



# PRESS CONFERENCE

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## YEAR END RESULTS & PROJECTS UPDATE

*Text of a speech delivered by Mr. M.S.M. Al-Shirrawi, Chief Coordinator, Industries Qatar, at a press conference convened to discuss the 2005 year end results and the progress to date on IQ's projects.*

At the outset and in my capacity as IQ Chief Coordinator, I would like to congratulate the management and staff of Industries Qatar QSC ("IQ") for the good results achieved in 2005. The current results indicate that IQ Net Profits have grown by more than 31%, to more than QR 3.25bn, and that Earnings Per Share now exceeds QR 6.5, most of which is from purely Operating Profits.

If we look at the IQ Net Profit curve since inception, we will notice that Net Profits have progressively increased: from QR 1.4bn in the first year (2003), to QR 2.5bn in 2004 and culminating in more than QR 3.25bn in 2005. This progressive growth of IQ's Net Profits bears witness to the successful policy and strategy adopted by the company to achieve consistent returns for our shareholders.

Tighter cost controls, enhanced productivity, vertical and horizontal expansions, optimisation of new investment opportunities and improved market conditions, were all contributing factors to the creditable results achieved.

IQ's impressive growth could not have been achieved but for the wise vision of H.H. the Emir, Shaykh Hamad Bin Khalifa Al Thani, in developing Qatari industry, the continued efforts of H.E. the Second Deputy Premier for adopting successful strategies, and the hard work and commitment of the individual General Managers for promoting and expanding their respective companies. All of these factors have contributed to the immense success of IQ.

In this press conference, I will talk about those expansion projects that have already commenced as well as those that will start shortly, and their respective expected returns. I will also talk about those future projects under study that we hope a final decision will be taken on in the near future.

However, before I elaborate on IQ's investment and expansion projects, please allow me to cite two success stories we have had in implementing our expansion strategy, and how they reflected positively on IQ's previously announced 2005 financial results.

**(a) QASCO Dubai Steel FZE**

Established in 1992 by Gulf and Indian business partners, QASCO Dubai Steel sustained losses and financial problems until taken over by IQ in late 2003 at the cost of QR 48m. Impressively enough, the company converted its Net Losses into a Net Profit of QR 40m in 2004.

In other words, QASCO managed to restructure the company and realize a greater than 80% return in one single year.

## **(b) QAFCO IV**

QAFCO IV was established in late 2004. The production train boosted QAFCO's annual production capacity of Ammonia to 2 million tons (an increase of 50%) and of Urea to 2.8 million tons (an increase of 75%). These increases reflected positively on QAFCO's Net Profits in 2005 which doubled to QR 1.8bn (of which IQ's share is QR 1.35bn).

Now, I will elaborate on a number of significant capital investments being undertaken by IQ:

### **1. PROJECTS IN PROGRESS**

#### **1.1 QASCO Plant Expansion (Phase 1)**

The total costs of the project are more than QR 2bn 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 that will increase IQ's Net Profits.

#### **1.2 United Stainless Steel Company**

QASCO has a 25% interest as an incorporating partner in this Bahrain-based project. The cost will be in the region of QR 300m, with an expected return of more than 15%. The project will be on stream in 2007.

#### **1.3 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 4.5bn with an expected return on equity of 19%. The project will be on stream in 2008.

The aims of Qatofin are:

- + Optimize the Ethane feedstock available in Qatar for the development of gas-based projects;
- + Provide services and integrate with other petrochemical companies operating in Qatar, by establishing the largest Ethane plant in the world; and
- + Boost and enhance the cooperation between petrochemical companies in Mesaieed Industrial City.

#### **1.4 QAPCO Ethylene Expansion**

This is a QR 800m 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.

#### **1.5 QAFAC II**

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

#### **1.6 QAFAC De-Bottlenecking**

This project is expected to cost QR 55m 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.

## **2. PROJECTS TO COMMENCE SHORTLY (FINAL STUDY PHASE)**

### **2.1 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.

### **2.2 Qatar Melamine**

The project cost will exceed QR 0.5bn 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.

### **2.3 QASCO PC Strands**

The project will cost QR 110m 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.

### **2.4 QASCO Steel Melt Shop Furnace**

The plant will cost QR 820m with an annual production capacity exceeding 1,000,000 MTPA. The project will go on stream in 2008.

### **2.5 QAPCO LDPE Plant**

The project will cost QR 910m 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 2009.

### **3. FUTURE PROJECTS (YET TO BE FINALISED)**

#### **3.1 QASCO Investment In Steel Mines**

QASCO management plans to take a strategic step by making investments in Latin American steel mines. This strategy, besides being a profitable investment, will guarantee raw material supplies from the main source. It is expected that QASCO's investment in this project will be QR 643m with an expected return of 15%. It is worth mentioning that the total cost of this project will be QR 8.5bn, of which IQ will contribute QR 643m (7.5%).

#### **3.2 QASCO Plant Expansion (Phase II)**

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

From the above it is clear that the investments of the four IQ Companies will exceed QR 27bn and that IQ's interest in these projects will be more than QR 14bn, which is approximately three times IQ's capital.

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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 (“QASCO”), 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”) 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; and (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”).

The operations of the subsidiary and joint ventures remain independently managed by their respective management teams.

[For more information visit [www.IndustriesQatar.com.qa](http://www.IndustriesQatar.com.qa)]