



INTERVIEW

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WALL STREET MARKET RESEARCH

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1. WHAT ARE THE MAIN AREAS INDUSTRIES QATAR IS INVOLVED IN?

The business operations of Industries Qatar 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. The main areas the group companies are involved in include:

- **QASCO:** Manufacture of steel billets and reinforcing bars for sale in the domestic and export markets.
- **QAPCO:** Production and sale of ethylene, polyethylene, hexane and other petrochemical products.
- **QAFCO:** Production and sale of ammonia and urea.
- **QAFAC:** Production and export of methyl-tertiary-butyl-ether (MTBE) and methanol.

The main markets are:

- **QAPCO:** Middle East, Far East, South-East Asia, Indian subcontinent, Europe, Africa and Oceania.
- **QAFCO:** India, USA, Far East, South Asia.
- **QAFAC:** Asia, Europe, Middle East
- **QASCO:** GCC Countries.

2. WHO ARE IQ'S MAIN PARTNERS?

IQ's main business relationships are with the parent company, Qatar Petroleum, its subsidiary and associate companies, as well as the joint venture partners:

- QASCO: Originally incorporated in 1974 as a joint venture between the State of Qatar, Kobe Steel and Tokyo Boeki, it was subsequently wholly-acquired by IQ in 2003. QASCO has one wholly-owned subsidiary, QASCO Dubai Steel FZE, and two associates, Qatar Metal Coating Company W.L.L. and United Stainless Steel Company.
- QAPCO: A joint venture between IQ [80%] and Total Petrochemicals (France) [20%]. QAPCO has one joint venture, Qatofin Company Limited Q.S.C., and three associated companies, Qatar Vinyl Company Limited Q.S.C., Qatar Plastic Products Company W.L.L. and Ras Laffan Olefins Cracker Company.
- QAFCO: A joint venture between IQ [75%], Fertiliser Holdings AS [20%] and Yara Netherland BV [5%]. QAFCO has an ownership interest in Gulf Formaldehyde Company.
- QAFAC: A joint venture between IQ [50%], OPIC Netherlands Antilles N.V. [20%], International Octane Limited [15%] and LCY Investments Corporation [15%].

3. WHAT ARE THE PLANS FOR 2006 TO FURTHER DEVELOP IQ?

The focus for 2006 is to continue to build on the good financial and operational results of 2005 and to make good progress on the capital expansion projects.

4. WHAT OPPORTUNITIES ARE THERE FOR AMERICAN COMPANIES IN THE QATARI INDUSTRIAL SECTOR?

Some leading and successful American companies are already operating in Qatar's oil and gas sector. They also have significant expansion plans due to the robust current and future outlook for Qatar's economic growth. The philosophy of economic diversification into other sectors encouraged by Qatar's political leadership, the stability as well as investor-friendly attitude of Qatar and Qatar's excellent relationship with the United States, together offer an excellent platform that American companies can capitalize on.

5. CURRENT DEVELOPMENTS AND PROJECTS

Over the next five years, IQ expects to invest in excess of QR 14.2 billion in new plants and facilities - of which 62% will be in existing projects and the remainder split between imminent (12%) 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 4 years, they should result in the doubling of IQ's total assets:

5.1 Projects in progress

- QASCO Plant Expansion (Phase 1)

The total costs of the project are more than QR 2 billion with a return of greater than 18%. It will more than double QASCO's annual production, by 2007. This is one of IQ's largest projects.

- United Stainless Steel Company

QASCO has a 25% interest as an incorporating partner in this Bahrain-based project. The total cost will be in the region of QR 300 million (of which IQ's share is QR 75 million), with an expected return of more than 15%. The project will be on stream in 2007.

- Qatofin

This is a joint venture between QAPCO, Total and Qatar Petroleum. (IQ has an indirect interest of 51%.) The cost of this project is QR 4.5 billion with an expected return on equity of 19%. The project will be on stream in 2008.

- QAPCO Ethylene Expansion

This is a QR 800 million project with an expected return of greater than 17%. It is designed to increase Ethylene production from 525,000 metric tons per annum (MTPA) to 720,000 MTPA. It is scheduled for completion in Q2, 2007.

- QAFAC II

QAFAC II is a QR 3 billion project with an expected return of 15%. It will increase the annual production of Methanol to 2.2 MTPA and produce Ammonia of 330,000 MTPA. It is expected that the project will go on stream in Q1, 2010.

- QAFAC De-Bottlenecking

This project is expected to cost QR 47 million with a return of more than 30%. The expansion project will increase Methanol production to 916,000 MTPA. The project is scheduled for completion by early 2007.

- QAFCO V

The success of QAFCO IV triggered the development of QAFCO V. QAFCO's management have finalised the feasibility study and associated contracts to commence the incorporation of QAFCO V. The new project will increase the annual production of Ammonia by more than 50% of the present capacity and of Urea by more than 40% of its present capacity. The total project cost is QR 2.55bn.

- Qatar Melamine

The project cost will exceed QR 0.5 billion with an expected return on investment of 20%. The project is scheduled for completion in Q4, 2008. The annual production capacity of the project will be 60,000 MTPA.

5.2 Projects To Commence Shortly (Final Study Phase)

- QASCO PC Strands

The project will cost QR 110 million with a return up to 34%. It is expected that the project will go on stream in late 2006. The annual production capacity of the project will be 80,000 MTPA.

- QASCO Steel Melt Shop Furnace

The plant will cost QR 820 million with an annual production capacity exceeding 1,000,000 MTPA. The project will go on stream in 2009.

- QAPCO LDPE-3 Plant

The project will cost QR 910 million and is designed to increase the production of Low Density Polyethylene to 650,000 MTPA. The expected return will be up to 17% and the plant will go on stream in 2010.

5.3 Future Projects (Yet To Be Finalised)

- QASCO Plant Expansion (Phase II)

The cost of this project will exceed QR 3 billion with a return on investment of 20%. Production will start by 2010.

- Other Projects

IQ's investment in Other Projects is expected to be circa QR 643 million.

The total cost of these investments is QR 27.2 billion, with IQ's share being QR 14.2 million.

6. 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.

7. HOW DO YOU SEE THE FUTURE OF IQ IN 3 YEARS?

By the end of 2008, IQ expects to have completed more than half of the major expansion projects and to be well on the way to completing the remainder by the end of 2010. Projects like Qatofin, QASCO's plant expansion and QAFAC's de-bottlenecking should be operational.

8. WHAT IMAGE WOULD YOU LIKE TO SPREAD TO POTENTIAL AMERICAN INVESTORS?

The government of Qatar is dedicated to providing a safe, business-friendly environment for investors. Numerous measures have been taken to modernise not only the physical infrastructure of Qatar, but also the legislative framework.

A good example of the modernisation drive currently underway in Qatar is the recent launch of the Middle East's first energy business hub – Energy City Qatar (ECQ). ECQ is poised to be a full-service energy business centre catering to the commercial, technical and human resource needs of the oil and gas industry. It will even include a dedicated energy trading platform - the International Mercantile Exchange.