

**INDUSTRIES QATAR Q.S.C.  
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014**

**INDUSTRIES QATAR Q.S.C.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six month period ended June 30, 2014

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QR. 31794

## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the Board of Directors  
Industries Qatar Q.S.C.  
Doha – Qatar**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Industries Qatar Q.S.C. (the "Company"), and its subsidiary and joint ventures (together referred as the "Group") as of June 30, 2014, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended and certain explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of review*

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

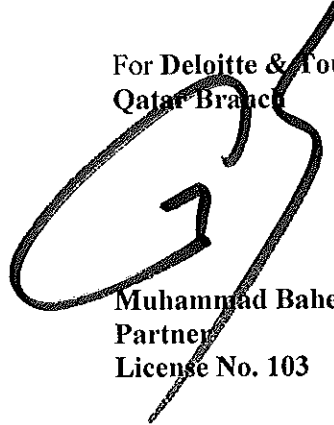
**INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)**

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**Doha – Qatar  
August 10, 2014**

**For Deloitte & Touche  
Qatar Branch**

A large, stylized handwritten signature in black ink, appearing to be 'MB', is written over the printed name and title of the auditor.

**Muhammad Bahemia  
Partner  
License No. 103**

**INDUSTRIES QATAR Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2014

	Notes	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	3,393,434	3,434,138
Investment properties		177,639	177,639
Investment in associates	6	230,540	223,132
Investment in joint ventures	5	19,951,201	19,879,279
Available-for-sale investments		813,530	752,708
Catalysts		39,051	41,538
<b>Total non-current assets</b>		<b>24,605,395</b>	<b>24,508,434</b>
<b>Current assets</b>			
Inventories		1,591,068	1,848,210
Accounts receivable and prepayments		1,481,160	1,454,640
Due from related parties	12	104,578	33,882
Financial asset at fair value through profit or loss		3,585	3,585
Bank balances and cash	7	3,595,522	7,683,305
		6,775,913	11,023,622
Asset classified as held for sale	8	1,245,747	1,245,747
<b>Total current assets</b>		<b>8,021,660</b>	<b>12,269,369</b>
<b>TOTAL ASSETS</b>		<b>32,627,055</b>	<b>36,777,803</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		6,050,000	6,050,000
Legal reserve		74,999	74,999
Cumulative changes in fair value		450,609	391,159
Hedging reserve		(316,181)	(366,276)
Retained earnings		23,811,200	27,627,365
<b>Total equity</b>		<b>30,070,627</b>	<b>33,777,247</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	9	1,499,941	1,662,467
Employees' end of service benefits		134,945	120,129
Other financial liabilities		65,434	81,824
<b>Total non-current liabilities</b>		<b>1,700,320</b>	<b>1,864,420</b>
<b>Current liabilities</b>			
Accounts payable and accruals		518,935	808,857
Due to related parties	12	17,406	14,555
Interest bearing loans and borrowings	9	319,767	312,724
<b>Total current liabilities</b>		<b>856,108</b>	<b>1,136,136</b>
<b>Total liabilities</b>		<b>2,556,428</b>	<b>3,000,556</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,627,055</b>	<b>36,777,803</b>

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

.....  
Hamad Rashid Al-Mohannadi  
Vice Chairman

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

**INDUSTRIES QATAR Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six month period ended June 30, 2014

	Notes	Six month period ended June 30,	
		2014 (Reviewed) QR'000	2013 (Reviewed) QR'000
Revenue	15	3,142,176	3,092,086
Cost of sales		<u>(2,398,337)</u>	<u>(2,075,669)</u>
<b>Gross profit</b>		<b>743,839</b>	<b>1,016,417</b>
Other income		184,869	112,138
General and administrative expenses		(105,883)	(77,081)
Selling expenses		(23,868)	(17,494)
Finance costs		(26,599)	(30,102)
Share of results of associates		12,408	8,523
Share of result of joint ventures		<u>2,054,069</u>	<u>3,556,975</u>
<b>Profit for the period</b>		<b><u>2,838,835</u></b>	<b><u>4,569,376</u></b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	10		
(Expressed as QR per share)			
<b>From continuing and discontinued operation</b>			
Basic and diluted earnings per share		<u>4.69</u>	<u>7.55</u>
<b>From continuing operation</b>			
Basic and diluted earnings per share		<u>4.69</u>	<u>7.55</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

**INDUSTRIES QATAR Q.S.C.****INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six month period ended June 30, 2014

	Notes	Six month period ended June 30,	
		2014 (Reviewed)	2013 (Reviewed)
		QR'000	QR'000
<b>Profit for the period</b>		<u>2,838,835</u>	<u>4,569,376</u>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to statement of profit or loss</b>			
Net movement in fair value of cash flow hedges		50,095	128,744
Share of other comprehensive income of associates		--	7,868
Net movement in fair value of available-for-sale investments		<u>59,450</u>	<u>42,520</u>
<b>Other comprehensive income for the year</b>		<u>109,545</u>	<u>179,132</u>
<b>Total comprehensive income for the period</b>		<u>2,948,380</u>	<u>4,748,508</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**INDUSTRIES QATAR Q.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six month period ended June 30, 2014

	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
Balance at January 1, 2013 (Audited) (Restated)	5,500,000	74,999	279,892	(559,576)	25,039,095	30,334,410
Profit for the period	--	--	--	--	4,569,376	4,569,376
Other comprehensive income for the period	--	--	42,520	136,612	--	179,132
Bonus shares issued (Note 11)	550,000	--	--	--	(550,000)	--
Dividends paid (Note 11)	--	--	--	--	(4,675,000)	(4,675,000)
Balance at June 30, 2013 (Reviewed)	<u>6,050,000</u>	<u>74,999</u>	<u>322,412</u>	<u>(422,964)</u>	<u>24,383,471</u>	<u>30,407,918</u>
Balance at January 1, 2014 (Audited)	6,050,000	74,999	391,159	(366,276)	27,627,365	33,777,247
Profit for the period	--	--	--	--	2,838,835	2,838,835
Other comprehensive income for the period	--	--	59,450	50,095	--	109,545
Dividends paid (Note 11)	--	--	--	--	(6,655,000)	(6,655,000)
<b>Balance at June 30, 2014 (Reviewed)</b>	<u><b>6,050,000</b></u>	<u><b>74,999</b></u>	<u><b>450,609</b></u>	<u><b>(316,181)</b></u>	<u><b>23,811,200</b></u>	<u><b>30,070,627</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.



**INDUSTRIES QATAR Q.S.C.**
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six month period ended June 30, 2014

	For the six months period ended	
	June 30,	
	2014 (Reviewed) QR'000	2013 (Reviewed) QR'000
<b>OPERATING ACTIVITIES</b>		
Profit for the period	2,838,835	4,569,376
Adjustments for:		
Depreciation and amortisation	78,554	78,814
Provision for employees' end of service benefits	23,424	18,529
Share of results of associates	(12,408)	(8,523)
Share of results of joint ventures	(2,054,069)	(3,556,975)
Loss on disposal of property, plant and equipment	8,495	2,174
Finance costs	26,599	30,102
Loss from change in fair value of Financial asset at fair value through profit or loss	--	28
Interest income	(38,030)	(38,857)
Dividend received from available for sale investment	(26,997)	(22,228)
	<u>844,403</u>	<u>1,072,440</u>
Working capital changes:		
Inventories	257,142	269,308
Accounts receivable and prepayments	(26,521)	(308,195)
Due from related parties	(70,695)	62,900
Accounts payable, accruals and due to related parties	(88,472)	131,739
Cash from operations	<u>915,857</u>	<u>1,228,192</u>
Finance costs	(26,599)	(30,102)
Employees' end of service benefits paid	(8,608)	(9,594)
Contribution to social and sports fund	(198,598)	(213,227)
Net cash from operating activities	<u>682,052</u>	<u>975,269</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposals of property, plant and equipment	24	1,889
Additions to property, plant and equipment	(43,882)	(205,176)
Additions to available-for-sale investments	(1,372)	--
Investments in joint ventures and associates	--	(70)
Movement in fixed deposits	3,741,964	1,307,034
Dividend received from available-for-sale investments	26,997	22,707
Proceeds from disposal of investments	--	2,884
Dividend received from joint ventures	2,015,851	2,775,867
Dividends received from associates	5,000	5,000
Interest income received	38,030	38,857
Net cash from investing activities	<u>5,782,612</u>	<u>3,948,992</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from interest bearing loans and borrowings	--	546,225
Repayment of interest bearing loans and borrowings	(155,483)	(126,068)
Dividends paid	(6,655,000)	(4,675,000)
Net cash used in financing activities	<u>(6,810,483)</u>	<u>(4,254,843)</u>
Net (decrease)/increase in cash and cash equivalents	(345,819)	669,418
Cash and cash equivalents at the beginning of the period	<u>1,639,305</u>	<u>1,573,750</u>
Cash and cash equivalents at the end of the period (Note 7)	<u>1,293,486</u>	<u>2,243,168</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE INTERIM CONDENSED  
FINANCIAL STATEMENTS.

# INDUSTRIES QATAR Q.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six month period ended June 30, 2014

### 1 CORPORATE INFORMATION

Industries Qatar Q.S.C (the "Company" or "IQ") is a public shareholding company, incorporated in the State of Qatar on April 19, 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's shares are listed on the Qatar Exchange. The Company's registered office is situated in Doha, State of Qatar.

IQ and its subsidiary company (together "the Group") operate mainly in the State of Qatar.

The main activity of IQ is to act as a holding company. The structure of the Group, included in these interim condensed consolidated financial statements of Industries Qatar Q.S.C. is as follows:

		<u>Country of incorporation</u>	<u>Percentage of holding</u>
Qatar Steel Company Q.S.C.	Subsidiary	Qatar	100%

Also, included in the interim condensed consolidated financial statements are, the share of profit or loss and other comprehensive income of the following joint venture companies using equity accounting:

		<u>Country of incorporation</u>	<u>Percentage of holding</u>
Qatar Petrochemical Company (QAPCO) Q.S.C.	Joint venture	Qatar	80%
Qatar Fertiliser Company (Q.S.C.C.)	Joint venture	Qatar	75%
Qatar Fuel Additives Company Limited Q.S.C.	Joint venture	Qatar	50%

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorised for issue by the Chairman and the Vice Chairman on August 10, 2014.

### 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" under the historical cost convention except for certain financial instruments which have been stated at fair value.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2013. In addition, results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014.

The interim condensed consolidated financial statements are prepared in Qatari Riyal ("QR"), which is the Group's functional and presentation currency and all values are rounded to the nearest thousands (QR'000), except otherwise indicated.

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

**2.2 Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2013 except for the adoption of new and revised standards and interpretations effective as of January 1, 2014.

In the current financial period, the Group has adopted certain new and revised standards and interpretations, mainly including:

- IAS 32 (Revised) *Financial Instruments: Presentation – Amendments to clarify existing application issues relating to the offsetting requirements.*
- IFRS 10, 12 and IAS 27 (Revised) *Amendments to introduce an exception from the requirement to consolidate subsidiaries for an investment entity.*
- IAS 36 (Revised) *Amendments arising from recoverable amount disclosures for non-financial assets.*
- IAS 39 (Revised) *Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.*
- IFRIC 21 *Levies*

The adoption of these new / revised standards and interpretations did not have any impact on the financial position or financial performance of the Group as at and for the six month period ended June 30, 2014.

**3. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 2, management is required to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

**3. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(CONTINUED)**

**Critical judgments in applying accounting policies**

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements:

*Classification of investment securities*

Management decides on the acquisition of an investment whether to classify it as available for sale or financial assets at fair value through profit or loss. The Group follows the guidance of IAS 39 on classifying investments. All investments are classified as available for sale.

*Investment in associates*

During the six month period ended June 30, 2014, the Group has recognised its share of income amounting to QR. 12.41 million from its investments in associates based on management accounts. As at June 30, 2014, the carrying values of such investments amounted to QR. 230.54 million. While there is no reason to believe, based on past experience, that the financial information provided by the management is not reasonably accurate, a review of the interim financial information, performed under International Standard on Review Engagements (ISRE) 2410: "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" may result in adjustments affecting the recognised share of income and carrying values of these investments.

*Fair value of financial instruments*

The fair value of financial assets traded in an organised financial market is determined by reference to quoted market bid prices at the close of business at the reporting date. Where the fair value of financial assets and financial liabilities recorded on the financial position cannot be derived from active markets, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows from the asset, or internal pricing models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

**Key sources of estimation uncertainty**

*Impairment of available-for-sale investments*

The Group treats available-for-sale 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.

**3. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY  
(CONTINUED)****Key sources of estimation uncertainty (continued)***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.

*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. Amounts 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 realisable value.

*Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Revaluation of investment properties*

The Group carries its investment properties at fair value, with changes in fair values being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair value as at December 31, 2013. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>June 30, 2014 (Reviewed) QR'000</b>	<b>December 31, 2013 (Audited) QR'000</b>
Opening net book value	3,434,138	3,054,991
Additions net profit during trail run (i)	43,882	534,521
Disposals	(8,519)	(5,204)
Depreciation	(76,067)	(150,170)
<b>Closing net book value</b>	<b>3,393,434</b>	<b>3,434,138</b>

(i) The additions for the six month period ended June 30, 2014 was netted with a reduction in the capital work-in-progress amounting to QR. 68 million, which represents the net income of one of the Group's plant facilities operations, which is still in the testing phase.

## INDUSTRIES QATAR Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six month period ended June 30, 2014

#### 5. INVESTMENTS IN JOINT VENTURES

The movement in investment in joint ventures during the period is as follows:

	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
Balance at January 1	19,879,279	19,355,748
Share of results of joint ventures	2,054,069	6,238,090
Share of other comprehensive income	33,705	139,977
Dividends received	<u>(2,015,852)</u>	<u>(5,854,536)</u>
	<u>19,951,201</u>	<u>19,879,279</u>

The summarised financial information in respect of the Group's of joint ventures are as follows;

	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
Current assets	8,897,962	8,295,827
Non-current assets	23,804,100	25,574,068
Current liabilities	(2,688,515)	(4,032,250)
Noncurrent liabilities	<u>(3,767,560)</u>	<u>(3,873,973)</u>
Net assets	<u>26,245,987</u>	<u>25,963,672</u>
Group's share of net assets	<u>19,718,482</u>	<u>19,479,737</u>

The Group's share of net profit and other comprehensive income for the six month period ended June 30, 2014 are as follows:

Net profit	<u>2,054,069</u>	<u>3,556,975</u>
Other comprehensive income	<u>33,705</u>	<u>103,196</u>

#### 6. INVESTMENTS IN ASSOCIATES

The Group has the following investments in associates:

	Ownership		Country of Incorporation	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
	2014	2013			
Qatar Metal Coating Company Q.S.C.	50%	50%	Qatar	24,588	26,464
SOLB Steel Company (formerly known as South Steel Company W.L.L.)	31.03%	31.03%	Saudi Arabia	<u>205,952</u>	<u>196,668</u>
				<u>230,540</u>	<u>223,132</u>

## INDUSTRIES QATAR Q.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the six month period ended June 30, 2014

#### 6. INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) *SOLB Steel Company*

SOLB Steel Company is a company incorporated in the Kingdom of Saudi Arabia and is engaged in the manufacture and sale of steel products

In April 2013, the Group increased its direct ownership in the associate company by acquiring 17.46% as a result of the liquidation of the Group's investment in South Industries Company at carrying value.

(ii) *Qatar Metals Coating Company W.L.L. (Qatar)*

Qatar Metals Coating Company W.L.L. (Q-COAT) is involved in the production of epoxy resin coated bars. Q-COAT is managed by Qatar Steel in accordance with a management service agreement.

#### 7. CASH AND CASH EQUIVALENTS

	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
Bank balances and cash	<u>3,595,522</u>	<u>7,683,305</u>

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents consist of the following:

	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
Bank balances and cash	3,595,522	7,683,305
Less: Fixed deposits maturing after 90 days	<u>(2,302,036)</u>	<u>(6,044,000)</u>
Cash and cash equivalents	<u>1,293,486</u>	<u>1,639,305</u>

#### 8. ASSET CLASSIFIED AS HELD FOR SALE

The Group intends to dispose of its 25% holding in Foulath Holding B.S.C. ("Foulath") (formerly Gulf United Steel Holding Company B.S.C.(c)). Foulath is an investment vehicle and holding company primarily focused on investing in the steel industry in the Middle East and North Africa (MENA) region. In 2013, the Group has approved and commenced an active plan to dispose of the investment. The proceeds from the disposal are expected to exceed the carrying amount of the related investment. Accordingly, no impairment loss was recognized on the reclassification of this investment as held for sale.

**INDUSTRIES QATAR Q.S.C.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
For the six month period ended June 30, 2014

**9. INTEREST BEARING LOANS AND BORROWINGS**

					June 30, 2014 (Reviewed)	December 31, 2013 (Audited)
	Interest/profit rate	Entity	Currency	Maturity Date	QR'000	QR'000
Loan 1	LIBOR plus applicable margin	Qatar Steel	USD	2018	1,096,894	1,162,039
Loan 2	LIBOR plus applicable margin	Qatar Steel	USD	2018	<u>722,814</u>	<u>813,152</u>
					<u>1,819,708</u>	1,975,191
Less: current portion					<u>(319,767)</u>	<u>(312,724)</u>
Total non-current portion					<u>1,499,941</u>	<u>1,662,467</u>

Notes:

- (i) Loan 1 is a US Dollar denominated facility consisting of a term loan facility of USD 483.5 million (Tranche A loan) intended to fund the EPC contracts entered into by the Group. The facility also includes standby facility of USD 75 million (Tranche B loan). The loan carries interest at LIBOR plus a margin ranging from 0.80% to 1.0% per annum (Tranche A loan) and 1.0% to 1.10% per annum (Tranche B loan) and mandatory costs, if any. Tranche A loan is repayable in 19 instalments at a pre-determined rate on total Tranche A loan draw downs. Tranche B loan, if any, is repayable in 8 equal instalments starting on the date of the twelfth Tranche A repayment date.
- (ii) On December 1, 2011, the Group entered into a subordinated facility agreement for USD 250 million with International Bank of Qatar and Union National Bank to finance its EF5 project.

**10. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit attributable to the equity holders for the period by the weighted average number of shares outstanding during the period as follows:

	Six months ended 30 June 2014 (Reviewed) QR'000	2013 (Reviewed) QR'000
Profit for the period	<u>2,838,835</u>	<u>4,569,376</u>
Weighted average number of shares outstanding during the period (in thousands)	<u>605,000</u>	<u>605,000</u>
Basic and diluted earnings per share (expressed in QR per share)	<u>4.69</u>	<u>7.55</u>

The figures for basic and diluted earnings per share are the same as the Group has not issued any instruments which would have an impact on the earnings per share when exercised.



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**11. DIVIDENDS PAID**

During the period, cash dividend of QR 11 per share amounting to QR 6,655 million relating to 2013 were approved by the shareholders at the Annual General Meeting held on March 10, 2014 (2013: QR 8.5 per share amounting to QR 4,675 million and a 10% bonus share of QR 550 million).

**12. RELATED PARTY DISCLOSURES**

**Related party transactions**

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

Transactions with related parties included in the interim condensed consolidated statement of profit or loss during the six months ended June 30, 2014 and 2013 are as follows:

Period ended June 30, 2014 (Reviewed)	Sales QR'000	Purchases QR'000	Selling and other expenses QR'000	Lease rental payments QR'000	Other income QR'000
Major shareholders	--	--	15,254	--	56
Associates	176,752	1,049	--	--	1,342
Joint ventures	--	--	2,481	--	--
Other related parties	--	86,919	--	8,605	3,234
	<u>176,752</u>	<u>87,968</u>	<u>17,735</u>	<u>8,605</u>	<u>4,632</u>
Period ended June 30, 2013 (Reviewed)	Sales QR'000	Purchases QR'000	Selling and other expenses QR'000	Lease rental payments QR'000	Other income QR'000
Major shareholders	--	53,399	4,680	--	--
Associates	231,843	91,283	--	--	812
Joint ventures	--	--	1,374	--	--
Other related parties	--	16,645	--	8,584	31
	<u>231,843</u>	<u>161,327</u>	<u>6,054</u>	<u>8,584</u>	<u>843</u>

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**12. RELATED PARTY DISCLOSURES (CONTINUED)**

**Related party balances**

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<b>June 30, 2014 (Reviewed) QR'000</b>	<b>December 31, 2013 (Audited) QR'000</b>
<i>Due from related parties:</i>		
SOLB Steel Company (Kingdom of Saudi Arabia)	65,184	2,860
Qatar Fertiliser Company (Q.S.C.C.)	10,000	--
Gasal Company	--	555
Qatar Steel International company Q.P.S.C.	1,940	2,373
Qatar metal coating company W.L.L.	27,454	28,094
	<u>104,578</u>	<u>33,882</u>
	<b>June 30, 2014 (Reviewed) QR'000</b>	<b>December 31, 2013 (Audited) QR'000</b>
<i>Due to related parties:</i>		
Qatar Petroleum	15,092	10,556
Sulb Company B.S.C.	4	4
Mesaieed industrial city	1,791	1,406
Gasal Company	519	--
QAFCO	--	2,589
	<u>17,406</u>	<u>14,555</u>

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the period was as follows:

	<b>Six months ended 30 June 2014 (Reviewed) QR'000</b>	<b>2013 (Reviewed) QR'000</b>
Board of Directors' sitting fees	775	775
Short term benefits to key management personnel	9,526	8,749
Qatari employees pension fund contribution	354	332
	<u>10,655</u>	<u>9,856</u>

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At June 30, 2014, the Group had contingent liabilities in respect of bank and other guarantees, legal claims and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. The Group's contingent liabilities are as follows:

	<b>June 30, 2014 (Reviewed) QR'000</b>	<b>December 31, 2013 (Audited) QR'000</b>
Letters of credit	<u>39,108</u>	<u>49,585</u>
Bank guarantees	<u>340,156</u>	<u>418,136</u>
Others	<u>33,862</u>	<u>600</u>

**14. EXPENDITURE COMMITMENTS**

	<b>June 30, 2014 (Reviewed) QR'000</b>	<b>December 31, 2013 (Audited) QR'000</b>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the end of the reporting period but not provided for:		
Property, plant and equipment	<u>340,883</u>	<u>447,425</u>
<b>Operating lease commitments</b>		
Future minimum lease payments:		
Within one year	29,173	32,162
After one year but not more than five years	60,849	58,894
More than five years	<u>118,230</u>	<u>137,287</u>
Total operating lease expenditure contracted for at the end of the reporting period	<u>208,252</u>	<u>228,343</u>

**15. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- The petrochemical segments, which produces and sells ethylene, polyethylene, MTBE, methanol and other petrochemical products.
- The fertilizer segment, which produces and sells urea, ammonia and other by-products.
- The steel segment, which produces and sells steel pellets, bars, billets and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the interim condensed consolidated financial statements.

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**15. SEGMENT INFORMATION (CONTINUED)**

**Operating segments**

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended June 30, 2014 and 2013 respectively:

	<u>Petrochemicals</u>	<u>Fertilisers</u>	<u>Steel</u>	<u>Total</u>
	QR'000	QR'000	QR'000	QR'000
<b>Period ended June 30, 2014</b>				
<b>(Reviewed)</b>				
Total revenue	<u>2,097,854</u>	<u>2,543,435</u>	<u>3,142,176</u>	<u>7,783,465</u>
Results:				
Segment profit	<u>1,307,623</u>	<u>746,130</u>	<u>727,811</u>	<u>2,781,564</u>
<i>Unallocated income :</i>				
Interest income				30,925
Dividend income				11,742
Other income				28,124
<i>Unallocated expense:</i>				
Qatar Petroleum annual fee				(4,179)
Qatar Exchange fees/charges				(1,084)
Professional fees				(950)
Advertisements				(374)
Other expenses				(6,933)
Profit for the period				<u>2,838,835</u>

During the six month period ended June 30, 2014, the Group has incurred certain plant maintenance costs which are typically incurred in random intervals. These costs are booked as incurred.

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**15. SEGMENT INFORMATION (CONTINUED)**

	<u>Petrochemicals</u> QR'000	<u>Fertilisers</u> QR'000	<u>Steel</u> QR'000	<u>Total</u> QR'000
<b>Period ended June 30, 2013</b>				
<b>(Reviewed)</b>				
Total revenue	<u>2,400,760</u>	<u>3,542,865</u>	<u>3,092,086</u>	<u>9,035,711</u>
<b>Results:</b>				
Segment profit	<u>1,794,186</u>	<u>1,763,672</u>	<u>985,607</u>	<u>4,543,465</u>
<i>Unallocated income :</i>				
Interest income				27,171
Dividend income				9,806
Loss)/Other income				(452)
<i>Unallocated expense:</i>				
Qatar Petroleum annual fee				(4,126)
Qatar Exchange fees/charges				(1,158)
Advertisements				(275)
Other expenses				<u>(5,055)</u>
Profit for the period				<u>4,569,376</u>

The following table presents segmental assets regarding the Group's business segments as at June 30, 2014 and year ended December 31, 2013 respectively:

	<u>Petrochemicals</u> QR'000	<u>Fertilisers</u> QR'000	<u>Steel</u> QR'000	<u>Total</u> QR'000
<b>Segment assets:</b>				
At June 30, 2014 (Reviewed)	<u>9,523,557</u>	<u>14,841,005</u>	<u>9,973,463</u>	<u>34,338,025</u>
At December 31, 2013 (Audited)	<u>9,858,959</u>	<u>15,320,920</u>	<u>10,106,060</u>	<u>35,285,939</u>

*Notes:*

- (i) The above segmental reporting relates only to the subsidiaries and joint venture companies.

**15. SEGMENT INFORMATION (CONTINUED)****Reconciliation of reportable segments total assets**

	June 30, 2014 (Reviewed) QR'000	December 31, 2013 (Audited) QR'000
Total assets for reportable segments	34,338,025	35,285,939
Other un-allocable assets	3,687,842	8,254,315
Recognition of investment in joint ventures using equity method of accounting	19,951,201	19,402,879
Elimination of investments in subsidiaries	(985,451)	(985,451)
Assets relating to joint ventures	<u>(24,364,562)</u>	<u>(25,179,879)</u>
Consolidated total assets for the year	<u>32,627,055</u>	<u>36,777,803</u>

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At the end of the period/year, the Group held the following financial instruments measured at fair value:

At June 30, 2014	Total QR'000	Level 1 QR'000	Level 2 QR'000	Level 3 QR'000
<i>Assets measured at fair value</i>				
Available-for-sale investments	813,530	813,530	--	--
Financial asset at fair value through profit or loss	3,585	3,585	--	--
Receivables	1,249,199	--	--	1,249,199
Due from related parties	94,578	--	--	94,578
<i>Liabilities measured at fair value</i>				
Due to related parties	17,406	--	--	17,406
Interest bearing loans and borrowings	1,819,708	--	--	1,819,708
Interest rate swaps	65,434	--	65,434	--

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**16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

At December 31, 2013	Total	Level 1	Level 2	Level 3
	QR'000	QR'000	QR'000	QR'000
<i>Assets measured at fair value</i>				
Available-for-sale investments	752,708	752,708	--	--
Financial asset at fair value through profit or loss	3,585	3,585	--	--
Receivables	1,166,362	--	--	1,166,362
Due from related parties	33,882	--	--	33,882
<i>Liabilities measured at fair value</i>				
Due to related parties	14,555	--	--	14,555
Interest bearing loans and borrowings	1,975,191	--	--	1,975,191
Interest rate swaps	81,824	--	81,824	--

During the reporting period ended June 30, 2014 and December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.