

INDUSTRIES QATAR QSC
DOHA - QATAR

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2007

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007

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INDEPENDENT AUDITOR'S REVIEW REPORT

**To The Board of Directors
Industries Qatar, Q.S.C
Doha - Qatar**

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of **Industries Qatar, Q.S.C** as of 30 June 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of selected explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with **International Accounting Standard No. (34), "Interim Financial Reporting"**. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

The financial statements of the subsidiaries and joint venture companies, which when consolidated represent significantly all the assets, liabilities and results of operations of the group have been reviewed by other auditors. These reviewed reports were furnished to us and our report in so far as it relates to the amounts included for the subsidiaries and joint venture companies, is based on the reports of the other auditors.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review of other auditors, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with **International Accounting Standard No. (34), "Interim Financial Reporting"**.

For **Deloitte & Touche**

**Doha - Qatar
30 July 2007**

**Muhammad Bahemia
License No. 103**

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2007

(Amounts expressed in thousands of Qatari Riyals)

	Note	<u>30 June</u> <u>2007</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2006</u> <u>AUDITED</u>
Assets			
Current Assets			
Bank balances and cash		3,582,261	4,626,389
Accounts receivable and prepayments		1,324,693	1,149,975
Due from related parties	7	419,333	543,284
Investments-held for trading		28,780	27,061
Inventories		<u>1,312,297</u>	<u>1,141,841</u>
Total Current Assets		<u>6,667,364</u>	<u>7,488,550</u>
Non-Current Assets			
Investment in associates	5	1,129,852	359,059
Investments – available-for-sale		610,698	293,850
Other assets		231,787	163,195
Investment property		118,426	118,426
Intangible assets		71,707	71,707
Property, plant and equipment	4	<u>7,133,190</u>	<u>6,385,679</u>
Total Non-Current Assets		<u>9,295,660</u>	<u>7,391,916</u>
Total Assets		<u>15,963,024</u>	<u>14,880,466</u>
Liabilities and Shareholders' Equity			
Current Liabilities			
Term loans	6	1,185,489	205,458
Accounts payable and accruals		1,148,882	1,067,236
Due to related parties	7	<u>471,067</u>	<u>422,460</u>
Total Current Liabilities		<u>2,805,438</u>	<u>1,695,154</u>
Non-Current Liabilities			
Term loans	6	2,240,672	1,961,623
Provision for employees' end of service benefits		131,886	118,728
Interest rate swaps		<u>7,374</u>	<u>40,544</u>
Total Non-Current Liabilities		<u>2,379,932</u>	<u>2,120,895</u>
Equity			
Share capital		5,000,000	5,000,000
Legal reserve		140,873	104,813
Investment revaluation reserve		249,958	132,204
Hedging reserve		13,308	(37,623)
Retained earnings		5,363,460	3,353,034
Proposed dividends		<u>-</u>	<u>2,500,000</u>
Equity attributable to Equity Holders of the Parent		<u>10,767,599</u>	<u>11,052,428</u>
Minority Interest	9	<u>10,055</u>	<u>11,989</u>
Total Equity		<u>10,777,654</u>	<u>11,064,417</u>
Total Liabilities and Equity		<u>15,963,024</u>	<u>14,880,466</u>

ABDULLAH BIN HAMAD AL-ATTIYAH
Deputy Prime Minister
and Minister of Energy & Industry
Chairman and Managing Director

YOUSEF HUSSAIN KAMAL
Minister of Finance and Acting
Minister of Economy and Commerce
Vice Chairman

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts expressed in thousands of Qatari Riyals)

	Six month period ended	
	<u>30 June 2007</u>	<u>30 June 2006</u>
	<u>(REVIEWED)</u>	<u>(REVIEWED)</u>
Sales	4,189,151	3,677,921
Cost of sales	<u>(2,072,606)</u>	<u>(1,974,615)</u>
Gross Profit	2,116,545	1,703,306
Income from associates	10,921	649
Other income	160,503	130,348
Selling expenses	(61,655)	(56,743)
General and administrative expenses	(152,987)	(152,888)
Finance Charges	<u>(26,525)</u>	<u>(24,111)</u>
Net Profit for the Period	<u>2,046,802</u>	<u>1,600,561</u>
Attributable to:		
Equity Holders of the Parent	2,046,486	1,599,360
Minority Interest	<u>316</u>	<u>1,201</u>
Total	<u>2,046,802</u>	<u>1,600,561</u>
Earnings per share	<u>QR. 4.09</u>	<u>QR. 3.20</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INDUSTRIES QATAR, Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts expressed in thousands of Qatar Riyals)

	Share Capital	Legal Reserve	Investment Revaluation Reserve	Hedging Reserve	Retained Earnings	Proposed Dividend	Equity Attributable to Equity Holders of the Parent	Minority Interest	Total Equity
Balance at 1 January 2006 - (Audited)	5,000,000	103,975	264,936	--	2,234,654	1,750,000	9,353,565	11,727	9,365,292
Net profit for the period	--	--	--	--	1,599,360	--	1,599,360	1,201	1,600,561
Net changes in fair value of investments	--	--	(111,885)	--	--	--	(111,885)	--	(111,885)
Net movement in fair value of cash flow hedges	--	--	--	25,303	--	--	25,303	--	25,303
Dividends paid	--	--	--	--	--	(1,750,000)	(1,750,000)	(2,250)	(1,752,250)
Balance at 30 June 2006 – (Reviewed)	<u>5,000,000</u>	<u>103,975</u>	<u>153,051</u>	<u>25,303</u>	<u>3,834,014</u>	<u>--</u>	<u>9,116,343</u>	<u>10,678</u>	<u>9,127,021</u>
Balance at 1 January 2007- (Audited)	5,000,000	104,813	132,204	(37,623)	3,353,034	2,500,000	11,052,428	11,989	11,064,417
Net profit for the period	--	--	--	--	2,046,486	--	2,046,486	316	2,046,802
Net changes in fair value of investments	--	--	117,754	--	--	--	117,754	--	117,754
Net movement in fair value of cash flows hedges	--	--	--	50,931	--	--	50,931	--	50,931
Transfer to legal reserve	--	36,060	--	--	(36,060)	--	--	--	--
Dividends paid	--	--	--	--	--	(2,500,000)	(2,500,000)	(2,250)	(2,502,250)
Balance at 30 June 2007 – (Reviewed)	<u>5,000,000</u>	<u>140,873</u>	<u>249,958</u>	<u>13,308</u>	<u>5,363,460</u>	<u>--</u>	<u>10,767,599</u>	<u>10,055</u>	<u>10,777,654</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts expressed in thousands of Qatari Riyals)

	<u>Note</u>	<u>30 June 2007</u> <u>(6 months)</u> <u>(REVIEWED)</u>	<u>30 June 2006</u> <u>(6 months)</u> <u>(REVIEWED)</u> <u>(Restated)</u>
Cash Flow from Operating Activities			
Net Profit for the period		2,046,802	1,600,561
Adjustments for:			
Depreciation and amortization		210,884	272,480
Provision for employees' end of service benefits		36,380	23,979
Loss on investments held for trading		448	4,446
Income from associates		(10,921)	(649)
Loss on disposal of property, plant and equipment		464	2,064
		<u>2,284,057</u>	<u>1,902,881</u>
Increase in accounts receivable and prepayments and due from related parties		(50,767)	(172,855)
(Increase) Decrease in inventories		(170,456)	29,456
Increase in accounts payable and accruals and due to related parties		<u>130,253</u>	<u>124,902</u>
Cash from Operating Activities		2,193,087	1,884,384
Payments towards employees' end of service benefits		<u>(23,222)</u>	<u>(8,812)</u>
Net Cash from Operating Activities		<u>2,169,865</u>	<u>1,875,572</u>
Cash Flow from Investing Activities			
Movement in deposits maturing after 90 days		229,758	(294,436)
Acquisition of other assets		(3,218)	(3,100)
Movement in long term advances		7,119	(30,806)
Acquisition of investments in associates		(761,075)	--
Net movements on held for trading investments		(2,167)	(3,300)
Acquisition of available for sale investments		(200,492)	(36,970)
Acquisition of property, plant and equipment		(955,176)	(1,238,548)
Movement in projects under development		(58,440)	--
Dividends received from associates		2,600	4,000
Proceeds from disposals of property, plant and equipment		<u>26</u>	<u>909</u>
Net Cash Used in Investing Activities		<u>(1,741,065)</u>	<u>(1,602,251)</u>
Cash Flow from Financing Activities			
Net movement in loans		1,259,080	533,593
Dividends paid		<u>(2,502,250)</u>	<u>(1,752,250)</u>
Net Cash Used in Financing Activities		<u>(1,243,170)</u>	<u>(1,218,657)</u>
Net Decrease in Cash and Cash Equivalents		(814,370)	(945,336)
Cash and Cash Equivalents at beginning of period		<u>3,126,830</u>	<u>3,703,232</u>
Cash and Cash Equivalents at End of the Period	8	<u>2,312,460</u>	<u>2,757,896</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

1. Legal Status and Activities

Industries Qatar (IQ) is a Shareholding Company, incorporated in the State of Qatar on 19 April 2003, in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002, for a 50-year term by resolution No. 33 of 2003 from the Ministry of Economy and Commerce of the State of Qatar. IQ is governed by its Memorandum and Articles of Association and Law No. 5 of 2002 concerning commercial companies.

IQ, its subsidiaries and joint venture companies ("the Group") operates in the State of Qatar and in the Jebel Ali Freezone in the United Arab Emirates.

The main activity of IQ is to act as a holding company. The following table list IQ direct subsidiary and its joint venture companies:

<u>Entity Name</u>	<u>Place of incorporation and operation</u>	<u>Relationship</u>	<u>Ownership interest</u>
Qatar Steel Company Q.S.C	Qatar	Subsidiary	100%
Qatar Petrochemical Company Limited Q.S.C	Qatar	Joint venture	80%
Qatar Fertiliser Company (S.A.Q)	Qatar	Joint venture	75%
Qatar Fuel Additives Company Limited Q.S.C.	Qatar	Joint venture	50%

2. Significant Accounting Policies

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and the historical cost convention except for certain investments which are marked to market. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2006 except for the adoption of certain new interpretations and revised standard applicable to the group and as listed below:

IFRS 8 Operating segments
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment

Adoption of these interpretations and revised standards did not have any effect on the financial position of the Group.

These interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to do so, and therefore not necessarily indicative of the results that may be expected for the financial year ending December 31, 2007.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

3. Change in Accounting Policy:

Limitation of ability to designate financial assets and financial liabilities through profit or loss.

Following amendments to IAS 39 Financial Instruments: Recognition and Measurement in June 2005, the ability of entities to designate any financial asset or financial liability as at fair value through profit or loss (FVTPL) has been limited.

Financial assets that can no longer be designated as at FVTPL are now classified as either loans and receivables , held-to-maturity or available-for-sale financial assets, as appropriate, and measured at amortized cost, or at fair value with changes in fair value recognized in equity, according to their classification.

These changes have been applied by the Group in accordance with the transitional provisions of IAS 39 with effect from the beginning of the comparative reporting period presented in these interim condensed consolidated financial statements. The amendments resulted in some of the listed shares held by the Group with a carrying amount QR. 38.3 million at January 1, 2006 that were previously designated as at held for trading being reclassified as available-for-sale investments. The impact of this reclassification was an increase in the profit for the six month period ended June 30, 2006 of QR 20.6 million.

4. Property, Plant and Equipment:

	<u>30 June 2007</u> <u>(REVIEWED)</u>	<u>31 December 2006</u> <u>(AUDITED)</u>
Opening net book value	6,385,679	4,827,490
Additions	955,176	2,106,753
Transfers	(45)	--
Disposals	(490)	(30,744)
Depreciation	<u>(207,130)</u>	<u>(517,820)</u>
Closing net book value	<u>7,133,190</u>	<u>6,385,679</u>

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

5. Investment in Associates:

Company	Country of Incorporation	Group Ownership			
		<u>30 June 2007</u> (Reviewed)	<u>31 December 2006</u> (Audited)	<u>30 June 2007</u> (Reviewed)	<u>31 December 2006</u> (Audited)
Qatar Metal Coating Company Q.S.C.	Qatar	50.00%	50.00%	16,176	16,944
United Stainless Steel Company	Bahrain	25.00%	25.00%	76,728	76,472
Gulf Industrial Investment Company	Bahrain	25.00%	--	760,674	--
Qatar Vinyl Company Ltd. (Q.S.C)	Qatar	25.52%	25.52%	266,241	255,976
Qatar Plastic Products Company W.L.L	Qatar	26.66%	26.66%	<u>10,033</u>	<u>9,667</u>
				<u>1,129,852</u>	<u>359,059</u>

6. Term Loans:

The table below summarises the Group's consolidated loans profile:

	<u>Interest</u>	<u>Due Date</u>	<u>30 June 2007</u> (REVIEWED)	<u>31 December 2006</u> (AUDITED)
Term loan 1	Libor plus 0.9%	2008	14,027	18,667
Term loan 2	Libor plus 0.5%	2011	293,566	325,234
Term loan 3	Libor plus 0.65%	2008	196,479	196,479
Term loan 4	Libor plus 1%	2012	50,815	25,901
Term loan 5	Libor plus 0.2%	2008	72,646	--
Term loan 6	Libor plus 0.2%	2008	81,503	--
Term loan 7	Libor plus 1%	2007	764,715	--
Syndicated loan	Libor plus 0.9%	2016	1,427,468	1,310,940
Syndicated loan	Libor plus applicable margin	2020	<u>524,942</u>	<u>289,860</u>
Total			3,426,161	2,167,081
Less: repayments due within one year			<u>(1,185,489)</u>	<u>(205,458)</u>
Total non-current portion			<u><u>2,240,672</u></u>	<u><u>1,961,623</u></u>

The loans are repayable as follows:

Within one year	1,185,489	205,458
Years 2 to 5 years	1,401,669	957,080
Over 5 years	<u>839,003</u>	<u>1,004,543</u>
Total	<u>3,426,161</u>	<u>2,167,081</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

7. Related Party Transactions:

These represent transactions with related parties, i.e. shareholders, joint venture partners, directors and senior management of the group of the companies, and the companies in which they are principal owners. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the interim consolidated income statement are as follows:

	<u>Six month period</u> <u>ended 30 June</u> <u>2007</u> <u>(REVIEWED)</u>	<u>Six month period</u> <u>ended 30 June</u> <u>2006</u> <u>(REVIEWED)</u>
Sales	684,753	1,233,443
Other Income	18,695	10,684
Purchases	425,362	495,081
Expenses	<u>33,008</u>	<u>45,735</u>

Due from related parties

	<u>30 June</u> <u>2007</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2006</u> <u>(AUDITED)</u>
International Octane Limited	735	3,192
Yara International ASA	164,998	221,256
LCY Investment Corporation	2	8,077
Chinese Petroleum Corporation	--	19,416
Qatar Petroleum	19,660	56,218
Qatar Vinyl Company	52,138	70,241
Qatar Chemical Company	1,239	1,282
Total Petrochemicals (France)	131,174	129,766
Qatar Metal Coating Company	44,624	31,100
Qatar Gas	23	23
Ras Laffan Olefins Cracker Company	286	1,002
Qatofin Company Limited Q.S.C.	1,430	1,471
QAFAC	1,859	240
Qatar Plastic Products Company	1,161	--
WOQOD	4	--
Total	<u>419,333</u>	<u>543,284</u>

INDUSTRIES QATAR Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

7. Related Party Transactions (continue):

Due to related parties	<u>30 June</u> <u>2007</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2006</u> <u>(AUDITED)</u>
Qatar Petroleum	407,981	306,826
Yara International ASA	28,087	17,810
Qatar Vinyl Company	10,981	52,847
Total Petrochemicals (France)	5,506	8,342
Qatar Plastic Products Company	--	57
QAFAC II	598	1,790
Qatar Chemical Company	14,830	33,106
Qatar Metal Coating Company	--	317
Woqod	54	91
International Octane Ltd.	--	1
ARKEMA	733	767
Mesaieed Industrial City	2,278	457
Chinese Petroleum Corporation	15	--
Qatofin Company Limited Q.S.C.	4	--
LCY Investment Corporation	--	49
Total	<u>471,067</u>	<u>422,460</u>

8. Cash and Cash Equivalents:

	<u>30 June</u> <u>2007</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2006</u> <u>(AUDITED)</u>
Bank balances and cash	3,582,261	4,626,389
Less:		
Deposits maturing after 90 days	<u>(1,269,801)</u>	<u>(1,499,559)</u>
Total	<u>2,312,460</u>	<u>3,126,830</u>

9. Minority Interest:

One of the joint venture companies of issues consolidated financial statements. The minority interest reported in these interim condensed consolidated financial statements represent IQ's share of the reported minority interest in the consolidated financial statements prepared by the joint venture company.

INDUSTRIES QATAR Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2007
(Amounts in table expressed in thousands of Qatari Riyals)

10. Segmental Reporting:

	Products			Total
	<u>Petrochemicals</u>	<u>Fertilizers</u>	<u>Steel</u>	
Six month period ended 30 June 2007 (Reviewed)				
Sales	1,110,636	1,322,404	1,756,111	4,189,151
Expenses/Costs	484,645	494,688	1,329,214	2,308,547
As of 30 June 2007 (Reviewed)				
Assets	5,008,784	3,937,449	6,417,979	15,364,212
Liabilities	1,334,513	369,808	3,265,142	4,969,463
Six month period ended 30 June 2006 (Reviewed)				
Sales	1,269,645	1,072,995	1,335,281	3,677,921
Expenses/Costs	604,332	469,060	1,108,190	2,181,582
As of 30 June 2006 (Reviewed)				
Assets	4,364,874	3,433,528	4,377,334	12,175,736
Liabilities	1,095,991	495,029	2,045,795	3,636,815
Year ended 31 December 2006 (Audited)				
Sales	2,748,380	2,239,490	2,790,195	7,778,065
Expenses/Costs	1,242,945	972,333	2,280,972	4,496,250
As of 31 December 2006 (Audited)				
Assets	5,390,999	3,995,086	4,885,862	14,271,947
Liabilities	1,143,682	337,722	2,323,151	3,804,555

The above segmental reporting relates only to the subsidiaries and joint venture companies.

11. Approval:

These interim condensed consolidated financial statements were approved on 30 July 2007.