

Qatar Navigation Q.S.C.

**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

30 JUNE 2011

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF QATAR NAVIGATION Q.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar Navigation Q.S.C. (the "Company") and its subsidiaries (together referred to as the "Group") as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it 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.

Limitation of scope

The interim condensed financial statements of a subsidiary for the six months ended 30 June 2011, have been consolidated in these interim condensed financial statements, based on the financial statements prepared by the management of the subsidiary company, which have not been independently reviewed. The Company's share of total revenue, total assets and net profit (loss) in this subsidiary as at and for the six month period ended 30 June 2011 amounted to, QR 75,897,638 (30 June 2010: QR 123,003,157), QR 118,359,818 (30 June 2010: QR 106,426,295) and QR 4,665,083 (30 June 2010: (loss) QR 1,682,968) respectively.

Qualified Conclusion

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to satisfy ourselves with regard to the matter referred in the paragraph above, based on our review nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The financial statements of the Group for the year ended 31 December 2010 were audited by another auditor whose report dated 16 March 2011 expressed an unmodified opinion on those financial statements. Further, the interim condensed consolidated financial statements for the six months period ended 30 June 2010 were reviewed by another auditor whose report dated 21 July 2010, expressed a modified conclusion on those financial statements to the effect that the financial statements of a subsidiary company was consolidated based on the financial statements prepared by the management of the subsidiary company.

Firas Qoussous
Of Ernst & Young
Auditor's Registration No. 236

Date: 24 July 2011
Doha

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	<i>For the six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
			<i>(Restated)</i>
Operating revenues	4	1,143,653	1,011,323
Salaries, wages and other benefits		(234,954)	(206,923)
Operating supplies and expenses		(377,950)	(301,177)
Rent expenses		(26,832)	(10,633)
Depreciation and amortisation		(144,847)	(130,973)
Other operating expenses		(59,000)	(62,128)
OPERATING PROFIT		300,070	299,489
Finance costs		(23,786)	(29,238)
Finance income		26,319	36,334
Profit on disposal of property, vessels and equipment		353	2,936
Gain from acquisition of Qatar Shipping Company Q.S.C.	3	-	298,450
Realised fair value gain from deemed disposal of available-for-sale investments	3	-	236,048
Miscellaneous income		3,342	8,069
Share of results of associate		114,053	99,423
PROFIT FOR THE PERIOD		420,351	951,511
<i>Attributable to:</i>			
Shareholders of the parent		418,018	952,352
Non-controlling interest		2,333	(841)
		420,351	951,511
BASIC AND DILUTED EARNINGS PER SHARE			
<i>(attributable to shareholders of the parent)</i>			
<i>expressed in QR per share)</i>	5	3.65	8.32

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		<i>For the six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(Unaudited)</i>	
	<i>Note</i>	<i>QR'000</i>	<i>QR'000</i>
			<i>(Restated)</i>
Profit for the period		<u>420,351</u>	<u>951,511</u>
Other comprehensive income			
Net movement on hedging reserve	6	<u>(39,046)</u>	<u>(449,370)</u>
Net gain (loss) on available-for-sale investments	6	<u>95,141</u>	<u>(143,851)</u>
Other comprehensive income (loss) for the period		<u>56,095</u>	<u>(593,221)</u>
Total comprehensive income for the period		<u>476,446</u>	<u>358,290</u>
<i>Attributable to:</i>			
Shareholders of the parent		<u>474,113</u>	<u>359,131</u>
Non-controlling interest		<u>2,333</u>	<u>(841)</u>
		<u>476,446</u>	<u>358,290</u>

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	<i>Notes</i>	30 June 2011 (Unaudited) QR'000	31 December 2010 (Audited) QR'000
ASSETS			
Non-current assets			
Property, vessels and equipment	7	3,217,097	3,213,958
Investment properties	8	698,736	708,460
Intangible assets		31,492	48,042
Deferred dry docking costs		36,087	29,633
Investment in associates		4,154,510	4,197,811
Available-for-sale investments		3,168,179	2,915,640
Loans to LNG and LPG companies		349,296	382,244
Notes receivable		1,749	159
		<u>11,657,146</u>	<u>11,495,947</u>
Current assets			
Inventories		109,095	144,631
Accounts receivable and prepayments		391,814	557,638
Financial investments at fair value through profit or loss		213,687	200,321
Bank balances and cash		609,685	909,602
		<u>1,324,281</u>	<u>1,812,192</u>
TOTAL ASSETS		<u>12,981,427</u>	<u>13,308,139</u>
EQUITY AND LIABILITIES			
Attributable to shareholders of the parent			
Share capital		1,145,252	1,145,252
Legal reserve		4,693,986	4,693,986
General reserve		623,542	623,542
Fair value reserve		2,995,358	2,900,217
Hedging reserve		(301,036)	(261,990)
Retained earnings		1,647,213	1,229,195
Proposed cash dividends	10	-	458,100
		<u>10,804,315</u>	<u>10,788,302</u>
Non-controlling interest		<u>56,655</u>	<u>54,322</u>
Total equity		<u>10,860,970</u>	<u>10,842,624</u>

Continued

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Non-current liabilities		
Interest bearing loans and borrowings	1,441,771	1,528,603
Employees' end of service benefits	60,725	57,011
Obligation under finance lease	<u>6,642</u>	<u>9,553</u>
	1,509,138	1,595,167
Current liabilities		
Accounts payable and accruals	204,606	438,055
Interest bearing loans and borrowings	400,640	424,171
Obligation under finance lease	6,073	6,021
Bank overdrafts	<u>-</u>	<u>2,101</u>
	611,319	870,348
Total liabilities	2,120,457	2,465,515
TOTAL EQUITY AND LIABILITIES	12,981,427	13,308,139

.....
H.E. Sheikh Ali bin Jassim bin
Mohammed Al-Thani
Chairman and Managing Director

.....
Mr. Salem bin Butti Al-
Naimi
Vice Chairman

.....
Mr. Khalifa bin Ali Al-Hetmi
Chief Executive Officer

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2011

		<i>For the six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(Unaudited)</i>	
<i>Notes</i>		<i>QR'000</i>	<i>QR'000</i>
			<i>(Restated)</i>
OPERATING ACTIVITIES			
	Profit for the period	420,351	951,511
	Adjustment for:		
	Depreciation and amortisation	144,847	130,973
	Finance costs	23,786	29,238
	(Loss) profit on disposal of property, vessels and equipment	(353)	3,953
3	Gain from acquisition of Qatar Shipping Company Q.S.C.	-	(298,450)
	Realised fair value gain from deemed disposal of available-for-sale investments	-	(236,048)
	Share of results of associate	(114,053)	(99,423)
	Provision for employees' end of service benefits	5,239	12,933
	Finance income	(26,319)	(36,334)
4	Dividend income	(81,903)	(72,170)
	Net fair value gain on financial investments at fair value through profit or loss	(6,329)	(28,026)
4	Profit on disposal of available-for-sale investments	(1,086)	(603)
	Operating profit before working capital changes:	364,180	357,553
	Inventories	35,536	(25,181)
	Receivables	164,234	(137,736)
	Payables	(233,449)	(372,021)
	Cash from (used in) operating activities	330,501	(177,385)
	Finance costs paid	(23,786)	(29,238)
	Employees' end of service benefits paid	(1,525)	(2,552)
	Net cash from (used in) operating activities	305,190	(209,175)
INVESTING ACTIVITIES			
	Purchase of property, vessels and equipment	(110,317)	(189,155)
4	Dividend income	81,903	72,170
	Finance income	26,319	36,334
	Proceeds from disposal of property, vessels and equipment	466	3,299
	Purchases of investment properties	(2,360)	(11,005)
	Additions to dry docking costs	(15,602)	(30,479)
	Loans to LNG and LPG companies	32,948	(477,894)
	Cash received on acquisition of Qatar Shipping Company Q.S.C.	-	628,263
	Purchase of investment securities	(205,834)	(214,778)
	Proceeds from disposal of available-for-sale investments	14,423	28,612
	Proceeds from disposal of financial investments at fair value through profit or loss	20,370	51,117
	Dividends received from an associate	126,000	84,000
	Net cash used in investing activities	(31,684)	(19,516)

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2011

	<i>Notes</i>	<i>For the six months ended 30 June</i>	
		<i>2011</i>	<i>2010</i>
		<i>(Unaudited)</i>	
		<i>QR'000</i>	<i>QR'000</i>
			<i>(Restated)</i>
FINANCING ACTIVITIES			
Dividends paid	10	(458,100)	(288,101)
Net movement in interest bearing loans and borrowings		(110,363)	854,001
Obligation under finance lease		(2,859)	(3,199)
Net cash (used in) from financing activities		(571,322)	562,701
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(297,816)	334,010
Cash and cash equivalents the beginning of the period		907,501	155,473
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	609,685	489,483

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

Qatar Navigation Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	<i>Attributable to the shareholders of the Parent</i>							<i>Non-controlling interest</i>	<i>Total</i>	
	<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>	<i>Proposed cash dividends</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Balance at 1 January 2011 (Audited)	1,145,252	4,693,986	623,542	2,900,217	(261,990)	1,229,195	458,100	10,788,302	54,322	10,842,624
Profit for the period	-	-	-	-	-	418,018	-	418,018	2,333	420,351
Other comprehensive income	-	-	-	95,141	(39,046)	-	-	56,095	-	56,095
Total comprehensive income	-	-	-	95,141	(39,046)	418,018	-	474,113	2,333	476,446
Dividends (Note 10)	-	-	-	-	-	-	(458,100)	(458,100)	-	(458,100)
Balance at 30 June 2011 (Unaudited)	1,145,252	4,693,986	623,542	2,995,358	(301,036)	1,647,213	-	10,804,315	56,655	10,860,970

	<i>Attributable to the shareholders of the Parent</i>							<i>Non-controlling interest</i>	<i>Total</i>	
	<i>Share capital</i>	<i>Legal reserve</i>	<i>General reserve</i>	<i>Fair value reserve</i>	<i>Hedging reserve</i>	<i>Retained earnings</i>	<i>Proposed cash dividends</i>			<i>Total</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Balance at 1 January 2010 (Audited)	720,252	1,198,586	623,542	2,466,011	(546)	616,057	288,101	5,912,003	-	5,912,003
Profit (loss) for the period	-	-	-	-	-	952,352	-	952,352	(841)	951,511
Other comprehensive loss	-	-	-	(143,851)	(449,370)	-	-	(593,221)	-	(593,221)
Total comprehensive income	-	-	-	(143,851)	(449,370)	952,352	-	359,131	(841)	358,290
Issue of share capital on acquisition	425,000	-	-	-	-	-	-	425,000	-	425,000
Share premium on issue of shares	-	3,495,400	-	-	-	-	-	3,495,400	-	3,495,400
Dividends (Note 10)	-	-	-	-	-	-	(288,101)	(288,101)	-	(288,101)
Non controlling interest on acquisition	-	-	-	-	-	-	-	-	51,286	51,286
Balance at 30 June 2010 (Unaudited)	1,145,252	4,693,986	623,542	2,322,160	(449,916)	1,568,409	-	9,903,433	50,445	9,953,878

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

Qatar Navigation Q.S.C. (the “Company”) or (the “Parent”) was incorporated on 5 July 1957 as a Qatari Shareholding Company. The Parent company along with its subsidiaries is engaged in marine transport, acting as agent to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, chartering of vessels and the operation of a travel agency. The Company has a branch in Dubai, United Arab Emirates.

The interim condensed consolidated financial statements include the financial statement of the Company and of its subsidiaries (the “Group”) for the six months ended 30 June 2011. The Company has the following subsidiaries:

<i>Name of the subsidiary</i>	<i>Ownership Percentage</i>	
	<i>30 June 2011</i>	<i>31 December 2010</i>
Qatar Shipping Q.S.C.	100%	100%
Halul Offshore Services W.L.L.	100%	100%
Qatar Quarries and Building Materials Company P.Q.S.C.	50%	50%

The interim condensed consolidated financial statements of the Group were authorised for issue by the Board of Directors on 24 July 2011.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

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

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 financial statements as at 31 December 2010. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

New standards, interpretations and amendments thereof:

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 financial statements for the year ended 31 December 2010, except for the adoption of new accounting standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

The following new standards, interpretations and amendments effective as of 1 January 2011 have been issued but are not relevant to the Group's operations:

- IAS 32 Financial instruments: Presentation (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following relevant amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- *IAS 1 Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in Note 6.
- *IAS 34 Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements.
- *IFRS 3 Business combinations*: the measurement option available for non-controlling interests (NCI) has been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair values or at the present ownership instruments' proportionate share of acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair values.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 3 Business Combinations*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IFRS 7 Financial Instruments: Disclosures*

New standards issued and but not yet effective

The Group is currently considering the implications of the following new IFRS which are effective from 1 January 2013:

- *IFRS 10 Consolidated Financial Statements*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosure of Interests in Other Entities*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2011

3 BUSINESS COMBINATION DURING THE YEAR 2010

Prior to 1 January 2010 the Company held 15% of the share capital of Qatar Shipping Company Q.S.C. (the "Acquiree" or "Qatar Shipping"). On 1 January 2010 the Company acquired the remaining 85% of the share capital of the Acquiree through a share exchange transaction (the "Transaction") resulting in the Company issuing 42.5 million new shares.

The acquisition date was 1 January 2010 which is the date the Company is deemed to exercise control over Qatar Shipping Company.

The fair value and the carrying amounts of the identifiable assets and liabilities of the Acquiree at the date of the acquisition were as follows:

(a) Assets acquired and liabilities recognised at the date of acquisition

	<i>At fair value QR'000</i>	<i>At carrying amount QR'000</i>
Bank balances and cash	628,263	628,263
Accounts receivable and prepayments	137,604	137,604
Financial assets at fair value through profit or loss	71,960	71,960
Inventories	5,628	5,628
Loans to LNG and LPG companies	467,085	467,085
Available-for-sale investments	2,203,820	2,180,713
Investment in associates	371,501	60,380
Property, vessels and equipment	2,018,431	1,744,381
Deferred dry docking cost	6,513	6,513
Investment property	137,100	16,682
Intangible assets	77,242	-
Total assets	6,125,147	5,319,209
Accounts payable and accruals	96,378	96,378
Interest bearing loans and borrowings	894,323	894,323
Employees' terminal benefits	6,996	6,996
Dividends payable	440,000	440,000
Total liabilities	1,437,697	1,437,697
Total net assets	4,687,450	3,881,512

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

3 BUSINESS COMBINATIONS DURING THE YEAR 2010 (continued)

The step up amount reflected in the consolidated statement of financial position as at 31 December 2010 is as follows:

	<i>QR'000</i>
Property, vessels and equipment	274,050
Investment property	120,418
Investment in associates	311,121
Available-for-sale investments	23,107
Intangible assets	<u>77,242</u>
Step up amount	<u>805,938</u>
	<i>At fair value</i>
	<i>QR'000</i>
<i>Gain from bargain purchase arising on acquisition</i>	
Consideration transferred	4,389,000
Less: Fair value of identifiable net assets acquired	<u>(4,687,450)</u>
Gain from bargain purchase arising on acquisition	<u>(298,450)</u>

As a result of the Transaction the following represents changes to the Group accounting treatments related to some of its investments:

- The accumulated fair value reserve of the initially held 15% of Qatar Shipping shares in the books of the Company as of 1 January 2010 which amounted to QR 236 million was transferred to the consolidated statement of income as a result of the transaction. These shares were treated as a deemed disposal.
- As a result of the Transaction, the Group acquired control of Qatar Quarries and Building Materials Company P.Q.S.C. As such, the accounting treatment was changed from equity accounting to full consolidation with 50% recorded as non-controlling interest. The share of assets and liabilities acquired by the Group at the date of acquisition was QR 68,652,000 and QR 17,366,000 respectively resulting in net assets of QR 51,286,000 recognised.
- Further, the Group acquired control of Halul Offshore Services Company W.L.L. As such, the accounting treatment was changed from proportionate consolidation to full consolidation as the other joint venture partner was Qatar Shipping Company Q.S.C.
- The Group changed its classification of the investment in Nakilat from available for sale investment to investment in an associate. Following the Transaction, the Company owns 30% of the share capital of Nakilat and exercises significant influence over this company. The results of operation of Nakilat have been accounted for under the equity method of accounting. The fair value of Nakilat as of the Transaction date is deemed the carrying amount at the date of the Transaction. The fair value reserve associated with Nakilat is kept as part of the consolidated statement of equity until the investment is sold, collected or is deemed to be impaired.

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS At 30 June 2011

3 BUSINESS COMBINATIONS DURING THE YEAR 2010 (continued)

- (c) The purchase price allocation for Qatar Shipping Q.S.C. resulted in the restatement of the previous results for the six months period ended 30 June 2010 as follows:

	<i>Impact on profit QR'000</i>
<i>Performance for the six months period ended 30 June 2010:</i>	
Depreciation and amortisation	(21,053)
Impairment of available-for-sale investments	(413)
Share of results of associates	(6,992)
Gain on bargain purchase	298,450

4 OPERATING REVENUES

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Dubai operations	54,217	47,896
Commercial activities	212,780	75,181
Shipping agencies	24,372	23,899
Port services	50,998	78,616
Marine transport	115,246	90,381
Navigation freight services	14,632	17,344
Ship repair and fabrication	14,287	13,193
Real estate	67,588	34,692
Qatar shipping	140,929	137,977
Halul offshore	283,388	268,342
Investment income(<i>Note</i>)	89,318	100,799
Qatar quarries and building materials	75,898	123,003
	<u>1,143,653</u>	<u>1,011,323</u>

Note:

The investment income consists of the following:

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Dividend income from investments	81,903	72,170
Profit on disposal of investments	1,086	603
Net fair value gain on trading investments	6,329	28,026
	<u>89,318</u>	<u>100,799</u>

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
At 30 June 2011

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period. During the period ended 30 June 2010, the Company issued bonus shares.

There were no potentially dilutive shares outstanding at any time during the period and, therefore, the dilutive earnings per share is equal to the basic earnings per share.

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
		<i>(Restated)</i>
Profit for the period (QR'000)	<u>418,018</u>	<u>952,352</u>
Weighted average number of shares outstanding during the period in thousands	<u>114,525,200</u>	<u>114,525,200</u>
Basic and diluted earnings per share (QR)	<u>3.65</u>	<u>8.32</u>

The weighted average numbers of shares have been calculated as follows:

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
Qualifying shares at beginning of the period	<u>114,525,200</u>	<u>72,025,200</u>
Effect of additional shares	<u>-</u>	<u>42,500,000</u>
Weighted average number of shares at the end of the period	<u>114,525,200</u>	<u>114,525,200</u>

6 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Movements of other comprehensive income		
<i>Cash flow hedges</i>		
Movement during the period	<u>(39,046)</u>	<u>(449,370)</u>
Total effect on other comprehensive loss resulting from hedging reserve	<u>(39,046)</u>	<u>(449,370)</u>
<i>Available-for-sale investments</i>		
Realised fair value gain on acquisition of Qatar Shipping Company Q.S.C.	-	(236,048)
Net movement in fair value reserve of investments	<u>95,947</u>	<u>119,401</u>
Realised gain on disposal of available-for-sale investments	<u>(806)</u>	<u>(27,204)</u>
Total effect on other comprehensive income (loss) resulting from available-for-sale investments	<u>95,141</u>	<u>(143,851)</u>

Qatar Navigation Q.S.C.

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7 PROPERTY, VESSELS AND EQUIPMENT

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Net book value, beginning balance	3,213,958	1,267,612
Additions	110,317	279,599
Additions relating to business combination	-	2,048,025
Disposals/ write off	(113)	(1,506)
Transfers to investment properties (Note 8)	(3,698)	-
Impairment of vessels	-	(177,392)
Depreciation charge for the period/ year	(103,367)	(202,380)
Net book value, ending balance	<u>3,217,097</u>	<u>3,213,958</u>

8 INVESTMENT PROPERTIES

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Net book value, beginning balance	708,460	578,980
Additions	2,360	15,591
Additions relating to business combination	-	137,100
Transfers from property, vessels and equipment (Note 7)	3,698	-
Depreciation charge for the period/ year	(15,782)	(23,211)
Net book value, ending balance	<u>698,736</u>	<u>708,460</u>

9 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>30 June 2010 (Unaudited) QR'000</i>
Bank balances and cash	609,685	600,934
Less: Bank overdrafts	-	(111,451)
	<u>609,685</u>	<u>489,483</u>

Bank balances and cash include short term deposit of QR 333,433,000 (30 June 2010: QR 304,239,000) with a maturity below 90 days.

Qatar Navigation Q.S.C.

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10 DIVIDENDS

During the current period, following the approval at the Annual General Assembly held on 6 April 2011, the Company paid a cash dividend of QR 4 per share totalling QR 458 million (2010 : QR 4 per share, totalling QR 288 million) relating to the year 2010.

11 COMMITMENTS

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Investments		
Uncalled portion of investments	<u>7,101</u>	<u>9,028</u>
Property, vessels and equipment		
Estimated capital expenditure approved but not contracted for as of the reporting date	<u>734,045</u>	<u>699,394</u>
Operating lease:		
	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Within one year	47,186	47,688
After one year but not more than five years	<u>133,720</u>	<u>185,534</u>
Total operating lease expenditure contracted for at the reporting date	<u>180,906</u>	<u>233,222</u>

12 CONTINGENT LIABILITIES

	<i>30 June 2011 (Unaudited) QR'000</i>	<i>31 December 2010 (Audited) QR'000</i>
Letters of guarantees	<u>453,753</u>	<u>835,227</u>
Letters of credits	<u>128,838</u>	<u>116,414</u>

13 OTHER FINANCIAL ASSETS AND FINANCIAL LIABILITIES**Hedge activities – cash flow hedges**

At 30 June 2011, the Group held two cash flow hedges as follows:

- (i) The Group through Qatar Shipping Company has entered into an interest rate swap contract to hedge its exposure to interest rate risk. At 30 June 2011, Company had an interest rate swap agreement in place with a notional amount of USD 14.186 million (31 December 2010: USD 15.466 million), whereby it receives a variable rate equal to LIBOR and pays a fixed rate of interest of 3.21% on the notional amount. The swap is being used to hedge the exposure to interest rate fluctuations on one of its loans. The term loan and interest rate swap have the same critical terms. The Company has recognised the negative fair value of the interest rate swap amounting to QR 1.583 million as at 30 June 2011 (31 December 2010: QR 2.096 million) in other payables with a corresponding entry to hedging reserve. These cash flow hedges were assessed to be highly effective. The fair value of the interest rate swaps are calculated by reference to the market valuation of the swap agreements.
- (ii) During the current period the Company's Subsidiary, Halul Offshore Services Company W.L.L. settled the remaining outstanding loan resulting in nil balance of hedging reserve as at 30 June 2011.

Fair value hierarchy

All financial instruments are carried at fair value and are categorised in three levels, defined as follows:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 - Valuation techniques (non-market observable)

As at 30 June 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	<i>30 June 2011 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Financial investments at fair value through profit or loss	213,687	213,687	-	-
Available-for-sale financial assets:				
Quoted shares	2,430,324	2,430,324	-	-
Unquoted shares	290,757	-	290,757	-
Investments in bonds	83,611	-	83,611	-
Interest rate swaps	1,583	-	1,583	

The Group does not hold credit enhancement or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

During the six months period ending 30 June 2011, 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.

14 RELATED PARTY DISCLOSURES

	<i>Six months ended 30 June</i>			
	<i>2011</i>		<i>2010</i>	
	<i>Sales</i>	<i>Purchases</i>	<i>Sales</i>	<i>Purchases</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Associate company	15,008	-	15,322	16
Directors	5,506	955	4,427	3,725
Other related parties	46,258	10,026	14,204	13
	66,772	10,981	33,953	3,754

Related party balances

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

	<i>30 June 2011</i>		<i>31 December 2010</i>	
	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>	<i>Trade</i>
	<i>receivables</i>	<i>payables</i>	<i>receivables</i>	<i>payables</i>
	<i>(Unaudited)</i>		<i>(Audited)</i>	
<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	
Associate company	271	-	2,964	-
Directors	4,528	-	4,182	-
Other related parties	1,940	2,229	28,145	-
	6,739	2,229	35,291	-

Compensation of directors and other key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>(Unaudited)</i>	
	<i>QR'000</i>	<i>QR'000</i>
Salaries and allowances	6,015	7,670
Employees' end of service benefits	2,141	1,875
	8,156	9,545

15 SEGMENT INFORMATION

For management reporting purposes, the Group is organised into business units based on their products and services and has 12 reportable operating segments as follows:

- Dubai operations- acts as a representative of Qatar Navigation Q.S.C. in the UAE and is engaged in containers shipping, agency services and logistic services.
- Commercial activities- includes Navigation Marine Service Centre (NMSC), Navigation Trading Agencies (NTA) and Navigation Travel and Tourism (NTT)

NMSC represents many international marine equipment companies which produce marine engines and navigation communication devices.

NTA provides a wide variety of activities and respond to the requirements of construction and building sector by providing different kinds of trailers, heavy equipment, cranes and trucks.

NTT is an IATA approved travel agent and provides travel facilities as well as hotel booking and tour facilities.

- Shipping agencies- offers a wide range of services to vessels calling Qatar ports as well as offshore support vessels and oil platforms, which include but are not limited to maintenance, repair, bunker and water supply, crew change, ship chandlery and other husbandry services.
- Port services- is engaged in the management of the Doha port and provides bulk activities at the Meesaid port and has undertaken the container operation at Meesaid port terminal number 7.
- Marine transport- is engaged in providing feeder services to large vessels docked at Jebel Ali to bring the cargo to Doha port.
- Navigation freight services- is engaged in the provision of logistics and other related support services to major industrial projects through its modern trucks, trailers, lowbeds, mobile cranes upto 450 tonne capacity and other equipment.
- Ship repair and fabrications is engaged in dry docking, steel fabrication, mechanical, machining, electrical works, dynamic balancing, motors rewinding, metal switching for cast iron, manufacturing of steel rope slings, hire of test weights and providing highly skilled manpower.
- Real estate- is engaged in the development and rentals of commercial properties.
- Qatar shipping- has fully as well as partly owned deep sea fleet traded worldwide and call at terminals operated by most of the major oil companies and leading international charterers.
- Halul offshore- is engaged in providing offshore services such as deep sea diving and anchor handling etc.
- Investments- is engaged in equity and fund management, predominantly at the Qatar Exchange.
- Qatar Quarries and Building Materials- is engaged in trading of building materials such as aggregates.

All of the above business segments are geographically located in the State of Qatar with the exception of Dubai operations located in the United Arab Emirates.

Qatar Navigation Q.S.C.

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At 30 June 2011

15 SEGMENT INFORMATION (continued)

Six month period ended 30 June 2011 (Unaudited)

	<i>Dubai Operations QR'000</i>	<i>Commercial Activities QR'000</i>	<i>Shipping agencies QR'000</i>	<i>Port Services QR'000</i>	<i>Marine Transport QR'000</i>	<i>Navigation Freight Services QR'000</i>	<i>Ship repair and Fabrication QR'000</i>	<i>Real Estate QR'000</i>	<i>Qatar Shipping QR'000</i>	<i>Halul Offshore QR'000</i>	<i>Investment QR'000</i>	<i>Qatar Quarries and Building Materials QR'000</i>	<i>PPA, impairment & adjustments QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Revenue																
External customers	54,217	212,780	24,372	50,998	115,246	14,632	14,287	67,588	140,929	283,388	89,318	75,898	-	1,143,653	-	1,143,653
Intersegment	154	31,218	1,322	37,611	4,479	6,991	9,225	16,387	-	-	-	-	-	107,387	(107,387) (i)	-
Total revenue	<u>54,371</u>	<u>243,998</u>	<u>25,694</u>	<u>88,609</u>	<u>119,725</u>	<u>21,623</u>	<u>23,512</u>	<u>83,975</u>	<u>140,929</u>	<u>283,388</u>	<u>89,318</u>	<u>75,898</u>	<u>-</u>	<u>1,251,040</u>	<u>(107,387)</u>	<u>1,143,653</u>
Results																
Segment profit	<u>510</u>	<u>7,588</u>	<u>6,382</u>	<u>8,098</u>	<u>6,482</u>	<u>(1,291)</u>	<u>4,647</u>	<u>30,339</u>	<u>115,648</u>	<u>115,010</u>	<u>91,092</u>	<u>4,583</u>	<u>(25,742)</u>	<u>363,346</u>	<u>57,005</u> (ii)	<u>420,351</u>
Depreciation and amortisation	<u>6,425</u>	<u>637</u>	<u>1,778</u>	<u>9,863</u>	<u>16,852</u>	<u>3,844</u>	<u>2,806</u>	<u>16,151</u>	<u>31,911</u>	<u>33,732</u>	<u>96</u>	<u>2,415</u>	<u>18,337</u>	<u>144,847</u>	<u>-</u>	<u>144,847</u>
Finance expense	<u>2,217</u>	<u>60</u>	<u>44</u>	<u>31</u>	<u>2,408</u>	<u>20</u>	<u>21</u>	<u>2,362</u>	<u>12,366</u>	<u>1,215</u>	<u>3,042</u>	<u>-</u>	<u>-</u>	<u>23,786</u>	<u>-</u>	<u>23,786</u>
Finance income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,963</u>	<u>1,564</u>	<u>8,552</u>	<u>240</u>	<u>-</u>	<u>26,319</u>	<u>-</u>	<u>26,319</u>

Qatar Navigation Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

15 SEGMENT INFORMATION (continued)

Six month period ended 30 June 2010 (Unaudited)

	<i>Dubai Operations QR'000</i>	<i>Commercial Activities QR'000</i>	<i>Shipping agencies QR'000</i>	<i>Port Services QR'000</i>	<i>Marine Transport QR'000</i>	<i>Navigation Freight Services QR'000</i>	<i>Ship repair and Fabrication QR'000</i>	<i>Real Estate QR'000</i>	<i>Qatar Shipping QR'000</i>	<i>Halul Offshore QR'000</i>	<i>Investment QR'000</i>	<i>Qatar Quarries and Building Materials QR'000</i>	<i>PPA, impairment & adjustments QR'000</i>	<i>Total segments QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Consolidated QR'000</i>
Revenue																
External customers	47,896	75,181	23,899	78,616	90,381	17,344	13,193	34,692	137,977	268,342	100,799	123,003	-	1,011,323	-	1,011,323
Intersegment	8	23,304	1,684		5,141	5,645	12,470	11	-	-	-	-	-	48,263	(48,263) (i)	-
Total revenue	47,904	98,485	25,583	78,616	95,522	22,989	25,663	34,703	137,977	268,342	100,799	123,003	-	1,059,586	(48,263)	1,011,323
Results																
Segment profit	4,391	11,226	13,409	10,246	6,388	1,797	6,480	14,447	111,592	126,469	91,878	(2,347)	(28,457)	367,519	583,992 (ii)	951,511
Depreciation and amortisation	6,322	688	1,596	9,950	13,918	3,912	4,087	7,851	30,508	27,714	90	3,285	21,052	130,973	-	130,973
Finance expense	67	62	60	-	11	18	-	206	12,874	1,887	13,006	1,047	-	29,238	-	29,238
Finance income	-	-	-	-	-	-	-	-	28,960	3,371	3,884	119	-	36,334	-	36,334

(i) Inter-segment revenues are eliminated on consolidation.

(ii) Segment profit does not include the following:

***For the six months ended
30 June***

<i>2011</i>	<i>2010</i>
<i>(Unaudited)</i>	
<i>QR'000</i>	<i>QR'000</i>

Share of results of the Company's associates	57,005	49,494
Gain from acquisition of Qatar Shipping Company Q.S.C. (Note 3)	-	298,450
Realised fair value gain from deemed disposal of available-for-sale investments (Note 3)	-	236,048
	57,005	583,992

16 COMPARATIVE INFORMATION

- (i) During the six months ended 30 June 2011, The Group changed the format of presentation of the income statement from the functional method of presentation to the nature of expense method of presentation which resulted in the following reclassifications:

	<i>Six months ended June 2010</i>				<i>As restated</i> <i>QR'000</i>
	<i>As previously reported</i>		<i>Adjustment</i> <i>relating to</i> <i>PPA</i> <i>(Note 3)</i> <i>QR'000</i>	<i>Intercompany</i> <i>adjustments</i> <i>(Note)</i> <i>QR'000</i>	
	<i>Operating</i> <i>expenses</i> <i>QR'000</i>	<i>General and</i> <i>Administrative</i> <i>expenses</i> <i>QR'000</i>			
Salaries, wages and other benefits	168,658	38,265	-	-	206,923
Operating supplies and expenses	313,943	3,382	-	(16,148)	301,177
Rent expenses	3,640	6,993	-	-	10,633
Depreciation and amortisation	97,999	11,921	21,053	-	130,973
Other operating expenses	33,808	27,907	413	-	62,128
<i>As previously reported</i>	<u>618,048</u>	<u>88,468</u>			

Further the previously reported operating revenues of the company were being restated to include the following adjustments

	<i>QR'000</i>
<i>Operating revenues</i>	
<i>As previously reported</i>	875,323
Rental income	34,686
Intercompany adjustments (<i>Note i</i>)	(16,148)
Investment and interest revenues	153,796
Finance income disclosed on the face of the income statement	<u>(36,334)</u>
<i>As restated</i>	<u>1,011,323</u>

Notes:

- (i) Intercompany adjustments represent amounts eliminated on account of intercompany transactions with respect to subsidiary companies.
- (ii) The previously reported income statement has been restated as explained in Note 3 to the financial statements to reflect the completion of the final purchase price allocation during the quarter ending September 2010.
- (iii) Reclassifications have been made by the Group to improve the quality of information presented.