صناعات قطر
Industries Qatar

Industries Qatar
Annual Report 2011

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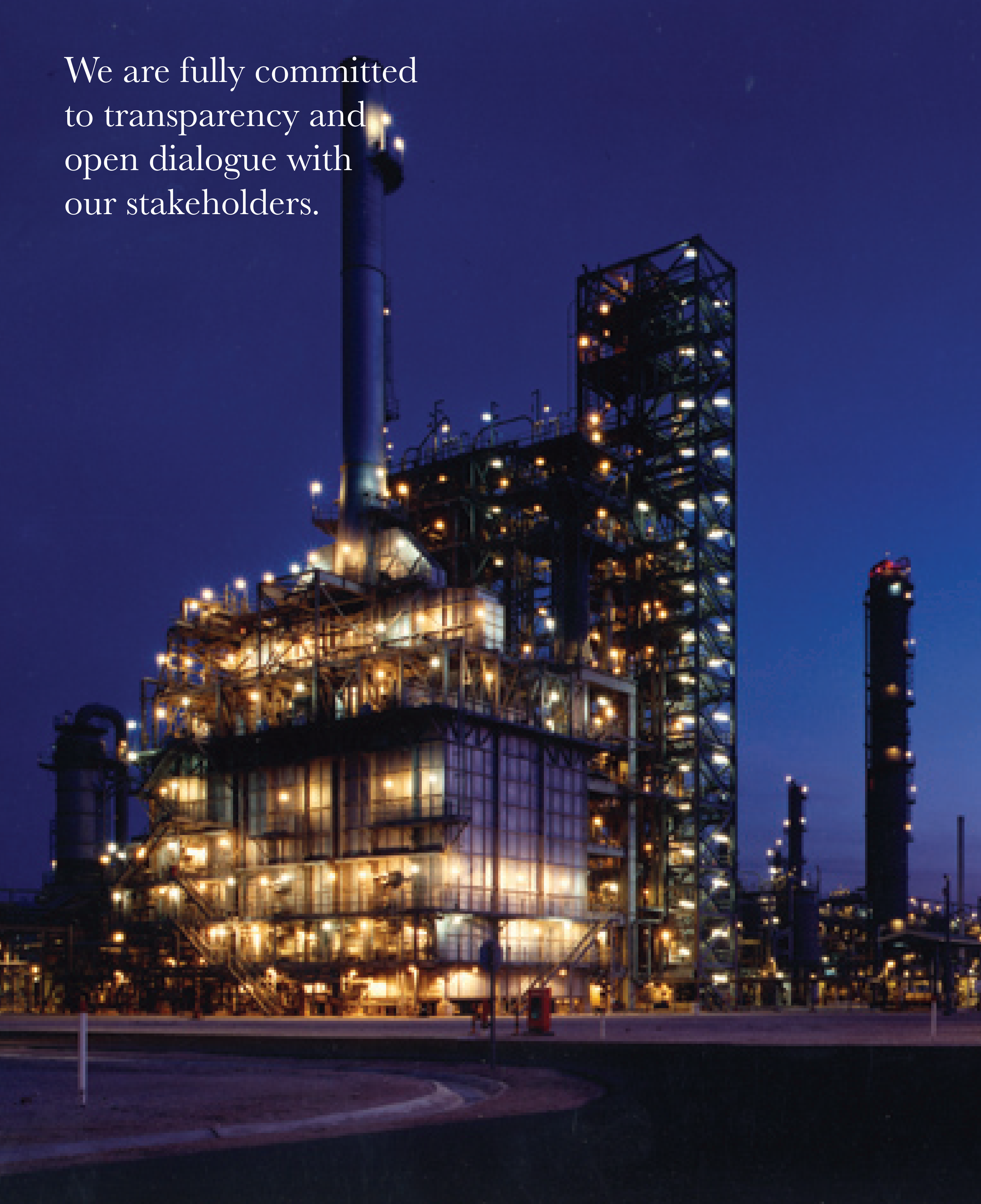
Contents

We are fully committed to transparency and open dialogue with our stakeholders.



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

H.H. Sheikh Tamim Bin Hamad Al-Thani
The Heir Apparent

Industries Qatar is one of the region's industrial giants with interests in the production, distribution and sale of a wide range of petrochemical, fertiliser and steel products.

Industries Qatar is the second largest petrochemical, fertiliser and steel company in the region.

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Industries Qatar's products are sold in more than 100 countries around the world.

About Industries Qatar Q.S.C.

Industries Qatar Q.S.C. was incorporated as a Qatari joint stock company on April 19, 2003. The group head office is located at Qatar Petroleum Head Office, West Bay, P.O. Box 3212, Doha, State of Qatar. Through the group companies, IQ operates in 3 distinct segments: petrochemicals, fertilisers and steel.

Head Office Functions & Management Structure

Qatar Petroleum, the largest shareholder, provides all of the head office functions for IQ through a comprehensive service directive. The operations of the subsidiary and joint ventures remain independently managed by their respective Boards of Directors and senior management teams.

Petrochemical Segment

Companies

Qatar Petrochemical Company Limited Q.S.C. ("QAPCO"): Incorporated in 1974 as a joint venture, it is currently owned by IQ (80%) and TOTAL Petrochemicals (France) [20%]. QAPCO has three joint ventures, Qatofin Company Limited Q.S.C. ("Qatofin"), Qatar Vinyl Company Limited Q.S.C. ("QVC") and Qatar Plastic Products Company W.L.L.

Qatar Fuel Additives Company Limited Q.S.C. ("QAFAC"): Incorporated in 1991 as a joint venture, it is currently owned by IQ (50%), OPIC Middle East Corporation (20%), International Octane Limited (15%) and LCY Middle East Corporation (15%).

Key Products

The group's petrochemical products are:

- *Ethylene*

  Ethylene is used as a feedstock for a wide range of chemicals. Approximately 50% of ethylene produced by QAPCO is utilised in the LDPE production process. A further 25% is utilised by QVC in the production of ethylene dichloride, vinyl chloride monomer and caustic soda. The remainder is exported to a number of Asian countries. All of Qatofin's ethylene is utilised as a feedstock by Qatofin in its production of LLDPE. Once the QAPCO LDPE-3 plant comes into operation in 2012, the excess ethylene balance would be utilised towards LDPE production and thus there will not be any further export of ethylene.

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• *Low-Density Polyethylene (LDPE)*
Various grades of LDPE, which is suitable for a wide range of thermoplastics processing techniques with applications such as films, pipes, cables and wires and other moulded products, is marketed under the Lotrène brand. It is exported to over 85 countries throughout the world.

• *Sulphur*
High quality sulphur is generated as a by-product from the ethylene process and is mostly exported to the Indian sub-continent and China.

• *Pyrolysis Gasoline*
The limited quantities of pyrolysis gasoline produced by QAPCO are used by associated local companies as a feedstock.

• *Mixed LPG, C3/C4*
The minimal quantities of mixed LPG generated are used locally to produce propane and butane.

• *Methanol*
The majority of the methanol produced is exported to markets within Asia, the Far East and Europe, with the balance used as feedstock for the MTBE process or sold to local industries. Within the petrochemical industry, methanol is used as a raw material for the manufacturing of solvents, formaldehyde, methyl-halide, acetic acid, ethyl-alcohol, acetic anhydride, DME and MTBE.

• *Methyl-Tertiary-Butyl-Ether (MTBE)*
MTBE is used as a gasoline additive to provide clean burning fuel to reduce the tail gas pollution generated by motor vehicles, whilst eliminating the need for Tetra-Ethyl-Lead blending. Most of the MTBE produced is exported to other countries in the Gulf region. The remainder is either exported to Europe, South-East Asia or South America, or used by the Qatar Petroleum refinery to blend with the gasoline being marketed in Qatar.

Fertiliser Segment

Company

Qatar Fertiliser Company Q.S.C.C. (“QAFCO”): Incorporated in 1969 as a joint venture, it is currently owned by IQ (75%), Yara Netherland B.V. (25%). QAFCO has 2 subsidiaries, Gulf Formaldehyde Company (70%) and Qatar Melamine Company (60%).

Key Products

The group’s fertiliser products are:

• *Ammonia*
Approximately 80% of the ammonia produced is used as a feedstock for urea production, with the rest exported to India, Jordan and the United States of America. The exported ammonia is used as a feedstock for urea and ammonium phosphate production.

The group has direct and indirect holdings in 17 companies.

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- *Urea*
  Prilled and granular urea, which are both solid fertilisers, are exported to over 20 countries, in all regions of the world.

- *Urea Formaldehyde Condensate (UFC-85)*
  UFC-85 is an anti-caking agent which is added to urea products to improve its strength. Circa 65% of the UFC-85 produced is used in QAFCO's urea plants, with the remainder exported to neighbouring GCC countries.

Steel Segment

Company

Qatar Steel Company Q.S.C. ("QS"): Originally incorporated in 1974, Qatar Steel is fully-owned by IQ and has several investments in the steel industry including Qatar Steel Company FZE, a fully-owned subsidiary of Qatar Steel and three associates, Qatar Metal Coating Company Q.S.C., South Steel Company W.L.L. and Gulf United Steel Company (Foulath) B.S.C. Closed.

Products

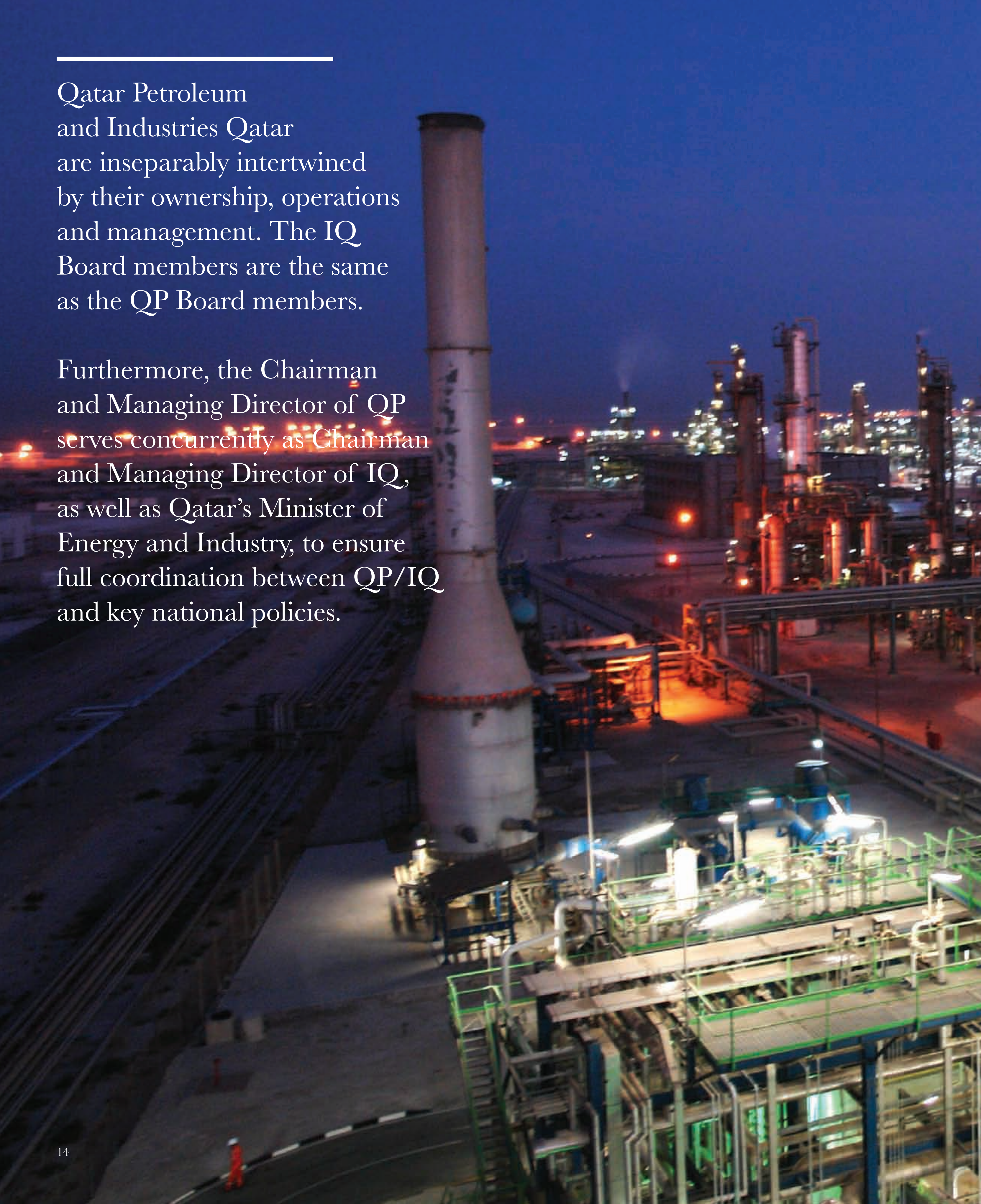
The group's steel products consist of:

- *Hot Bricked Iron (HBI) and Direct Reduced Iron (DRI)*
  Qatar Steel produces more than 700,000 MT/PA of HBI/DRI for sale. Markets include the Middle East, India, and the Far East.

- *Steel Billets*
  Most of the steel billets produced are processed into steel bars by Qatar Steel, with the remainder exported to neighbouring countries in the Gulf region.

- *Steel Bars*
  Hot rolled deformed steel bars are used extensively in the construction industry. The majority of the production is marketed in Qatar, with the remainder exported to neighbouring countries in the Gulf region.

- *Steel Coils*
  Steel coils are used extensively in the construction industry, primarily as a binding medium and for making nuts and bolts. The majority of the production is marketed in Qatar, with the remainder exported to neighbouring countries in the Gulf region.



Qatar Petroleum and Industries Qatar are inseparably intertwined by their ownership, operations and management. The IQ Board members are the same as the QP Board members.

Furthermore, the Chairman and Managing Director of QP serves concurrently as Chairman and Managing Director of IQ, as well as Qatar's Minister of Energy and Industry, to ensure full coordination between QP/IQ and key national policies.

70

Qatar Petroleum holds 70% of the share capital of Industries Qatar.

Board of Directors

Through their detailed working knowledge of the international petrochemical, fertiliser and steel industries and experience gained through cross-directorships and senior operational positions, the Board of Directors contains the expertise necessary to build on the successes of the past and maintain IQ as one of the pre-eminent blue chip companies in the GCC region.

H.E. Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy & Industry, State of Qatar.
Chairman and Managing Director, Board of Directors.

Mr. Hamad Rashid Al-Mohannadi
Managing Director (CEO), RasGas Company.
Vice-Chairman, Board of Directors.

Mr. Nasser Khalil Al-Jaidah
Chief Executive Officer, Qatar Petroleum International.
Member, Board of Directors.

Mr. Fahad Hamad Al-Mohannadi
General Manager, Qatar Electricity & Water Company.
Member, Board of Directors.

Mr. Khalifa Abdullah Al-Suwaidi
Chief Executive Officer, Qatar Fertiliser Company.
Member, Board of Directors.

Mr. Saad Sharida Al-Kaabi
Director, Oil And Gas Ventures, Qatar Petroleum.
Member, Board of Directors.

Mr. Essa Bin Hilal Al-Kuwari
President, Qatar General Electricity And Water Corporation.
Member, Board of Directors.

The group recorded revenue of QR 16.5 billion for the year ended December 31, 2011, representing a year-on-year increase of 34%. This increase can be primarily attributed to resilient prices across all key products as price inflation benefited the group by QR 3.4 billion.

The group's revenue for 2011 was a record QR 16.5 billion.

Chairman's Message

"The financial year was noteworthy for the group as it contained a significant number of milestones and achievements. As we have promised, we have delivered. And, in the financial and operational performances achieved, we witnessed further evidence of IQ's ongoing quest for excellence. The group also proved its ability to execute and advance its various strategies."

H.E. Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy & Industry
Chairman and Managing Director

On behalf of Industries Qatar and my colleagues on the Board of Directors, I have the honour to welcome you to the group's 9th Annual General Assembly Meeting.

The financial year was noteworthy for the group as it contained a significant number of milestones and achievements. As we have promised, we have delivered. And, in the financial and operational performances achieved, we witnessed further evidence of IQ's ongoing quest for excellence. The group also proved its ability to execute and advance its various strategies that, amongst other things, have lead to greater financial and operational integration among the group companies, enhanced the development of the domestic economy through the employment of qualified and trained nationals, while at the same time continuing to achieve strong financial results.

The last year was undoubtedly a decisive year as the group recorded its highest revenue and net profit since its establishment, with revenue exceeding QR 16 billion and net profit of approximately QR 8 billion.

And, with the completion of that year, we are now able to reflect with admiration on the goals achieved, the successive accomplishments and ongoing progress made.

Goals Achieved …

IQ has advanced in great strides from its establishment in 2003 when revenue was a mere QR 2.8 billion and profit was QR 1.1 billion to the present when profits have increased seven-fold and net assets by more than four times.

- Since 2003, the group has completed a number of major capital projects and investments that have had a significant impact on the group's production capacity and revenue. These projects have involved all of the group's segments, and the most important of which were Qafco's train 4, Qapco's EP-1 expansion, Qafac's debottlenecking exercise, numerous steel expansions, the Ras Laffan Olefins Cracker unit, Qatofin and the melamine plant. All of these projects and investments have served to increase the group's production levels and sales capacity.

- An increase in the number of companies in the group from 8 to 17, and the creation of more management positions to support and attract qualified nationals in line with the group's stance that its best assets and one of its competitive advantages are its human resources.

- The cumulative cash dividend distribution over the 8 years since the company's establishment was QR 36.5 per share, which is more than twice the value of each single share at the time of issuing. Despite these distributions, net assets increased more than four times.

- Rating the company among the top 500 worldwide based on its quoted market value, underscoring its status as one of the Middle East's flagship groups.

- Also, the success of the investment program is proven by the increase of the earnings per share by more than six times, from QR 2.26 in 2003 to QR 14.42 in 2011.

These are examples of the success of the strategy adopted by IQ since its establishment, and its ambition to achieve a number of qualitative and quantitative goals to the benefit of shareholders, citizens and the national economy.

This strategy would not have been a success without the wise leadership of H.H. Sheikh Hamad bin Khalifa Al-Thani, the Emir of the State of Qatar, which the company considers as its guidebook in performing its activities and for assessing the goals achieved.

… Successive Accomplishments …

With the inauguration of Qafco-5 late in 2011, our fertiliser joint venture became the largest, single site fertiliser producer in the world. The plant has now started its commercial operations and accordingly the production capacity of ammonia has increased by 75% and urea by almost 50%. Furthermore, significant progress has been achieved in the LDPE-3 and Qafco-6 expansions, slated to launch in the second and third quarters of this year respectively.

On the other hand, and as part of senior management's goal towards identifying new, cost effective sources of finance to support future investments, the group successfully completed debut credit ratings with two international credit rating agencies, Moody's and Standard & Poor's. As a result, the group was rated Aa3 and AA- respectively, reflecting its strong financial position and the pivotal role it plays in supporting key public policies. Both agencies placed IQ one notch below the sovereign rating of the State of Qatar and among distinguished international industrial conglomerates.

… Ongoing Progress

As we approach the end of the phase of robust organic growth, senior management's concern is now directed to building a long term growth strategy and finding suitable, alternative sources of finance to fund the various growth opportunities that may emerge. This was the motive behind the group conducting a comprehensive review of its vision and mission statement, and in developing guiding principles for the long-term growth strategy to be prepared by an international consultant.

These principles include the commitment to maintain the group's basic competitive features, especially the competitive cost structure, and the intention to remain primarily in businesses linked to the group's expertise, that is, the petrochemical, fertiliser and steel sectors. Priority will be given to domestic opportunities, with external opportunities to be assessed in coordination with Qatar Petroleum.

In addition, the principles affirm the intention of the group to maintain a degree of decision-making control and continue to support the dividend distribution policy.

The strategy is expected to be prepared through the third quarter of this year, with the highlights to be announced to the market in due course.

Five Year Business Plan

The group is pleased to release its five year business plan for the period from 2012 to 2016. Consideration should be made, however, for a number of pipeline projects and investments that are still under study that are expected to eventually further enhance the company's position through the added values to its operations. Once approved, the market and shareholders will be notified.

Due to the impact on the future results of the business with regards to the cash flow and financial position, the business plan will be reissued in case of any major change in the basic assumptions or if new projects and / or investments are approved.

The most recent new investment was announced by one of the group's joint ventures, Qapco, which entered into a 20% agreement with Qatar Petroleum to establish a large petrochemical complex of a total cost of approximately QR 20 billion and production of 3.65 million metric tons per annum of petrochemical products to support the leading competitive position of the group in the petrochemical market.

Conclusion

On behalf of the Members of the Board, I would like to express our gratitude to H.H. the Emir and H.H. the Heir Apparent for their vision and wise leadership, Qatar Petroleum for its support to the company's performance, senior management and our shareholders for their valuable confidence and continuous support, and the staff of the group companies for their dedication and hard work.

Thank you.

Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy & Industry
Chairman and Managing Director

In addition to the record revenue, the group also registered its highest net profit. Full year net profit of QR 7.9 billion was significantly ahead of the previous record in 2008 of QR 7.3 billion. Profit margins during the year were also extremely strong, averaging almost 48%.

The group's net profit for 2011 was a record QR 7.9 billion.

Board of Directors Report

The Board of Directors is pleased to present this 9th Annual Report on the finances and operations of Industries Qatar, Qatar's premier blue chip group and one of the Middle East's largest and most profitable listed companies.

Summary Financial Results

The group achieved excellent full year results in 2011, and registered the highest revenue and net profit on record. Revenue of QR 16.5 billion was over 34% higher than last year, and QR 1.8 billion higher than the previous revenue record of 2008. Full year net profit was QR 7.9 billion, which was almost 45% higher than 2010, and QR 0.7 billion higher than the previous record of 2008. The strong year-on-year and record financial results can be primarily attributed to buoyant key product prices, high utilisation rates and resilient EBITDA margins across all segments.

Revenue

All segments recorded revenue growth over 2010 primarily due to an average 28.4% price inflation across all products. Petrochemical revenue for the year was QR 6.5 billion; the positive year-on-year variance of QR 1.8 billion, or 38.6%, was primarily due to low production volumes recorded last year due to extended methanol and MTBE plant shut-downs, the addition this year of Qatofin's LLDPE products and an average 12.9% price increase across all products.

The fertiliser segment closed the year with revenue of QR 4.3 billion, up QR 1.4 billion, or 47.3%, on the same period last year. Almost all of this annual increase can be attributed to an ammonia and urea price rally that began in the last quarter of 2010 and has now resulted in the products' prices rising by over 70%.

Ammonia and urea production volumes and utilisation rates were consistent with 2010 levels, as the plants continued to operate at full capacity and were affected by a similar number of shut-down days as last year.

Full year steel revenue for the year was QR 5.8 billion, an increase on 2010 of QR 1.0 billion, or 21.9%. Key product prices grew during this period by 18.0%, giving the segment a QR 1.1 billion price variance. Key product production levels also grew during the year, but by a modest 4.5 percentage points, to 100% utilisation.

Profits And Margins

In addition to the record revenue, the group also registered its highest net profit since inception. Full year net profit of QR 7.9 billion was significantly ahead of the previous high recorded in 2008 of QR 7.3 billion. Profit margins during the year were also extremely strong, averaging almost 48%. All segments contributed to this exceptional result, with the petrochemical and fertiliser segments both returning full year margins of around 60%. In the steel business, the group continued to enjoy above industry average net profit margins, closing the year at a very creditable 29%.

Balance Sheet, Cash Flows and Other Financial Measures

Total assets as at December 31, 2011 were QR 36.8 billion, an increase on last year of QR 4.9 billion, or 15.3%, with the group's commitment to sustained and significant capital expenditure resulting in non-current assets accounting for QR 2.5 billion of the increase. Total capital expenditure for 2011 was QR 2.9 billion, a reduction of QR 1.3 billion from 2010, under-scoring the tailoring-off of the group's current investment program. Closing cash and short-term deposits increased by QR 1.7 billion on account of significantly improved operating cash flows, and despite the 2010 dividend payment, capital expenditure and loan repayments. Total loans marginally decreased to QR 6.9 billion and working capital slightly increased.

Dividend Distribution

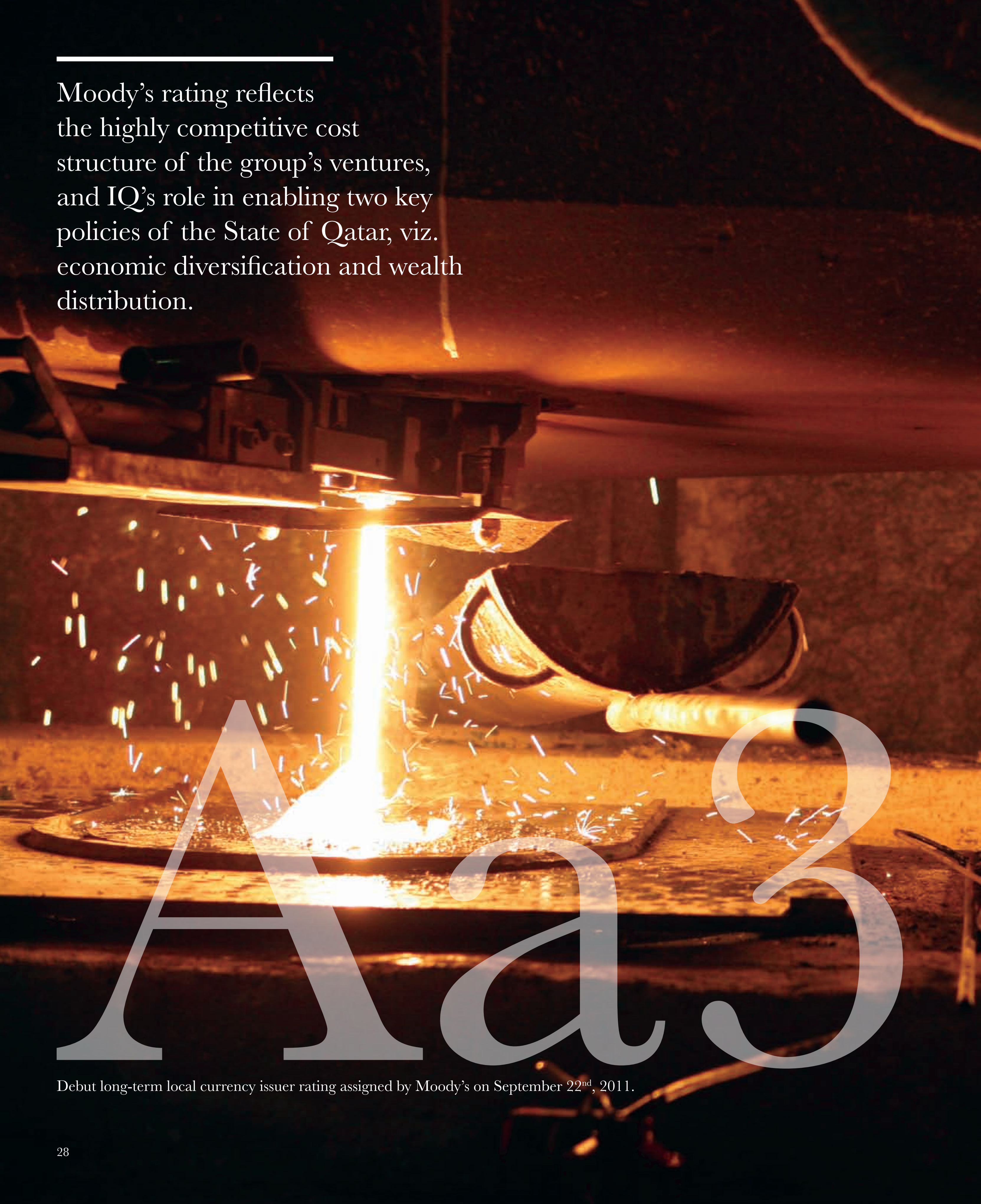
The Board of Directors is pleased to recommend a total annual dividend distribution for the year ended December 31, 2011 of QR 4.1 billion, equivalent to a payout of QR 7.50 per share and representing 75% of the nominal value.

Conclusion

The Board of Directors expresses its gratitude to H.H. Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, for his wise guidance and strategic vision, and to H.H. Sheikh Tamim Bin Hamad Al-Thani, the Heir Apparent. Our gratitude is also extended to the Chairman and Managing Director, H.E. Dr. Mohamed Bin Saleh Al-Sada, for his vision and leadership, and to the senior management of the subsidiary and joint ventures for their hard work, commitment and dedication.

7.50

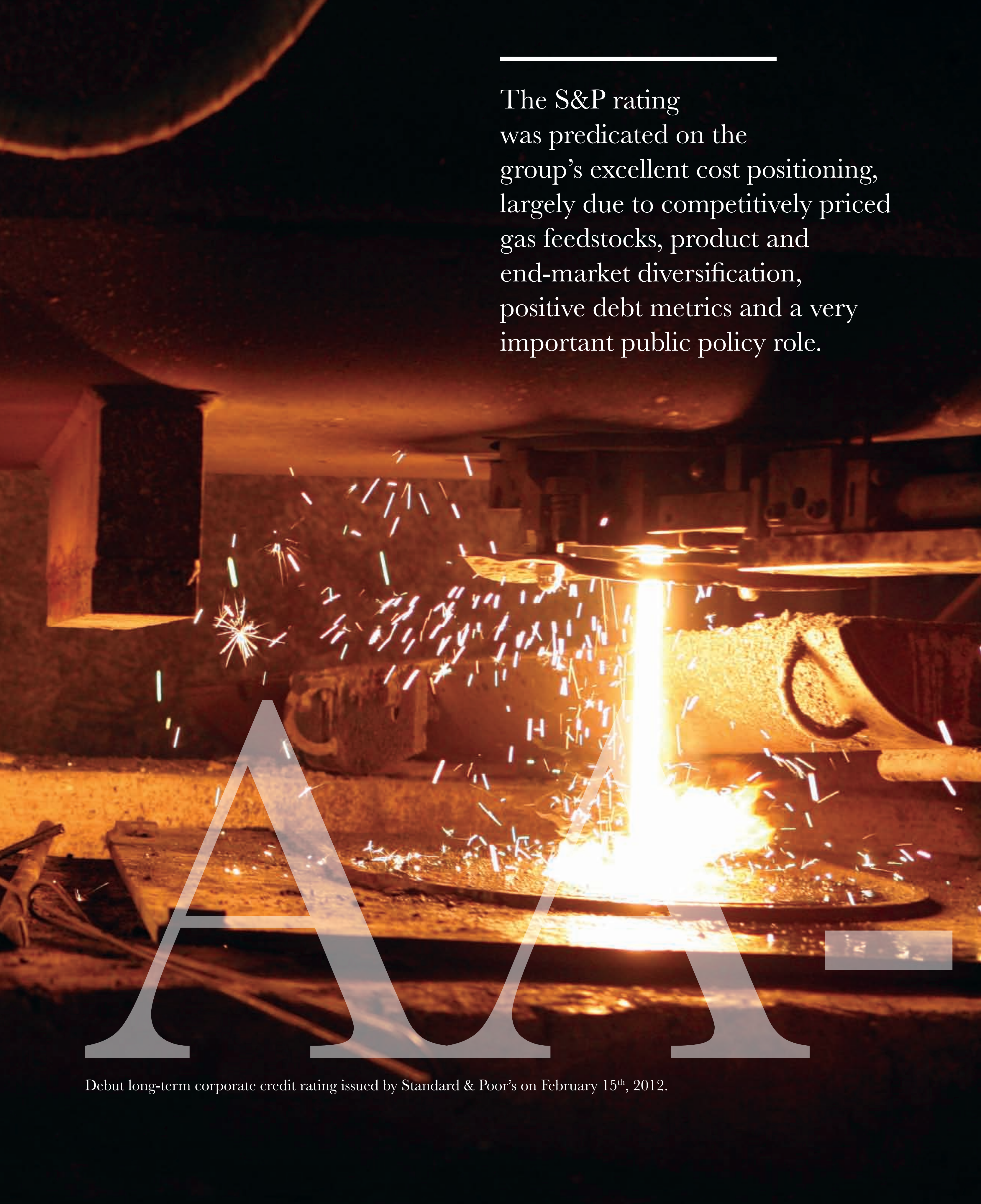
The cash dividend for 2011 was QR 7.50 per share.



Moody's rating reflects the highly competitive cost structure of the group's ventures, and IQ's role in enabling two key policies of the State of Qatar, viz. economic diversification and wealth distribution.

Aa3

Debut long-term local currency issuer rating assigned by Moody's on September 22nd, 2011.



The S&P rating was predicated on the group's excellent cost positioning, largely due to competitively priced gas feedstocks, product and end-market diversification, positive debt metrics and a very important public policy role.

AA-

Debut long-term corporate credit rating issued by Standard & Poor's on February 15th, 2012.

Chief Coordinator's Statement

We have experienced since the establishment of Industries Qatar and in a continuous manner, that the company yearly adds successive achievements of excellence to its financial and operational performance profile to the point of being one of the major national companies and one of the most important supports to the national economy. By all measures, the achievements of this year are exceptional and unprecedented and will open new horizons of growth and development to the group and place a commitment on its shoulders to keep the same level of excellence towards the satisfaction of its shareholders. This is the norm presented by Industries Qatar to its shareholders even during the turmoil of the international economy and the effect of its sequential cycles. The company enjoys highly competitive advantages that qualify it to take such challenges as incentives and not obstacles.

The previous financial year was a success on many fronts. The group registered record full year revenue and net profit, operated at consistently high utilisation rates, and made significant progress on completing construction of LDPE-3 and Qafco 5 and 6. However, there were a number of other achievements accomplished during the year, most notably with respect to receiving credit ratings, overhauling the corporate governance practice and expanding the investor relations function.

Debut Credit Ratings

In the early part of 2012 the company received an AA- rating from Standard & Poor's, in recognition of the group's strong competitive advantages and debt protection metrics, to add to the Aa3 rating received from Moody's in 2011. Both ratings were predicated on the group's excellent cost positioning, largely due to competitively priced gas feedstocks, product and end-market diversification, positive debt metrics and very important public policy role. The ratings were assigned a "stable outlook", reflecting the expectation that key assumptions, including the group's importance, debt levels and cost position, would not be materially compromised. Both ratings place Industries Qatar one notch below the sovereign rating of the State of Qatar and in a very select group of international petrochemical and chemical companies.

I am delighted with the outcome of these ratings and the public recognition of the superlative financial position and critical policy mandates of Industries Qatar. These ratings will provide the foundation for the group to explore alternative sources of finance to fund the next phase of growth. My sincere thanks and appreciation goes to our credit rating advisors, Standard Chartered, and the joint IQ / QP project team, for their advice, dedication and hard work.

Corporate Governance Framework

The Qatar Financial Markets Authority issued a Corporate Governance Code in early 2009 for all companies listed on the Qatar Exchange with the aim of raising local corporate governance practices to international best standards, and ensure a minimum and consistent degree of implementation across all listed entities. The company believes in the application of the Code by all companies listed or not listed for the positive role it plays in protecting shareholders and external dealers as it provides security to both of them through guaranteeing wise leadership, protection of minorities' rights, enforcement of control procedures, confirming transparency, declaration and equality which reflects on the encouragement of investment and the stability and growth of financial markets and the reduction of risks and capital costs.

Accordingly, the company started preparation of the Manual of the Corporate Governance Policies and Procedures in alignment with the speciality of its establishment and its true wish to implement these rules particularly with the rights of its shareholders in a manner that ensures the application of the highest measures of transparency and declaration and also working to complete the other requirements.

The Code covers the following sometimes inter-related areas, including extensive requirements to delineate and clarify the role and duties of Directors, the internal audit function, conflict of interest and insider trading policies, and shareholder rights.

Senior management of Industries Qatar fully supports this important initiative of the Qatar Financial Markets Authority, and view it is an important and necessary step to fulfil the State of Qatar's National Vision 2030 and establish the local financial market as a viable and attractive investment venue. The group aims to comply as much as possible, with non-compliance restricted to either areas where compliance is in progress and envisaged to be completed within the short-term, or areas where compliance would violate the sanctity of the group's governmental links.

Investor Relations Strategy

Being completely aware of the culture of declaration and transparency and considering its shareholders and investors, and to strengthen its position as a leading company in the Qatari financial market, Industries Qatar developed a comprehensive investor relations strategy in early 2011. The strategy was based on the need to more widely disseminate information on three important areas, the company's competitive advantages, financial fundamentals and performance, and the necessity to more fully engage with the investor community. Significant progress was made during the year, with the release in the beginning of the year of the most detailed budget and business plan since the company's formation in 2003, and the release on a quarterly basis of a trading statement, detailing the company's financial and operational performance, latest investment news and any other critical news-worthy information, a performance presentation that mirrored and summarised the trading statement, and a data sheet containing all of the key data points, including segmental financial information and plant utilisation rates. During the year, the investor relations team held over 100 one-to-one and group meetings with interested investors, group visits to production facilities, an open day for investors and also launched a dedicated email address for investor relations queries (iq@qp.com.qa).

In response to our feedback questionnaire, IQ will aim to host quarterly conference calls, maintain its participation in international conferences and reduce the lead time between announcing flash results and issuing detailed commentary.

I would like to emphasise that the investor relations team operate on a strict non-discriminatory basis, meaning that any potential or actual shareholder, whether a Qatari national or expatriate, individual or institution, has equal access to the investor relations team and the company's published material. The wider investor community is encouraged to afford this opportunity to learn about IQ and engage with the investor relations team by requesting a one-to-one meeting, submitting email queries or by being added to the investor email distribution list to be kept fully informed of the latest developments and news.

We hope that what we have achieved up to now is just the beginning of many other achievements to come in the future, and I wish Industries Qatar, a unique entity in all of its characteristics, all progress and prosperity.

Conclusion

In closing, I would like to express my gratitude to the Chairman of the Board of Directors, H.E. Dr. Mohamed Bin Saleh Al-Sada, for his support and guidance, and the management and staff of the group companies for their hard work during 2011.

Mr. Abdulrahman Ahmad Al-Shaibi
Chief Coordinator, Industries Qatar.

53

EBITDA margin in 2011 was 53%.

5

The group's current ratio was a healthy 5x in 2011.

26

Gearing dropped below the historical range of between 30% and 35% to close the year at 26%.

5.6

The cash dividend yield as on December 29th, 2011 was 5.6%.

101

The fourth quarter production utilisation rate was 101%.

Independent Auditors' Report to the Shareholders of Industries Qatar Q.S.C.

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Industries Qatar Q.S.C. (the "Company") and its subsidiaries and jointly controlled entities (together referred as the "Group") which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the consolidated financial statements are free from material misstatement.

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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on legal and other requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or its financial position. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 13 February 2012
Doha, Qatar.

Consolidated Statement of Income

For the year ended 31 December 2011

	2011 QR'000	2010 QR'000 (Restated)
Revenues	**16,549,447**	12,330,932
Direct costs	**(7,654,194)**	(6,400,871)
Gross profit	**8,895,253**	5,930,061
Share of results of associates	**5,998**	116,720
Other income, net	**228,345**	267,722
Income from investments	**102,255**	183,251
Selling expenses	**(218,214)**	(189,452)
General and administrative expenses	**(668,756)**	(583,909)
Other expenses	**(255,590)**	(97,438)
Finance costs	**(156,428)**	(146,622)
Loss on liquidation of investment in joint venture	**(8,793)**	-
Profit for the year	**7,924,070**	5,480,333
Attributable to:		
Equity holders of the parent	**7,930,831**	5,477,972
Non-controlling interest	**(6,761)**	2,361
	7,924,070	5,480,333
Basic and diluted earnings per share	**14.42**	9.96
(Expressed as QR per share)		

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 **QR'000**	2010 QR'000 (Restated)
Profit for the year	**7,924,070**	5,480,333
Other comprehensive income		
Net movement in fair value of cash flow hedges	**(123,891)**	(171,892)
Net movement in fair value of available-for-sale investments	**(1,561)**	172,890
Other comprehensive (loss)/income for the year	**(125,452)**	998
Total comprehensive income for the year	**7,798,618**	5,481,331
Attributable to:		
Equity holders of the parent	**7,805,379**	5,478,970
Non-controlling interest	**(6,761)**	2,361
	7,798,618	5,481,331

Consolidated Statement of Financial Position

At 31 December 2011

	2011 QR'000	2010 QR'000 (Restated)
Assets		
Non-current assets		
Property, plant and equipment	**9,589,230**	8,874,082
Projects under development	**11,905,716**	10,669,078
Investment properties	**133,229**	200,162
Intangible assets	**169,250**	128,157
Investment in associates	**1,742,821**	1,406,115
Available-for-sale investments	**674,924**	461,519
Catalysts	**106,886**	127,039
Other non-current assets	**2,509**	2,120
	24,324,565	21,868,272
Current assets		
Inventories	**2,230,641**	1,833,279
Accounts receivable and prepayments	**2,665,175**	1,983,759
Due from related parties	**593,734**	753,613
Held-for-trading investments	**4,141**	178,532
Bank balances and cash	**6,960,094**	5,290,412
	12,453,785	10,039,595
Total assets	**36,778,350**	31,907,867

Consolidated Statement of Financial Position (cont.)

At 31 December 2011

	2011 QR'000	2010 QR'000 (Restated)
Equity and liabilities		
Equity		
Share capital	**5,500,000**	5,500,000
Legal reserve	**276,791**	202,392
Cumulative changes in fair value	**314,711**	315,152
Hedging reserve	**(589,402)**	(465,511)
Retained earnings	**20,734,623**	16,098,799
Equity attributable to the parent	**26,236,723**	21,650,832
Non-controlling interest	**394,610**	13,621
Total equity	**26,631,333**	21,664,453
Non-current liabilities		
Interest bearing loans and borrowings	**5,535,140**	6,117,610
Employees' end of service benefits	**219,877**	201,159
Other financial liabilities	**549,949**	422,694
	6,304,966	6,741,463
Current liabilities		
Accounts payable and accruals	**1,384,261**	1,287,606
Due to related parties	**1,109,232**	763,196
Other financial liabilities	**21,228**	26,666
Interest bearing loans and borrowings	**1,327,330**	1,424,483
	3,842,051	3,501,951
Total liabilities	**10,147,017**	10,243,414
Total equity and liabilities	**36,778,350**	31,907,867

Dr. Mohammed Bin Saleh Al-Sada
Minister of Energy & Industry
Chairman and Managing Director

Hamad Rashid Al-Mohannadi
Vice Chairman

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 QR'000	2010 QR'000 (Restated)
Operating activities		
Profit for the year	**7,924,070**	5,480,333
Adjustments for:		
Depreciation and amortisation	**673,511**	649,777
Provision for employees' end of service benefits	**62,871**	51,020
Provision/write off for obsolete inventory	**2,766**	8,397
Loss on disposal of joint venture	**8,793**	-
Gain on revaluation of investment properties	**2,961**	(5,921)
Share of results from associates	**(5,998)**	(116,720)
Loss on disposal of property, plant and equipment	**23,308**	9,600
Write-off of assets	**85,157**	121
Finance costs	**156,428**	146,622
Gain from change in fair value of held-for-trading securities	**499**	(48,402)
Interest income	**(80,849)**	(158,751)
Impairment of available-for-sale investments	**9,010**	-
Amortisation of intangible assets – license	**1,585**	-
	8,864,112	6,016,076
Working capital changes:		
Inventories	**(397,360)**	(431,543)
Accounts receivable and prepayments and due from related parties	**(521,538)**	(669,055)
Accounts payable and accruals and due to related parties	**430,376**	379,484
Cash from operations	**8,375,590**	5,294,962
Finance costs	**(156,428)**	(146,622)
Employees' end of service benefits paid	**(44,153)**	(32,825)
Contribution to social fund	**(133,877)**	(125,084)
Net cash from operating activities	**8,041,132**	4,990,431

	2011 QR'000	2010 QR'000 (restated)
Investing activities		
Proceeds from disposals of property, plant and equipment	**4,178**	2,404
Purchase of property, plant and equipment	**(1,629,494)**	(1,191,389)
Net movement in catalysts and other assets	**(4,001)**	(18,910)
Acquisition of investments in associates	**(336,484)**	(269,606)
Net movement in projects under development	**(1,236,638)**	(2,952,043)
Investment in held-for-trading instruments	**(9,718)**	(1,627)
Net movement in available-for-sale investments	**(39,494)**	-
Proceeds from disposal of investments	**154,842**	-
Movement in intangible assets	**(43,228)**	2,043
Movement in other non-current assets	**(389)**	622
Dividends received from associates	**5,000**	5,000
Net movement in deposits maturing after 90 days	**(204,000)**	993,555
Interest income received	**80,849**	158,751
Net cash used in investing activities	**(3,258,577)**	(3,271,200)
Financing activities		
Net movement in loans	**(679,623)**	1,325,970
Minority interest additional contribution	**390,000**	-
Dividends paid	**(3,025,000)**	(2,750,000)
Dividends paid to non-controlling interests	**(2,250)**	(1,575)
Net cash used in financing activities	**(3,316,873)**	(1,425,605)
Increase in cash and cash equivalents	**1,465,682**	293,626
Cash and cash equivalents at 1 January	**5,290,412**	4,996,786
Cash and cash equivalents at 31 December	**6,756,094**	5,290,412

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the equity holders of the parent							
	Share capital QR'000	Legal reserve QR'000	Cumulative changes in fair value QR'000	Hedging reserve QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interest QR'000	Total QR'000
Balance at 1 January 2011 as previously reported	5,500,000	202,392	315,152	(465,511)	16,196,237	21,748,270	13,621	21,761,891
Prior period adjustment	-	-	-	-	(97,438)	(97,438)	-	(97,438)
Balance at 1 January 2011 as restated	5,500,000	202,392	315,152	(465,511)	16,098,799	21,650,832	13,621	21,664,453
Profit for the year	-	-	-	-	7,930,831	7,930,831	(6,761)	7,924,070
Other comprehensive loss for the year	-	-	(1,561)	(123,891)	-	(125,452)	-	(125,452)
Total comprehensive income for the year	-	-	(1,561)	(123,891)	7,930,831	7,805,379	(6,761)	7,798,618
Capital contribution	-	-	-	-	-	-	390,000	390,000
Transfer to legal reserve	-	74,492	-	-	(74,492)	-	-	-
Dividends paid	-	-	-	-	(3,025,000)	(3,025,000)	-	(3,025,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,250)	(2,250)
Appropriation for contribution to social fund	-	-	-	-	(196,490)	(196,490)	-	(196,490)
Liquidation of investment in joint venture	-	(93)	1,120	-	975	2,002	-	2,002
Balance at 31 December 2011	**5,500,000**	**276,791**	**314,711**	**(589,402)**	**20,734,623**	**26,236,723**	**394,610**	**26,631,333**

Consolidated Statement of Changes in Equity (cont.)

For the year ended 31 December 2011

	Attributable to the equity holders of the parent							
	Share capital QR'000	Legal reserve QR'000	Cumulative changes in fair value QR'000	Hedging reserve QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interest QR'000	Total QR'000
Balance at 1 January 2010	5,500,000	174,254	142,262	(293,619)	13,532,842	19,055,739	12,835	19,068,574
Profit for the year (Restated)					5,477,972	5,477,972	2,361	5,480,333
Other comprehensive income for the year	-	-	172,890	(171,892)	-	998	-	998
Total comprehensive income for the year (Restated)	-	-	172,890	(171,892)	5,477,972	5,478,970	2,361	5,481,331
Transfer to legal reserve	-	28,138	-	-	(28,138)	-	-	-
Dividends paid	-	-	-	-	(2,750,000)	(2,750,000)	-	(2,750,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,575)	(1,575)
Appropriation for contribution to social fund	-	-	-	-	(133,877)	(133,877)	-	(133,877)
Balance at 31 December 2010 (Restated)	**5,500,000**	**202,392**	**315,152**	**(465,511)**	**16,098,799**	**21,650,832**	**13,621**	**21,664,453**

The Future

The group eagerly awaits 2012 with the knowledge that the previous years' focus on investing significant sums in new and revamped facilities is reaping rewards.

An additional 2.0 million metric ton per annum of urea capacity will be launched during the year, along with 240,000 metric tons of LDPE capacity.

The incremental full year revenue and profit from Qafco 5, Qafco 6 and LDPE-3 is estimated at circa QR 3 billion and QR 2 billion respectively; and, these projects will be instrumental in the group achieving its 2012 budget.