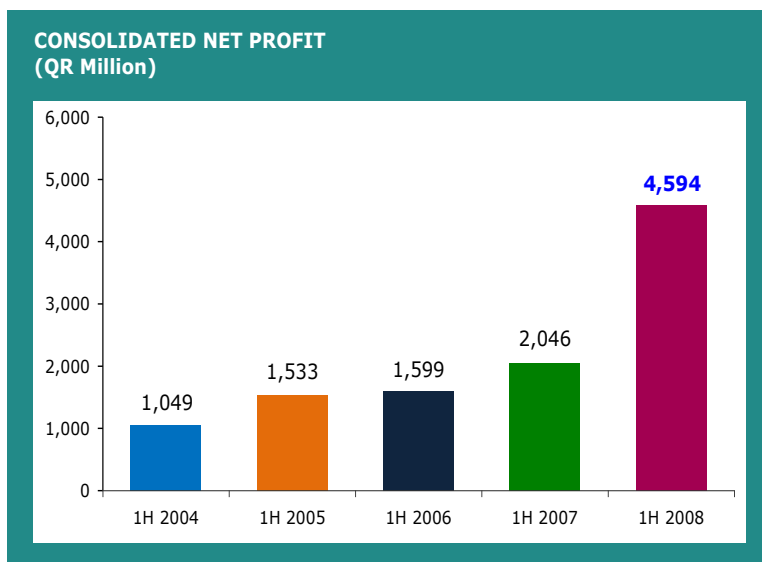
Name	Mr. Mohd Al-Shirrawi
Title	Chief Coordinator
Company	Industries Qatar QSC ("IQ")
Telephone Number	(974) 430-8688
Fax Number	(974) 429-1064

### ENQUIRIES ON 2008 HALF YEAR PERFORMANCE

*Set of questions raised by analysts and investors to the Chief Coordinator of Industries Qatar QSC, Mr. Mohammad Al-Shirrawi, on 28 September 2008.*

**(1) What do you think are the main factors behind the stunning success that Industries Qatar has achieved over the first half of this year?**

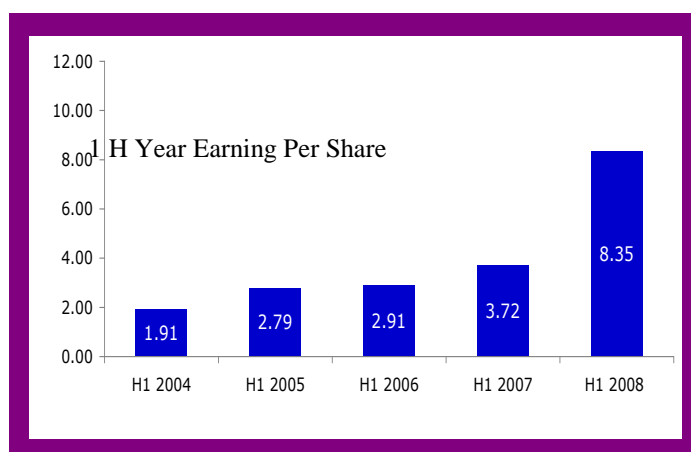
In fact, since the inception of Industries Qatar, we have been working hard to achieve a distinguished operational and financial performance in a constant manner, to ensure that IQ becomes one of the most profitable and prominent company in Qatar. Unlike previous years, what has been realized over the first half of this year is not just a distinguished operational and financial performance; indeed, it is an unprecedented one in every sense, which would open the door to yet another phase of growth and prosperity to IQ Group Companies. Actually, it could not have been possible to achieve this level of success without having a group of factors that worked cohesively together to realize these results. At



the macro national level, IQ Group Companies benefited tremendously from the favorable business environment supported by H.H the Emir Sheikh Hamad Bin Khalifa Al Thani, that is based on sustainable economic development, implementing pro-investment economic policies, a government that is committed to maximizing wealth and distributing it in an equitable basis and the availability of well developed infrastructure, raw materials and highly skilled manpower. On the other hand, at the micro level, IQ group companies focused on their own strategic competitive advantages, such as feed stock's availability and accessibility, the close business relationship with Qatar Petroleum, the diversity of portfolio companies that encompasses business entities operating in petrochemical, fertilizers and steel sectors, in addition to partnering with partners having wide technical expertise and the decentralization policy adopted in decision making at the IQ affiliate companies level. Moreover, the great role performed by H.E Abdullah Hamad Al Attiya the Deputy Premier and Minister of Energy and Industry in laying down policies and appropriate strategies, H.E's close follow up along with persistent support to IQ, all these factors contributed to produce such exceptional success achieved by IQ, proving its capability in moving ahead with its strategy aimed at achieving more operational and economic integration amongst its group companies in a manner that is well supportive to national economic development. Indeed, the said strategy reflected clearly on the ongoing growth of IQ's assets' value, and the realized revenues that grew far beyond expectations, which in turn benefited the shareholders in particular and the national economy in general.

**(2) What is the strategy of IQ and to what extent does it contribute to the development of national economy?**

Well, IQ's business strategy is to achieve operational and economic integration amongst its affiliates by coordinating between them and expanding operations either horizontally by developing and increasing its operational assets, or vertically by initiating new ventures or acquiring strategic shares in businesses that are supplementary to IQ's core business, so that a competitive



advantage can be created, allowing IQ to penetrate into international markets, gaining global market shares for its products and pioneering globally in the petrochemicals, fertilizers and steel industries. These initiatives have resulted in increasing the value of company's assets and achieving growth in realized profits in a constant manner, that benefits the shareholders in particular and the national economy in general, in terms of providing manufactured products and national experts of a high caliber.

**(3) Can we really say that IQ has succeeded in realizing operational and economic integration among its group companies?**

Absolutely. The realized exceptional profit is a clear evidence of such integration achieved, particularly the operating profit of QR 4.232 billions, representing about 55% of sales revenues, versus QR 1.902 billions representing 45% of sales revenues over the corresponding period of year 2007, which clearly reflects the extent to which the Group Companies of IQ have been efficient in achieving optimum utilization of their assets in operations. Besides, the extent of the effectiveness of the operational and economic integration achieved, has also resulted in realizing considerable savings in operational expenses, which contributed to the extraordinary operating profit achieved.

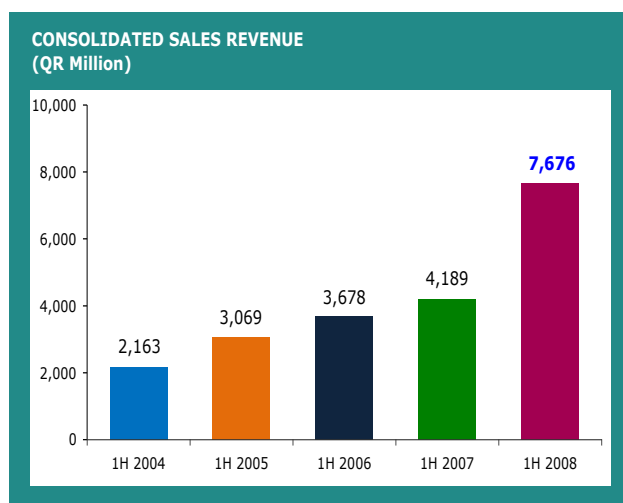
Moreover, pertaining to IQ as a stand alone business entity which operates an investments portfolio, its contribution to IQ consolidated profit over the first half of this year has increased to 1.6%, versus 0.1 % over the corresponding period of last year 2007.

**(4) It has been noted out of the financial results announced by IQ, that all financial indicators demonstrate an exceptional, distinguished performance over the first half of year 2008, specially that of the net profit which witnessed growth by 125% versus that of last year's corresponding period which had been grown by 28%. What do you think are the major factors behind such marvelous performance?**

Actually, there are a number of factors that contributed to such outstanding performance, such as the following:

**Firstly:** the amazing increase in sales revenues that went far beyond expectations, accounting for QR 7.7 billions over the first half of year 2008, versus QR 4.2 billions over the relevant period of last year 2007, translating into a growth rate of about 83%, versus 14% achieved last year. Some of the significant reasons behind the excellent increase in sales revenues, are as follows:

I. The production capacity has increased significantly due to the addition of some new assets and operational units that were put into operation during this year. For example, Qatar Steel Commenced the new DRI/HBI Combo Plant, and new Bar Mill and QAPCO Ethylene Expansion II, resulted in increasing the production capacity of Ethylene by 40%.



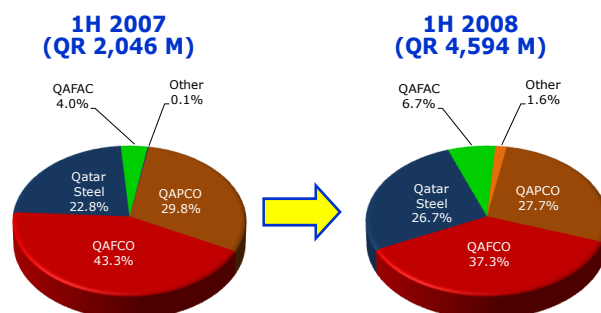
- II. Expanding the marketing and distribution network of the Group Companies' Products in order to reduce independence on traditional markets. In this regard, a number of bureaus around the globe have been established.
- III. The increase in international oil prices and their positive impact on the prices of the Group Companies' Products.
- IV. The growing world demand for IQ's products.

**Secondly:** Management's competency in controlling operational expenses which resulted in considerable cost savings. For example, selling expenses/sales revenues ratio declined from 1.5% during 2007 half year to 1.2% this year. Likewise, general and administrative expenses/sales revenues ratio declined from 3.7% over the first half year of 2007 to reach 2.4% over the corresponding period of this year 2008. In deed, the reduced expenses realized this year highlights the amount of benefits gained out of the achieved operational and economic integration among IQ Group Companies, which contributed to realizing the unprecedented operating profit and net profit as well.

**Thirdly:** The company income from its investments portfolio increased from QR1.0 millions over the first half year of 2007 to reach QR 68 millions over the corresponding period of this year 2008.

- (5) **What is your assessment as to the performance of IQ Group Companies over the first half of year 2008, especially in the light of the declining contribution made by some companies to IQ realized net profit relative to that of last year?**

First of all, the performance of IQ Group Companies, is commendable because all the Group Companies of IQ achieved an exceptional growth in their realized profits. If we take a look at the performance of each individual company and their contribution to IQ consolidated profit over the first half of this year 2008, we would notice the following:



- QAFCO ranks first in terms of the contribution made to IQ's consolidated profits, based on its share of 37.3%, versus 43.3% over the corresponding period of last year 2007.

QAFCO has achieved a growth rate in its realized net profit by 93% , and this is mainly due to the increase in both sales volume and selling price.

- QAPCO comes next, with its contribution share of 27.7%, versus 29.8% over the corresponding period of last year 2007.

QAPCO has achieved a growth rate of 109% in its half-year realized profit, and such growth in profits is resulted from both sales volume and selling price . The increase in the sales of Ethylene is due to the commercial operations of EP 2 during the six months.

- In the third place, we have Qatar Steel with its contribution share of 26.7%, versus 22.8% last year.

Qatar Steel achieved a growth rate of 163% in its half-year realized profit, due to the increase in both sales volume and selling price.

- QAFAC comes fourth with its contribution share of 6.7%, versus 4% over the corresponding period of last year 2007.

QAFAC has realized an excellent growth rate in its profit by 281%, due to the increase in both sales volume and selling price.

Moreover, IQ as a stand alone business entity also operates an investments portfolio and its proceeds has increased dramatically from QR 2.0 millions in the first half of year 2007 to QR 73.0 millions during the first half of this year.

Consequently, it is fair to conclude that all of IQ Group Companies have achieved an unparalleled level of success in terms of financial and operational performance, leading to realizing an unprecedented growth in IQ's consolidated profits. On the other hand, as to your comment regarding the declining contributions of some companies to IQ's realized net profit relative to that of last year, I simply say that there is nothing odd with that at all. Since IQ Group Companies realized growth with different

rates that range between 93% -281%, their contributions to IQ's consolidated profit would obviously vary as well.

**(6) What are the latest developments regarding IQ's expansion projects, their projected schedule for completion and what is your evaluation for these projects?**

In fact, IQ has always been looking to achieve constant growth in its assets value, increase sales revenues by capturing lucrative business opportunities, expand into projects that are economically feasible, develop its operational assets and acquire strategic shares in businesses that are supplementary to IQ's core business, in order to achieve integration amongst its different business units, and increase market share for its products in the petrochemicals, fertilizers and steel sectors and also achieve high growth rates in sales as well as profits, thereby benefitting shareholders in particular and national economy in general.

However, the list of major expansion projects includes:

**Year 2009:**

- **QATOFIN:** This project is a joint venture between QAPCO, Total Petrochemicals and QP in Mesaieed, to produce LLDPE, with a design capacity of 450,000 MTPA. The total cost of the project is about QR 5.3 billions, and IQ's share is about QR 2.7 billions. The project is expected to have an IRR of 19% approximately. Production from this project is expected to commence in the second quarter of 2009.
- **Melamine Project:** This project is a QAFCO's joint venture one, with expected total expenditure of QR 1.0 billion, and IQ's share is about QR 0.5 billion. The expected IRR of the project is 20% approximately. The project is scheduled to be completed during the third quarter of 2009. By completing the Melamine project, QAFCO would be a major Melamine producing and exporting company, with production capacity amounts to 60,000 MTPA.

**Year 2010:**

- **IQ Tower:** This tower is due to be built at a total cost of QR 0.7 billion. The tower is expected to contribute to IQ's realized revenues in the form of rental income and also serve as a prestigious symbol of IQ, as being the biggest listed company in the Doha Securities Market (DSM). The project is expected to have a an IRR of 20% approximately and scheduled to be completed in the third quarter of 2010. It is worth noting the detailing design contract of the said tower has already been awarded to ARUP(Ove Arup & Partners International LTD), with consultancy cost accounts for QR 95.2 millions, and such detailing design is expected to be completed mid of year 2009, followed right away by the construction phase.

**Year 2011:**

- **QAPCO: Low-Density PolyEthylene(LDPE) Expansion III** : This project comes as a part of QAPCO's development and expansion plan, with design capacity of 250,000 MTPA, at a total cost of QR 1.5 billion, and IQ's share amounts to about QR 1.2 billion. The said project is scheduled to get completed in the third quarter of 2011. The project is expected to have an IRR of about 19%.
- **QAFCO(5)**: The total expenditure of this project is about QR 12.8 billions, and IQ's share accounts for about QR 9.6 billions. By constructing this fifth plant, QAFCO would become the world's largest single producer of urea and ammonia, with an IRR of 18% approximately. The said project is scheduled to be completed during the second quarter of 2011.

Thus, the total cost of capital investments that are scheduled up till 2011 accounts for about QR 21.3 billions, and IQ's share is about QR 14.7 billions, after having updated such cost to reflect the prevailing inflation rate.

\*\*\*\*\*