صناعات قطر

Industries Qatar

Annual Report 2007

صناعات قطر
Industries Qatar

Industries Qatar Q.S.C. (IQ) (the "Company") was incorporated as a Qatari joint stock company on April 19, 2003 for a 50-year term, by Resolution Number 33 of 2003 of the State of Qatar's Ministry of Economy and Commerce, pursuant to its Memorandum and Articles of Association and Law Number 5 of 2002 concerning Commercial Companies.

IQ was formed with QP as its sole founding shareholder with an initial authorized capital of QR 5,000,000,000 divided into 500,000,000 ordinary shares with a nominal value of QR 10 each. QP initially subscribed for 500,000 shares paying for such shares in cash. Subsequently, QP divested 30% of its interest in IQ to the Qatari individuals and non-profit Qatari organizations.

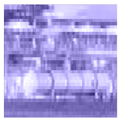
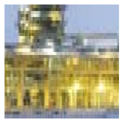
The business operations of the company comprise the direct holding of shares in the following subsidiary and joint ventures companies.

- Qatar Petrochemical Company Limited Q.S.C. ("QAPCO"), a manufacturer of high quality ethylene and low density polyethylene, a joint venture and owned 80% by IQ.
- Qatar Fertiliser Company S.A.Q. ("QAFCO"), a producer of ammonia and urea, a joint venture and owned 75% by IQ.
- Qatar Steel Company Q.S.C. ("Qatar Steel"), an integrated steel manufacturer is a fully owned subsidiary of IQ.
- Qatar Fuel Additives Company Limited Q.S.C. ("QAFAC"), a methanol and methyl-tertiary-butyl-ether producer, a joint venture and owned 50% by IQ.

In The Name of Allah The Most
Merciful The Most Compassionate

H. H. Sheikh Hamad Bin Khalifa Al-Thani
The Emir Of the State Of Qatar

H. H. SheikhTamim Bin Hamad Al-Thani
The Heir Apparent

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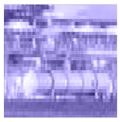
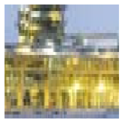
BOARD OF DIRECTORS

H.E. Abdullah Bin Hamad Al-Attiyah
Deputy Premier
Minister of Energy and Industry
Chairman & Managing Director

H.E. Yousef Hussain Kamal
Minister of Finance
& Acting Minister of Economy and Commerce
Vice-Chairman





Dr. Ibrahim Al-Ibrahim
Economic Advisor to H.H. the Emir
Secretary General, Development
Planning Council

Member

Mr. Abdullah Hussain Salatt
Senior Advisor, Office of the Deputy
Premier, Minister of Energy and Industry

Member

Mr. Faisal Mohammed Al-Suwaidi
Vice-Chairman and Managing Director,
QatarGas

Member

Mr. Hamad Rashid Al Mohannadi
Managing Director (CEO), RasGas

Member

Mr. Fahad Hamad Al-Mohannadi
General Manager, QEWC

Member

CHAIRMAN'S MESSAGE

As-Salamu Alaikum Wa Rahmatullah Wa Barakatu,

It gives me great pleasure to welcome you to the 5th Annual General Assembly Meeting of Industries Qatar Q.S.C. and to the presentation of the Annual Report for the year ended 31 December 2007.

The formation of Industries Qatar was part of the long-term privatisation strategy set forward by His Highness the Emir of the State of Qatar, graciously allowing his people to invest in, and benefit from the successful industries in Qatar. His vision has been rewarded as Industries Qatar now boasts investors from all around the world, as demonstrated by the attendance at this meeting here today.

On behalf of the Board of Directors, Directors of the Joint Venture Companies and Subsidiary Company, Managers and Staff, I would like to convey our profound gratitude and highest respect to His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, and His Highness Sheikh Tamim Bin Hamad Al-Thani, the Heir Apparent, for their continued support and encouragement to the industrial sector and Industries Qatar group companies.

The Group's performance was, once again, exceptional and 2007 has been another active and successful year, with record sales achievement and strong operational performance across the Group companies, as we continuously seek to reach our strategic goals to further expand the economy of Qatar. The manufacturing sector, in which we operate, is strongly supported by the Government as a part of a general policy to diversify income sources and to maximise the utilisation of Qatar's natural resources.

We continue to achieve progress in the Strategic Qatarisation Plan in terms of mobilisation of resources, close liaison and coordination between the Energy and Industry Sector and other ministries and educational institutions. At the end of 2007, Qatari nationals accounted for 411 of Industries Qatar's workforce, or 11% of permanent positions in the establishment.

Industries Qatar's key performance results are as follows:

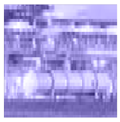
Sales: 19.9% growth compared to 18.2% in 2006.

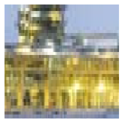
Net profit: 37.7% growth compared to 12.6% in 2006.

Capital expenditure: Total investment of QR 2.5 billions.

Earnings per share: QR 9.97 compared to QR 7.24 in 2006.

Industries Qatar's financial results have been positively impacted by Qatar's strong economic growth and expansion. Qatar's rapid economic growth may soon see it topping the list of the wealthy countries in the world, as measured by GDP per capita. Last year, Qatar's GDP per capita





increased by 15.5% to reach a record level of $57,350 and industry experts predict further rises will be reported for the coming years.

We aim to generate profitable and sustainable growth both organically and through strategic investments. As our economy continues to grow, and to demonstrate our confidence in the future growth in the markets for our products, we are committed to improve existing facilities, enhance our competitive position and make further capacity expansions. In addition to committing to strategic investments in companies operating inside and outside Qatar, the Group has signed up to expansion projects worth over QR 20 billions which will significantly increase production capability. The most notable of these expansion projects is the QR 11.6 billions investment in QAFCO 5 which is set to bring QAFCO's annual production capacity to around 3.8 million tons of ammonia and 4.3 million tons of urea, making QAFCO the world's largest single site producer of both ammonia and urea. These will build on the additional capacities that have been realised in 2007, with the completion of Qatar Steel's expansion phase I and QAPCO's EP2 plant.

Qatar Steel expansion phase I adds a DRI/HBI combination plant designed to produce 1,500,000 tonnes of DRI, a new Bar Mill unit with a capacity of 700,000 tonnes and a Steel Melt Shop with a post expansion capacity of 1,600,000 tonnes. QAPCO EP2 , which adds an Ethylene production expansion to 720,000 tonnes, was opened by His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, in January this year.

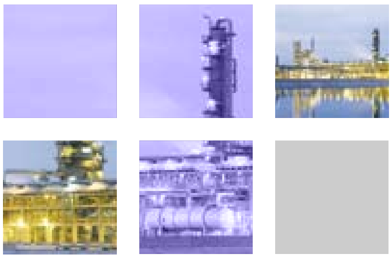
Industries Qatar begins 2008 with confidence. Our markets continue to generate opportunities, our sales prospects are developing and our operational performance is consistently healthy. Our successes and investments in 2007 and progress in early 2008 indicate that the foundation for yet another successful year is already in place. The Board of Directors anticipates delivering a strong performance in 2008.

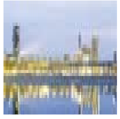
Over the past 5 years, the market capitalisation of the Group has increased more than ten-fold from QR 8 billions to more than QR 80 billions. The Board of Directors will recommend an annual dividend distribution for the year ended 31 December 2007 which is consistent with previous years whilst reflecting our ambitious plans for the future. The proposed dividend payout for this year is QR4 per share, in addition to 10% bonus shares.

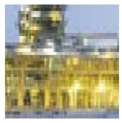
In closing, I would like to express my sincere appreciation to the management team and staff for their hard work throughout the year and their outstanding commitment to making 2007 such a successful year, pursuant to the wise vision set by His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar.

On behalf of the Board of Directors, I would like to extend our thanks to the shareholders for their loyalty and continued support in our endeavours.

H.E. Abdullah Bin Hamad Al-Attiyah
Deputy Premier
Minister of Energy and Industry
Chairman & Managing Director





BOARD OF DIRECTORS REPORT

INDUSTRIES QATAR

2007

BOARD OF DIRECTORS REPORT

1. Introduction

The Board of Directors is pleased to present the Annual Report for Industries Qatar Q.S.C. (IQ) for the financial year ended 31 December 2007. This year has been our most successful year since incorporation nearly five years ago. We are reporting record sales, strong operational performance and solid investment in the future, across the Group.

The formation of Industries Qatar was part of the long-term privatisation strategy envisioned by His Highness the Emir of the State of Qatar, graciously allowing his citizens to invest and share in the successful industries in Qatar. On all financial key performance indicators, the Group's performance has been exceptional. This unprecedented success would have not been possible without a combination of factors. At the national level, it has been assisted by the conducive business environment created under the leadership of H.H. the Emir: a growing economy, pro-investment economic policies, a stable government committed to wealth-creation and distribution, a large and skilled workforce, readily available raw materials and established infrastructure. Internally, we have focused on the group's strategic advantages, namely: our proximity to feedstock sources and the excellent business relationship between IQ and Qatar Petroleum; our investments in a cross-section of companies ranging from petrochemicals to steel industries; our investment partners with excellent business and technical credentials; and our decentralized decision-making structure.

All figures in this report have been rounded to QR billions for reasons of presentation and figures for 2003 represent the nine month period from 19 April 2003 (date of incorporation) to 31 December 2003.

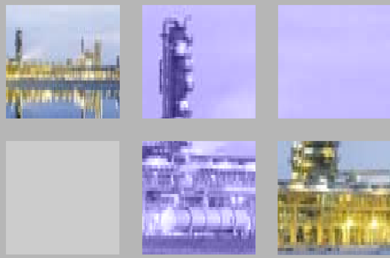
2. Financial Review

During the year the Group out-performed all expectations and as a result our financial key performance indicators have seen further improvement.

2.1 Profit And Loss Account

Sales

In 2007, the sales have grown by 19.9% to reach QR 9.3 billions (2006 : QR 7.8 billions). All sectors continue to achieve sales growth. In spite of the planned maintenance shutdown in QAPCO and QAFAC which lasted for nearly 40 days, petrochemicals revenues have grown by 14.9% compared with 6.8% growth in 2006, largely benefiting from buoyant Low Density Polyethylene (LDPE) prices. Fertilisers revenues have grown by 22.1% benefiting from higher prices across the board. Whilst, albeit at a slower rate than 2006, 23.1% compared with 55.9% in 2006, Steel revenues continue to grow as the booming construction industry in the GCC fuels increase in demand of steel bars and forces prices higher.



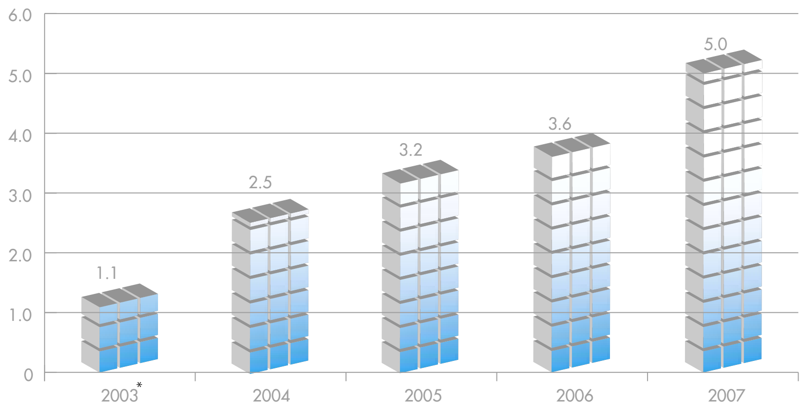
The sales by industry sector are as follows:

	Sector Stated in QR Billions	2003 (9 months)	2004	2005	2006	2007
Sales Revenue by Industry	Petrochemicals	1.1	2.1	2.6	2.8	3.2
	Fertilisers	0.8	1.4	2.2	2.2	2.7
	Steel	0.9	1.8	1.8	2.8	3.4
	Total	**2.8**	**5.3**	**6.6**	**7.8**	**9.3**
	Growth		**89%**	**25%**	**18%**	**20%**

Net Profit

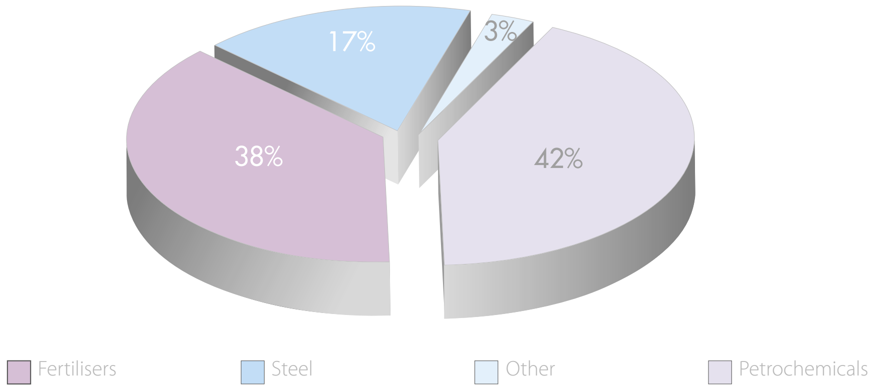
Net Profits showed excellent year-on-year growth, reaching QR 4.98 billion, a growth of 37.7% (2006 : 12.6% growth), as higher selling prices and improved gross margins directly benefit net profits across the sectors. This represents an adjusted five-year compound growth of 36% per annum. At a company level, initiatives to increase capacity, improve competitiveness and profitability continue.

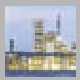
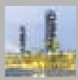
Net Profit By Year



* 9 months since inception

Profit Before Tax and Minority Interests By Sector



2.2 Cash Flow

The business managed to generate more than QR 1.5 billions of cash during the year, to end up with QR 6.2 billions of cash and cash equivalents (including fixed deposits) as of 31 December 2007 (2006 : QR 4.6 billions). Supported by the remarkable climb in Net Income, cash generated from operational activities totalled QR 6.2 billions compared with QR 4.1 billions in 2006. To finance its expansions and investments in associates, the business had to spend QR 3.3 billions on investing activities.

Cash flow from financing activities involved paying out QR 2.5 billions of dividends relating to 2006 and a net borrowing of QR 1.3 billions, ending up with a net use of cash of QR 1.3 billions.

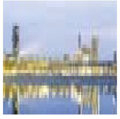
	Stated in QR billions	2007	2006
Cash Generation	Cash Flows from Operating Activities	6.2	4.1
	Cash Flows from Investing Activities	(3.3)	(2.2)
	Cash Flows from Financing Activities	(1.3)	(1.2)
	Cash Generated during the year	**1.6**	**0.7**
	Plus : Beginning cash (including Fixed Deposits)	4.6	3.9
	End cash (including Fixed Deposits)	**6.2**	**4.6**

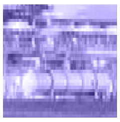
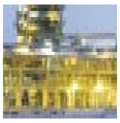
3. Qatarisation Strategy

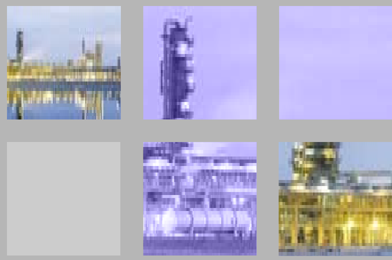
The Group companies have implemented continuous Qatarisation plans in order to become more independent of foreign workforce. We are taking the necessary measures to ensure progress towards our challenging goals of maximising the employment of capable Qatari nationals, and developing them to the competence level of leading International company employees. However, we have experienced high levels of attrition of qualified staff and have struggled to recruit the quantity and quality of Qatari nationals required to support our ambitious expansion plans. The Group companies continue to invest in technical and non-technical training, in order to keep all employees' skills up to date and to keep abreast of the latest technological developments.

As at 31 December 2007, the following levels of Qatari nationals are reported:

		31 December 2007			31 December 2006		
	Sector Number of employees	Nationals	%	Total	Nationals	%	Total
Total Headcount (Excluding Trainees) By Sector	Petrochemicals	115	13.6%	844	133	16.7%	798
	Fertilisers	104	13.8%	751	122	16.7%	731
	Steel	192	8.9%	2,169	203	10.9%	1,869
	Total Headcount	**411**	**10.9%**	**3,764**	**458**	**13.5%**	**3,398**



4. Key Performance Indicators

Our Key Performance Indicators (KPI's) continue to show anticipated improvement as the benefits of strong oil prices, past investment and rigorous financial controls begin to yield positive returns. Levels of working capital remain within target levels, and operating margins, particularly at the net level continue to perform strongly. As anticipated, the Return on Capital Employed has improved, as the increased capital required in the early stages of investments begin to generate profitable returns.

	Kay performance Indicator	2003	2004	2005	2006	2007
		(9 months)				
Efficiency KPI's	Working Capital (stated in QR billions)	3.3	4.0	4.7	5.8	5.7
	Gross Profit Margin	47%	54%	53%	47%	53%
	Net Profit Margin	41%	47%	49%	47%	53%
	Debt : Total Assets	23%	16%	13%	15%	17%
	Return on Capital Employed	14%	27%	30%	28%	31%
	Earnings Per Share (Stated in QR)	2.26	4.99	6.43	7.24	9.97

5. Dividend Distribution

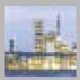
The Board of Directors are pleased to recommend a total annual dividend distribution for the year ended 31 December 2007 of QR 2.0 billions, equating to a dividend payout of QR 4.00 per share, representing 40% of the nominal value, plus 10% bonus shares. This continues the trend established in previous years whilst reflecting the need to retain capital to fund our ambitious plans for the future.

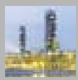
6. Future Prospects and Production Capacity

The company is embarking on a plan of ambitious projects to crystalise the vision of maximum and long term gains in operating efficiency and investment.

The group is committed to various projects across its group companies to ensure vertical and horizontal integration of our operational activities.

A number of expansion plans have been completed in 2007, with the last quarter of 2007 seeing the completion of the expansion of facilities across the board at Qatar Steel and January 2008 seeing the inauguration by His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, of QAPCO's Ethylene plant expansion increasing ethylene production capacities by nearly 40%.





The following projects were completed in the year:

	Project Name Stated in QR Billions	IQ Portion	Total Cost	IQ Share
Completed Projects in 2007	Qatar Steel Expansion - Phase I	100%	2.1	2.1
	QAPCO Ethylene Expansion (EP2)	80%	0.8	0.7
	United Stainless Steel Company	25%	0.3	0.1
	QAFAC De-Bottlenecking	50%	0.1	0.05
	Total		**3.3**	**2.95**

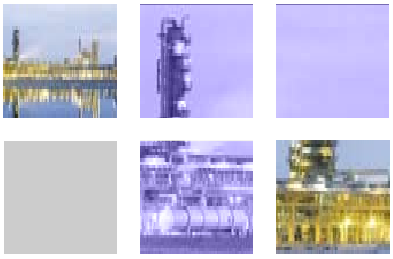
Most of these projects started commissioning in the last quarter of 2007 and their commercial impact will be so obvious on our 2008 performance.

In 2007 also, Industries Qatar signed a Memorandum of Understanding with Al-Aqaria to establish a joint venture company operating in the booming real estate sector. The scope of work of the new company will include establishing, managing, and investing in residential, commercial and industrial properties; and developing and reclaiming lands for residential, commercial and industrial use.

In future, important projects such as Qatofin, QAPCO LDPE 3 Plant and QAFCO 5 will be brought into operation, further improving the company's economies of scale toward the realization of the vision of increasing the company's capital value for the benefit of our Shareholders.

	Project Name Stated in QR Billions	Expected Completion Date	IQ Portion	Total Cost	IQ Share
Major Expansion Projects Under Development	Qatofin - LLDPE Plant	Q2 2009	51%	5.0	2.6
	QAFCO 5	Q2 2011	75%	11.6	8.7
	QAPCO LDPE3 Plant	Q3 2011	80%	1.5	1.2
	Guelb al Aouj Iron ore (Qatar Steel)	Q4 2011	50%	1.8	0.9
	Total Cost			**19.9**	**13.4**

	Project Name Stated in QR Billions	Expected Completion Date	IQ Portion	Total Cost	IQ Share
Other Investments Under Development	IQ Tower	Q3 2010	100%	0.7	0.7
	Qatar Melamine (QAFCO)	Q3 2009	45%	0.6	0.3
	Total Cost			**1.3**	**1.0**

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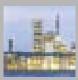
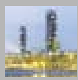




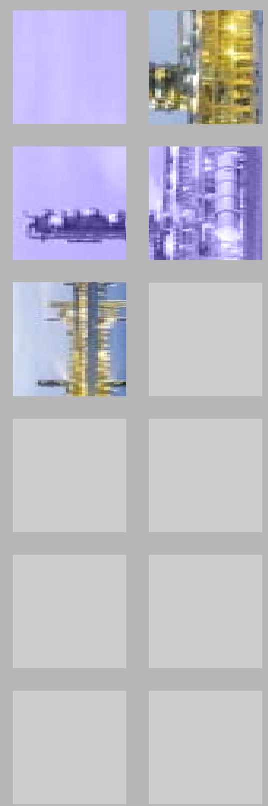
Production Capacity

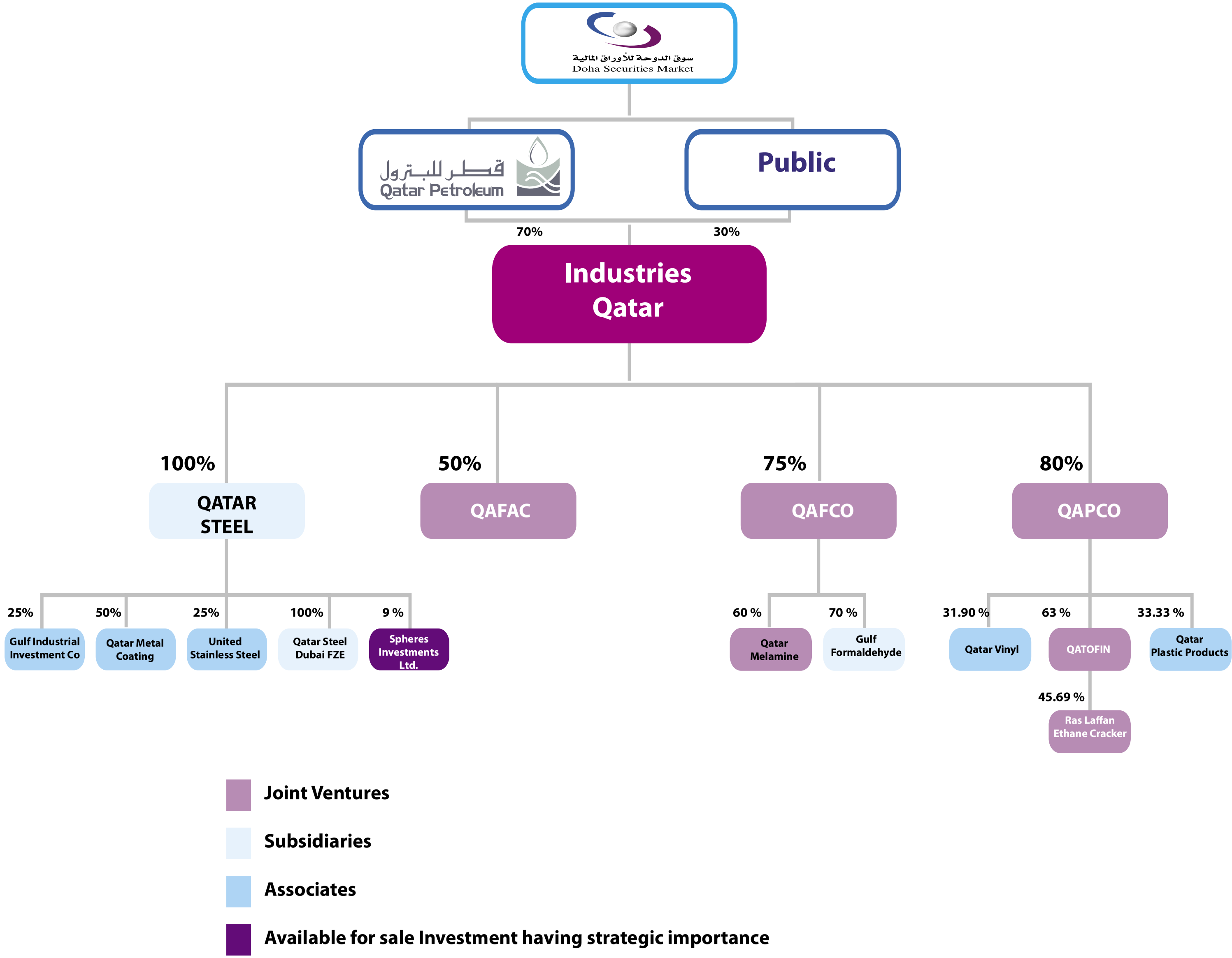
COMPANY	PRODUCTS	Capacity in Tons '000 per year					
			Future (After Expansion Projects)				
		2007 (Actual)	2008	2009	2010	2011	2012
QAPCO	**Ethylene**	550	720	720	720	720	684
	LDPE	359	404	405	430	655	622
QAPCO - Qatofin	**LLDPE**	-	-	225	450	450	450
QAPCO - RLOC	**Ethylene**	-	-	650	1,300	1,300	1,300
QAFCO	**Ammonia**	2,190	2,089	2,050	2,054	3,411	3,674
	Urea	2,964	2,918	2,793	2,852	3,871	4,152
QAFCO - Melamine	**Melamine**	-	-	30	60	60	60
Qatar Steel	**Sponge Iron**	-	2,300	2,300	2,300	2,300	2,300
	Molten Steel	-	1,630	1,630	1,630	2,263	2,895
	Billet	1,147	1,600	1,600	1,600	2,223	2,846
	Bar	832	1,750	1,750	1,750	2,150	2,550
	Wire rod coil	118	300	300	300	300	300
QAFAC	**Methanol**	885	1,007	1,079	965	1,055	1,047
	MTBE	481	624	645	577	658	680

Legends :

- EP2 Plant - started commissioning in Q4, 2007
- LDPE 3 Plant - Q4 2010, commercial quantity by 2011
- QATOFIN LLDPE Plant - Q1 2009
- RLOC cracker - Q1 2009
- QAFCO 5 - Q1 2011
- Melamine - Q2 2009, commercial quantity by 2009
- Qatar Steel Expansion Phase I - started commissioning in Q4, 2007
- Qatar Steel Expansion Phase II - Q1 2011, commercial quantity by 2011

In closing, we would like to thank the Directors, General Managers and staff of our subsidiary, joint ventures and associates, and the small but dedicated team of Head Office specialists for all the loyalty, hard work and commitment shown throughout the year.





سوق الدوحة للأوراق المالية
Doha Securities Market
قطر للبترول
Qatar Petroleum
Public
70%
30%
Industries Qatar
100%
QATAR STEEL
50%
QAFAC
75%
QAFCO
80%
QAPCO
25%
Gulf Industrial Investment Co
50%
Qatar Metal Coating
25%
United Stainless Steel
100%
Qatar Steel Dubai FZE
9 %
Spheres Investments Ltd.
60 %
Qatar Melamine
70 %
Gulf Formaldehyde
31.90 %
Qatar Vinyl
63 %
QATOFIN
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Qatar Plastic Products
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Joint Ventures
Subsidiaries
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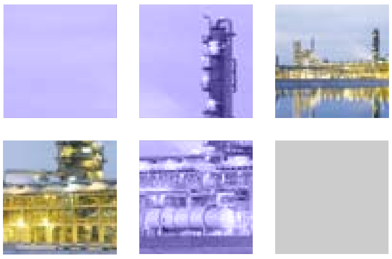
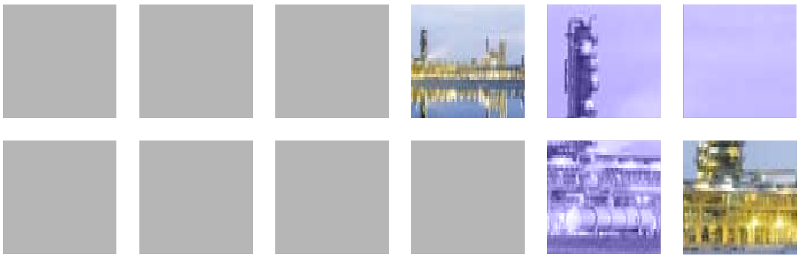
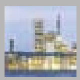
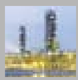
Available for sale Investment having strategic importance





FOCUS ON THE GROUP COMPANIES





Qatar Petrochemical Company

Background

The Qatari petrochemical industry is presently on the threshold of unprecedented growth. The significant increase in petrochemical exports from Qatar has resulted in the petrochemical sector playing a very active role in the Qatari economy. In line with the industrialization development, Qatar Petrochemical Company Q.S.C. (QAPCO) was established with the aim of utilizing the associated and non-associated ethane gas from petroleum production. QAPCO is currently one of the leading producers of ethylene and variable grade low-density polyethylene (LDPE) in the Middle East, Far East, Africa and the Indian sub-continent. Petrochemicals trading conditions in year 2007 were dominated by continuing high and volatile feedstock prices. The sharp increase in oil prices, along with numerous unscheduled cracker shutdowns mainly in Europe and Asia, led to a state of extremely tight supply and acute demand for ethylene and its derivatives.

Financial & Operational Review

The overall performance has been excellent from a financial and operational point of view delivering very positive results in accordance with sales revenues and net profit. Sales turnover reached the amount of QR 2.7 billions, an increase by 24%, compared to year 2006. In terms of profitability, net profit reported at the amount of QR 2.08 billions, a 31% rise over the year 2006. We achieved the highest ever production of Ethylene with a figure of over 550,000 tonnes and LDPE with a figure of over 360,000 tonnes.

The excellent financial performance in 2007 was largely due to QAPCO's direct contribution to achieve corporate targets of managing financial resources, controlling operational and capital expenses and applying cautious and long-term focus investments.

QAPCO focus on the establishment of an effective and efficient global marketing network in order to cope with the challenges imposed by globalization that has transformed local and regional competition into an international arena.

Our growth plan involves the implementation of certain initiatives and projects in order to sustain high turnover and profit growth along with strong positive cash flow generation.

Qatarization

Our policy is geared towards recruiting nationals, developing them further and retaining them as proud contributors to their beloved country's progress. The number of national developees reached 68 in year 2007 and total national employees number reached 135 representing 23% of total staff.

Ethylene Expansion (EP2)

The Ethylene Plant (EP2) expansion project started production in the last quarter of 2007. The plant will expand the ethylene production annual capacity from 525,000 to 720,000 tonnes. The EP2 will also cover the integration of our debutanizer with the Q-Chem depropanizer stream for the production of fully hydrogenated gasoline that would constitute the prime Benzene source for the upcoming Linear Alkyl Benzene (LAB) project in Qatar and the production of a fully hydrogenated


QAPCO
QATAR PETROCHEMICAL COMPANY
حفل افتتاح مشروع التوسعة الثاني لمصنع ا
مدينة مسيعيد الصناعية - الثلاثاء ، ٨ يناير ٢٠٠٨
ation Ceremony of Second Ethylene Expansion Project (EP2)
Mesaieed Industrial City - Tuesday, January 8, 2008

propane/butane mix that will be added to the NGL production of LPG.

Qatofin

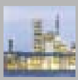
The Qatofin project is currently undergoing plans and scrutinizing details to construct one of the largest polyethylene plants with an original annual capacity of 450,000 tonnes, expandable to 600,000 tonnes. This is a project between QAPCO (63%), TOTAL Petrochemicals of France (36%) and Qatar Petroleum (1%), for the construction of a cracker at Ras Laffan and a new linear low-density polyethylene (LLDPE) plant in Mesaieed. The plant is scheduled to start operating by the first quarter of the year 2009. The Qatofin project has been designed to optimize the utilization of the ethane gas feedstock that will be made available in Qatar as a result of the further development of the country's gas resources; to combine the interests of the existing petrochemical investors in Qatar to maximize economies of scale and create one of the world's largest ethane crackers; and to develop industrial synergies with other petrochemical ventures at Mesaieed Industrial City.

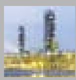
Ras Laffan Olefins Company (RLOC)

QAPCO are indirectly involved in this project through Qatofin (46%), Q-Chem II (53%) and Qatar Petroleum (1%). RLOC envisions feedstock supplies from Dolphin and AKG projects in the North Field, and is progressing well. The project proposes to build a world-size cracker with an annual capacity of 1.3 million tonnes of ethylene at Ras Laffan to feed the respective downstream units of Qatofin and Q-Chem II.

LDPE-3

In our expansion plan to build a third LDPE plant, we have already signed a technology license agreement and are currently undergoing the feed study. Such plant's capacity may reach 250,000 tonnes, using additional ethylene quantity provided by the EP2 expansion. QAPCO are targeting to complete this project in 2011.





Qatar Fertiliser Company

Background

Established in 1969 as a joint venture, Qatar Fertiliser Company S.A.Q. (QAFCO) through its facilities in Mesaieed, is a world-class producer and exporter of ammonia, urea and urea formaldehyde. Ammonia is largely sold in India and Jordan, while urea is marketed in the US, South-East Asia and Australia. The excess urea formaldehyde produced by QAFCO's joint venture, Gulf Formaldehyde Company, is exported to neighboring countries.

Financial and Operational Review

The overall performance in terms of sales, profits and total assets was yet again excellent. Sales turnover reached QR 3.6 billions, an increase of 22% on 2006 and contributing 29% to total Group sales (2006 : 29% of IQ sales). Net profit reached QR 2.5 billions, an increase of 41% on 2006 and contributing nearly 40% to Group profits (2006 : 37.5% of IQ profits).

The main factor contributing to the strong performance during 2007 was the high level of global prices for urea, whilst sales volumes for all our products were slightly below 2006 figures.

Production:

	Production - '000 MT	
Product	Year 2007	Year 2006
Ammonia	2,190	2,170
Urea	2,964	2,909

Sales:

	Sales - '000 MT	
Product	Year 2007	Year 2006
Ammonia	493	552
Urea	2,821	2,990

The plan of Qatarization for 2008 to 2009, shows Senior Staff (engineers or officers) rising from 6 to 11 and Intermediate staff (technicians, operators, assistants officers, etc.) rising from 24 to 65.


QAFCO
QATAR FERTILISER
MESAIEED

Imminent Projects

The future looks promising for QAFCO.

QAFCO plans to become the world's largest single site producer of urea and ammonia by constructing the fifth plant, QAFCO 5. The foundation stone to launch the project will be laid in March 2008, with expected expenditure to the end of 2008 of US$ 1.5 billions. Construction is expected to be completed in 2011, with a total expected cost of US$ 3.2 billions.

QAFCO continues the support of Melamine and Urea1 Revamp Projects, with expected spending of US$265 millions up to the end of 2008. Both projects to be totally completed before end of 2009, with a total expected cost of US$ 321 millions. QAFCO holds a 60% share in the Melamine Project.

QATAR STEEL

Qatar Steel Company

Qatar Steel Company was formed in 1974 as the first integrated steel plant in the Arabian Gulf. Commercial production commenced in 1978. Over the years the Government of Qatar acquired full ownership of the company and transferred the same to Qatar Petroleum (QP) which in turn transferred its shares to Industries Qatar (IQ) in exchange for shares in IQ. Today, Qatar Steel is and endeavors to be a leading and constantly growing force in the steel industry of the region, to be admired for its business culture, for building value to its shareholders and customers, and for bringing inspiration to its people.

With a committed, skilled and well trained workforce of about 1900, and endowed with excellent plants, Qatar Steel produces and sells a wide range of bars, billets and DRI / HBI throughout the GCC area and neighboring countries. Over the three decades that Qatar Steel has been in operation, it has forged a remarkable reputation for unrivalled quality, flexibility and reliability in all its product and service offerings.

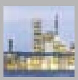
Qatar Steel also operates a fully owned subsidiary - Qatar Steel Company, FZE Dubai, producing steel bars and coils. In addition, Qatar Steel has a sizeable stake in three associated companies namely United Stainless Steel Company (USCO), Bahrain, Gulf Industrial Investment Co, (GIIC) Bahrain and Qatar Metals Coating Company W.L.L. (Q-Coat). USCO manufactures cold rolled stainless steel coils and sheets. GIIC is engaged in pelletization of iron ore which is an essential raw material for Qatar Steel while Q-Coat manufactures epoxy coated bars.

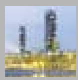
Financial and Operational Review

2007 was a successful year for Qatar Steel as sales volume was higher year-on-year by 2%, while sales revenue was up by 23%, an increase of QR 650 million. Sales were up due to the import of steel to meet the growing demand.

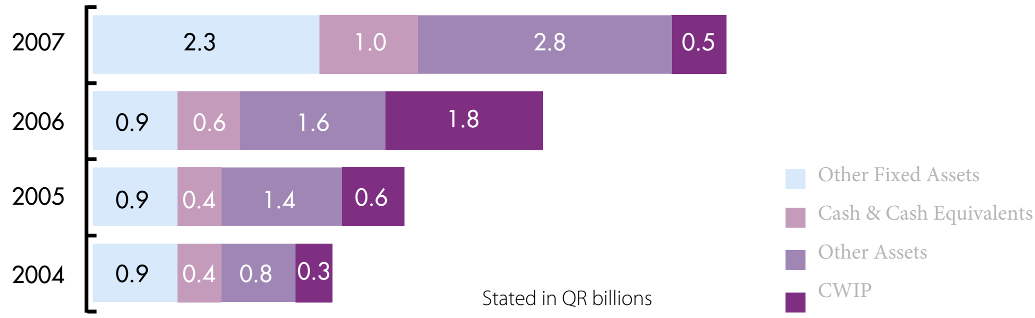
With strong supply and demand fundamentals existing in the GCC market, the short term focus of Qatar Steel will continue to be the GCC market. Along with maintaining regular supplies to the domestic market, Qatar Steel will continue its efforts in optimizing its share in each of the GCC countries.

The outlook for the future is bright given that the company intends to continue with its capital expenditure that has already seen its total assets increase since 2004.





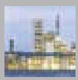
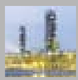
Total Assets By Year



Accomplishments and initiatives taken up during 2007

- Adoption of new brand identity "Qatar Steel", with a view to building and enhancing the company's Brand Equity.
- Commissioning of new DRI/HBI Combo Plant, and new Bar Mill.
- Acquisition of 25% share capital in GIIC, Bahrain as a first major step in upstream integration and supply chain management for essential raw materials.
- Acquired 49.9% interest in the Iron Ore Mining and Pelletization El-Aouj Project in Mauritania at a price of US$ 375 million to secure the required supply of raw materials. The Project is envisaged as a long term project and planned to produce 7 million tonnes per annum of DR grade pellets used as raw materials for our steel manufacturing.


DANIELI

Qatar Fuel Additives Company

Background

Established in 1991 as part of Qatar's strategic plan to diversify its petrochemical base and expand its downstream industries, Qatar Fuel Additives Company Limited Q.S.C. (QAFAC) is recognised as a producer of high quality methanol and methyl-tertiary-butyl-ether (MTBE). The primary markets for the Company are the Far East, India and the Gulf region.

Financial and Operational Review

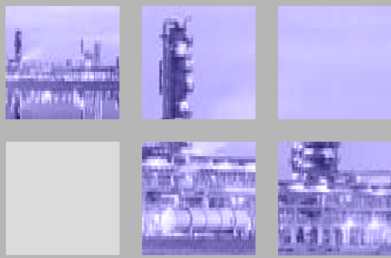
QAFAC's revenue exceeded the QR 2 billions level, even after a scheduled shutdown for maintenance in the first half of the year. The Company was able to register record net profits, of QR 0.8 billions, in spite of an increase in raw material prices, exceeding the excellent margin achieved during 2006. This was largely due to the higher prices and Methanol sales volumes. During the year the Company expanded the market base by adding US, Europe and South America for its products.

After the successful completion of the revamping project, methanol production capacity was increased to over 3,000 MTPD and we achieved the highest ever monthly production in October 2007. During 2007, QAFAC utilized its own internal resources and successfully carried out the largest-ever maintenance turnaround in the history of the Company, without the presence of the EPC contractor.

During 2007 QAFAC accomplished accreditation to the ISO 9001:2000 quality certification and completed revalidation of the ISO 14001:2004 Environment Quality Management System; reviewed and reissued the Safety, Environment and Health manual; and introduced a new Security Manual and associated quality control procedures. During the year the Company achieved its best-ever record of 2.23 million continuous working hours without a 'lost time accident'. QAFAC continue to work closely with Supreme Council for Environment and Natural Reserves (SCENR) of Qatar in supporting their effort of continous improvement of the environment.

Qatarization

Trainee short supply and attrition continue to have significant impact on the Qatarization rate. The Company is committed to pursue the strategy to select good quality Qatari nationals and identified a number of developees in the technical and non-technical departments for specific training to prepare them to hold senior positions in the future. QAFAC have strengthened the relationship with Qatar University through participation in various activities organized by the College of Engineering.



INDUSTRIES QATAR Q.S.C.

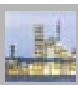
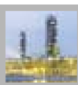
DOHA - QATAR

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

Contents

INDEPENDENT AUDITOR'S REPORT

To The Shareholders

Industries Qatar Q.S.C.

Doha – Qatar

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Industries Qatar Q.S.C. (the "Company"), which comprises the consolidated balance sheet as at 31 December 2007, and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

The accompanying consolidated financial statements include the assets, liabilities and results of operations of the subsidiaries and joint venture companies which represent significantly all the assets, liabilities and results of operations of the company. The financial statements of the subsidiaries and joint venture companies have been audited by other auditors who expressed their unqualified opinion on the respective financial statements. The audit reports of the other auditors were furnished to us and our opinion 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and based on the audit work performed by the other auditors, the accompanying consolidated financial statements present fairly, in all material respect the financial position of Industries Qatar Q.S.C. as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Legal and Regulatory Requirements

Furthermore, in our opinion the consolidated financial statements provide the information required by the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. To the best of our knowledge and belief and according to the information given to us, no contraventions of the Law or the Company's Articles of Association, were committed during the year which would materially affect the Company's activities or its financial position.

For Deloitte & Touche

Muhammad Bahemia
License No. 103

Doha – Qatar
February 20, 2008

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2007
(Amounts expressed in thousands of Qatari Riyals)

ASSETS	Note	2007	2006
Current Assets			(Restated)
Bank balances and cash	5	6,171,427	4,626,389
Accounts receivable and prepayments	6	1,266,743	1,149,975
Inventories	7	1,373,226	1,141,841
Due from related parties	8	639,107	543,284
Investments held for trading	9(c)	102,868	27,061
Total Current Assets		9,553,371	7,488,550
Non-Current Assets			
Investment in associates	9(a)	1,171,186	359,059
Investments available for sale	9(b)	452,594	293,850
Intangible assets	10	72,313	71,707
Investment property	11	148,032	118,426
Property, plant and equipment	12	8,494,318	6,385,679
Other assets	13	250,281	163,195
Total Non-Current Assets		10,588,724	7,391,916
Total Assets		20,142,095	14,880,466

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

	Note	2007	2006 (Restated)
LIABILITIES AND EQUITY			
Current Liabilities			
Term loans	**15**	1,083,819	205,458
Accounts payable and accruals	**14**	2,019,388	1,047,475
Due to related parties	**16**	745,683	422,460
Total Current Liabilities		**3,848,890**	**1,675,393**
Non-Current Liabilities			
Term loans	**15**	2,357,967	1,961,623
Provision for employees end of service benefits	**17**	153,740	118,728
Interest rate swaps	**18**	103,412	40,544
Total Non-Current Liabilities		**2,615,119**	**2,120,895**
Equity and Reserves			
Share capital	**19**	5,000,000	5,000,000
Legal reserve	**30**	141,309	104,813
Investments revaluation reserve		309,585	132,204
Hedging reserve		(103,412)	(37,623)
Retained earnings		5,819,558	3,372,795
Proposed dividends / Bonus issue	**20**	2,500,000	2,500,000
Equity Attributable to Equity Holders of the Parent		**13,667,040**	**11,072,189**
Minority interest		11,046	11,989
Total Equity		**13,678,086**	**11,084,178**
Total Liabilities and Equity		**20,142,095**	**14,880,466**

ABDULLAH BIN HAMAD AL-ATTIYAH

Deputy Premier
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 consolidated financial statements.

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2007
(Amounts expressed in thousands of Qatari Riyals)

	Note	Year ended 31 December 2007	Year ended 31 December 2006
Sales	21	9,325,932	7,778,065
Cost of sales		(4,394,626)	(4,091,928)
Gross Profit		**4,931,306**	**3,686,137**
Selling expenses		(137,580)	(117,871)
General and administrative expenses		(318,341)	(296,118)
Income from associates		52,254	20,117
Income from investments	22(a)	244,730	173,975
Other gains and losses	22(b)	292,130	199,694
Finance charges		(79,933)	(44,204)
Profit for the Year	23	**4,984,566**	**3,621,730**
Attributable to:			
Equity holders of the parent		4,983,259	3,619,218
Minority interest		1,307	2,512
Total		**4,984,566**	**3,621,730**
Basic earnings per share		QR. 9.97	QR. 7.24
Number of shares		500,000,000	500,000,000

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

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007
(Amounts expressed in thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Investments Revaluation Reserve	Hedging Reserve	Retained Earnings	Proposed Dividends/ Bonus issue	Attributable To Equity Holders of the Parent	Minority Interest	Total
Balance at 1 January 2006- As previously stated	**5,000,000**	**103,975**	**264,936**	**-**	**2,234,654**	**1,750,000**	**9,353,565**	**11,727**	**9,365,292**
Prior year adjustment (Note 3)	-	-	-	-	19,761	-	19,761	-	**19,761**
Balance at 1 January 2006 (Restated)	**5,000,000**	**103,975**	**264,936**	**-**	**2,254,415**	**1,750,000**	**9,373,326**	**11,727**	**9,385,053**
Loss arising on revaluation of available for sale investments	-	-	(132,732)	-	-	-	(132,732)	-	(132,732)
Dividends paid	-	-	-	-	-	(1,750,000)	(1,750,000)	-	(1,750,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(2,250)	(2,250)
Profit for the year	-	-	-	-	3,619,218	-	3,619,218	2,512	3,621,730
Net movement in fair value of interest rate swaps (Note 18)	-	-	-	(37,623)	-	-	(37,623)	-	(37,623)
Transfer to legal reserve	-	838	-	-	(838)	-	-	-	-
Dividends proposed	-	-	-	-	(2,500,000)	2,500,000	-	-	-
Balance at 31 December 2006 (Restated)	**5,000,000**	**104,813**	**132,204**	**(37,623)**	**3,372,795**	**2,500,000**	**11,072,189**	**11,989**	**11,084,178**
Transfer to statement of income on disposal of available for sale investments	-	-	(26,718)	-	-	-	(26,718)	-	(26,718)
Increase arising on revaluation of available for sale investments	-	-	204,099	-	-	-	204,099	-	204,099
Dividends paid	-	-	-	-	-	(2,500,000)	(2,500,000)	-	(2,500,000)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(2,250)	(2,250)
Profit for the year	-	-	-	-	4,983,259	-	4,983,259	1,307	4,984,566
Net movement in fair value of interest rate swaps (Note 18)	-	-	-	(65,789)	-	-	(65,789)	-	(65,789)
Transfer to legal reserve	-	36,496	-	-	(36,496)	-	-	-	-
Dividends proposed / Bonus issue (note 20)	-	-	-	-	(2,500,000)	2,500,000	-	-	-
Balance at 31 December 2007	**5,000,000**	**141,309**	**309,585**	**(103,412)**	**5,819,558**	**2,500,000**	**13,667,040**	**11,046**	**13,678,086**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

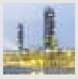
FOR THE YEAR ENDED 31 DECEMBER 2007
(Amounts expressed in thousands of Qatari Riyals)

	Note	Year ended 31 December 2007	Year ended 31 December 2006
Cash Flows from Operating Activities			
Net profit for the year		4,984,566	3,621,730
Adjustments for:			
Depreciation and amortisation		399,430	524,250
Provision for employees end of service benefits		64,917	40,333
(Gain) / Losses on investments		(114,963)	2,811
Income from associates		(52,254)	(20,117)
Finance charges		79,933	44,204
Gain on revaluation of investment property		(29,606)	(107,354)
Loss on disposal of property, plant and equipment		1,107	2,035
		5,333,130	**4,107,892**
Increase in accounts receivable, prepayments and due from related parties		(212,591)	(343,018)
Increase in inventories		(231,385)	(122,422)
Increase in accounts payable, accruals and due to related parties		1,295,136	475,805
Cash from operations		**6,184,290**	**4,118,257**
Payments towards employees end of service benefits		(29,905)	(17,294)
Net cash from operating activities		**6,154,385**	**4,100,963**

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

	Note	Year ended 31 December 2007	Year ended 31 December 2006
Cash Flows from Investing Activities			
Increase in deposits maturing after ninety days		(1,007,781)	(228,985)
Increase in other assets		(69,023)	(2,234)
Acquisitions of investments		(255,010)	(56,684)
Acquisition of investment property		-	(11,072)
Acquisition of property, plant and equipment		(2,500,837)	(2,106,753)
Movement in projects under development		(30,016)	(52,534)
Proceeds on disposal of investments		311,404	13,823
Dividend received from associate		2,600	4,800
Acquisition of investment in associate		(761,074)	-
Proceeds on disposals of property, plant and equipment		87	28,709
Net cash used in investing activities		**(4,309,650)**	**(2,410,930)**
Cash Flows from Financing Activities			
Net increase in loans		1,274,705	553,713
Finance charges paid		(79,933)	(44,204)
Dividends paid by parent company		(2,500,000)	(1,750,000)
Dividends paid to minority shareholders		(2,250)	(2,250)
Net cash used in financing activities		**(1,307,478)**	**(1,242,741)**
Net Increase in Cash and Cash Equivalents		**537,257**	**447,292**
Cash and cash equivalents at Beginning of the Year		3,126,830	2,679,538
Cash and cash equivalents at End of the Year	**31**	**3,664,087**	**3,126,830**

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

1. Legal Status and Activities

Industries Qatar ("IQ" or " the Company") 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. The Company is governed by its Memorandum and Articles of Association and Law No. 5 of year 2002 concerning commercial companies.
The Company, its subsidiaries and joint venture companies (collectively referred as the "Group") operate in the State of Qatar and in the Jebel Ali Free Zone in the United Arab Emirates. The Group employed 3,764 employees as of 31 December 2007 (2006: 3,398).
The main activity of IQ is to act as a holding company. The following are the details of the subsidiaries and joint venture companies:

Qatar Steel Company Q.S.C. (QATAR STEEL), is a Qatari Shareholding Company incorporated in the State of Qatar, wholly owned by IQ. The company is engaged in the manufacture of steel billets and reinforcing bars for sale in the domestic and export markets.

QATAR STEEL incorporated Qatar Steel Dubai Steel FZE, a fully owned subsidiary with limited liability on 22 July 2003, pursuant to Dubai Law No. 9 of 1992 and implementing the regulations of the Jebel Ali Free Zone Authority.

Qatar Petrochemical Company Limited Q.S.C., (QAPCO), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ owning 80% and Total Petrochemicals (France) owning 20%. QAPCO is engaged in the production and sale of ethylene, polyethylene, hexane and other petrochemical products.

Qatofin Company Limited Q.S.C. (QATOFIN), a Qatari Shareholding Company incorporated in the State of Qatar on August 2005, is a joint venture between QAPCO owning 63%, TOTAL Petrochemicals - (France) (TPF) 36% and QP 1%. Qatofin is engaged in the production of linear low-density polyethylene (LLDPE).

Qatofin also owns 45.69% interest in Ras Laffan Olefins Company (RLOC), a joint venture between Q-Chem II, Qatofin and Qatar Petroleum. Ras Laffan Olefins Company is involved in the production of ethylene.

Qatar Fertiliser Company SAQ, (QAFCO), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ owning 75%, Fertiliser Holdings AS owning 10% and Yara Netherland BV owning 15%. QAFCO is engaged in the production and sale of ammonia and urea.

QAFCO has ownership interest in Gulf Formaldehyde Company ("GFC"), a Qatari Shareholding Company incorporated in the State of Qatar on 3 March 2003. QAFCO holds 70% of the share capital of this subsidiary.

Qatar Fuel Additives Company Limited Q.S.C. (QAFAC), a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ owning 50%, OPIC Middle East Corporation owning 20%, International Octane Limited owning 15% and 15% by LCY Middle East Corporation, a body corporate formed under the laws of the British Virgins Islands. QAFAC is engaged in the production and export of methyl-tertiary-butyl-ether (MTBE) and methanol.

2. Standards and Interpretations Effective in the Current Year

In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures which are effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these consolidated financial statements regarding the Group's financial instruments and management of capital.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to changes in the Group's accounting policies.

Standards and Interpretations in Issue Not Yet Adopted

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:

Amendments to standards

IAS 23 (Revised) Borrowing Costs (effective on or after January 1, 2009);

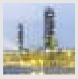
IAS 1 Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective for accounting periods beginning on or after January 1, 2009);

New standards

IFRS 8 Operating Segments (effective for accounting periods beginning on or after January 1, 2009);

New interpretations

IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective March 1 2007).
IFRIC 12 Service Concession Arrangements (effective January 1, 2008);
IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after July 1, 2008)
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective January 1, 2008).



Management anticipates that all of the above standards and interpretations as applicable will be adopted in the Group's financial statements in future periods and that the adoption of those Interpretations and Standards will result in some cases of amendments and additional disclosures in these consolidated financial statements of the Group in the period of initial application.

3. Prior Period Adjustment

During the year ended 31 December 2005, QAFCO made a provision for pension liability for Qatari employees at 15% of the Qatari employees salaries, instead of 10% as required under the law no.24 of 2002 on retirement and pension. This excess provision amounting to QR 19.76 million (group share) has been credited to the retained earnings balance as at 1 January 2006 and was reduced by the same amount in accounts payable and accruals as at 31 December 2006.

4. Significant Accounting Policies

The significant accounting policies adopted are as set out below:

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Commercial Companies' Law No. 5 of 2002.

Accounting Convention

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are stated at fair value.

Investment in Subsidiary Company

A subsidiary is an entity where the Group can exercise control. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in Joint Venture Company

A joint venture is a contractual arrangement whereby the Group and the other parties undertake an economic activity that is subject to joint control. Joint Venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation whereby the Group's share of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Fair Value

The fair value of investments that are actively traded in organised financial markets is determined with reference to quoted market bid prices at the close of business on the balance sheet date.

Investment in Associate Company

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is charged to write off the cost of these assets other than capital work in progress over their estimated useful lives, using the straight line method as follows:

Petrochemical plant and buildings	25 years
Fertiliser plant and buildings	5-10 years
Steel plant, buildings and structures	15 to 25 years
Other assets: motor vehicles, heavy mobile equipment, furniture and fixtures, and computer equipment	3 to 15 years

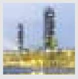
General repair and annual maintenance costs of property, plant and equipment are charged to operating costs as and when they are incurred.

Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

Capital Work-in-Progress

All expenditures and costs incurred on assets under construction are capitalised and are initially recorded as Capital Work-in-Progress. These costs are transferred to property, plant and equipment when the assets are ready for their intended use.

Projects Under Development

Projects under development represent costs incurred by the Group on developing new projects. These costs will be converted to investments once the project materialises. Costs incurred on projects that do not materialize are written off.

Available-for-Sale Investments

Listed shares held by the Group that are traded in an active market are classified as available for sale investments. They are initially recognised at cost, being the fair value of the consideration given. After initial recognition, these investments are remeasured at fair value. Unrealised gains and losses are reported as a separate component of equity until the investment is disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income for the year.

Available-for-sale investments - Unquoted

Due to the nature of cash flows arising from the Group's unquoted investments, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost less provision for any impairment losses.

Interest Bearing Loans and Borrowings

Interest bearing loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Instalments due within one year at amortised cost are shown as a current liability.

Borrowing Costs

Borrowing costs specifically incurred in connection with major capital projects are capitalised as incurred during the construction period. Capitalisation of interest ceases once the asset has been brought into use. Other borrowing costs are recognised as expenses in the year in which they are incurred.

Financial Assets at Fair Value through Profit or Loss – FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

These investments are carried at fair value (marked to market) with any gain or loss arising from the change in fair value included in the statement of income in the year in which it arises.

Accounts Receivable and Prepayments

Accounts receivable and prepayments are stated net of provision for amounts estimated to be doubtful of recovery. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories, including work in progress, other than maintenance parts and supplies, are stated at the lower of cost and net realisable value; cost is determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Maintenance parts and supplies are stated at cost, less provisions for obsolescence.

Accounts Payable and Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Group has an obligation either legal or constructive arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Operating Leases

Leases where the risks and rewards of ownership remain with the lessor are classified as operating leases. Operating lease payments are recognised as expenses in the statement of income. Future commitments of such leases are disclosed as commitments.

Employees' End of Service Benefits and Pension Contributions

Employees end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees contracts of employment and their length of service, subject to the completion of a minimum service period.

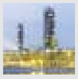
Under Law No. 24 of 2002 on Retirement and Pensions, contributions by the Group to a Government fund scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries and the obligations are limited to these contributions, which are expensed when due.

Revenue

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Sales revenue represents the value of products sold during the year, net of freight and other related charges.

Interest income is recognised on an accrual basis, taking into account the interest rate applicable and principal outstanding.

Dividend income is recognised, when the right to receive the dividend is established.



Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current accounts with banks and bank deposits having maturities of less than 90 days.

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognized in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost the reversal is recognized in income statement.

Impairment of Non Financial Assets

The carrying amounts of the Group's assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exist then assets recoverable amount is estimated. An impairment loss is recognized in the consolidated income statement, whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses recognized in prior periods are assessed at each reporting for any indications that the loss has decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Foreign Currencies

Foreign currency transactions are recorded in Qatari Riyals at the rates of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Qatari Riyals at the rate of exchange prevailing at the year end. The resultant exchange differences are included in the consolidated statement of income.

QAFAC's accounting records are maintained in US Dollars which is the currency of the primary economic environment in which it operates (functional currency). For the purpose of these consolidated financial statements, the results and financial position of the joint venture are expressed in the functional currency of the parent company.

As the US Dollars and the Qatari Riyals are pegged, the assets, liabilities and results of operations have been converted at a fixed rate of QR. 3.64.

Catalysts

Catalysts acquired are measured on initial recognition at cost. Following initial recognition, catalysts are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on catalysts are recognised in the consolidated income statement.

Derivative Financial Instruments

The Group entered into a variety of derivative financial instruments, including interest rate swaps to manage its exposure to interest rate risk.

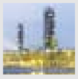
These derivatives are initially recognised at fair value at the date they are entered into and are subsequently remeasured to fair value at each balance sheet date. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated as effective hedging instrument (cash flow hedge), in which case the profit or loss is recognised in the consolidated statement of changes in equity.

5. Bank Balances and Cash

	2007	2006
Bank balances and cash	6,171,427	4,626,389

Included in bank balances and cash are time deposits denominated in United States Dollars, Euros and Saudi Riyals equivalent to QR 1,672 million (2006: QR 1,695 million). In addition, bank balances and cash include current and call deposits of QR 931 million (2006: QR. 787 million) and term deposits of QR. 3,568 million (2006: QR. 2,144 million) held with commercial banks in Qatar. The term deposits are denominated mainly in Qatari Riyals and are short term in nature, with effective interest rates of 5.10% (2006: 5.35 %).

6. Accounts receivable and prepayments:

6. Accounts Receivable and Prepayments

	2007	2006
Trade receivables	936,812	873,877
Other receivables and prepayments	277,597	231,984
Loans to employees	53,454	50,194
	1,267,863	1,156,055
Less: Provision for doubtful debts	(1,120)	(6,080)
Net	**1,266,743**	**1,149,975**

The average credit period for customers is 30 days. No interest is charged on the overdue accounts receivables. Based on the historical default rates group companies, other than QAPCO believe that no impairment allowance is necessary. QAPCO estimates doubtful debts when collection of the full amount is no longer probable.

Included in other receivables and prepayments is an amount of QR 158 million (2006: QR. 86 million) relating to accrued income of QAFAC. QAFAC entered into off- take agreements with its shareholders for the sale of its products.

The ageing of unimpaired trade receivables is as follows:

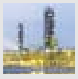
	2007	2006
(i) Balance of neither past due nor impaired Receivables	913,886	864,848
(ii) Balance of past due but not impaired Receivables:		
Between 31 to 60 days	21,803	2,947
Between 61 to 90 days	2	2
Over 90 days	1	-
	21,806	2,949
(iii) Balance of impaired Receivables		
Over 90 days	1,120	6,080
Total	**936,812**	**873,877**
(iv) Movement in the provision of doubtful debts:		
Balance at the beginning of the year	(6,080)	(2,080)
Amounts written off as uncollectible	976	-
Reversal during the year	3,984	-
Additional provision during the year	-	(4,000)
Balance at end of the year	**(1,120)**	**(6,080)**

7. Inventories

	2007	2006
Fuel additives	31,106	17,809
Steel	213,030	218,328
Fertilisers	43,365	15,802
Petrochemicals	42,893	65,705
Work-in-progress	87,375	61,335
Raw materials	391,923	300,772
Goods in transit	77,654	60,871
Maintenance parts and supplies	574,342	474,301
Total	1,461,688	1,214,923
Less: Provision for obsolescence	(88,462)	(73,082)
Net	**1,373,226**	**1,141,841**

8. Due from Related Parties

	2007	2006
Yara International ASA	253,933	221,256
Qatar Petroleum	59,813	56,218
Qatar Vinyl Company	66,196	70,241
Qatar Chemical Company	701	1,282
Total Petrochemicals	188,170	129,766
Qatar Metal Coating Company	34,551	31,100
International Octane Ltd.	12,494	3,192
LCY Investment Corporation	13,350	8,077
Qatar Gas	23	23
Chinese Petroleum Corporation	6,209	19,416
Ras Laffan Olefins Cracker Company	157	1,002
Qatofin Company Limited Q.S.C.	1,979	1,471
Qatar Fuel Additives Company Limited Q.S.C.	-	240
WOQOD	4	-
Qatar Plastic Product Company	561	-
Seef	874	-
Qatalum	92	-
Total	**639,107**	**543,284**

9. Investments

a) Investment in associates	Principal Activity	Country of Incorpo-ration	Group Ownership			
Name of Associate			**2007**	**2006**	**2007**	**2006**
Qatar Metal Coating Company	Metal Coating	Qatar	50.00%	50.00%	16,086	16,944
Qatar Vinyl Company Ltd. Q.S.C.	Chemical Products	Qatar	25.52%	25.52%	299,756	255,976
Qatar Plastic Product Company W.L.L.	Industrial Products	Qatar	26.66%	26.66%	10,898	9,667
United Stainless Steel Company	Steel Manufac-turing	Bahrain	25.00%	25.00%	76,001	76,472
Gulf Industrial Investment Company	Manufact-uring	Bahrain	25.00%	--	768,445	--
Total					**1,171,186**	**359,059**

(i) United Stainless Steel Company (USCO) started operations during the current year. USCO is engaged in the manufacture of cold rolled stainless steel coils and sheets.

(ii) Effective 17 May 2007, Qatar Steel acquired 25% of the issued share capital of Gulf Industrial Investment Co. (GIIC) which is engaged in the manufacture of iron ore pellets, through payment of US$ 209 million, equivalent to QR 761 million.

Summarised financial information in respect of the Group's share in the associates are as follows:

	2007	**2006**
Share of associates' balance sheets:		
Current assets	426,454	221,055
Non-current assets	760,601	554,589
Current liabilities	(141,947)	(48,343)
Non-current liabilities	(559,386)	(368,242)
Share in net assets	**485,722**	**359,059**
Add: Goodwill on acquisition	684,804	--
Add: Pre-acquisition equity adjustment	660	--
Group share of net assets of associates	**1,171,186**	**359,059**
Share of associates revenue & profit		
Revenue	684,753	382,772
Net share of result of associates	**52,254**	**20,117**

The Group tested the goodwill embedded in the acquisition cost of the associate for impairment by the year-end. The recoverable amount of a Cash Generating Unit ("CGU") is determined based on value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding discount rates and the long term growth rates. The discount rate is based on the weighted average cost of capital, while growth rates are based on management's experience and expectations and do not exceed the long term average growth rate for the region in which the CGU operates. These calculations use cash flow projections based on financial budgets approved by management, covering a ten-year period. Cash flows are extrapolated using the estimated growth rates. The weighted average growth rates are consistent with forecasts till the end of the year 2007, accordingly no impairment losses were recognised during the current year.

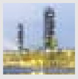
	Fair Value	
b) Available-for-sale Investments	**2007**	**2006**
Quoted shares	450,414	293,850
Unquoted shares	2,180	-
Total	**452,594**	**293,850**

A total of 50,000 shares of Qatar Shipping Company Q.S.C. having a market value of QR 3.3 million as at 31 December 2007 are restricted due to a Directorship held by the Group (57,500 shares having a market value of QR 3.50 million as at 31 December 2006).

c) Financial Assets at Fair Value Through Profit or Loss - Held For Trading	**2007**	**2006**
At 1 January	27,061	23,982
Acquisition of Qatari Shareholding Companies' shares during the year	53,144	19,713
Sold during the year	(5,328)	(11,833)
Movement in fair value	27,991	(4,801)
At 31 December	**102,868**	**27,061**

10. Intangible Assets

This represents the Group's share of the cost of Unipol Polyethylene License agreement for the Linear Low Density Polyethylene (LLDPE) and High Density Polyethylene (HDPE) entered into by QATOFIN. QATOFIN has determined that those assets have an indefinite useful life. The assets are tested for impairment on an annual basis.

11. Investment Property

At fair value	2007	2006
At 1 January	118,426	-
Acquisition/addition during the year	-	11,072
Net gain from fair value adjustments (note 22)	29,606	107,354
Balance at December 31	**148,032**	**118,426**

The fair value of the Group's investment property at 31 December 2007 has been arrived at on the basis of a valuation carried by an independent valuer that is not related to the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

(Amounts in table expressed in thousands of Qatari Riyals)

12. Property, Plant and Equipment

	Land and Buildings	Plant, Machinery and Equipment	Heavy Duty Mobile Equipment	Furniture Equipment & Fixtures	Motor Vehicles	Computer Equipment	Capital Work-in-Progress	Total
Cost								
At 1 January 2006 (as previously stated)	1,527,674	9,267,177	27,356	35,586	12,976	52,517	1,185,475	12,108,761
Reclassification	--	--	--	--	--	--	(3,496)	(3,496)
Prior year adjustments	--	--	--	--	--	--	43,523	43,523
Balance at 1 January 2006 (as restated)	1,527,674	9,267,177	27,356	35,586	12,976	52,517	1,225,502	12,148,788
Additions	1,151	135,969	3,044	955	136	1,346	1,964,152	2,106,753
Transfers	17,176	95,734	15,953	1,652	--	1,967	(132,482)	--
Adjustments and reclassifications	(1,859)	(1,949)	100	2,131	--	--	--	(1,577)
Disposals	(2,560)	(57,474)	(344)	(39)	(76)	(5,822)	--	(66,315)
At 31 December 2006	1,541,582	9,439,457	46,109	40,285	13,036	50,008	3,057,172	14,187,649
Additions	1,672	191,545	986	3,396	161	791	2,393,972	2,592,523
Transfers & Adjustments	261,441	1,835,986	11,368	1,534	90	6,721	(2,208,824)	(91,684)
Disposals	(687)	(2,001)	(693)	(166)	--	(356)	--	(3,903)
At 31 December 2007	1,804,008	11,464,987	57,770	45,049	13,287	57,164	3,242,320	16,684,585
Accumulated depreciation								
At 1 January 2006	923,378	6,308,067	16,364	26,498	11,166	35,825	--	7,321,298
Charge for the year	40,040	465,933	2,822	2,399	119	6,507	--	517,820
Adjustments and reclassifications	(124)	(1,640)	100	1,664	--	--	--	--
Disposals	(777)	(30,187)	(320)	(39)	(38)	(5,787)	--	(37,148)
At 31 December 2006	962,517	6,742,173	18,966	30,522	11,247	36,545	--	7,801,970
Charge for the year	40,012	337,436	4,065	2,812	116	6,566	--	391,007
Disposals	(229)	(1,273)	(693)	(166)	--	(349)	--	(2,710)
At 31 December 2007	1,002,300	7,078,336	22,338	33,168	11,363	42,762	-	8,190,267
Net carrying amount								
At 31 December 2007	**801,708**	**4,386,651**	**35,432**	**11,881**	**1,924**	**14,402**	**3,242,320**	**8,494,318**
At 31 December 2006	**579,065**	**2,697,284**	**27,143**	**9,763**	**1,789**	**13,463**	**3,057,172**	**6,385,679**

12. Property, Plant and Equipment (Continued)

Some of the buildings and plants at Messaied, Qatar amounting to QR. 1,653 million (2006: QR. 1,398 million) are erected on land owned by Qatar Petroleum, except for the staff housing complex of a joint venture, which is constructed on land leased from the Industrial Development Technical Centre.

Buildings for the subsidiary in Dubai, amounting to net book value of QR. 9.8 million (2006: QR 10.5 million), are constructed on a leased land from Jebel Ali Free Zone Authority for an initial period of 15 years from August 2003.

Fully depreciated assets as at 31 December 2007 amounted to QR.6,722 million (2006: QR. 5,553 million).

Capital work in progress include an amount of QR 75.52 million (2006: 65.36 million) representing total borrowing costs capitalized during the year.

Capital work in progress include an amount of QR 70.02 million representing the Group's share of the development costs incurred on RLOC's plant and facilities as at 31 December 2007. These costs are provisional and are based on the information provided by the shareholders with respect to the formation of RLOC prior to 1 July 2005. These costs are subject to the review and approval of RLOC's shareholders and board of directors.

Depreciation charge has been allocated in the consolidated statement of income as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Cost of sales	353,379	482,077
Selling expenses	641	606
General and administrative expenses	36,987	35,137
Total	**391,007**	**517,820**

13. Other Assets

	2007	2006
Catalysts and other assets	104,473	31,517
Projects under development (A)	144,286	114,270
Advances to contractors	1,522	14,487
Interest rate swaps	-	2,921
Total	**250,281**	**163,195**

(A) Represents cost incurred by the parent company for the Qafac II joint venture project and by QAFCO in the Qatar Melamine Project in which QAFCO will have a 60% interest.

14. Accounts Payable and Accruals

	2007	2006 Restated
Trade payables	1,392,312	591,597
Other creditors and accruals	627,076	455,878
Total	**2,019,388**	**1,047,475**

15. Term Loans

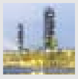
The table below summarises the Group's consolidated loans profile:

	Interest	Entity	Currency	Due date	2007	2006
Term loan 1	Libor plus 0.9%	Qatar Steel	US$	-	-	25,901
Term loan 2	Libor plus 0.65%	Qatar Steel	US$	2008	123,709	196,479
Term loan 3	Libor plus 1 %	Qatar Steel	US$	2008	764,715	-
Term loan 4	Libor plus 0.9%	Qatar Steel	US$	2014	94,975	18,667
Term loan 5	Libor plus applicable margin	Qatar Steel	US$	2016	1,427,468	1,310,940
Term loan 6	Libor plus 0.5%	QAFAC	US$	2011	260,806	325,234
Syndicated loan	Libor plus applicable margin	QATOFIN	US$	2020	770,113	289,860
Total					**3,441,786**	**2,167,081**
Less: repayments due within one year					(1,083,819)	(205,458)
Total Non-Current Portion					2,357,967	1,961,623

As of 31 December 2007, the loans were repayable as follows:

	2007	2006
Within one year	1,083,819	205,458
Years 2 to 5	981,835	957,080
Over 5 years	1,376,132	1,004,543
Total	**3,441,786**	**2,167,081**

The effective interest rate for the Group on term loans is in the region of 5.6%.

Term loan 1

Loan 1 was a US Dollar denominated facility obtained by Qatar Steel and carried interest of 0.9% Per annum over US Dollar Libor. The loan was fully repaid in the current year.

Term loan 2

This unsecured subordinated loan was taken by Qatar Steel and carries interest at Libor plus 0.65% per annum. The balance is repayable in 2008.

Term loan 3

Loan 3 was obtained on 24 May 2007 as a short term subordinated, unsecured loan, and carries interest at Libor plus 1% per annum. The loan is repayable in full in one instalment due in 2008 amounting to USD 210 million (QR 764.7 million).

Term loan 4

This is a U.S. Dollar denominated facility and carries interest presently at 0.9% per annum over US Dollar Libor. The total facility amount is USD 35 million. Drawn down as at 31 December 2007 amounted to USD 26 million. The loan is repayable over 11 semi-annual instalments commencing 31 December 2008. The subsidiary is currently under negotiation with the bank to reschedule the loan repayment.

Term loan 5

This is a US Dollar denominated facility consisting of a term loan facility of USD 483.5 million (Tranche A loan) and a stand by facility of USD 75 million (Tranche B loan) intended to fund the major EPC contracts entered into by Qatar Steel. The loan carries interest at Libor plus a margin ranging from 0.8% - 1.0% per annum (Tranche A loan) and 1.0% – 1.10% per annum (Tranche B loan) and mandatory cost, if any. Tranche A loan is repayable in 19 instalments at a predetermined rate of total Tranche A loan draw downs starting 6 months after the completion date of the related expansion projects. Tranche B, if any is repayable in 8 equal instalments starting on the date of the twelth Tranche A repayment date. The balance disclosed above represents the draw downs made by Qatar Steel up to the date of the balance sheet.

Term loan 6

This loan was signed by QAFAC on August 8, 2005. It represents a clean corporate loan facility amounting to USD 212 million (IQ share amounting to USD 106 million). It was used on 9 September 2005 to refinance the outstanding balance of a previous loan. This loan is repayable in 11 semi annual installments commencing March 9, 2006.

15. Term Loans (Continued)

Syndicated Loan

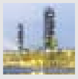
QATOFIN a joint venture of QAPCO, entered into an agreement with a consortium of banks led by Societe Generale as the Bank Facility Agent for an amount of USD 760 million to finance the construction of the Qatofin Plant. The loan currently carries interest at Libor plus an applicable margin of 0.50%. The loan is repayable in semi-annual instalments starting on 31 December 2009 with the last installment scheduled on 30 June 2020.

QATOFIN has assigned to the security agent, all its present and future rights, title and interest under various agreements to all monies which at any time may be or become payable to it, pursuant thereto and the net proceeds of any claims, awards and judgements which may at any time be received or receivable by Qatofin.

In addition to the above loans, QAFCO entered into an agreement with a consortium of banks on 2 December 2007, to obtain a term loan facility amounting to USD 1.2 billion (group share). The facility term loan will be utilized for the financing requirement of the construction of QAFCO V project and QAFCO's share of melamine project which are currently under construction. As at the year end, QAFCO has not drawn down any part of this term loan and the term loan is repayable on agreed schedule listed in the facility agreement commencing from the date of first draw down of the term loan.

16. Due to Related Parties

	2007	2006
Yara International ASA	29,174	17,810
Qatar Vinyl Company	5,586	52,847
Qatar Petroleum	617,674	306,826
Total Petrochemicals	9,794	8,342
Qatar Plastic Products Company	--	57
QAFAC II	616	1,790
Qatar Chemical Company	23,160	33,106
LCY Investment Corporation	--	49
International Octane Ltd.	3	1
WOQOD	160	91
Qatar Metal Coating Company	--	317
ARKEMA	1,023	767
Mesaieed Industrial City	4,490	457
Qatofin	2,084	--
Al Koot Insurance	916	--
Gulf Industrial Investment Company	51,003	--
Total	**745,683**	**422,460**



17. Provision for Employees End of Service Benefits

	2007	2006
Balance at the beginning of the year	118,728	95,689
Provision for the year	64,917	40,333
Payments made during the year	(29,905)	(17,294)
Balance at the end of the year	**153,740**	**118,728**

18. Derivative Financial Instruments

Interest Rate Swap Agreements

The Group entered into Interest Rate Swap agreements with several financial institutions to hedge its exposure to interest rate fluctuations on some of its loans. At 31 December 2007, the Swap agreements were as follows:

	Notional Amount	Fixed Rate	Floating Rate	Fair Value Amount
	USD/ Million			QR' 000
Swap 1	290.2	5.45%	Libor	(80,978)
Swap 2	136.2	4.995% and 5.0175%	Libor	(22,434)
Total	426.4			(103,412)

These derivatives are designated as being effective cash flow hedges.

Swap 1 - During August 2006, Qatar Steel entered into interest rate swap agreements with two banks for a notional amount of USD 290.2 million, reducing regularly every six months starting from 31 March 2009. The Company receives a variable rate equal to LIBOR and pays a fixed rate of 5.45% on the reduced notional amount till 28 September 2007, and pays a fixed rate of 5.671% thereafter till 31 March 2017. Interest is settled under the agreements on a semi-annual basis. The swaps are designated to hedge the exposure to fluctuations on the variable portion (Libor) of the interest rate on Loan 5 included in note 15 above. The term loan and interest rate swaps have the same critical terms.

The fair value of the interest rate swaps is calculated by reference to the market valuation of the swap agreements, and the cash flows hedge effectiveness is tested by the end of each reporting period.

The Company has recognized the unrealized loss on the interest rate swaps amounting to QR 81 million as at 31 December 2007 (2006: QR 40.5 million) in the fair value reserve as the cash flow hedge is deemed effective by the end of 2007 and 2006 respectively.

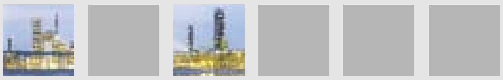
Swap 2 – At 31 December 2007, Qatofin had interest rate swap agreements in place with two banks with a notional amount of USD 259 million (2006 : USD 136.2 million) whereby it receives a variable rate equal to Libor on the notional amount and pays a fixed rate of interest of 5.0175% and 4.995%. The swaps are used to hedge the exposure to changes in the cash flow of its variable rate syndicated loan. The loan and interest rate swaps have the same critical terms. The group share in the fair value of these interest rate swaps amounting to QR 22.4 million as at 31 December 2007 (2006:QR 2.82 million) has been shown as a separate component of equity.

19. Share Capital

	2007	2006
500,000,000 issued and fully paid shares of QR. 10 each	5,000,000	5,000,000

20. Proposed Dividends/ Bonus Issue

The Board of Directors proposed a final dividend of QR 4 per share for the year ended 31 December 2007 (2006: QR 5 per share) and proposed a bonus issue of shares amounting to 10% of the issued share capital. The dividends for 2006 were approved by the shareholders at the Annual General Assembly Meeting on 11 March 2007 and were paid during 2007.



21. Sales

	Year ended 31December 2007	Year ended 31 December 2006
Sales comprise the following:		
Petrochemicals	2,153,188	1,741,772
Fuel additives	1,003,738	1,006,608
Steel	2,734,324	2,790,195
Fertilisers	3,434,682	2,239,490
Total	**9,325,932**	**7,778,065**

22 a. Income from Investments

	Year ended 31December 2007	Year ended 31 December 2006
Dividend Income	14,785	12,366
Interest on bank deposits	229,945	161,609
	244,730	**173,975**

b. Other gains and losses

	Year ended 31December 2007	Year ended 31 December 2006
Exchange gain	36,419	35,069
Change in fair value of investment property	29,606	107,354
Profit on disposal of available for sale securities	110,486	-
Profit on disposal of held for trading securities	3,201	1,989
Recycling of loss from equity on disposal of available for sale securities	(26,718)	-
Gain / (loss) from change in fair value of held for trading securities	27,992	(4,801)
Others	111,144	60,083
Total	**292,130**	**199,694**

23. Profit for the Year

	Year ended 31December 2007	Year ended 31 December 2006
The profit for the year is arrived at after charging:		
Staff costs	709,037	451,374
Depreciation on property, plant and equipment	391,006	517,820
Amortisation of catalysts and other non-current assets	8,424	6,430
Operating lease rent	24,103	22,163
Change in fair value of investment property	29,606	107,354

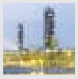
24. Interests in Joint Venture Companies

The following amounts reflect, on a combined basis, the Group's proportionate share of the assets, liabilities, revenues and expenses of joint venture companies included in these consolidated financial statements.

	2007	2006 Restated
Assets:		
Current assets	6,450,304	5,254,382
Financial instruments	310,654	265,643
Intangible assets	72,313	71,707
Other non-current assets	126,191	31,517
Property, plant and equipment	5,702,530	3,689,398
Total	**12,661,992**	**9,312,647**
Liabilities:		
Current liabilities	2,002,693	829,346
Non-current liabilities	1,083,378	632,296
Total	**3,086,071**	**1,461,642**

Share of loans of joint ventures

	Interest	Currency	Due Date	2007	2006
Term loan 6 (Note 15)	Libor plus 0.5%	US$	2011	260,806	325,234
Syndicated loan (Note 15)	Libor plus applicable margin	US$	2020	770,113	289,860

	Year ended 31 December 2007	Year ended 31 December 2006
Revenues		
Sales	5,891,250	4,987,870
Other	333,367	269,138
Total	6,224,617	5,257,008

	Year ended 31 December 2007	Year ended 31 December 2006
Expenses		
Cost of sales	1,869,497	1,888,315
Interest and finance charges	17,425	25,410
Selling expenses	113,974	92,395
General and administrative expenses	239,333	234,568
Total	**2,240,229**	**2,240,688**

25. Commitments

The Group's approved project capital expenditures and other commitments are as follows:

	2007	2006
Capital expenditure commitments:		
Property, plant and equipment	9,213,925	1,471,211

Details of the significant capital commitments are as follows:

(a) On 5 December 2004, QATAR STEEL signed an agreement for the design, engineering, construction, commissioning and testing of the direct reduction plant. The value of the contract is USD 267.4 million. The estimated future capital expenditure on this project amounted to USD 414,000 equivalent to QR 1.5 million.

(b) On 21 April 2005, QATAR STEEL signed an agreement for the design, engineering, construction, commissioning and testing of a steel melt shop. The value of the contract is EUR 101.6 million. The estimated future capital expenditure on this project amounted to EUR 0.84 million equivalent to QR 4.5 million.

(c) On 12 April 2005, QATAR STEEL signed an agreement for the engineering, procurement and construction of a new bar rolling mill. The value of the contract is USD 33.8 million plus EUR 29.4 million.

(d) On 21 November 2005, QATAR STEEL Dubai Steel FZE, signed an agreement for the engineering, procurement, supervision, start-up and commissioning and training in connection with the rolling mill described in (c) above and the re-heating furnace. The value of the contract and the estimated future capital expenditure on this project is EUR 5.1 million and USD 2.8 million equivalent to QR. 22 million and QR. 10 million respectively.

(e) On 25 March 2004, QAPCO signed an agreement for improving the operational efficiency and expanding the production capacity of its existing ethylene production facility. The value of the contract including variation orders is USD 206.7 million. The Company made full provision for the final settlement.

(f) Included in the total commitments, is the group share of Qatofin capital commitment amounting to QR. 901 million.

(g) The Board of Directors of QAFCO has authorized capital commitments of which group share amounted to QR 8,182.77 million relating to QAFCO 5 project.

Operating Lease Commitments:

The Group entered into operating lease agreements with Qatar Petroleum for the land on which certain plant facilities are constructed and for the use of berth facilities.

In addition, Qatar Steel entered into a lease agreement with the Government of Dubai , where it will be contingently liable for the value of the annual rent on the lease agreement for the land on which plant facilities are constructed.

Details are as follows:

	2007	**2006**
Future lease payments:		
Within one year	9,218	7,903
Between two and five years	37,333	35,713
After five years	208,653	85,236
Total operating lease expenditure contracted for at the balance sheet date	**255,204**	**128,852**

Finance Lease Commitments:

QATOFIN entered into a contract with a foreign party for the engineering, construction and operation of the polyethylene logistics terminal. The Group's share of the future aggregate minimum lease payments are as follows:

	2007	2006
Not later than one year	1,482	-
Between two and five years	24,240	19,662
After five years	72,719	78,779
Total finance lease expenditure contracted for at the balance sheet date	**98,441**	**98,441**

26. Significant Undertakings

The shareholders (excluding Industries Qatar) of QAFAC and Qatar Petroleum have agreed to off -take 100% of the product produced by the Fuel Additives plant and available for export under the terms of the Off -take Agreements signed on 14 April 1997 and amended and restated subsequently on 9 August 2002. This agreement is valid until the date on which all amounts payable by the joint venture to the lenders pursuant to the refinancing agreements have been irrevocably discharged in full.

Qatar Petroleum has given an undertaking to produce, deliver and sell to QAFAC such quantities of Gas and Butane as the joint venture will require, from time to time to operate its plant. The terms of this undertaking are contained in the Butane and Gas Feedstock Sale and Purchase Agreement between QAFAC and Qatar Petroleum. This agreement is valid until the later of expiry / termination of the amended and restated Consolidated Joint Venture Agreement or final maturity. Final maturity is the date on which all amounts payable by the joint venture to the lenders pursuant to the refinancing agreement have been irrevocably paid in full.

27. Related Party Transactions

Year Ended 31 December 2007	Sales	Cost of sales	Selling Expenses	General and administrative expenses: Lease Rental Payments	General and administrative expenses: Others	Other Income
Qatar Petroleum	508,396	1,068,036	438	7,129	16,236	1,736
Total Petrochemicals	475,482	--	18,894	--	9,546	--
Qatar Metal Coating Company	87,821	895	--	--	--	1,226
Yara International ASA	1,478,783	7,780	44,401	--	3,000	--
Qatar Vinyl Company	375,576	2,179	--	--	209	14,379
Qatar Plastic Products Company	9,366	16,158	--	--	18	506
Qatar Chemical Company	--	--	--	--	--	7,955
International Octane Limited	145,051	--	--	--	--	--
LCY Investments Corporation	141,244	--	--	--	415	--
Chinese Petroleum Corporation	176,762	--	--	--	320	--
WOQOD	--	--	--	--	146	--
Mesaieed Industrial City	--	--	--	17,396	228	--
Gulf Industrial Investment Co.	8,504	267,539	--	--	--	--
TOTAL	**3,406,985**	**1,362,587**	**63,733**	**24,525**	**30,118**	**25,802**

Year Ended 31 December 2006	Sales	Cost of sales	Selling Expenses	General and administrative expenses: Lease Rental Payments	General and administrative expenses: Others	Other Income
Qatar Petroleum	505,162	981,907	226	6,963	20,113	1,706
Total Petrochemicals	410,736	--	16,299	--	7,454	--
Qatar Metal Coating Company	117,146	--	1,182	--	403	--
Yara International ASA	934,699	8,479	27,476	--	3,000	--
Qatar Vinyl Company	325,366	438	--	--	226	12,316
Qatar Plastic Products Company	10,473	17,802	--	--	--	234
Qatar Chemical Company	--	--	--	--	--	7,177
International Octane Limited	142,668	--	--	--	--	--
LCY Investments Corporation	151,495	--	--	--	394	--
Chinese Petroleum Corporation	207,283	--	--	--	326	--
Gulf Helicopters Company	--	28	--	--	--	--
WOQOD	--	--	--	--	209	--
Mesaieed Industrial City	--	--	--	5,411	--	--
Qatar Gas	--	--	--	--	5	--
TOTAL	**2,805,028**	**1,008,654**	**45,183**	**12,374**	**32,130**	**21,433**

27. Related Party Transactions (continued)

The remuneration of the directors and key management personnel of the Group during the year was as follows:

	2007	2006
Compensation of key management personnel	21,427	17,169

Compensation includes short-term benefits, end of service benefits and pension fund contribution for Qatari employees.

28. Contingent Liabilities

	2007	2006
a) Letters of credit	679,903	638,611
b) Bank guarantees	189,189	3,469
c) Trust receipts	--	16,355
d) Performance Bond	50	--

29. Financial Instruments

Fair value of financial instruments

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable and willing parties at arms length. Since the accompanying consolidated financial statements have been prepared under the historical cost convention, the carrying value of the Group's financial instruments except for certain investments and derivatives as recorded could therefore be different from the fair value. However, in management's opinion, the fair values of the Group's financial assets and liabilities are not significantly different from their book value.

30. Legal Reserve

IQ was formed in accordance with Article 68 of Qatar Commercial Companies Law No. 5 of 2002, which stipulates that the Company is exempt from the provisions of the said Law.

Since the Articles of Association of the Company does not provide for legal reserve, the legal reserve detailed on the face of the consolidated balance sheet represents the sum of the subsidiaries and share of group companies legal reserve, included for consolidation purposes.

31. Cash and Cash Equivalents

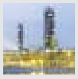
	2007	2006
Bank balances and cash	6,171,427	4,626,389
Less:		
Fixed deposits maturing after 90 days	(2,507,340)	(1,499,559)
Net	**3,664,087**	**3,126,830**

32. Segmental Reporting

	Petrochemicals	Fertilisers	Steel	Total
Sales	3,156,926	2,734,324	3,434,682	9,325,932
Expenses/costs	1,242,782	980,022	2,614,655	4,837,459
Assets	6,691,602	5,970,389	6,571,083	19,233,074
Liabilities	1,727,390	1,358,680	3,164,086	6,250,156

33. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the Board of Directors on 20 February 2008.

34. Significant Accounting Judgements and Estimates

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group evaluates the investments on a case by case basis taking into account normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.
Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.
Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

35. Financial Risk Management Objectives

The Group is subject to market risk (currency, interest rate and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments wherever applicable. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on interest rate risks , the use of financial derivatives and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed on a continuous basis.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

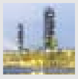
The objective of market risks management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Group has a set of acceptable parameters, based on value of risk , that may be accepted and which is monitored on a regular basis.

Interest rate risk exposures

With the exception of certain term loans amounting to QR 2,198 million (2006 : QR 1,601 million), which are covered by interest rate swap contracts (Note 15), a significant portion of the Group's consolidated financial assets and liabilities as of 31 December 2007 are exposed to interest rate fluctuations. The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarised below:

	2007 **Interest bearing instruments**	**Non-interest bearing bank and cash balances**
Financial assets		
Bank balances and cash	5,003,477	1,167,950
Total	**5,003,477**	**1,167,950**
Effective interest rate	5.10%	-
Financial liabilities		
Term loans *	(1,244,205)	-
Total	**(1,244,205)**	**-**
Effective interest rate	5.72%	
Net financial assets	**3,759,272**	**1,167,950**
	2006	
Financial assets		
Bank balances and cash	4,519,438	106,951
Total	**4,519,438**	**106,951**
Effective interest rate	5.35%	-
Financial liabilities		
Term loans *	(556,281)	-
Total	**(556,281)**	**-**
Effective interest rate	5.90%	
Net financial assets	**3,963,157**	**106,951**

*These exclude loans covered by interest rate swaps.

Year 2007	Income statement	
	25 bp increase	25 bp decrease
Variable rate instruments	2,238	(2,238)

Year 2006	Income statement	
Variable rate instruments	3,178	(3,178)

The syndicated loan taken by Qatofin is subject to market interest rate. Qatofin's policy is to manage its interest cost using a mix of fixed and variable rate debts and accordingly Qatofin keeps 50% of its borrowing at fixed rate of interest . However as the policy is to capitalize its interest costs on qualifying assets, the consolidated statement of income is not sensitive to possible changes in interest rate on the variable debt portion.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy which limits its exposure to credit risk on its bank balances by dealing with financial institutions of good credit ratings. The Group's exposure to counterparties is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management. The carrying amount of the financial assets recorded in these consolidated financial statements, which is net of impairment losses represents the Group's maximum exposure to credit risks.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents and derivative instruments with positive values, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and on contractual payments continuously monitoring forecast and actual cash flows by matching the maturity profiles of financial assets and liabilities. The table below summarizes the maturity of the Group's undiscounted financial liabilities at 31 December 2007.

2007	Less than one year	1 to 5 years	More than 5 years
Non-derivative financial liabilities:			
Accounts payable, accruals	2,004,457	14,932	-
Loans	1,135,980	1,152,008	1,484,326
Due to related parties	745,683	-	-
Total	**3,886,120**	**1,166,940**	**1,484,326**

2006	Less than one year	1 to 5 years	More than 5 years
Non-derivative financial liabilities:			
Accounts payable, accruals	1,043,865	3,609	-
Loans	290,931	1,051,452	1,084,119
Due to related parties	422,460	-	-
Total	**1,757,256**	**1,055,061**	**1,084,119**

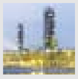
Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has not entered into forward exchange contracts to hedge against its foreign currency exposure since Management is of the opinion that the foreign currency financial assets and liabilities are mostly denominated in US dollars and the Qatari Riyal is pegged to the US dollar. The Group's exposure towards other foreign currencies (ie EURO and GBP) is shown in the table below :

	Qatari Riyals	Effect on Profit
2007	5% increase	30,562
	5% decrease	(30,562)
2006	5% increase	1,943
	5% decrease	(1,943)

Equity price sensitivity

The Group is subject to price risk in relation to available-for-sale and held for trading investments. The Group evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors in order to manage its market risk.



A 5 % increase or decrease in market values of the Group's portfolio of available-for-sale investment is expected to result in an increase or decrease of QR 22.63 million in the assets and equity of the Group.

A 5% increase or decrease in market values of the Group's portfolio of Held for Trading investment at 31 December 2007 is expected to result in an increase or decrease of QR 5.14 million in the assets and income statement of the Group.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of loans as disclosed in note 15, equity, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Group's management reviews the capital structure on a regular basis.

The gearing ratio at the year end as follows:

	2007	**2006**
Debt (i)	3,441,786	2,167,081
Equity (ii)	13,678,086	11,084,178
Debt to equity ratio (%)	**25.2%**	**19.6%**

(i) Debt is defined as detailed in note 15.

(ii) Equity includes all capital and reserves of the Group.