

INDUSTRIES QATAR QSC
DOHA - QATAR

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2006
TOGETHER WITH REVIEW REPORT

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED
30 JUNE 2006

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REVIEW REPORT

**TO THE SHAREHOLDERS
INDUSTRIES QATAR, Q.S.C.
DOHA – QATAR**

We have reviewed the accompanying interim consolidated balance sheet of Industries Qatar, Q.S.C. (the "Company") as of 30 June 2006 and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

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

We conducted our review in accordance with **International Standard on Review Engagements 2400**. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the review of the other auditors, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with **International Accounting Standards No. 34**.

For **Deloitte & Touche**

**Doha - Qatar
July 2006**


**Muhammad Bahemia
License No. 103**

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED BALANCE SHEET
AS OF 30 JUNE 2006

(Amounts expressed in thousands of Qatari Riyals)

	Note	<u>30 JUNE</u> <u>2006</u> <u>(REVIEWED)</u>	<u>30 JUNE</u> <u>2005</u> <u>(REVIEWED)</u>	<u>31 DECEMBER</u> <u>2005</u> <u>AUDITED</u> <u>(RESTATED)</u>
Assets				
Current Assets				
Bank balances and cash	4	3,299,212	2,513,518	3,950,111
Accounts receivable and prepayments		1,118,578	867,179	875,500
Due from related parties	9	400,986	371,584	471,200
Investments-held for trading		40,540	--	62,300
Inventories		993,492	919,711	1,022,941
Total Current Assets		<u>5,852,808</u>	<u>4,671,992</u>	<u>6,382,071</u>
Non-Current Assets				
Long-term advances		30,806	--	--
Investment in associates	6	339,427	270,128	339,040
Investments – available-for-sale		297,956	372,195	355,990
Other assets		106,993	145,768	81,790
Intangible assets		71,707	--	71,700
Property, plant and equipment	5	5,823,931	4,580,799	4,857,620
Total Non-Current Assets		<u>6,670,820</u>	<u>5,368,890</u>	<u>5,706,160</u>
Total Assets		<u>12,523,628</u>	<u>10,040,882</u>	<u>12,088,231</u>
Liabilities and Shareholders' Equity				
Current Liabilities				
Term loans	8	363,309	988,888	555,810
Accounts payable and accruals		921,017	549,451	642,970
Due to related parties	9	217,777	195,388	370,920
Total Current Liabilities		<u>1,502,103</u>	<u>1,733,727</u>	<u>1,569,700</u>
Non-Current Liabilities				
Term loans	8	1,783,652	597,480	1,057,550
Provision for employees' end of service benefits		110,855	57,877	95,680
Total Non-Current Liabilities		<u>1,894,507</u>	<u>655,357</u>	<u>1,153,230</u>
Equity				
Share capital		5,000,000	5,000,000	5,000,000
Fair value reserve		172,451	233,578	263,720
Hedging reserve		25,303	--	--
Legal reserve	11	103,982	103,219	103,980
Retained earnings		3,814,604	2,304,405	2,235,860
Proposed dividend		--	--	1,750,000
Equity attributable to Equity Holders of the Company		<u>9,116,340</u>	<u>7,641,202</u>	<u>9,353,560</u>
Minority Interest		10,678	10,596	11,721
Total Equity		<u>9,127,018</u>	<u>7,651,798</u>	<u>9,365,281</u>
Total Liabilities and Equity		<u>12,523,628</u>	<u>10,040,882</u>	<u>12,088,231</u>


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


YOUSEF HUSSAIN KAMAL
Minister of Finance
Vice Chairman

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

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts expressed in thousands of Qatari Riyals)

		<u>Six month period ended</u>	
	<u>Note</u>	<u>30 June 2006</u>	<u>30 June 2005</u>
		<u>(REVIEWED)</u>	<u>(REVIEWED)</u>
Sales	12	3,677,921	3,069,006
Cost of sales		<u>(1,974,615)</u>	<u>(1,380,148)</u>
Gross Profit		1,703,306	1,688,858
Selling expenses		(56,743)	(49,715)
General and administrative expenses		(152,888)	(134,620)
Income from associates		649	24,381
Other income		109,732	31,336
Finance Charges		<u>(24,111)</u>	<u>(26,543)</u>
Net Profit for the Period		<u>1,579,945</u>	<u>1,533,697</u>
Attributable to:			
Equity Holders of the Company		1,578,744	1,532,559
Minority Interest		<u>1,201</u>	<u>1,138</u>
Total		<u>1,579,945</u>	<u>1,533,697</u>
Earnings per share		<u>QR. 3.16</u>	<u>QR. 3.07</u>
Number of shares		<u>500,000,000</u>	<u>500,000,000</u>

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

INDUSTRIES QATAR, Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts expressed in thousands of Qatar Riyals)

	<u>Share Capital</u>	<u>Fair Value Reserve</u>	<u>Hedging Reserve</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Proposed Dividend</u>	<u>Equity Attributable to Equity Holders of the Company</u>	<u>Minority Interest</u>	<u>Total Equity</u>
Balance at 1 January 2005	5,000,000	192,418	--	103,219	771,846	1,750,000	7,817,483	10,921	7,828,404
Net changes in fair value of investments	--	41,160	--	--	--	--	41,160	--	41,160
Dividends paid	--	--	--	--	--	(1,750,000)	(1,750,000)	(1,463)	(1,751,463)
Net profit for the period	--	--	--	--	1,532,559	--	1,532,559	1,138	1,533,697
Balance at 30 June 2005 – (Reviewed)	<u>5,000,000</u>	<u>233,578</u>	<u>--</u>	<u>103,219</u>	<u>2,304,405</u>	<u>--</u>	<u>7,641,202</u>	<u>10,596</u>	<u>7,651,798</u>
Balance at 1 January 2006 (as previously stated)	5,000,000	263,720	--	103,975	2,235,958	1,750,000	9,353,653	97,548	9,451,201
Prior period adjustments (Note 3)	--	--	--	7	(98)	--	(91)	(85,821)	(85,912)
Balance at 1 January 2006 – Restated	5,000,000	263,720	--	103,982	2,235,860	1,750,000	9,353,562	11,727	9,365,289
Net changes in fair value of investments	--	(91,269)	--	--	--	--	(91,269)	--	(91,269)
Net movement in fair value of cash flows hedges (Note 7)	--	--	25,303	--	--	--	25,303	--	25,303
Dividends paid	--	--	--	--	--	(1,750,000)	(1,750,000)	(2,250)	(1,752,250)
Net profit for the period	--	--	--	--	1,578,744	--	1,578,744	1,201	1,579,945
Balance at 30 June 2006 – (Reviewed)	<u>5,000,000</u>	<u>172,451</u>	<u>25,303</u>	<u>103,982</u>	<u>3,814,604</u>	<u>--</u>	<u>9,116,340</u>	<u>10,678</u>	<u>9,127,018</u>

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

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts expressed in thousands of Qatari Riyals)

	<u>Note</u>	<u>30 JUNE 2006</u> <u>(6 months)</u> <u>(REVIEWED)</u>	<u>30 JUNE 2005</u> <u>(6 months)</u> <u>(REVIEWED)</u>
Cash Flow from Operating Activities			
Net Profit for the period		1,579,945	1,533,697
Adjustments for:			
Depreciation and amortization		272,480	266,994
Provision for employees' end of service benefits		23,979	10,398
Loss on investments held for trading		25,062	--
Income from associates		(649)	(24,381)
Loss (profit) on disposal of property, plant and equipment		<u>2,064</u>	<u>(346)</u>
		1,902,881	1,786,362
Increase in accounts receivable and prepayments and due from related parties		(172,855)	(65,134)
Decrease (Increase) in inventories		29,456	(214,892)
Increase in accounts payable and accruals and due to related parties		<u>124,902</u>	<u>50,224</u>
Cash from Operating Activities		1,884,384	1,556,560
Payments towards employees' end of service benefits		<u>(8,812)</u>	<u>(72,756)</u>
Net Cash from Operating Activities		<u>1,875,572</u>	<u>1,483,804</u>
Cash Flow from Investing Activities			
Deposits maturing after 90 days		(294,436)	(606,750)
Acquisition of other assets		(3,100)	(10,931)
Long term advances		(30,806)	--
Acquisition of investments in associates		--	(40,057)
Net movements on held for trading investments		(3,300)	--
Acquisition of available for sale investments		(36,970)	(71,360)
Acquisition of property, plant and equipment		(1,238,548)	(258,986)
Movement in projects under development		--	(51,535)
Dividends received from associates		4,000	11,890
Proceeds from disposals of property, plant and equipment		<u>909</u>	<u>554</u>
Net Cash Used in Investing Activities		<u>(1,602,251)</u>	<u>(1,027,175)</u>
Cash Flow from Financing Activities			
Net movement in loans		533,593	(16,179)
Dividends paid		<u>(1,752,250)</u>	<u>(1,751,463)</u>
Net Cash Used in Financing Activities		<u>(1,218,657)</u>	<u>(1,767,642)</u>
Net Decrease in Cash and Cash Equivalents		(945,336)	(1,311,013)
Cash and Cash Equivalents at beginning of period		<u>3,703,232</u>	<u>2,892,463</u>
Cash and Cash Equivalents at End of the Period	10	<u>2,757,896</u>	<u>1,581,450</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)

1. **Legal Status and Activities**

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

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

The main activity of IQ is to act as a holding company. The following are the details of the subsidiary and joint venture companies:

- **Qatar Steel Company Q.S.C. ("QASCO")**, 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.
- **QASCO Incorporated Qasco Dubai Steel FZE**, is a fully owned subsidiary of QASCO with limited liability on 18 August 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")** is a joint venture between QAPCO owing 63.64% and Total Petrochemicals (France) owing 36.36%. Qatofin was incorporated in August 2005.
- **Qatar Fertiliser Company S.A.Q. ("QAFCO")**, a Qatari Shareholding Company incorporated in the State of Qatar, is a joint venture between IQ owning 75% and Fertilizer Holdings AS owning 20% and Yara Nederland BV owning 5%. QAFCO is engaged in the production and sale of ammonia and urea.
- **Gulf Formaldehyde Company ("GFC")**, is a subsidiary of QAFCO, a Qatari Shareholding Company incorporated in the State of Qatar on 3 March 2003. QAFCO holds 70% of the share capital of GFC.
- **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 LCY Investments Corporation owning 15%. QAFAC is engaged in production and export of methyl-tertiary-butyl-ether (MTBE) and methanol.

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)

2. **Significant Accounting Policies**

These interim condensed consolidated financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and the historical cost convention except for certain investments which are marked to market. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2005 with the exception of the point raised in Note 3.

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

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to do so, and therefore not necessarily indicative of the results that may be expected for the financial year ending December 31, 2006.

3. **Prior Period Adjustments:**

i) One of the joint venture companies within the group issued a set of consolidated financial statements at December 31, 2005 on the basis that it exercised control over one of its investments. During the period under review, it was noted that the joint venture company shared joint control instead of exercising dominant control over the investment. Accordingly, the 2005 comparative figures of the joint ventures have been restated to reflect the revised treatment.

ii) One of the joint venture companies within the group has an investment which was previously accounted for as an investment in an associate. During the period, this investment has been treated as a joint venture. As a result of the change, this investment is accounted for, based on proportional consolidation method in accordance with IAS 31 – Interest in joint ventures. The comparative figures for the year 2005 have therefore been restated.

The cumulative impact of the above changes was a decrease in the total assets by QR.88.7 million, a decrease in total liabilities by QR.2.82 million and a decrease in minority interest by QR.85.8 million.

4. **Bank Balances and Cash:**

Bank balances include the Company's share of a target cash balance of QR. 54.6 million (US\$ 15 million) [31 December 2005: QR. 82 million (US\$ 22.5 million)] to be maintained after the completion of the design and construction of a project until the maturity date of the loan, in accordance with Article 10 of the loan facility agreement.

5. **Property, Plant and Equipment:**

	<u>30 June</u> <u>2006</u> <u>(REVIEWED)</u>	<u>30 June</u> <u>2005</u> <u>(REVIEWED)</u>	<u>31 December 2005</u> <u>(AUDITED)</u> <u>(RESTATED)</u>
Opening net book value	4,857,629	4,583,416	4,583,416
Additions	1,238,548	258,986	827,155
Disposals	(2,973)	(208)	(2,416)
Depreciation	<u>(269,273)</u>	<u>(261,395)</u>	<u>(550,526)</u>
Closing net book value	<u>5,823,931</u>	<u>4,580,799</u>	<u>4,857,629</u>

INDUSTRIES QATAR, Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts expressed in thousands of Qatar Riyals)

6. **Investments:**

a) **Investments in Associates**

Company	Country of Incorporation	Group Ownership			30 June 2006 (Reviewed)	30 June 2005 (Reviewed)	31 December 2005 <u>Audited</u> (Restated)	30 June 2006 (Reviewed)	30 June 2005 (Reviewed)	31 December 2005 <u>Audited</u> (Restated)
		30 June 2006 (Reviewed)	30 June 2005 (Reviewed)	31 December 2005 <u>Audited</u> (Restated)						
Qatar Metal Coating Company W.L.L.	Qatar	50%	50%	50%	16,218	15,586	16,747			
United Stainless Steel Company	Bahrain	25%	25%	25%	76,472	40,057	76,472			
Qatar Vinyl Company Limited	Qatar	25.52%	25.52%	25.52%	237,122	205,770	237,078			
Qatar Plastic Products Company	Qatar	26.66%	26.66%	26.66%	9,615	8,715	8,744			
					<u>339,427</u>	<u>270,128</u>	<u>339,041</u>			

INDUSTRIES QATAR, Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts expressed in thousands of Qatar Riyals)

6(b) The movements in investments in associates are as follows:

	Qatar Vinyl Company Limited	Qatar Plastic Products Company	Ras Laffan Olefins Cracker Company	Qatar Metal Coating Company	United Stainless Steel	Total
Carrying amount as at 1 January 2005	188,158	8,348	--	14,866	--	211,372
Share of results for the period	20,694	367	--	3,320	--	24,381
Dividend received	(9,290)	--	--	(2,600)	--	(11,890)
Investment acquired during the period	--	--	--	--	40,057	40,057
Movement in cumulative changes in fair values	<u>6,208</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,208</u>
Carrying Amount as at 30 June 2005 (Reviewed)	205,770	8,715	--	15,586	40,057	270,128
Share of results for the period	24,573	829	--	1,361	--	26,763
Dividend received	--	(800)	--	(200)	--	(1,000)
Investment acquired during the period	--	--	133	--	36,415	36,548
Movement in cumulative changes in fair values	<u>6,735</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>6,735</u>
Carrying Amount as at 31 December 2005 (as previously stated)	237,078	8,744	133	16,747	76,472	339,174
Prior period adjustments (Note 3)	<u>--</u>	<u>--</u>	<u>(133)</u>	<u>--</u>	<u>--</u>	<u>(133)</u>
Carrying Amount as at 31 December 2005 (Restated)	237,078	8,744	--	16,747	76,472	339,041
Share of results for the period	(3,693)	871	--	3,471	--	649
Dividend received	--	--	--	(4,000)	--	(4,000)
Movement in cumulative changes in fair values	<u>3,737</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,737</u>
Carrying Amount as at 30 June 2006 (Reviewed)	<u>237,122</u>	<u>9,615</u>	<u>--</u>	<u>16,218</u>	<u>76,472</u>	<u>339,427</u>

INDUSTRIES QATAR Q.S.C.
DOHA – QATAR

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)

7. **Derivative Financial Instruments:**

a) Forward Contracts

During the period, one of the joint venture companies had entered into forward currency contracts to hedge its risks associated with foreign currency fluctuations. As at June 30, 2006, the total fair value of the forward contracts has been proportionately consolidated in the interim income statements as the transactions do not qualify for hedge accounting. The corresponding amount is shown under current assets.

b) Interest Rate Swap Contracts

At June 30, 2006, one of the joint venture companies within the group had interest rate swap agreements in place with financial institutions. The swap is used to hedge the exposure to changes in the cash flow of its loan. The loans and the interest rate swaps have the same control terms. As the interest rates swaps contracts qualify for hedging, the group share in the fair value of these interest rate swaps which amounted to QR.25.3 million has been proportionately consolidated and shown as a separate component of equity and the resultant asset has been included under non current assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)

8. **Term Loans:**

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

	Interest	Due Date	30 June 2006 (REVIEWED)	30 June 2005 (REVIEWED)	31 December 2005 (AUDITED) (Restated)
Term loan 1	Libor plus 0.9%	2006 to 2008	23,306	32,584	27,945
Term loan 2	Libor plus 0.40% - 0.55%	2005	--	247,418	--
Term loan 3	Libor plus 0.65%	2006 to 2009	247,418	--	247,418
Term loan 4	Libor plus 0.5%	2006 to 2011	355,992	--	385,840
Term loan 5	Libor plus 0.9%	2007 to 2016	--	--	473,395
Term loan 6	Libor plus 1%	2007 to 2011	--	--	21,545
Term loan 7	Libor plus applicable margin	2009 to 2020	--	--	22,238
Term loan 8	Libor plus 0.75%	2005	--	54,623	--
Term loan 9	Libor plus 0.4% - 0.55%	2005	--	72,830	--
Term loan 10	Libor plus 0.75%	2005 to 2011	215,176	414,468	434,987
Syndicated loan	Libor plus 0.75%	2001 to 2006	--	655,200	--
Syndicated loan	Libor plus 0.9%	2006 to 2016	1,092,450	--	--
Term loan 11	Libor plus 0.4%	2005	--	109,245	--
Term loan 12	Libor plus 0.4%	2006 to 2008	25,490	--	--
Term loan 13	Libor plus 1.0%	2006 to 2011	25,901	--	--
Syndicated loan	Libor plus applicable margin	2006 to 2020	<u>161,228</u>	<u>--</u>	<u>--</u>
Total			2,146,961	1,586,368	1,613,368
Less: repayments due within one year			<u>(363,309)</u>	<u>(988,888)</u>	<u>(555,810)</u>
Total non-current portion			<u>1,783,652</u>	<u>597,480</u>	<u>1,057,558</u>
The loans are repayable as follows:					
Within one year			363,309	988,888	555,810
Years 2 to 5 years			1,098,898	517,054	631,793
Over 5 years			<u>684,754</u>	<u>80,426</u>	<u>425,765</u>
Total			<u>2,146,961</u>	<u>1,586,368</u>	<u>1,613,368</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)**

9. **Related Party Transactions:**

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

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

	<u>Six month period ended 30 June 2006 (REVIEWED)</u>	<u>Six month period ended 30 June 2005 (REVIEWED)</u>	<u>Year ended 31 December 2005 (AUDITED)</u>
Sales	1,233,443	1,382,258	2,562,045
Other Income	10,684	31,045	21,106
Purchases	495,081	395,234	951,852
Expenses	<u>45,735</u>	<u>42,145</u>	<u>108,642</u>

Due from related parties

	<u>30 June 2006 (REVIEWED)</u>	<u>30 June 2005 (REVIEWED)</u>	<u>31 December 2005 (AUDITED)</u>
International Octane Limited	8,876	2,490	428
Yara International ASA	144,188	148,653	243,094
LCY Investment Corporation	15,656	12,005	3,709
Chinese Petroleum Corporation	8,459	--	2,209
Qatar Petroleum	57,867	40,260	28,974
Qatar Vinyl Company	50,371	30,204	40,555
Qatar Chemical Company	2,066	522	481
Total Petrochemicals (France)	113,409	137,450	121,986
Qatar Metal Coating Company	--	--	29,744
Qatar Gas Downstream	23	--	23
QAFAC II	71	--	--
Total	<u>400,986</u>	<u>371,584</u>	<u>471,203</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)**

Due to related parties	<u>30 June</u> <u>2006</u> <u>(REVIEWED)</u>	<u>30 June</u> <u>2005</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2005</u> <u>(AUDITED)</u>
Qatar Petroleum	151,492	127,964	315,150
Yara Interational ASA	21,665	22,078	3,676
Qatar Vinyl Company	18,141	247	17,697
Total Petrochemicals (France)	4,558	7,768	6,934
Qatar Plastic Products Company	295	--	774
QAFAC II	1,913	18,157	3,742
Qatar Chemical Company	18,011	19,174	22,939
Qatar Metal Coating Company	1,679	--	--
Woqod	23	--	--
International Octane Ltd.	--	--	3
LCY Investment Corporation	--	--	7
Total	<u>217,777</u>	<u>195,388</u>	<u>370,922</u>

10. **Cash and Cash Equivalents:**

	<u>30 June</u> <u>2006</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2005</u> <u>(AUDITED)</u> <u>(Restated)</u>	<u>30 June</u> <u>2005</u> <u>(REVIEWED)</u>	<u>31 December</u> <u>2004</u> <u>(AUDITED)</u>
Bank balances and cash	3,299,212	3,950,112	2,513,518	3,217,781
Less:				
Deposits maturing after 90 days	<u>(541,316)</u>	<u>(246,880)</u>	<u>(932,068)</u>	<u>(325,318)</u>
Total	<u>2,757,896</u>	<u>3,703,232</u>	<u>1,581,450</u>	<u>2,892,463</u>

11. **Legal Reserve:**

IQ was formed in accordance with Article 68 of Qatar Companies Commercial Law No. 5 of 2002, which stipulates that the company is exempted 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 total of the subsidiary and share of one of the joint venture companies, included for consolidation purposes.

INDUSTRIES QATAR Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006
(Amounts in table expressed in thousands of Qatari Riyals)

12. **Segmental Reporting:**

	Products			Total
	<u>Petrochemical</u>	<u>Fertilizer</u>	<u>Steel</u>	
Six month period ended 30 June 2006 (Reviewed)				
Sales	1,269,645	1,072,995	1,335,281	3,677,921
Expenses	613,751	475,010	218,349	1,307,110
As of 30 June 2006 (Reviewed)				
Assets	4,364,876	3,433,528	4,377,334	12,175,738
Liabilities	1,095,991	495,029	2,045,795	3,636,815
Six month period ended 30 June 2005 (Reviewed)				
Sales	1,221,165	991,605	856,236	3,069,006
Expenses	539,960	426,610	634,239	1,600,809
As of 30 June 2005 (Reviewed)				
Assets	3,902,852	3,207,355	2,814,112	9,924,319
Liabilities	660,005	903,063	811,155	2,374,223
Year ended 31 December 2005 (Audited)				
Sales	2,572,329	2,216,266	1,789,444	6,578,039
Expenses	1,145,030	912,263	1,407,327	3,464,620
As of 31 December 2005 (Audited)				
Assets	4,662,014	3,832,441	3,235,488	11,729,943
Liabilities	878,752	781,944	1,056,560	2,717,256

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

13. **Comparative Figures:**

Certain of the prior period's amounts have been reclassified in order to conform with the current period's presentation.

