



INTERVIEW

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CNBC SPECIAL TV FEATURE

General talking points sent by Europe Television – Business Report, a content provider for CNBC Europe, to the Chief Coordinator of Industries Qatar QSC, Mr. Mohammad Al-Shirrawi, on March 23rd, 2006.

1. OVERALL DEVELOPMENT OF THE QATARI ECONOMY

The economy of Qatar has grown tremendously since the strategic decision was made several years ago to significantly invest in the natural gas sector. The country's GDP has since grown exponentially: from QR 65 billion, in 2001, to QR 126 billion, in 2005. While still primarily an oil- and natural gas-based economy, significant strides have been made to diversify the economy.

Expectations for the future remain high given the large-scale infrastructure and industrial projects currently being planned. The government expects to invest in the region of US\$ 70 billion on such projects in the next five years alone. In addition, the government recently announced the development of a Secretariat for Development Planning – the aim of which would be to develop a long-term master plan for achieving continuous and sustainable future economic growth.

2. REFLECTIONS ON DEVELOPMENTS WITHIN THE OIL AND GAS SECTOR

Predictably, the oil and gas sector is the largest single contributor to the growth in GDP, with a contribution of between 50% and 60% to the country's total GDP since 2001.

Historically, oil was the major contributor to the state exchequer. However, from 1993, the State started to exploit the vast gas resources contained in the North Fields gas reservoir. The North Field reservoir is the world's single largest gas reservoir with more than 900 trillion cubic feet of gas. In 1993, the first grass-roots LNG project, Qatargas [with an annual capacity of 7.2 million metric tons (MMTA)], was established and commercial production commenced in 1997.

Subsequent to the successful development of Qatargas, RasGas I was established and successfully commenced production in 1999 with an annual capacity of 6.6 MMTA. The LNG capacity has since increased to 25.9 MMTA as of 2005. The latest LNG projects that are under various stages of construction, will eventually increase the annual capacity to over 77 MMTA and will make Qatar the largest single exporter of LNG by the end of the decade.

In addition to the LNG projects, Qatar is also developing Gas-to-Liquid (GTL) projects and the first GTL project with a capacity of 34,000 barrels of refined products per day is expected to commence production of green fuel from mid-2006. Two more GTL projects are likely to produce about 300,000 barrels per day of green fuel by 2011 / 2012.

Not surprisingly, revenues from LNG have increased from about QR 8 billion, in 1999, to QR 26 billion, in 2005.

3. COMMENTS ON QATAR'S DIVERSIFICATION PROGRAMS

Having focused on the development of oil and gas sectors during the last ten years, the State is seeking to diversify the economy by investing in the non-energy sector. For example, Qatar recently entered into a multi-billion dollar joint venture agreement with a European major to develop an aluminum smelter project. Significant investments are also being made in the tourism sector as it is expected to be one of the most promising future non-energy contributors to the economy. Through the Qatar Tourism Authority, the country is actively hosting numerous business, cultural, educational, sports and tourism events. The most significant upcoming event is the hosting of the 2006 Asian Games, in December, 2006.

4. CHALLENGES FROM LIBERALISATION

Considering the nature of the predominantly oil and natural gas-based economy, Qatar is not expected to be significantly affected by trade liberalisation. Other, smaller areas of the economy where state-sanctioned monopolies exist, for example in telecommunications, postal services and steel production / import, as well as SME's, as found in the manufacturing sector, may be affected by the opening of the local market, lowering of protectionist barriers and removal of preferential bidding systems.

5. VOLATILITY OF INTERNATIONAL OIL AND GAS PRICES

Undoubtedly, international volatility in oil and gas prices impacts the economy. However, the effects of such variability has to a large extent been mitigated by entering into long-term sales and purchase agreements (SPAs).

Furthermore, oil prices are not expected to return to the lower levels of previous years, because:

- The present demand / supply equilibrium is such that the slightest actual or expected supply disruption results in price increases;
- Accelerated growth from China and India is expected to further increase global demand;
- The world economy is expecting robust growth over the coming years.

6. MISSION OF IQ

“IQ is committed to increasing the Group’s Capital Value for the benefit of our Shareholders in a sustainable manner through Gains in Efficiency and Investment.”

Industries Qatar was established on April 19, 2003 as a benevolent gesture from H.H. the Emir, with the aim of achieving greater wealth distribution by privatising some of the country’s most successful and prosperous companies.

(The business operations of IQ involve the owning of various operating companies and projects that are involved in the production, processing and sale of petrochemical, agrochemical and metal products, as well as other companies or projects which could add value or are deemed beneficial to the core business objectives.)

Key financial results of the group companies all remain positive as we are continuously investing in our human resources, thereby ensuring we have the best management teams, world-class staff training and development programs and internationally-recognised policies and procedures.

Despite the tremendous gains made in efficiency, capital investment remains the central pillar supporting our mission: we believe success can only be ultimately achieved through organic growth and capital acquisitions.

7. PHILOSOPHY BEHIND THE IQ EXPANSIONS

Capital investment is fundamental to the achievement of our strategic mission. Over the next five years, IQ expects to invest in excess of QR 14.3 billion in new plants and facilities - of which 46% will be in existing projects and the remainder split between imminent (28%) and future projects (26%).

Together with our strategic partners, we are involved in a number of major projects that should greatly increase our production capacity, introduce new product lines and streamline our production processes. By their completion in the next 5 years, they should result in the doubling of IQ’s total assets.

Some of the most exciting projects include:

- **Qatofin**, a joint venture between QAPCO, Total Petrochemicals and Qatar Petroleum for a new petrochemical project.
- **QASCO Plant Expansion (Phase I)**, which should result in their annual production levels significantly increasing.
- **QAFAC II**, a project to expand methanol production and add ammonia to the product range.
- **QAFCO V**, which aims to build on QAFCO IV, thereby further increasing production capacity.

8. FINAL COMMENTS ON THE EMIR’S VISION FOR THE FUTURE OF QATAR

The significant growth in Qatar’s economy, political and economic stability of the state, cordial relations with neighbouring countries, and international recognition for Qatar have all taken place under the able rule of H.H. The Emir of the State of Qatar. In addition, various infrastructural and other developments have taken place and are continually taking place as a result of the guidance and directives from His Highness.