

## IMPORTANT NOTICE

### **THIS PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following notice before continuing. The following notice applies to the attached prospectus following this page (the **Prospectus**), whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications made to them from time to time, each time you receive any information from SoQ Sukuk A Q.S.C. (the **Issuer**), SoQ Sukuk B Q.S.C. (the **Obligor**) and the State of Qatar (the **State**) as a result of such access.

**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE TRUST CERTIFICATES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY TRUST CERTIFICATE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE TRUST CERTIFICATES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (**REGULATION S**)) EXCEPT IN AN OFFSHORE TRANSACTION PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S. WITHIN THE UNITED KINGDOM, THIS PROSPECTUS IS DIRECTED ONLY AT (A) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE **FP ORDER**) OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE FP ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE FP ORDER (ALL SUCH PERSONS IN (A), (B) AND (C) ABOVE TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). THIS PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "SUBSCRIPTION AND SALE".

IF THE TRUST CERTIFICATES DO NOT CONSTITUTE "ALTERNATIVE FINANCE INVESTMENT BONDS" WITHIN THE MEANING OF ARTICLE 77A OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (REGULATED ACTIVITIES) (AMENDMENT) ORDER 2010 (THE **NON-REGULATORY AFIBS**), THEY WILL REPRESENT INTERESTS IN A COLLECTIVE INVESTMENT SCHEME (AS DEFINED IN THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE **FSMA**)) WHICH HAS NOT BEEN AUTHORISED, RECOGNISED OR OTHERWISE APPROVED BY THE FINANCIAL SERVICES AUTHORITY. ACCORDINGLY, THIS PROSPECTUS IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE DISTRIBUTION IN THE UNITED KINGDOM OF THIS PROSPECTUS AND ANY OTHER MARKETING MATERIALS RELATING TO THE TRUST CERTIFICATES (A) IF EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FP ORDER AND (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE FP ORDER AND (B) IF THE TRUST CERTIFICATES ARE NON-REGULATORY AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, IS BEING ADDRESSED TO, OR DIRECTED AT, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONAL AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (**THE PROMOTION OF CISS ORDER**), (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSON DESCRIBED IN ARTICLE 22 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE PROMOTION OF CISS

ORDER AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE PROMOTION OF CISS ORDER. (ALL SUCH PERSONS IN (A)(I), (A)(II), (B) (I), (B)(II) AND (B)(III) ABOVE TOGETHER BEING REFERRED TO AS **RELEVANT PERSONS**). PERSONS OF ANY OTHER DESCRIPTION IN THE UNITED KINGDOM MAY NOT RECEIVE AND SHOULD NOT ACT OR RELY ON THIS PROSPECTUS OR ANY OTHER MARKETING MATERIALS IN RELATION TO ANY TRUST CERTIFICATES.

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be eligible to view the Prospectus or make an investment decision with respect to the Trust Certificates described herein, (1) each prospective investor in respect of the Trust Certificates being offered outside of the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person and (2) each prospective investor in respect of the securities being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to Barwa Bank (Q.S.C.), Deutsche Bank AG, London Branch, HSBC Bank plc, QInvest L.L.C. and Standard Chartered Bank (the **Joint Lead Managers**) and to Masraf Al Rayan Q.S.C., NCB Capital Company, Qatar International Islamic Bank (Q.S.C.) and Samba Financial Group (the **Co-Managers**, together with the Joint Lead Managers, the **Managers**) that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the attached document has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction, including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Trust Certificates being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, and (4) you consent to delivery by electronic transmission, (5) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Managers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Trust Certificates.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver or disclose the contents of the Prospectus, electronically or otherwise, to any other person and in particular to any U.S. Person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received this Prospectus by e-mail, you should not reply by e-mail. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you received this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Manager or any affiliate of the relevant Manager is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the relevant Manager or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached document who intend to subscribe for or purchase the Trust Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the final prospectus.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Managers, the Issuer, the Obligor, the State nor any person who controls or is a director, officer, employee or agent of any Joint Lead Manager, the Issuer, the Obligor, the State nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from each Manager.

**The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the attached document comes are required by the Managers, the Issuer, the Obligor and the State, to inform themselves about, and to observe, any such restrictions.**



## SoQ Sukuk A Q.S.C.

(An Article 68 Company incorporated in the State of Qatar)

**U.S.\$2,000,000,000 Trust Certificates due 2018**

**U.S.\$2,000,000,000 Trust Certificates due 2023**

The U.S.\$2,000,000,000 Trust Certificates due 2018 (the 2018 **Trust Certificates**) and the U.S.\$2,000,000,000 Trust Certificates due 2023 (the 2023 **Trust Certificates** and together with the 2018 Trust Certificates, the **Trust Certificates** and each a **Series**) of the SoQ Sukuk A Q.S.C. (in its capacity as issuer, the **Issuer**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 18 July 2012 (the **Closing Date**) entered into between the State of Qatar (the **State or Qatar** or the **Guarantor**), the Issuer (in its capacity as trustee for and on behalf of the Certificateholders (as defined herein), the **Trustee**) and Deutsche Trustee Company Limited (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) in respect of each Series upon trust absolutely for the Certificateholders of that Series *pro rata* according to the face amount of the relevant Trust Certificates held by each such Certificateholder in accordance with the Declaration of Trust and the terms and conditions of such Trust Certificates (the **Conditions**).

On 18 January and 18 July in each year, commencing on 18 January 2013 (each a **Periodic Distribution Date**), the Trustee will pay Periodic Distribution Amounts (as defined herein) to the relevant Certificateholders, calculated at the rate of (i) in the case of the 2018 Trust Certificates, 2.099 per cent. per annum on the outstanding face amount of the 2018 Trust Certificates as at the beginning of the relevant Periodic Distribution Period (as defined herein), and (ii) in the case of the 2023 Trust Certificates 3.241 per cent per annum on the outstanding face amount of the 2023 Trust Certificates as at the beginning of the relevant Periodic Distribution Period, in each case on a 30/360 day basis.

The Trustee will pay such Periodic Distribution Amounts solely from the proceeds received in respect of the Trust Assets which include rental payments by the State in its capacity as lessee (the **Lessee**) under the Lease Agreement (as defined herein), which rental payments will be equal to the Periodic Distribution Amounts payable to the relevant Certificateholders on each Periodic Distribution Date.

Unless previously redeemed or cancelled in the circumstances described in Conditions 11.2 (*Dissolution following a Total Loss Event*), and 14 (*Dissolution Events*), the 2018 Trust Certificates will be redeemed on the Periodic Distribution Date falling on 18 January 2018 and the 2023 Trust Certificates will be redeemed on the Periodic Distribution Date falling on 18 January 2023 (each a **Scheduled Dissolution Date**) at the Dissolution Amount (as defined herein). The Trustee will pay Dissolution Amounts solely from the proceeds received in respect of the relevant Trust Assets (subject to the terms set forth herein) which include payments by SoQ Sukuk B Q.S.C. (the **Obligor**) under the Purchase Undertakings (as defined herein.)

The Guarantor will pursuant to a guarantee (the **Guarantee**) unconditionally and irrevocably guarantee the due and punctual payments of all amounts payable by the Obligor under the Purchase Undertakings, the Redemption Undertakings and the Substitution Undertakings (each as defined herein).

**The Trust Certificates will be limited recourse obligations of the Issuer. An investment in Trust Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".**

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Trust Certificates to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for the Trust Certificates to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). References in this Prospectus to Trust Certificates being **listed** (and all related references) shall mean that such Trust Certificates have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List.

The Trust Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Trust Certificates are subject to U.S. tax law requirements. Subject to certain exceptions, the Trust Certificates may not be offered, sold or delivered within the United States. For a description of certain restrictions on offers and sales of the Trust Certificates and on the distribution of this Prospectus, see "*Subscription and Sale*".

It is expected that delivery of the Trust Certificates will be made to investors in book-entry form through Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), on or about the Closing Date. The Trust Certificates of each Series will be issued in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **Authorised Denomination**). Each Series will be represented by a global certificate in registered form (each a **Global Certificate**) deposited on or about the Closing Date with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream. Interests in each Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Definitive Certificates evidencing holdings of interests in the Trust Certificates of a Series will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described herein.

No offer of the Trust Certificates may be made to or by any person in the Dubai International Financial Centre (**DIFC**) unless such offer is an "Exempt Offer" for the purposes of the Markets Rules (MKT) Module of the DFSA Rulebook issued by the Dubai Financial Services Authority (the **DFSA**). Persons into whose possession this Prospectus or any Trust Certificates may come must inform themselves about the nature of the Trust Certificates as a restricted security and observe any applicable restrictions in any relevant jurisdiction on the distribution of this Prospectus and the offering, purchase and sale of the Trust Certificates. The DFSA has no responsibility for reviewing or verifying any documents in connection with the Trust Certificates and has not approved this Prospectus nor taken steps to verify the information set out in and has no responsibility for this Prospectus.

Each Series of Trust Certificates is expected to be assigned ratings of Aa2 by Moody's Investors Service Ltd. (**Moody's**) and AA by Standard & Poor's Rating Services, a subsidiary of The McGraw Hill Companies, Inc. (**S&P**). Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold the Trust Certificates, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisations. Please also refer to "*Credit Ratings may not reflect all risks*" in the Risk Factors section of this Prospectus.

The transaction structure relating to the Trust Certificates (as described in this Prospectus) has been approved by HSBC Amanah Central Shariah Committee, Standard Chartered Bank Shariah Supervisory Committee, QInvest Shari'a Supervisory Board, Deutsche Bank AG Shari'a Advisor and Barwa Bank's Shariah Board. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

### Joint Lead Managers

Barwa Bank      Deutsche Bank      HSBC      QInvest      Standard Chartered Bank

### Co-Managers

Masraf Al Rayan      NCB Capital Company      Qatar International Islamic Bank      Samba Financial Group

The date of this Prospectus is 16 July 2012.

This document comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended by Directive 2010/73/EU (together, the **Prospectus Directive**) and for the purpose of giving information with regard to the Issuer, the State and the Trust Certificates which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Obligor and the State of the Trust Certificates.

The Trust Certificates to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Trust Certificates offered should conduct their own due diligence on the Trust Certificates. If you do not understand the contents of this Prospectus you should consult an authorised financial adviser.

Each of the Issuer, the Obligor and the State accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer, the Obligor and the State (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised by the Issuer, the Obligor or the State to give any information or to make any representation not contained in or not consistent with this Prospectus in connection with the offering of the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Obligor, the State, the Managers (as defined under "*Subscription and Sale*"), the Trustee, the Delegate, the Agents (each as defined herein) or any other person. Neither the delivery of this document nor any sale of any Trust Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Trust Certificates is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate and the Managers expressly do not undertake to review the financial condition or affairs of the Issuer, the Obligor or the State during the life of the Trust Certificates or to advise any investor in the Trust Certificates of any information coming to their attention.

None of the Managers or the Delegate has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Issuer, the Obligor or the State in connection with the offering of Trust Certificates.

Neither this Prospectus nor any other information supplied in connection with the offering of Trust Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Obligor, the State, the Managers, the Trustee or the Delegate that any recipient of this Prospectus or any other information supplied in connection with the offering of Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing any Trust Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Obligor and the State. None of the Managers, the Trustee or the Delegate accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer or the State in connection with the offering of the Trust Certificates.

No comment is made or advice given by the Issuer, the Obligor, the State, the Managers, the Trustee or the Delegate in respect of taxation matters relating to any Trust Certificates or the legality of the purchase of the Trust Certificates by an investor under any applicable law.

The Trust Certificates may not be a suitable investment for all investors. Each potential investor in the Trust Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates, the merits and risks of investing in the Trust Certificates and the information contained in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including where the currency of payment is different from the potential investor's currency; (iv) understand thoroughly the terms of the Trust Certificates and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY TRUST CERTIFICATES.**

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. None of the Issuer, the Obligor, the State, the Managers, the Trustee or the Delegate represents that this Prospectus may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the State, the Managers, the Trustee or the Delegate which is intended to permit a public offering of any Trust Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of the Trust Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the Cayman Islands, the DIFC, Hong Kong, Japan, Malaysia, the Kingdom of Saudi Arabia, Singapore, Qatar (excluding the Qatar Financial Centre), the Qatar Financial Centre and the United Arab Emirates (excluding the DIFC), see "*Subscription and Sale*".

This Prospectus has been prepared on the basis that any offer of Trust Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Trust Certificates. Accordingly, any person making or intending to make an offer in that Relevant Member State of Trust Certificates which are the subject of the offering contemplated in this Prospectus may only do so in circumstances in which no obligation arises for the Trustee, the Issuer, the Obligor, the State or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive in relation to the Offer. None of the Trustee, the State, the Issuer, the Obligor or any Manager have authorised, nor do they authorise, the making of any offer of Trust Certificates in circumstances in which an obligation arises for the Trustee, the State, the Issuer, the Obligor or any Manager to publish or supplement a prospectus for such offer.

None of the Managers, the Trustee, the Issuer, the Obligor, the State or the Delegate makes any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time.

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the State believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

**NOTICE TO UNITED KINGDOM RESIDENTS**

**Trust Certificates to be issued as part of the offering which do not constitute "alternative finance investment bonds" within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the FSMA)) which has not been authorised, recognised or otherwise approved by the Financial Services Authority. Accordingly, this Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.**

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Trust Certificates (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the *Financial Promotion Order*) and (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc) of the Financial Promotion Order and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the *Promotion of CISs Order*), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to any Trust Certificates.

Potential investors in the United Kingdom are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in any Trust Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Prospectus should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

#### **NOTICE TO KINGDOM OF BAHRAIN RESIDENTS**

The Central Bank of Bahrain and the Bahrain Stock Exchange assume no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaim any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Prospectus. Each potential investor resident in Bahrain intending to subscribe for Trust Certificates (each, a **potential investor**) may be required to provide satisfactory evidence of identity and, if so required, the source of funds to purchase Trust Certificates within a reasonable time period determined by the Issuer, the Obligor, the State and the Managers. Pending the provision of such evidence, an application to subscribe for Trust Certificates will be postponed. If a potential investor fails to provide satisfactory evidence within the time specified, or if a potential investor provides evidence but none of the Issuer, the State or the Managers are satisfied therewith, its application to subscribe for Trust Certificates may be rejected in which event any money received by way of application will be returned to the potential investor (without any additional amount added thereto and at the risk and expense of such potential investor). In respect of any Bahraini potential investors, the Issuer and the State will comply with Bahrain's Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and various Ministerial Orders issued thereunder including, but not limited to, Ministerial Order No. (7) of 2001 with respect to Institutions' Obligations Concerning the Prohibition and Combating of Money Laundering.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Trust Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Trust Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or the State and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

## NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Trust Certificates have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (**Qatar**) in a manner that would constitute a public offering. This Prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority. This Prospectus is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

## KINGDOM OF SAUDI ARABIA NOTICE

This Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the **Capital Market Authority**).

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective purchasers of the Trust Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If a prospective purchaser does not understand the contents of this Prospectus he or she should consult an authorised financial adviser.

## PRESENTATION OF FINANCIAL INFORMATION

The historical financial information relating to Qatar Petroleum (**QP**) contained in this Prospectus has been extracted from QP's historical audited consolidated financial statements, which are prepared in Qatari riyals in accordance with the requirements of Decision No. (6) of 1976 (as amended) of the Council of Ministers and the accounting policies stipulated in QP's consolidated financial statements (the **QP Accounting Standards**). Unless otherwise indicated, the financial information relating to QP has been extracted from: (i) in the case of the years ended 31 December 2011 and 2010, from the audited financial statements of QP as at and for the financial year ended 31 December 2011 (including the comparative information as at and for the financial year ended 31 December 2010) and (ii) in the case of the year ended 31 December 2009, from the audited financial statements of QP as at and for the financial year ended 31 December 2009 (the **Financial Statements**). The Financial Statements have been prepared in accordance with QP Accounting Standards and have been audited by Ernst & Young Qatar (**Ernst & Young**). During the year ended 31 December 2011, QP reclassified certain line items to improve the quality of the information presented in the financial statements. As a result, comparative amounts for the year ended 31 December 2010 (as set out in the financial statements for the year ended 31 December 2011) were reclassified to conform to the presentation adopted in the year ended 31 December 2011. QP Accounting Standards differ from United States generally accepted accounting principles (**U.S. GAAP**) and International Financial Reporting Standards (**IFRS**). This Prospectus does not include a copy of QP's historical consolidated financial statements. Neither the State nor QP has presented any reconciliation of the financial information set out in this Prospectus to U.S. GAAP or IFRS, nor given any information in relation to the differences between QP Accounting Standards and U.S. GAAP or IFRS. See "*Risk Factors—Certain of the financial information in respect of QP contained in this Prospectus has been extracted from QP's historical consolidated financial statements, which are not prepared in accordance with U.S. GAAP or IFRS*". In addition, certain of QP's historical consolidated financial information included in this Prospectus is derived from historical consolidated financial statements that were restated following their initial publication to reflect, among other things, subsequent changes made to QP Accounting Standards.

QP's consolidated financial statements are prepared in Qatari riyals. There is also included in this Prospectus certain financial information derived from QP's historical consolidated financial statements in U.S. dollars for convenience only.

In this Prospectus, all references to "**QR**," "**Qatari riyals**" and "**riyals**" are to the lawful currency for the time being of Qatar, and all references to "**dollars**," "**U.S. dollars**," "**\$**" and "**U.S.\$**" are to the lawful currency for the time being of the United States of America. Translations of amounts from riyals to U.S. dollars in this Prospectus are solely for the convenience of the reader. The riyal has been pegged to the U.S. dollar since 1971. Since 1980, the peg has been effectively set at a fixed exchange rate of 3.64 riyals per U.S. dollar and this rate was officially adopted in 2001. Accordingly, translations of amounts from riyals to U.S. dollars have been made at this exchange rate for all periods presented in this Prospectus.



Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## PRESENTATION OF CERTAIN RESERVES INFORMATION

The United States Securities and Exchange Commission (the **SEC**) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. Certain terms in this Prospectus are used in referring to reserves in Qatar, such as “**proven**” and “**expected**” reserves, that the SEC’s guidelines would prohibit Qatar from including in filings with the SEC if Qatar was subject to the reporting requirements under the U.S. Exchange Act.

The State believes that the “**proven**” and “**expected**” classifications are similar to, but do not directly correspond with, the definitions of “**proved**” and “**proved plus probable**” reserves used by the Society of Petroleum Engineers. Proven reserves are defined in this Prospectus as reserves that are equal to proven ultimate recovery minus cumulative production. Proven ultimate recovery includes:

- (i) the ultimate recovery that is assigned to areas defined by wells that have been drilled and the ultimate recovery that can be obtained from locations falling within areas defined by geological and engineering information, provided that there is no reasonable doubt as to their productivity;
- (ii) the ultimate recovery to be obtained from reservoirs which have proved to be productive by production tests, but which are not yet developed to the stage of production; and
- (iii) the ultimate recovery to be obtained from successful application of supplementary recovery methods, based on experience gained from pilot tests or actual practices in similar reservoir conditions.

Expected reserves are defined as reserves that are equal to expected ultimate recovery minus cumulative production. Expected ultimate recovery is the volume of hydrocarbons which is expected to be recoverable, based on geological and engineering information, from either tested or untested reservoirs that have been penetrated by wells. The expected volumes are discounted by factors related to the uncertainty of production.

Certain reserves information presented in this Prospectus is based on an annual review of reserves compiled by the Oil and Gas Ventures Directorate within QP. As of the date of this Prospectus, the most recent annual review of reserves was dated as of 1 January 2011. As a matter of QP policy, proven and expected gas reserves for the North Field are presented as the same value. The annual review of reserves has not been reviewed by an independent consultant for the purposes of this offering. See “*Risk Factors—Risks Relating to Qatar—Information on hydrocarbon reserves is based on estimates that have not been reviewed by an independent consultant for the purposes of this offering*”.

## PRESENTATION OF HYDROCARBON DATA

Information relating to production, transportation and sales of processed gas is presented in standard cubic feet. Information relating to production, transportation and sales of liquefied natural gas (**LNG**) and liquefied petroleum gas (**LPG**) (propane and butane) is presented in tons, a unit of measure that reflects the mass of the relevant hydrocarbon. Information relating to the production, transportation and sale of condensate and gas-to-liquid (**GTL**) products is presented in barrels. One barrel equals 42 U.S. gallons or 158.9873 litres.

All converted data in this Prospectus with respect to natural gas, LNG, condensates, LPGs and dry gas are estimates only and actual volumes may differ. For information on dry gas, normal cubic meters have been converted to standard cubic feet, with one actual cubic meter equivalent to 37.32584 standard cubic feet. This is not a straight volumetric conversion as normal cubic meters are measured at one bar and zero degrees Centigrade, while standard cubic feet are measured at one bar and 60 degrees Fahrenheit. Propane has been converted based on 12.40 barrels per ton and normal butane has been converted based on 10.94 barrels per ton.

Proven and expected reserves of natural gas have been converted to barrels of oil equivalent in this Prospectus using the BP Statistical Review methodology, which converts gas to barrels of oil equivalent on a calorific basis according to a conversion factor of one billion cubic feet of gas to 0.18 million barrels of oil equivalent.

Barrel measurements for volumes sold will vary from volumes produced and will differ between the oil produced onshore, which is lighter and sweeter, and the oil produced offshore, which is heavier and more sour.

The information provided in this Prospectus on production capacity includes an allowance for plant reliability, and as a result does not represent peak through-put capacity for the relevant plant or equipment. Production capacity data is consistent with expected typical average production rates. Volumes presented for production capacity following completion of construction are forward-looking projections based upon engineering estimates and actual performance may vary.

References in this Prospectus to **tons** are to metric tons. One ton in this Prospectus equals 1,000 kilograms. References in this Prospectus to **mta** are to million tons per annum. References in this Prospectus to **tpa** are to tons per annum and references to **tpd** are to tons per day. References in this Prospectus to **mcf** are to million standard cubic feet, references to **bcf** are to billion standard cubic feet and references to **trcf** are to trillion standard cubic feet. Certain other abbreviations used have the meanings given to such terms in the Glossary.

## PRESENTATION OF CERTAIN OTHER DATA RELATED TO QATAR

Unless otherwise stated, all annual information contained in this Prospectus in respect of the State, other than budgetary information, has been prepared on the basis of calendar years. Certain figures included in this Prospectus have been rounded and, as a result, the totals of the figures presented may vary slightly from the actual arithmetic totals of such figures.

The statistical information in this Prospectus has been derived from a number of different identified sources. All statistical information provided in this Prospectus may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times.

Statistical data and other financial information presented herein related to Qatar, in particular, information presented under “Overview of the State of Qatar,” “The Economy of Qatar,” “Monetary and Financial System,” “Public Finance,” “Indebtedness” and “Balance of Payments”, is based on information made available by governmental agencies and entities of Qatar, including the Ministry of Economy and Finance, QP, the Qatar Central Bank (the **QCB**) and the Qatar Statistics Authority (the **QSA**).

Some of the data appearing in this Prospectus under “Overview of the State of Qatar,” “The Economy of Qatar,” “Monetary and Financial System,” “Public Finance,” “Indebtedness” and “Balance of Payments” has been obtained from: (i) sources such as the 2010 and 2011 Annual Reports issued by the QCB; the Quarterly Statistical Bulletins dated January 2011, June 2011, September 2011 and December 2011 issued by the QCB; the February 2012 Monthly Monetary Bulletin issued by the QCB; the Financial Stability Review 2010 issued by the QCB; the Qatar Economic Outlook 2011-2012 issued by the General Secretariat for Development Planning; the National Development Strategy 2011-2016 issued by the General Secretariat for Development Planning; the Qatar National Vision 2030 issued by the General Secretariat for Development Planning; the 2010 Census Report issued by the QSA; the 2009 Statistical Appendix issued by the U.S. Energy Information Administration entitled “International Energy Outlook 2009;” the CIA Factbook; and reports issued by the QSA; (ii) third-party industry expert reports; (iii) Qatari press reports and publications, edicts and resolutions of Qatar; and (iv) statistics and data available on the official QSA, QCB and Qatar Information Exchange websites. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. The State has relied on the accuracy of such aforementioned information without carrying out an independent verification thereof and cannot guarantee their accuracy. The State confirms that such information has been accurately reproduced, and, as far as the State is aware and is able to ascertain from information published by such sources, no facts have been omitted from the information in this Prospectus that would render it inaccurate or misleading.

Prospective investors in the Trust Certificates should review the description of the economy of Qatar and the public finances of Qatar set forth in this Prospectus in light of the following observations. Statistics contained in this Prospectus, including those in relation to nominal gross domestic product (**GDP**), balance of payments, revenues and expenditure of the State, inflation in and indebtedness of Qatar, have been obtained from, among others, the Ministry of Economy and Finance, QP, the QCB and the QSA. Such statistics, and the component data on which they are based, may be unreliable and may not have been compiled in the same manner as data provided by similar sources in Western

Europe and the United States. Similar statistics may be obtainable from other sources, although the underlying assumptions, methodology and consequently the resulting data may vary from source to source. There may also be material variances between preliminary or estimated data set forth in this Prospectus and actual results, and between the data set forth in this Prospectus and corresponding data previously published by or on behalf of Qatar. In particular, measurements of GDP and exports are often revised to account for the final settlement of hydrocarbon exports. In July 2011, the QSA restated certain historical GDP data in an attempt to more accurately reflect the economy of Qatar. Additionally, as part of a movement to harmonise statistics across the GCC, the Qatari Consumer Price Index was recalculated to use a base year of 2007 instead of 2006. Due to deficiencies in the availability of certain data, some information for recent years, including certain export data for 2010 and 2011, is not available as of the date of this Prospectus. Consequently, the statistical data contained in this Prospectus should be treated with caution by prospective investors.

## **ENFORCEMENT OF JUDGEMENTS AND SERVICE OF PROCESS IN QATAR**

The Issuer is an Article 68 company incorporated on 4 July 2012 in the State of Qatar. There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar on the one hand and England on the other. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions of Articles 379 and 380 of the Civil and Commercial Procedure Law, which provides, in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (i) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (ii) the parties to the action were properly served with notice of proceedings and properly represented; (iii) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (iv) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar. A Qatari court would be entitled to call for textual evidence on the laws of England concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in England and the Qatari court would then be entitled to execute the judgment of the English court upon those conditions. Accordingly, although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar to enforce such judgment it would still be necessary to initiate proceedings in Qatar. Law No. (18) of 1996 Amending Certain Provisions of Law No. (10) of 1987 in respect of the Public and Private Properties of the State of Qatar provides that the assets of the State which are designated for a public service or as a public utility may not be disposed of in any manner. All the foregoing assets and any other assets of the State will be immune from enforcement, however, the foregoing restrictions and immunity can be waived contractually in the context of financial, commercial or industrial transactions. For all other properties, the immunity can be waived contractually. The waiver of sovereign immunity has never been tested before a Qatari court or any other authority in Qatar.

## **STABILISATION**

**SUBSEQUENT TO THE ISSUE OF THE TRUST CERTIFICATES, THE MANAGERS NAMED AS STABILISING MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE TRUST CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE TRUST CERTIFICATES. ANY STABILISATION ACTION SHALL BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

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## **RISK FACTORS**

*The purchase of any Trust Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Trust Certificates. Before making an investment decision, prospective purchasers of Trust Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.*

*Each of the Issuer (also, in its capacity as Trustee), the Obligor and the State believes that the factors described below represent the principal risks inherent in investing in Trust Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Trust Certificate may occur for other reasons and neither the Issuer, the Obligor nor the State represents that the statements below regarding the risks of holding any Trust Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer, the Obligor or the State or which the Issuer, the Obligor or the State currently deems immaterial, that may impact any investment in Trust Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in “Form of the Trust Certificates” and “Terms and Conditions of the Trust Certificates” shall have the same meanings in this section.*

### **Risk factors relating to the Issuer**

The Issuer is a newly formed entity and has no operating history. The Issuer will not engage in any business activity other than the issuance of the Trust Certificates, the acquisition of the Trust Assets as described herein, in its capacity as Certificateholders’ Agent and Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Issuer’s only material assets, which it will hold in its name and on behalf of Certificateholders in its capacity as Certificateholders’ Agent and Trustee, will be the Trust Assets, including its right to receive payments under the Lease Agreement and the Purchase Undertaking. Therefore the Issuer is subject to all the risks to which the State is subject to the extent that such risks could limit the State’s ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. See “*Risk factors relating to Qatar*” below for a further description of these risks.

The ability of the Trustee to pay amounts due on the Trust Certificates will primarily be dependent upon receipt by the Issuer from the Lessee of all amounts due under the Lease Agreement and from the State under the Purchase Undertaking which, in the aggregate, may not be sufficient to meet all claims under the Trust Certificates and the Transaction Documents.

### **Risk factors relating to the Obligor**

The Obligor is a newly formed entity and has no operating history. The Obligor will not engage in any business activity other than as described herein, and other activities incidental or related to the foregoing as required under the Transaction Documents.

### **Risk Factors relating to Qatar**

*Investing in securities involving emerging markets generally involves a higher degree of risk*

Investing in securities involving emerging markets, such as Qatar, generally involves a higher degree of risk than investments in securities of issuers from more developed countries. These higher risks include, but are not limited to, higher volatility, limited liquidity, limited export diversification, dependency on imports and changes in the legal, economic and political environment. Qatar’s economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In any event, there can be no assurance that the market for securities bearing emerging market risk, such as the Trust Certificates, will not be affected negatively by events elsewhere, especially in emerging markets.

*Changes in global or regional prices or supply of natural gas, crude oil and other hydrocarbons, and any decline in Qatar's future production of hydrocarbons, may materially and adversely impact the State's revenues and the financial condition of the State*

The State's revenues are affected by international oil and natural gas prices, which have fluctuated widely over the past two decades. The oil and gas sector contributed 85.14% and 81.16% to the annual revenues of the State in the fiscal years ended 31 March 2011 and 2012, respectively, while contributing 51.7% and 57.7% to Qatar's total nominal GDP for the years ended 31 December 2010 and 2011, respectively. International prices for crude oil have fluctuated substantially as a result of many factors, including global demand for oil and natural gas, changes in governmental regulations, weather, general economic conditions and competition from other energy sources. Furthermore, as crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and petrochemical prices. The price of crude oil (based on West Texas Intermediate spot) has averaged U.S.\$101.29 per barrel between 1 January 2012 and 31 May 2012, compared to U.S.\$98.86 per barrel for the same period in 2011. In addition, the price of crude oil has fallen from its 2008 monthly average peak of U.S.\$133.93 per barrel in June 2008 to U.S.\$94.68 per barrel in May 2012.

International prices for natural gas have also fluctuated significantly in the past depending on global supply and demand and the availability and price of alternative energy sources. The development of fracking technology in the United States has increased both United States gas reserves and gas production, which has led to depressed gas prices in the United States and a divergence of those gas prices from prices in Asia and Europe. For example, on 31 May 2012, the Henry Hub spot price in the United States was U.S.\$2.35 per mbtu while the Asian spot price based on Japanese crude cocktail (JCC) prices on 14 June 2012 was U.S.\$126.93 per barrel and the British National Balancing Point spot price on 13 June 2012 (the date of the latest available data) was U.S.\$8.47 per mbtu. Qatar's ability to benefit from higher Asian and European gas prices may be negatively affected by a number of LNG projects coming on stream in the next several years that will increase the supply of LNG, including large LNG projects in Australia which are close to the Asian market and consequently any surplus delivered to the Asian market may negatively impact the Asian gas market. This, together with other factors such as the global economic downturn, could put further downward pressure on natural gas prices.

In the past, Qatar has been able to partially offset lower hydrocarbon prices by increases in hydrocarbon production, but the future rate of growth in Qatar's hydrocarbon production is expected to slowdown. Most of Qatar's oilfields are mature and oil production may have peaked in 2011. Additionally, the reserves at Al Shaheen, one of Qatar's most productive oil fields, were recently reduced after drilling results led to a reserves reassessment. Qatar is also approaching the end of a 20 year development cycle for LNG projects and LNG production is expected to plateau in the near future. With a moratorium on the development of new gas projects in the North Field in place (excluding the Barzan gas pipeline project which is targeted for local consumption), and given the long lead time to develop gas projects, Qatar may not be able to significantly increase gas production in the near future through new gas projects.

Thus, any material reduction in the prices of natural gas, crude oil and other hydrocarbons may have a significant impact on the value of the State's reserves and may materially adversely impact the State's revenues and the financial condition of the State. QP, which manages the State's interests in all oil, gas, petrochemical and refining enterprises in Qatar and abroad, does not currently engage in hedging activities to mitigate against fluctuations in natural gas or crude oil prices and, accordingly, any material reduction in the price of natural gas or crude oil may materially adversely affect the financial condition of the State.

*The global financial crisis had, and current economic downturn has had and may continue to have, an impact on the financial condition of the State, including on Qatar's financial sector, and may expose the State to certain additional liabilities*

As widely reported, global economic conditions have deteriorated over the period since 2008. Financial markets in the United States, Europe and Asia have experienced a period of unprecedented turmoil and upheaval characterised by extreme volatility and declines in security prices, severely diminished liquidity and credit availability, inability to access capital markets, the bankruptcy, failure, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States government and other governments. Unemployment has risen while business and consumer confidence have declined and fears of a prolonged global recession remain.

Although the State cannot predict the impact on Qatar of these deteriorating economic conditions, such conditions could result in the State or one of its agencies being required to provide financial support to Qatar's financial sector or other sectors of the economy. For example, starting in early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector and between 2009 and 2011 purchased equity ownership interests of up to 20% in all domestic banks listed on the Qatar Exchange. In addition, on 9 March 2009, the QIA began to purchase the investment portfolios of seven of the nine domestic banks listed on the Qatar Exchange. These purchases were completed on 22 March 2009 at a total purchase price of approximately QR6,500 million (U.S.\$1,786 million). In early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QR15,000 million (U.S.\$4,121 million). The total support by the QIA to the banking sector, which includes equity injections, purchases of real estate and investment portfolios in domestic banks, has been QR32,700 million (U.S.\$8,984 million).

Should economic conditions in Qatar deteriorate again, the State may find it necessary to assume responsibility for the financial liabilities of both State-owned and non-State-owned enterprises in Qatar. Any such intervention by the State could materially adversely affect the economy and financial condition of the State, and expose the State to additional liabilities and reduce amounts available to the State to fund ongoing and future projects. Additionally, due to capital expenditures and past interventions, the State's ratio of total indebtedness to nominal GDP increased from 7.8% as of 31 March 2008 to 41.9% as of 31 March 2012. The State's ability to intervene in the future may be limited due to these increased levels of indebtedness.

*The future revenues of the State may be negatively impacted if QP and its joint ventures are unable to deliver LNG under their long-term sale and purchase agreements*

Certain of QP's joint ventures have entered into long-term sale and purchase agreements for the supply of LNG to third parties. If any of QP's drilling, shipping or other transportation activities were to permanently cease to operate or be interrupted in the future, for reasons other than force majeure, these joint ventures may be exposed to significant contractual liabilities, which may negatively impact QP's financial condition and results of operations and, accordingly, the revenues of the State. Any such interruption in the supply of LNG could materially adversely affect the revenues to the State generated by QP, thereby impacting the ability of the State to finance its obligations.

*The State is located in a region that has been subject to ongoing political and security concerns*

Qatar is located in a region that is strategically important and parts of this region have, at times, experienced political instability. The political instability has included regional wars, such as the Gulf War of 1991, the Iraq War of 2003, the 2006 conflict in Lebanon and the 2008 conflict in Gaza, tensions between and among the United States, Israel, Syria and the Islamic Republic of Iran (**Iran**), terrorist acts, maritime piracy and civil revolutions. In 2011 and continued in 2012, there has been political unrest ranging from public demonstrations to armed conflict in several countries in the Middle East and North Africa region, including Egypt, Algeria, Libya, Bahrain, Saudi Arabia, Yemen, Syria, Tunisia and Oman. Geopolitical events that may or may not directly involve Qatar may have a material adverse effect on Qatar's economy, including an effect on Qatar's ability to engage in international trade and destabilising effects on the oil and gas market.

*Prior to 2009, Qatar had a high rate of inflation which was caused, in part, by the failure of domestic real estate supply to meet levels of demand and a return of high rates of inflation in the future could adversely affect the economy*

Qatar has had a mix of inflation and deflation (measured by a movement in Qatar's Consumer Price Index as opposed to a core inflation measurement) recently with an increase in inflation of 0.3% in the first quarter of 2012 which was preceded by an inflation rate of 1.9% in 2011 and a negative inflation rate of 2.4% in 2010. Prior to 2009, Qatar had high levels of inflation and the overall annual inflation rate was 15.2% in 2008 compared to 13.6% in 2007 and 11.8% in 2006. The high levels of inflation prior to 2009 were primarily accounted for by the rapid and sustained increase in real estate prices, as well as an increase in international food and raw material prices. In order to address the domestic housing shortage and control housing prices, the Government supported several domestic and residential construction projects near completion and cost pressure abated. In 2009 and 2010, the decrease in housing costs contributed to the negative inflation rates in Qatar, but a recent rise in core

inflation has led to a return of overall inflation in 2011. In a report on Qatar issued by the IMF in January 2011, the IMF noted that the country's projected high growth rates require careful monitoring of aggregate demand to ward off the risk of inflation at the high levels seen previously. Although the Government and the QCB intend to continue to take measures to ensure that inflation is stabilised, there can be no guarantee that the Government or the QCB will be able to achieve or maintain price stability, in the real estate market or otherwise, and thus control inflation. Additionally, the past deflationary trend in the real estate market may not be sufficient to offset a further increase in core inflation.

*Certain of the financial information in respect of QP contained in this Prospectus has been extracted from QP's historical consolidated financial statements, which are not prepared in accordance with U.S. GAAP or IFRS*

The financial information in respect of QP contained in this Prospectus has been extracted from QP's historical consolidated financial statements, which are prepared in accordance with QP Accounting Standards. QP Accounting Standards differ from U.S. GAAP and IFRS. Additionally, during the year ended 31 December 2011, QP reclassified certain line items to improve the quality of the information presented in the financial statements. As a result, comparative amounts for the year ended 31 December 2010 (as set out in the financial statements for the year ended 31 December 2011) were reclassified to conform to the presentation adopted in the year ended 31 December 2011. This Prospectus does not include a copy of QP's historical consolidated financial statements. If information relating to QP's results of operations or financial condition were prepared in accordance with U.S. GAAP, IFRS or other generally accepted accounting standards set by an acceptable financial reporting framework, the information may differ. Investors should be aware that differences exist between QP Accounting Standards, U.S. GAAP and IFRS.

*The statistical data contained in this Prospectus has been compiled from various sources*

Statistics contained in this Prospectus, including those in relation to nominal GDP, balance of payments, revenues and expenditure, and indebtedness of the Government, has been obtained from, among others, the Ministry of Economy and Finance, QP, the QCB and the QSA. Such statistics, and the component data on which they are based, has not been compiled in the same manner as data provided by similar sources in Western Europe and the United States. Similar statistics may be obtainable from other sources, although the underlying assumptions, methodology and consequently the resulting data may vary from source to source. There may also be material variances between preliminary or estimated statistical data set forth in this Prospectus and actual results, and between the statistical data set forth in this Prospectus and corresponding data previously published, or published in the future, by or on behalf of Qatar. In addition, due to deficiencies in the currency of certain data, some statistical information for recent years is not available as of the date of this Prospectus.

*Information on hydrocarbon reserves is based on estimates that have not been reviewed by an independent consultant for the purposes of this offering*

The information on oil, gas and other reserves contained in this Prospectus is based on an annual review of reserves compiled by the Oil and Gas Ventures Directorate within QP as of 1 January 2011. Neither the State nor the Joint Lead Managers have engaged an independent consultant or any other person to conduct a review of Qatar's natural gas or crude oil reserves in connection with this offering. All reserve estimates presented herein are based on data maintained by QP.

Reserves valuation is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality and reliability of available data, engineering and geological interpretations and subjective judgment. Additionally, estimates may be revised based on subsequent results of drilling, testing and production. The proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields are difficult to estimate and, therefore, the reserve estimates may differ materially from the ultimately recoverable quantities of crude oil and natural gas.

*Credit ratings may not reflect all risks*

The State has been assigned a long-term credit rating of, and the Trust Certificates are expected to be rated, AA by Standard & Poor's and Aa2 by Moody's. The credit ratings included or referred to in this Prospectus will be treated for the purposes of the CRA Regulation as having been issued by S&P



and Moody's. Each of S&P and Moody's is established in the European Union and is registered under the CRA Regulation which was published in the European Securities and Market Authority update list (ESMA/2011/247) dated 31 October 2011. A credit rating is not a recommendation to buy, sell or hold the Trust Certificates. Credit ratings are subject to revisions or withdrawal at any time by the assigning rating agency. The State cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. The State has no obligation to inform the Certificateholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the State may adversely affect the market price of the Trust Certificates.

*It may be difficult for the Delegate and Certificateholders to enforce arbitration awards and foreign judgments in Qatar*

There is currently no treaty or convention for the reciprocal enforcement of judgments between Qatar on the one hand and England on the other. A judgment obtained from a court in England will be enforceable in Qatar subject to the provisions of Articles 379 and 380 of the Civil and Commercial Procedure Law, which provides, in the case of Article 379, that judgments and orders pronounced in a foreign country may be ordered to be executed in Qatar upon the conditions determined in that country for the execution of Qatari judgments and orders and provides, in the case of Article 380, that an order for execution of a foreign judgment or order will not be made unless and until the following have been ascertained, that: (i) the judgment or order was delivered by a competent court of the foreign jurisdiction in question; (ii) the parties to the action were properly served with notice of proceedings and properly represented; (iii) the judgment or order is one that is capable of being executed by the successful party to the proceedings in conformity with the laws of the foreign jurisdiction in question; and (iv) the foreign judgment or order does not conflict with a previous judgment or order of a competent Qatari court and is not contrary to public policy or morality in Qatar. A Qatari court would be entitled to call for textual evidence on the laws of England concerning the conditions that would be applicable for the execution of the judgment of a Qatari court in England and the Qatari court would then be entitled to execute the judgment of the English court upon those conditions. Accordingly, although a judgment obtained from a court in England would be admissible in evidence in any proceedings brought in Qatar to enforce such judgment it would still be necessary to initiate proceedings in Qatar.

Under the Terms and Conditions of the Trust Certificates, the parties have agreed that any dispute arising out of or in connection with the Trust Certificates shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration, with the Delegate and Certificateholders having the right to require that the courts of England have exclusive jurisdiction to settle the dispute. In the event that proceedings are brought against the Issuer in Qatar, the Qatari courts would, in accordance with their normal practice, enforce the contractual terms of the Trust Certificates (including the contractual choice of a governing law other than Qatari law to govern the Trust Certificates, provided that, this would not apply to any provision of that law which Qatari courts held to be contrary to any mandatory provision of Qatari law or to public order or morality in Qatar). Qatari courts have consistently enforced commercial interest obligations computed in accordance with the terms of the relevant agreement.

Pursuant to Decree No. 29 of 2003, the State of Qatar joined the New York Convention on the Recognition and Enforcement of Foreign Arbitral awards of 1958 (the **NY Convention**). Accordingly, whenever the NY Convention applies to a foreign arbitral award, that award should be recognised and enforced in compliance with the requirements of the NY Convention. However, enforcement of foreign arbitral awards is underdeveloped in Qatar and largely untested and therefore there can be no assurance that arbitration in connection with the Transaction Documents and/or the Trust Certificates, and specifically the Guarantee, would protect the interests of the relevant Certificateholders to the same extent as would be expected in certain other jurisdictions.

*There is no principle of binding precedent in the Qatari courts*

There is no doctrine of binding precedent in the Qatari courts, decisions of the Qatari courts are not routinely published and there is no comprehensive up to date reporting of court decisions. As a result, any experience with and knowledge of prior rulings of the Qatari courts may not be a reliable basis from which to predict decisions that Qatari courts may adopt in the future. The outcome of any legal disputes remains uncertain.

*The production, processing, storage and shipping of hydrocarbons in Qatar subjects the State and QP to risks associated with hazardous materials*

The oil and gas sector in Qatar consists of both upstream and downstream activities which include the production, processing, storage and shipping of oil, natural gas, petrochemicals and other hydrocarbons in various physical states. Hydrocarbons, by their nature, are often hazardous materials which have the potential to harm or damage property, production facilities, people and the environment. A disaster involving hydrocarbons, such as an oil spill, could have a materially adverse effect on the revenues or assets of QP or the State, either from direct losses, such as the loss of export revenue, the loss of tax revenue or liability to third parties or from indirect losses, such as unrecovered clean-up costs from third parties or unmitigated environmental damage. Although Qatar has not experienced a significant disaster involving hydrocarbons, the State cannot guarantee that such an event will not occur in the future.

### **Risk factors relating to the Trust Certificates**

#### *Absence of secondary market/limited liquidity*

There is no assurance that a secondary market for the Trust Certificates of either Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of those Trust Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Trust Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of Trust Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on market values. Accordingly, the purchase of Trust Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the relevant Trust Certificates and the financial and other risks associated with an investment in the relevant Trust Certificates. An investor in Trust Certificates must be prepared to hold the relevant Trust Certificates for an indefinite period of time or until their maturity. Application has been made for the Trust Certificates to be listed but there can be no assurance that any such listing will occur or will enhance the liquidity of the Trust Certificates of the relevant Series.

#### *The Trust Certificates are limited recourse obligations*

The Trust Certificates are not debt obligations of the Issuer. Instead, the Trust Certificates represent an ownership interest solely in the Trust Assets. Recourse to the Issuer in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Trust Certificates as set out in the Transaction Documents. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders of the relevant Series will be against the Issuer and the State to perform their respective obligations under the Transaction Documents. Certificateholders will otherwise have no recourse to any assets of the Issuer or the State in respect of any shortfall in the expected amounts due under the relevant Trust Assets. Reflecting the limited recourse nature of the Trust Certificates, Certificateholders will also not be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer as a consequence of such shortfall or otherwise.

The State is obliged to make certain payments under the Transaction Documents directly to the Issuer, and the Delegate will have direct recourse against the State to recover such payments due to the Issuer pursuant to the Transaction Documents. In the absence of default by the Delegate, investors have no direct recourse to the State and there is no assurance that the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the relevant Trust Certificates. After enforcing or realising the Trust Assets of a Series and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*), the obligations of the Issuer in respect of the Trust Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Issuer to recover any further sums in respect of such Trust Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents (which includes the Purchase Undertaking) and the sole right of the Trustee, the Delegate and the Certificateholders against the State shall be to enforce the obligation of the State to perform its obligations under the Transaction Documents.

*The Certificateholders may face foreign exchange risks or adverse tax consequences by investing in the Trust Certificates*

The Trustee will pay amounts due on the Trust Certificates in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Certificateholder's Currency**), an investment in the Trust Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Certificateholder's Currency because of economic, political and other factors over which the Issuer has no control and the risk that authorities with jurisdiction over the Certificateholder's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Certificateholder's Currency could cause a decrease in the effective yield of the Trust Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Trust Certificates is translated into the Certificateholder's Currency. Investment in the Trust Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

## **Risk factors relating to the Lease Assets**

### *Transfer of the Lease Assets*

The Sale and Purchase Agreement will be governed by the laws of Qatar and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular those assets which are real estate based) can be effectively transferred without registration of the transfer with appropriate authorities. Accordingly, no assurance is given that any ownership interest in the Lease Assets relating to any Series will be effectively transferred to the Issuer until any such registration is effected which shall require the submission of certain documents including the Emiri Decree and a resolution of the Ministry of Economy and Finance identifying the relevant assets and approving the transfer to the Issuer and which process may, in the absence of fulfilling such documentary requirements, be delayed.

The State has agreed in the Sale and Purchase Agreement to indemnify the Issuer in the event of any claims, encumbrances, or legal process regarding the Issuer's title to or ownership of the Lease Assets.

In the event that the Lease Assets of any Series are not purchased by the Obligor under the Purchase Undertakings, the Delegate will seek to enforce the Purchase Undertakings and the Guarantee. The Purchase Undertakings and the Guarantee will each be governed by the laws of England. To the extent that the Delegate obtains an English judgment or an arbitration award in its favour, it may seek to enforce that judgment or award in a Qatari court.

It is likely that, in any action heard by them, the courts of Qatar (if they do not simply enforce the judgment or arbitral award—see *"Enforcing foreign judgments in Qatar"*) would review the transaction as a whole and seek to uphold the intention of the parties to treat the arrangements as a financing transaction on the terms agreed, provided that the transaction is not re-characterised as a sale and purchase of assets as described below.

However, prospective investors should note that this matter has not been previously considered by the courts of Qatar, and therefore there can be no assurance as to the approach that would be taken by the courts of Qatar in such circumstances and, specifically, there can be no assurance that each of the provisions of the Purchase Undertaking and the Guarantee will be given effect.

### *Total Loss Event*

As the owner of the Lease Assets relating to each Series, the Issuer, acting on behalf of the Certificateholders, is required, among other things, to insure the relevant Lease Assets. In accordance with Shari'a principles, the Issuer has delegated this obligation to the State, as its servicing agent, which has undertaken in the Servicing Agency Agreement, *inter alia*, to insure the Lease Assets in the name of the Issuer against the occurrence of a Total Loss Event for their full reinstatement value (and to ensure, in relation to each relevant Series, that such amount is not at any time less than the aggregate face amount of the Trust Certificates of such Series then outstanding). A **Total Loss Event** is defined as the total loss or destruction of, or damage to the whole of, the relevant Lease Assets or any event or occurrence that renders the whole of the relevant Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted

by any third party in respect of the relevant Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

Nevertheless, should such an event occur, the relevant Lease will terminate and the Trust Certificates of the relevant Series will be repaid using the proceeds of the insurance received by the Issuer. In this scenario, potential investors should be aware that: (i) rental under the relevant Lease will cease upon the occurrence of a Total Loss Event as that Lease will have terminated and accordingly the Periodic Distribution Amount received by the Certificateholders of the relevant Series will reflect this fact and (ii) there may be a delay in the Issuer receiving the proceeds of insurance and therefore in the relevant Certificateholders receiving a Dissolution Amount in respect of their Trust Certificates and no additional Periodic Distribution Amount will be paid in respect of this delay. In this regard, the Servicing Agency Agreement provides that if the insurance proceeds for an amount equal to the full reinstatement value are not paid into the relevant Transaction Account within 31 days of the occurrence of the Total Loss Event, the State, as Servicing Agent, shall have failed in its responsibility to properly insure the relevant Lease Assets and accordingly (unless it proves beyond any reasonable doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) the State, as Servicing Agent, undertakes to pay any shortfall. The Delegate will be entitled to enforce this undertaking against the State, as Servicing Agent, on behalf of the Certificateholders of the relevant Series.

### **Risk factors relating to taxation**

#### *Taxation risks on payments*

Payments made by the State or by the Obligor to the Issuer under the Transaction Documents or by the Trustee in respect of the Trust Certificates could become subject to taxation. The Transaction Documents each require the State to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Issuer or the Obligor which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 12 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of Qatar in certain circumstances. In the event that the Issuer fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Trust Certificates to Certificateholders, a Dissolution Event shall occur under the Trust Certificates. Pursuant to the Purchase Undertakings, the Obligor is required to purchase the Lease Assets following a Dissolution Event and the State has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to guarantee the Issuer (for the benefit of the Certificateholders) all liabilities of the Obligor under the Purchase Undertakings. In any event, the Emiri Decree exempts all payments made by the Trustee to the Certificateholders from any withholding tax that may be applicable.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), EU Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State (or, pursuant to the Directive in certain cases, through a relevant non-EU country or territory) which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Trustee nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Trust Certificate as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

## **Risk factors relating to enforcement**

### *Enforcement risk*

Ultimately the payments under the Trust Certificates and the Guarantee are dependent upon the State as Servicing Agent, Lessee and the Guarantor making payments to the Issuer in the manner contemplated under the relevant Transaction Documents. If the State fails to do so, it may be necessary to bring an action against it to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

### *Enforcing foreign judgments in Qatar*

Enforcement of foreign judgments in Qatar requires reciprocity with the country in which a judgment is issued. Conditions to enforce a foreign judgment are: (a) Qatari courts do not have an exclusive jurisdiction over the subject matter; (b) foreign court issuing judgment has jurisdiction; (c) all the parties to the dispute were present and had proper legal representation; (d) the judgment is final; (e) no Qatari court has issued a contradicting judgment on the subject matter; and (f) the judgment does not violate public order and morals.

### *Risk factors in relation to the Emiri Decree*

The Emir of Qatar has the power, under exceptional and urgent circumstances where the Shura Council, the legislative authority of Qatar, is not in session, to issue decrees that have the power of law. Such decree laws will be reviewed by the Shura Council once in session and may be rejected by an affirmative vote of two-thirds of the members thereof. In the event that a decree is rejected by the Shura Council in the manner described above, such decree will cease to have the power of law commencing from the date of such rejection. Any actions taken (including contractual arrangements) pursuant to such decree prior to the date of such rejection should remain legal, valid and binding, however it cannot be guaranteed that the courts of Qatar will adopt this view.

In addition, it is possible for the Emir of Qatar to issue a new decree repealing the initial decree. It is also possible for the Shura Council to issue a new law repealing such initial decree. The effect of any such repeal would be similar to the effect of a rejection of the initial decree as described above.

### *Risk factors in relation to validity of the Trust*

The concept of trusts does not exist under Qatari law. Accordingly, there is no certainty that the terms of the Declaration of Trust (which is governed by English law) would be enforced by the Qatari courts and there is therefore a risk that Qatari courts may re-characterise the trust established pursuant to the Declaration of Trust as an agency relationship or any similar concept that is recognised under Qatari law. As such, there can be no assurance that the obligations of the Trustee under the Declaration of Trust to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the terms and conditions of the Trust Certificates) are enforceable as a matter of contract under the laws of Qatar or that the Qatari courts would recognise any claim of the Delegate on behalf of the Certificateholders under the Transaction Documents pursuant to the Declaration of Trust. The Emiri Decree No. 3 of 2012, which has the power of law, expressly recognises the trust established pursuant to the Declaration of Trust, but Qatari courts may not be able to understand and enforce the terms of this trust as they are unfamiliar with the concept. However, the Issuer has also entered into a Declaration of Agency in accordance with its appointment as Sukuk Agent by the Certificateholders pursuant to Condition 6.1 (*Summary of the Declaration of Agency*). Under the Declaration of Agency, the Issuer as Sukuk Agent shall perform each of the obligations that the Trustee is obliged to perform under the Declaration of Trust and in a manner that is recognisable under Qatari Law. Further, pursuant to Conditions 6.2 (*Appointment of Delegate by Sukuk Agent*), the Sukuk Agent, directed by the Certificateholders, will delegate its role to the Delegate.

### *Change of law*

The structure of the Trust Certificates is based on English and Qatari law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law or Qatari law or administrative practices in either jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Trust Certificates or of the State or the Obligor to comply with its obligations under the Transaction Documents.

### *Claims for specific enforcement*

In the event that the State or the Obligor fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the State to perform its obligations as set out in the Transaction Documents.

### **Additional risk factors**

#### *Consents to variation of Transaction Documents and other matters*

The Conditions of the Trust Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Trust Deed contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification to the Trust Deed if, in the opinion of the Delegate, such modification (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest or proven (to the satisfaction of the Delegate) error, or (c) is not materially prejudicial to the interests of the relevant Certificateholders. Unless the Delegate otherwise decides, any such modification shall as soon as practicable thereafter be notified to the relevant Certificateholders and shall in any event be binding upon the relevant Certificateholders.

#### *Reliance on Euroclear and Clearstream, Luxembourg procedures*

The Trust Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Except in the circumstances described in each Global Trust Certificate, investors will not be entitled to receive Trust Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in Global Certificates. While the Trust Certificates of any Series are represented by a Global Certificate, investors will be able to trade their interests in the Global Certificates only through Euroclear and Clearstream, Luxembourg and their respective participants.

#### *Shari'a requirements in relation to judgment interest*

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to judgment interest awarded in its favour by any court in connection with any dispute under the Sale and Purchase Agreement, the Lease Agreements, the Servicing Agency Agreements, the Redemption Undertakings, the Substitution Undertakings, the Purchase Undertakings and the Guarantee (the **relevant Transaction Documents**). The relevant Transaction Documents have been drafted in a manner that is intended to ensure that on any default by the Obligor and/or State under the relevant Transaction Documents the relevant Lease Assets shall remain the property of the Trustee such that the Trustee will continue to be entitled to receive rental payments under the relevant Lease Agreements for the purposes of the periodic distribution amounts that will continue to accrue in respect of the period between such default and the award of a judgment in respect of that default by a court. On this basis, the expectation is that no judgment interest would be awarded by a court in respect of that period (although no assurance is given that this will be the case). However, should there be any delay in the enforcement of a judgment given against the Obligor and/or State, judgment interest could accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any judgment interest awarded in the Trustee's favour in respect of a dispute).

### *Shari'a rules*

The HSBC Amanah Central Shariah Committee, Standard Chartered Bank Shariah Supervisory Committee, QInvest Sharia'a Supervisory Board, Deutsche Bank AG Shari'a Advisor and Barwa Bank's Shariah Board have each confirmed that in their view the Transaction Documents are Shari'a compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Trust Certificates will be deemed to be Shari'a compliant by any other Shari'a board or Shari'a scholars. None of the Issuer, the Obligor, the State or the Managers makes any representation as to the Shari'a compliance of any Series and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Potential investors should obtain their own independent Shari'a advice as to the compliance of the Transaction Documents and the issue and trading of any Series with Shari'a principles.

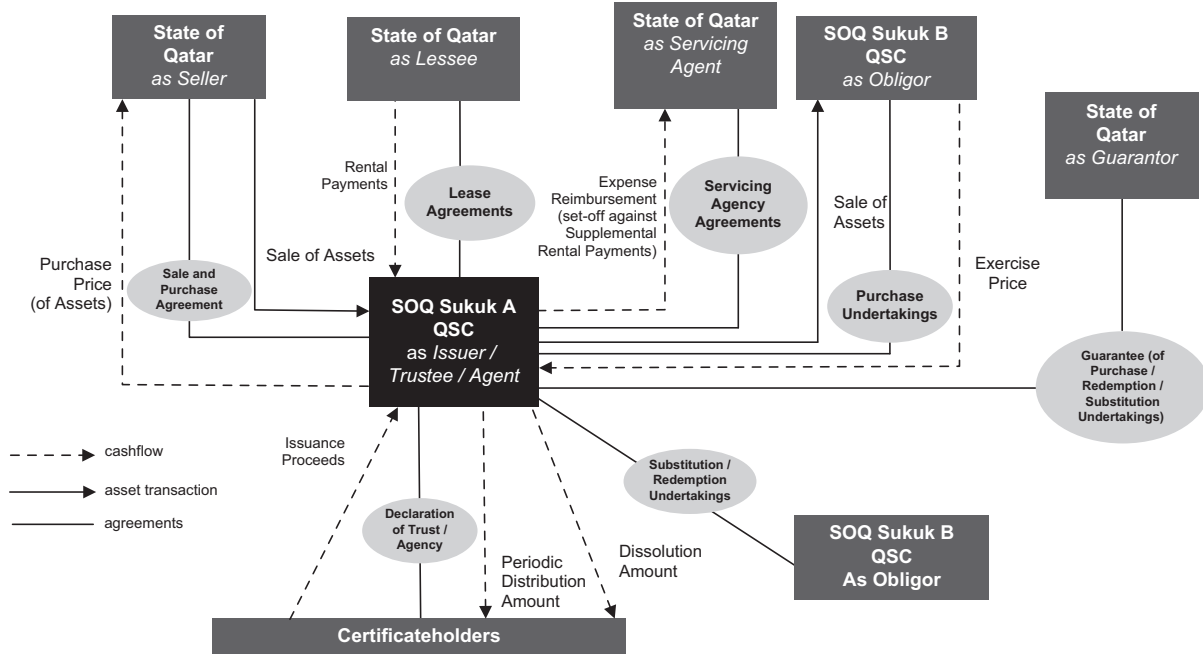
*The Trust Certificates are unsecured obligations of the Issuer and the Guarantee is an unsecured obligation of the State. There is no limitation of the State's ability to issue additional guarantees or securities or to incur additional indebtedness in the future*

The Certificateholders will not have the benefit of security under the Trust Certificates or the Guarantee and as a result will not have a claim to those assets that rank senior to the claims of other creditors of the Issuer or the State. The State has, in the past, issued guarantees and securities and incurred indebtedness and intends to continue to do so from time to time in the future. There is no restriction on the amount of guarantees or, securities or additional indebtedness which the State may issue and which rank *pari passu* with the Guarantee. The issue of any such guarantees or securities and the incurrence of any such additional indebtedness may reduce the amount recoverable by the Certificateholders in certain scenarios. Under the terms of the Guarantee, present and future External Indebtedness could be secured in circumstances where the Certificateholders would not have a right to equivalent security and any such External Indebtedness would have a secured priority over the claims of the Certificateholders.

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the offering of Trust Certificates. Potential investors are referred to the terms and conditions of the Trust Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



### Principal cash flows

#### **Payments by the Certificateholders and the Issuer**

On the Issue Date of each Series, the relevant Certificateholders will pay the issue price in respect of the issue of relevant Trust Certificates to the Issuer.

Pursuant to the Sale and Purchase Agreement, the Issuer (as purchaser) will use the net proceeds received from the issue of the Trust Certificates to pay the purchase price payable under the Sale and Purchase Agreement for the transfer and sale by the State of all of its rights, title, interest, benefits and other entitlements in relation to the Lease Assets owned by the State.

On the Issue Date, the Issuer will agree to lease, and the State will agree to take on lease, the Lease Assets for lease terms which will equal the tenor of the relevant Series of Trust Certificates. The State (as lessee) will make rental payments at regular intervals to the Issuer (as lessor). The amount of each rental payment will be equal to the Periodic Distribution Amount payable for the corresponding Periodic Distribution Period under the relevant Series of Trust Certificates which the Trustee will pay the Certificateholders on each Periodic Distribution Date.

Pursuant to the Servicing Agency Agreements, the Issuer appoints the State as its Servicing Agent to carry out certain of its obligations under the Lease Agreement, namely the obligation to undertake any major maintenance, insurance and payment of taxes in connection with the Lease Assets. The Issuer will reimburse the State (as its Servicing Agent) for any expenses incurred by it in undertaking these duties.

#### **Purchase, Redemption and Substitution of the Lease Assets**

Pursuant to the Purchase Undertakings, the Trustee may, on the relevant maturity date, or prior thereto following the occurrence of a Dissolution Event, exercise its rights under the relevant Purchase Undertaking and require the Obligor to purchase all of its rights, title, interests, benefits and other entitlements in and to the relevant Lease Assets.



Pursuant to the Redemption Undertakings, the Obligor may also, after cancelling all of the Trust Certificates of the relevant Series purchased in accordance with Condition 11.5 (*Purchase and Cancellations*), exercise its rights under the relevant Redemption Undertaking to require the Trustee to transfer and convey the relevant Lease Assets to the Obligor. The consideration provided by the Obligor for such exercise of such Redemption Undertaking shall be the cancellation of all of the relevant Trust Certificates. One year from the Closing Date, the Obligor may exercise its Optional Dissolution Right and require the Trustee to transfer and convey all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets in exchange for the Optional Dissolution Exercise Price.

Pursuant to the Substitution Undertakings, the Obligor will be entitled to substitute new assets for existing Lease Assets at its own cost.

All obligations of the Obligor (including any payment obligation) under each of the Purchase Undertakings and the Redemption Undertakings and all payment obligations of the Obligor under the Substitution Undertakings will be unconditionally and irrevocably guaranteed by the State under the Guarantee.

## OVERVIEW OF THE OFFERING

*The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Trust Certificates. Accordingly, any decision by a prospective investor to invest in the Trust Certificates should be based on a consideration of this Prospectus as a whole.*

*Words and expressions defined in “Terms and Condition of the Trust Certificates” and “Summary of the Principal Transaction Documents” shall have the same meanings in this overview. Reference to a “Condition” is to a numbered condition of the Terms and Conditions of the Trust Certificates (the **Conditions**).*

Description of Trust Certificates: . . . . . U.S.\$2,000,000,000 2.099 per cent. Trust Certificates due 2018.

U.S.\$2,000,000,000 3.241 per cent. Trust Certificates due 2023.

Issuer, Trustee and Lessor: . . . . . SoQ Sukuk A Q.S.C., an Article 68 company incorporated in accordance with the laws of, and formed and registered in, Qatar under the exemption provided in Article 68 of the Commercial Companies Law No. 5 of 2002. The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.

Obligor: . . . . . SoQ Sukuk B Q.S.C., an Article 68 company incorporated in accordance with the laws of, and formed and registered in, Qatar under the exemption provided in Article 68 of the Commercial Companies Law No. 5 of 2002. The Obligor has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.

Lessee, Servicing Agent and Guarantor: . . . . . The State of Qatar, acting through the Ministry of Economy and Finance.

Ownership of the Issuer: . . . . . The authorised share capital of the Issuer is one hundred Qatari Riyals (QR 100) divided into 10 ordinary shares of ten Qatari Riyals (QR 10) of par value each, all of which have been issued, subscribed to by the Government of Qatar, but so far unpaid. The Government of Qatar has the option to pay the share capital at any time it deems appropriate.

Ownership of the Obligor: . . . . . The authorised share capital of the Obligor is one hundred Qatari Riyals (QR 100) divided into 10 ordinary shares of ten Qatari Riyals (QR 10) of par value each, all of which have been issued, subscribed to by the Government of Qatar, but so far unpaid. The Government of Qatar has the option to pay the share capital at any time it deems appropriate.

Joint Lead Managers: . . . . . Barwa Bank (Q.S.C.)  
Deutsche Bank AG, London Branch  
HSBC Bank plc  
QInvest L.L.C.  
Standard Chartered Bank

Co- Managers: . . . . . Masraf Al Rayan Q.S.C.  
NCB Capital Company  
Qatar International Islamic Bank (Q.S.C.)  
Samba Financial Group

Delegate: . . . . . Deutsche Trustee Company Limited.

Principal Paying Agent and Replacement Agent: . . . . . Deutsche Bank AG, London Branch.

Registrar and Transfer Agent: . . . . . Deutsche Bank Luxembourg S.A.

Issue Date: . . . . . 18 July 2012.

Issue Amount: . . . . . U.S.\$2,000,000,000 in respect of the 2018 Trust Certificates and U.S.\$2,000,000,000 in respect of the 2023 Trust Certificates.

Issue Price: . . . . . 100 per cent. of the aggregate face amount of each Series.

Periodic Distribution Dates and

Amounts: . . . . . Payable semi-annually, on 18 January and 18 July in each year, commencing on 18 January 2013, Certificateholders will receive, from moneys received in respect of the relevant Trust Assets, a Periodic Distribution Amount calculated at the rate of (i) in the case of the 2018 Trust Certificates, 2.099 per cent. per annum on the outstanding face amount of the 2018 Trust Certificates as at the beginning of the relevant Periodic Distribution Period, and (ii) in the case of the 2023 Trust Certificates, 3.241 per cent. per annum on the outstanding face amount of the 2023 Trust Certificates as at the beginning of the relevant Periodic Distribution Period, in each case on a 30/360 day basis.

Periodic Distribution Period: . . . . . The period from (and including) a Periodic Distribution Date (or, in the case of the first Periodic Distribution Period, from, and including, the Closing Date) to (but excluding) the next (or, in the case of the first Periodic Distribution Date, first) Periodic Distribution Date.

Dissolution on the Scheduled

Dissolution Date: . . . . . The Scheduled Dissolution Date is 18 January 2018 in respect of the 2018 Trust Certificates and 18 January 2023 in respect of the 2023 Trust Certificates.

Dissolution Amount: . . . . . As of any date, in relation to each Series, the aggregate principal amount of the Trust Certificates of that Series plus accrued and unpaid Periodic Distribution Amounts in respect of such Series as of such date.

Form of Trust Certificates: . . . . . The Trust Certificates will be issued in registered form. The Trust Certificates will be represented on issue by interests in one or more Global Certificates which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in each Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Trust Certificates evidencing holdings of Trust Certificates will be issued in exchange for interests in a Global Certificate only in limited circumstances.

Denomination of Trust Certificates: . . . . . The Trust Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Clearance and Settlement: . . . . . Holders of the Trust Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

Transaction Account: . . . . . The Principal Paying Agent will maintain and operate a U.S. dollar account in the name of the Issuer into which, among

other things, the rental payments in respect of the Lease Assets and payments due to the Issuer or the Obligor under the relevant Transaction Documents, as the case may be, will be deposited.

Status of the Trust Certificates: . . . . . Each Trust Certificate will evidence an undivided ownership interest of the Certificateholders in the Trust Assets, will be a limited recourse obligation of the Issuer and will rank *pari passu*, without any preference or priority, with all other Trust Certificates issued as part of the offering.

Status of the Guarantee: . . . . . The obligations of the Guarantor under the Guarantee constitute direct, general, unconditional, unsubordinated and, subject to Condition 7.1 of the Trust Certificates and Clause 7.1 of the Guarantee, unsecured obligations of the Guarantor to guarantee the Exercise Price under the Purchase Undertakings, and the full faith and credit of the Guarantor is pledged for the due and punctual payment thereof and for the performance of all obligations of the Guarantor with respect thereto. The obligations of the Guarantor under the Guarantee with respect to the Trust Certificates of each Series shall at all times rank *pari passu* without any preference among themselves and at least *pari passu* in all respects with all other present and future unsecured and unsubordinated obligations of the Guarantor.

Limited Recourse: . . . . . Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of the Lease Assets except pursuant to the Transaction Documents (which includes the Purchase Undertaking) and the Trustee, the Delegate and the Certificateholders shall have the right to enforce the obligations of the State to perform its obligations under the remaining Transaction Documents.

No recourse may be had for the payment of any amount owing in respect of any Trust Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished. Certificateholders should note that through, *inter alia*, the Purchase Undertaking, the Trustee and the Delegate will have recourse to the Obligor and the State and the ability of the Trustee to pay the amounts due in respect of the Trust Certificates will ultimately be dependent on the State.

Use of Proceeds: . . . . . The net proceeds of the issue of the Trust Certificates will be paid by the Issuer to purchase the Lease Assets from the State pursuant to the Sale and Purchase Agreement.

Periodic Distributions: . . . . . On each Periodic Distribution Date, Certificateholders will receive a Periodic Distribution Amount in U.S. Dollars equalling the product of (i) 2.099 per cent. per annum in the case of the 2018 Trust Certificates and 3.241 per cent. per annum in the case of the 2023 Trust Certificates and (ii) the face amount of their Trust Certificates and (iii) the number of days in the relevant Return Accumulation Period calculated on the basis of a year of 12 30-day months divided by 360. See Condition 8 (*Fixed Periodic Distribution Provisions*).

The Trust Assets: . . . . . The **Trust** is the Trust created by the Issuer under the Declaration of Trust.

The **Trust Assets** means, in respect of each Series:

- (a) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the Lease Assets relating to that Series;
- (b) all of the Trustee's rights, title, interests, benefits and other entitlements, present and future, in, to and under the relevant Transaction Documents of that Series (excluding:
  - (i) any representations given to the Trustee by the State pursuant to any of the relevant Transaction Documents;
  - and (ii) the covenant given to the Trustee pursuant to Condition 7.1 (*Negative Pledge*));
- (c) all monies standing to the credit of the Transaction Account;
- (d) any security created in favour of the Trustee pursuant to Condition 7.1 (*Negative Pledge*); and
- (e) all proceeds of the foregoing.

Redemption of Trust Certificates: . . . . Other than as a result of the occurrence of a Total Loss Event or a Dissolution Event or a Total Loss Event, the Trust will not be subject to dissolution, and the Trust Certificates will not be redeemed, prior to the Scheduled Dissolution Date, unless redeemed pursuant to the Optional Dissolution Right.

Redemption at the Option of the Obligor: . . . . . The Obligor shall have the right, with the prior written consent of the State, to redeem the Trust Certificates in whole but not in part, by delivering an Optional Dissolution Exercise Notice to the Issuer specifying the Optional Dissolution Date and the Optional Dissolution Exercise Price in relation to the Trust Certificates.

Dissolution Events: . . . . . Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed in full on the Dissolution Date at the Dissolution Amount and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 14 (*Dissolution Events*).

Total Loss Event: . . . . . The occurrence of a Total Loss Event will result in the redemption of the Trust Certificates and the consequent dissolution of the Trust. The Servicing Agent is responsible for ensuring that, in the event of a Total Loss Event occurring, all insurance proceeds in respect thereof are paid in U.S. dollars directly into the Transaction Account by no later than the 31<sup>st</sup> day after the occurrence of the Total Loss Event.

Withholding Tax: . . . . . All payments by the Obligor under the Transaction Documents to which it is a party shall be made without withholding or deduction for, or on account of, any Taxes. In the event that any such withholding or deduction is made, the Obligor will be required to pay additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.

All payments in respect of Trust Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any Taxes. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 12 (*Taxation*), be required to pay additional amounts so that the holders of the Trust Certificates will receive the full amounts that they would have received in the absence of such withholding or deduction.

All payments in respect of Guarantee by the Guarantor shall be made without withholding or deduction for, or on account of, any Taxes. In the event that any such withholding or deduction is made, the Guarantor will be required to pay additional amounts so that the Delegate or Trustee (on behalf of the Certificateholders) will receive the full amounts that they would have received in the absence of such withholding or deduction.

Guarantee: ..... The Obligor's obligations (including payment obligations) under each Purchase Undertaking, Substitution Undertaking and Redemption Undertaking will be guaranteed pursuant to a Guarantee to be entered into on the Closing Date by the Guarantor in favour of the Trustee (for the benefit of the Certificateholders) and the Delegate.

Negative Pledge and other

Covenants: ..... The Guarantee contains a negative pledge given by the State. See "*Summary of the Principal Transaction Documents*".

Cross Default: ..... In respect of the State, the Trust Certificates will have the benefit of a cross default provision as described in Condition 14.

Ratings: ..... Each Series is expected to be assigned a rating of AA by S&P and a rating of Aa2 by Moody's. A securities rating is not a recommendation to buy, sell or hold the Trust Certificates. Ratings may be subject to suspension, reduction or withdrawal at any time by the assigning rating organisation.

Issuer Covenants: ..... The Issuer has agreed to certain restrictive covenants as set out in Condition 7.2 (*Covenants*).

Certificateholder Meetings: ..... A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Listing and Admission to Trading: .... Application has been made to the UK Listing Authority for the Trust Certificates to be admitted to the Official List and to the London Stock Exchange for such Trust Certificates to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Trust Certificates is expected to be granted on or before 20 July 2012.

Transaction Documents: ..... The Transaction Documents are the Declaration of Trust, the Declaration of Agency, the Agency Agreement, the Sale and Purchase Agreement, the Lease Agreements, the Servicing Agency Agreements, the Guarantee, the Purchase Undertakings, the Redemption Undertakings and the Substitution Undertakings.

Governing Law and Jurisdiction: ..... The Trust Certificates and any non-contractual disputes arising out of or in connection with them will be governed by, and construed in accordance with, English law. In addition, the Purchase Undertakings, the Redemption Undertaking, the Substitution Undertaking and the Guarantee will be governed by English law.

The Sale and Purchase Agreement, the Lease Agreements and the Servicing Agency Agreements will be governed by the laws of Qatar. The courts of Qatar will have jurisdiction to hear all disputes relating to each such document.

Each other Transaction Document and any non-contractual disputes arising out of or in connection with the same will be governed by English law. In respect of any dispute under any such Transaction Document to which it is a party, the State has consented to arbitration in London under the LCIA Arbitration Rules. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents).

Waiver of Immunity: ..... To the extent that the Issuer, the Obligor and the State may in any jurisdiction claim for itself or its revenues, assets or properties which consist of its public and private properties invested in financial, commercial or industrial activities or deposited in banks (**Sovereign Assets**) immunities from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or legal process and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), each of the Issuer, the Obligor and the State hereby irrevocably agrees for the benefit of the Trustee and the Delegate not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction (including, without limitation, the State Immunity Act of 1978 of the United Kingdom and Decree Law No. (18) of 1996 Amending Certain Provisions of Law No. (10) of 1987 in respect of the Public and Private Properties of the State of Qatar). In addition, to the extent that the Issuer, the Obligor and the State or any of its Sovereign Assets shall be entitled in any jurisdiction to any immunity from set-off, banker's lien or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, each of the Issuer, the Obligor and the State hereby irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any Proceedings or Disputes.

Selling Restrictions: ..... There are restrictions on the distribution of this Prospectus and the offer or sale of Trust Certificates in the United States, the European Economic Area (including the United Kingdom), the Kingdom of Bahrain, the DIFC, Hong Kong, Japan, Malaysia, the Kingdom of Saudi Arabia, Singapore, Qatar, Qatar Financial Centre and the United Arab Emirates (excluding the DIFC).

United States Selling Restrictions: . . . . Regulation S, Category 1.

## TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

*The following are the Terms and Conditions of the Trust Certificates (the “Conditions”) which (subject to modification and except for the text in italics) will be endorsed on each Trust Certificate in definitive form (if issued).*

The U.S.\$2,000,000,000 Trust Certificates due 2018 (the **2018 Trust Certificates**) and the U.S.\$2,000,000,000 Trust Certificates due 2023 (the **2023 Trust Certificates** and together with the 2018 Trust Certificates, the **Trust Certificates**, and any reference to a **Series** of Trust Certificates or **Certificateholders** should be a reference to the 2018 Trust Certificates or the 2023 Trust Certificates or to their respective holders, as the case may be) issued by SoQ Sukuk A Q.S.C. in its capacity as issuer (the **Issuer**) represent an undivided ownership in the Trust Assets (defined in Condition 5.1 (*Summary of the Trust*)) held on trust (the **Trust**) for the holders of such Trust Certificates pursuant to a declaration of trust (the **Declaration of Trust**) dated 18 July (the **Closing Date**) made between the Issuer (in its capacity as Trustee, the **Trustee**), the State of Qatar (the **State**) and Deutsche Trustee Company Limited (the **Delegate**).

Pursuant to a Declaration of Agency made by the Issuer dated the Closing Date (the **Declaration of Agency**), the Issuer is also acting as Sukuk Agent (as defined below) for and on behalf of Certificateholders. Each Certificateholder by its acquisition and holding of a Trust Certificate agrees to the appointment of the Issuer as its Sukuk Agent pursuant to the terms of the Declaration of Agency.

Payments relating to the Trust Certificates will be made pursuant to an agency agreement dated the Closing Date (the **Agency Agreement**) made between the Issuer, the Trustee, the Delegate, the State, Deutsche Bank AG, London Branch in its capacities as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agents appointed from time to time in respect of the Trust Certificates, the **Paying Agents**) and as replacement agent (in such capacity, the **Replacement Agent**) and Deutsche Bank Luxembourg S.A. in its capacities as registrar (in such capacity, the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent** and, together with any further or other transfer agents appointed from time to time in respect of the Trust Certificates, the **Transfer Agents**). References to the Paying and Transfer Agents or any of them shall include their successors. The Paying Agents, the Registrar, the Replacement Agent and the Transfer Agents are together referred to in these Conditions as the **Agents**.

The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (as defined below) (copies of which are available for inspection during normal business hours at the specified offices of the Paying Agents).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Declaration of Trust and the Agency Agreement applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee and the Sukuk Agent, on behalf of the Certificateholders: (a) to apply the sums paid by it in respect of its Trust Certificate in acquiring the Trust Assets; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust, the Declaration of Agency and these Conditions.

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions:

- (a) any reference to face amount shall be deemed to include the Dissolution Amount (as defined in Condition 9.1 (*Payments in respect of the Trust Certificates*), any additional amounts (other than relating to Periodic Distribution Amounts (as defined in Condition 8.1 (*Periodic Distribution Amount*)) which may be payable under Condition 12 (*Taxation*), and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;



- (c) references to Trust Certificates being “outstanding” shall be construed in accordance with the Declaration of Trust; and
- (d) any reference to a Transaction Document (as defined below) shall be construed as a reference to that Transaction Document as amended and/or supplemented up to and including 18 July (the **Issue Date**).

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge during normal business hours at the specified office for the time being of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

- (a) the Sale and Purchase Agreement;
- (b) each Lease Agreement;
- (c) each Purchase Undertaking;
- (d) each Redemption Undertaking;
- (e) each Servicing Agency Agreement;
- (f) each Substitution Undertaking;
- (g) the Guarantee;
- (h) the Declaration of Trust;
- (i) the Agency Agreement; and
- (j) the Declaration of Agency.

The documents listed above are referred to in these Conditions as the **Transaction Documents**. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Declaration of Trust and the Agency Agreement.

## DEFINITIONS, INTERPRETATION AND CONSTRUCTION

### 1.1 Definitions

In these Conditions, capitalised terms and expressions which are not defined herein shall have the meanings assigned to them in the Declaration of Trust. In addition, in these Conditions, the following expressions have the following meanings:

“**2018 Global Certificate**” means the trust certificate in global form issued by the Trustee in the form or substantially in due form set out in Part 1 (*Form of Global Certificate*) of Schedule 1 (*Form of Trust Certificates*) of the Declaration of Trust representing the 2018 Trust Certificates”;

“**2023 Global Certificate**” means the trust certificate in global form issued by the Trustee in the form or substantially in the form set out in Part 1 (*Form of Global Certificate*) of Schedule 1 (*Form of Trust Certificates*) of the Declaration of Trust representing the 2023 Trust Certificates”;

“**Agents**” means the financial institutions named as Agents in the Agency Agreement in connection with the Trust Certificates;

“**Agency Agreement**” means the agreement dated the Closing Date between, *inter alios*, the Trustee, the State, the Delegate and the Agents;

“**Certificateholders**” means a person in whose name a Trust Certificate of each Series is registered in the Register (or in the case of joint holders, the first named thereof) save that, for so long as the Trust Certificates of a Series or any part of them are represented by the Global Certificate of that Series held on behalf of Euroclear or Clearstream, each person who has for the time being a particular aggregate face amount of such Trust Certificates credited to his securities account in the records of Clearstream or Euroclear shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Trust Certificates for the purposes hereof other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, solely in the registered holder of the Global Certificate of that Series in accordance with and subject to the terms of such Global Certificate; and the expressions “**holder**” and “**holder of Trust Certificates**” and related expressions shall (where appropriate) be construed accordingly;

**“Dissolution Amount”** means, as of any date, in relation to each Series, the aggregate principal amount of the Trust Certificates of that Series then outstanding plus accrued and unpaid Periodic Distribution Amounts in respect of such Series as of such date or the Optional Dissolution Exercise Price as of such date.

**“Exercise Price”** means:

- (a) the aggregate Face Amount;
- (b) all accrued but unpaid Periodic Distribution Amounts (or any part thereof) relating to such Trust Certificates; and
- (c) an amount equal to any outstanding Services Charge Amount relating to the Lease Assets, provided that an invoice has been submitted in accordance with clause 5.3 of the Servicing Agency Agreement;

**“External Indebtedness”** means all obligations, and guarantees or indemnities in respect of obligations, for moneys borrowed or raised (whether or not evidenced by bonds, debentures, notes or other similar instruments) denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the Relevant Currency.

**“Extraordinary Resolution”** means a resolution passed at a meeting of the Certificateholders of a Series duly convened and held in accordance with the Declaration of Trust by a majority consisting of not less than three-quarters of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-quarters of the votes cast on such poll;

**“First Rental Period”** has the meaning given to it in clause 2.1 of the Lease Agreement;

**“FSMA”** means the Financial Services and Markets Act 2000;

**“Guarantee”** means the guarantee dated the Closing Date and made between SoQ Sukuk A Q.S.C. (as issuer and as trustee), the Delegate and the State (as guarantor);

**“Guaranteed Obligations”** means the obligations of the Obligor guaranteed by the Guarantor pursuant to Clause 2.1 of the Guarantee;

**“Lease”** means the lease of the Lease Assets in accordance with Clause 2.1 of the Lease Agreement;

**“Lease Agreement”** means the lease agreement dated the Closing Date between the Trustee (as lessor) and the State (as lessee);

**“Lease Assets”** has the meaning given to it in the Lease Agreement;

**“Lease Commencement Date”** means the Closing Date, being the date on which the Lease shall commence pursuant to the Lease Agreement;

**“Lease End Date”** means the earliest to occur of (a) the Scheduled Dissolution Date; (b) a Dissolution Date; and (c) any date on which all of the Lease Assets are purchased pursuant to the Redemption Undertaking;

**“Lease Term”** means the period from and including the Lease Commencement Date to (but excluding) the Lease End Date;

**“Major Maintenance and Structural Repair”** means all structural repair and major maintenance, including doing such acts or things and taking such steps to ensure that the Lease Assets suffer no damage, loss or diminution in value (excluding Ordinary Maintenance and Repair) without which the Lease Assets could not be reasonably and properly used by the Lessee;

**“Obligor”** means SoQ Sukuk B Q.S.C.;

**“Official List”** has the meaning given to that term in Section 103 of the FSMA;

**“Optional Dissolution Amount X”** means, in relation to the Trust Certificates in respect of a series at a particular time, an amount equal to the aggregate of the following:

- a) the aggregate face amount of the Trust Certificates; plus
- b) all accrued but unpaid Periodic Distribution Amounts (or any part thereof) relating to all Trust Certificates; plus
- c) an amount equal to any outstanding Services Charge Amount relating to the Lease Assets, provided that an invoice has been submitted in accordance with clause 5.3 of the Servicing Agency Agreement;

**“Optional Dissolution Amount Y”** means, in relation to the Trust Certificates in respect of a series at a particular time, an amount equal to the aggregate of the following:

- (a) the sum of the net present value of all remaining Periodic Distribution Amounts (but excluding that portion of the any Period Distribution Amounts that is actually due and paid on the Optional Dissolution Date) and the Scheduled Dissolution Amount discounted to the Optional Dissolution Date on a semi-annual basis at the Treasury Rate for all Trust Certificates plus 50 basis points; plus
- (b) an amount equal to any outstanding Services Charge Amount relating to the Lease Assets, provided that an invoice has been submitted in accordance with clause 5.3 of the Servicing Agency Agreement;

**“Optional Dissolution Date”** means the Periodic Distribution Date specified in the Optional Dissolution Exercise Notice as being the date on which the Lease Assets are to be sold, transferred and conveyed to the Obligor pursuant to the Redemption Undertaking;

**“Optional Dissolution Exercise Price”** means, the greater of the Optional Dissolution Amount X and the Optional Dissolution Amount Y:

**“Optional Dissolution Exercise Notice”** means a notice in the form set out in Schedule 2 of the Redemption Undertaking;

**“Ordinary Maintenance and Repair”** means all repairs, replacements, acts, maintenance and upkeep works required for the general use and operation of the Lease Assets and to keep, repair, maintain and preserve the Lease Assets in good order, state and condition;

**“outstanding”** means, in relation to the Trust Certificates of each Series, all the Trust Certificates of that Series issued other than:

- (a) those Trust Certificates of that Series which have been redeemed in full and cancelled in accordance with the Conditions;
- (b) those Trust Certificates of that Series which have been purchased by or on behalf of the State and cancelled in accordance with Condition 11.5 (*Purchase and Cancellations*);
- (c) those Trust Certificates of that series in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all periodic distributions payable in respect thereof) have been duly paid to the Delegate or to the Principal Paying Agent, as applicable, in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the Certificateholders of the relevant series in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Trust Certificates;
- (d) those Trust Certificates of that series in respect of which claims have become prescribed under Condition 13 (*Prescription*);
- (e) those mutilated or defaced Trust Certificates of that series which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 16 (*Replacement of Definitive Trust Certificates*);
- (f) those Trust Certificates of that series which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 16 (*Replacement of Definitive Trust Certificates*);
- (g) the Global Certificate to the extent that it shall have been exchanged for Individual Trust Certificates of that series pursuant to its provisions,

**provided that** for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Certificateholders of that Series;
- (ii) the determination of how many and which Trust Certificates of that Series are for the time being outstanding for the purposes of Clauses 6.2 (*Dissolution Event*), 6.4 (*Waiver, Authorisation and Determination*) and 17 (*Enforcement of Rights*) of the Declaration of Trust, Conditions 14 (*Dissolution Events*), 15 (*Enforcement and Exercise of Rights*) and 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*) and Schedule 4 (*Provisions for Meetings of Certificateholders*) of the Declaration of Trust;

- (iii) any discretion, power or authority (whether contained in this Declaration of Trust or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Certificateholders of that Series; and
- (iv) the determination by the Delegate whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Certificateholders of that Series,

those Trust Certificates of that series which are for the time being held by or on behalf of or for the benefit of the Trustee or any of its Subsidiaries, the State or any affiliate, subdivision or instrumentality of the State shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**“Payment Business Day”** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York and, in the case of presentation of a Trust Certificate, in the place of the specified office of the Registrar or relevant Paying Agent, to whom the relevant Trust Certificate is presented;

**“Periodic Distribution Date”** means 18 January and 18 July in each year, commencing on 18 January, 2013;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, including, without limitation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Prospectus”** means the preliminary prospectus dated 5 July 2012 prepared by each of the Trustee and the State and the final prospectus dated 16 July 2012 prepared by each of the Trustee and the State in connection with the Trust Certificates and any supplements thereto or restatements thereof;

**“Public External Indebtedness”** means any indebtedness (including indebtedness incurred under a *Shari’ah* compliant financing) not in the Relevant Currency which is in the form of, or represented or evidenced by, certificates, bonds, notes, Sukuk, debentures or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**“Purchaser”** means SoQ Sukuk B Q.S.C., an Article 68 company registered in Qatar and wholly owned by the State;

**“Purchase Undertaking”** means the purchase undertaking in respect of the Trust Certificates dated the Closing Date and granted by the Purchaser in favour of the Trustee and the Delegate;

**“Qatar”** means the State of Qatar;

**“Receiver”** means any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trustee by the Delegate in accordance with the Declaration of Trust;

**“Record Date”** means (i) (where the Trust Certificate is represented by a Global Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date, Scheduled Dissolution Date or Dissolution Date, as the case may be; or (ii) (where the Trust Certificate is in definitive form), in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Amount, the date falling two Payment Business Days before the Scheduled Dissolution Date or Dissolution Date, as the case may be;

**“Redemption Undertakings”** means the redemption undertaking in respect of the 2018 Trust Certificates and the redemption undertaking in respect of the 2023 Trust Certificates, each dated the Closing Date and granted by the Trustee in favour of the Obligor;

**“Relevant Currency”** means (i) the lawful currency of Qatar, or (ii) any currency adopted as the lawful common currency of any member states of the Gulf Cooperation Council, provided that at the time of the incurrence of any Public External Indebtedness, Qatar is a member state participating in such common currency;

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received;

**“Relevant Jurisdiction”** means Qatar or, in either case, any political subdivision or authority thereof or therein having the power to tax;

**“Registrar”** means Deutsche Bank Luxembourg S.A.;

**“Rental”** for each Rental Period means an amount equal to the aggregate of:

(a) the product of (i) the Rental Rate for such Rental Period, (ii) the Face Amount and (iii) the Day Count Fraction; and

(b) in respect of each Rental Period falling after the First Rental Period, the Supplementary Rental (if any),

and rounding the resulting figure to the nearest currency unit upwards. For these purposes **“currency unit”** means the lowest amount of such currency that is available as legal tender for U.S. dollars;

**“Rental Payment Date”** means each Periodic Distribution Date;

**“Rental Period”** means the period from (and including) a Rental Payment Date or, with respect to the First Rental Period, from (and including) the Lease Commencement Date, to (but excluding) the immediately following Rental Payment Date, or with respect to the final Rental Period, to (but excluding) the Lease End Date;

**“Sale Agreement”** means a sale agreement substantially in the form set out in schedule 2 (*Form of Sale Agreement*) to each Purchase Undertaking, each Substitution Undertaking and each Redemption Undertaking;

**“Sale and Purchase Agreement”** means the sale and purchase agreement in respect of the Trust Certificates dated the Closing Date between the Trustee and the State;

**“Securitisation”** means any securitisation (*Shari’ah* compliant or otherwise) of existing or future assets and/or revenues, provided that (i) any Lien given by the Guarantor in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to the Guarantor in respect of any default by any person under the securitisation;

**“Services”** means the services relating to the Lease Assets to be provided by the Servicing Agent on behalf of the Lessor in respect of Major Maintenance and Structural Repair, Proprietorship Taxes and Insurances, subject to the terms and conditions of the Servicing Agency Agreement;

**“Servicing Agent”** means the State in its capacity as servicing agent under the Servicing Agency Agreement;

**“Servicing Agency Agreements”** means the servicing agency agreement in respect of the 2018 Trust Certificates and the servicing agency agreements in respect of the 2023 Trust Certificates, each dated the Closing Date and made by the Issuer (as lessor) and the State of Qatar, acting through the Ministry of Economy and Finance (as servicing agent);

**“Services Charge Amount”** means, in relation to the Lease Assets, all payments made by the Servicing Agent in respect of the Services performed during a Rental Period pursuant to the Servicing Agency Agreement;

**“Shari’ah”** means the *Shari’ah* as interpreted by the Barwa Bank’s Shari’a Board, Deutsche Bank AG Shari’a Adviser, HSBC Amanah Central Shari’a Committee, QInvest Sharia’a Supervisory Board and Standard Chartered Bank Shariah Supervisory Committee;

**“Subscription Agreement”** means a subscription agreement dated 16 July 2012 between the Trustee, the State, Barwa Bank, Deutsche Bank AG, London Branch, HSBC Bank plc., QInvest LLC and Standard Chartered Bank;

**“Substitution Undertakings”** means the substitution undertaking in respect of the 2018 Trust Certificates and the substitution undertaking in respect of the 2023 Trust Certificates, each dated the Closing Date and granted by the Trustee in favour of the Obligor;

**“Supplementary Rental”** means, in relation to a Rental Period (other than the First Rental Period), an amount equal to the Services Charge Amount applicable to the previous Rental Period;

“**Taxes**” means any tax (including, without limitation, registration, excise and sales tax), levy, impost, duty, stamp duty, registration fee or other charge or withholding of a similar nature (including any penalty payable in connection with any failure to pay or any delay in paying any of the same);

“**Transaction Documents**” means the Declaration of Trust, the Declaration of Agency, the Agency Agreement, each Lease Agreement, each Servicing Agency Agreement, the Sale and Purchase Agreement, each Purchase Undertaking, each Redemption Undertaking, each Sale Agreement entered into pursuant to each Redemption Undertaking, each Purchase Undertaking or Substitution Undertaking, the Guarantee and the Trust Certificates in respect of either or both Series, as the context may require, and any other agreements, deeds, undertakings or documents designated as such by the parties hereto;

“**Trust Assets**” means, in respect of each Series:

- (a) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the Lease Assets relating to that Series;
- (b) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the relevant Transaction Documents of that series (excluding: (i) any representations given to the Trustee by the State pursuant to any of the relevant Transaction Documents; and (ii) the undertakings given pursuant to Clause 15 (*Undertakings*) of the Declaration of Trust;
- (c) all monies standing to the credit of the Transaction Account;
- (d) any security created in favour of the Trustee pursuant to clause 7 (*Negative Pledge*) of the Guarantee; and
- (e) all proceeds of the foregoing;

“**Trustee Acts**” means the Trustee Act 1925 and the Trustee Act 2000 of the United Kingdom of Great Britain and Northern Ireland; and

“**U.S.\$**” and “**U.S. dollars**” each means the lawful currency for the time being of the United States of America.

## 1.2 Interpretation and Construction

- (a) In this section, unless the contrary intention appears, a reference to:
  - (i) a person includes: (A) any individual, company, unincorporated association, government, state agency, international organisation or other entity; and (B) its successors and assigns;
  - (ii) a document or any provision of a document is a reference to that document or provision as amended, novated, supplemented, extended, replaced or restated from time to time;
  - (iii) a time of day is a reference to London time; and
  - (iv) the headings in these Conditions do not affect its interpretation.
- (b) In these Conditions, unless the contrary intention appears, a reference to:
  - (i) words denoting the singular shall include the plural and *vice versa*;
  - (ii) words denoting one gender only shall include the other gender; and
  - (iii) words denoting persons only shall include firms and corporations and *vice versa*.
- (c) Time, where referred to in these Conditions, shall be of the essence.

## 2. FORM, DENOMINATION AND TITLE

### 2.1 Form and Denomination

The Trust Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an **Authorised Denomination**). A Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates. Each Trust Certificate will be numbered serially with an identifying number which will be recorded on the relevant Trust Certificate and in the register of Certificateholders (the **Register**).

For so long as any of the Trust Certificates is represented by a Global Certificate held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than another clearing system) who is for the time being shown in

the records of either such clearing system as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by a clearing system as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest or proven error) shall be treated by the Issuer, the Trustee, the Delegate, the State (in whatever capacity it is acting, the **State**) and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Certificate shall be treated by the Issuer, the Trustee, the Delegate, the State and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions **Certificateholder** and **holder** in relation to any Trust Certificates and related expressions shall be construed accordingly.

Each holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the registered holder of the Global Certificate.

## **2.2 Register**

The Registrar will maintain a register (the **Register**) of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

## **2.3 Title**

Title to the Trust Certificates passes only by registration in the Register. Subject to the terms of the relevant Global Certificate and/or the definition of **Certificateholders**, the registered holder of any Trust Certificate will (except as otherwise required by law) be treated as the absolute owner of the Trust Certificates represented by the Global Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Trust Certificate) and no Person will be liable for so treating the holder of any Trust Certificate. The registered holder of a Trust Certificate will be recognised by the Trustee as entitled to his Trust Certificate free from any equity, set off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Trust Certificate.

The Trustee and the Delegate may call for and shall be at liberty to accept and place full reliance on (as sufficient evidence thereof and shall not be liable to any Certificateholder by reason only of either having accepted as valid or not having rejected) any original certificate or letter of confirmation purporting to be signed on behalf of Euroclear or Clearstream, Luxembourg or any other relevant clearing system to the effect that at any particular time or throughout any particular period any particular person is, was or will be shown in its records as having a particular nominal amount of Certificates credited to his securities account.

## **3. TRANSFERS OF TRUST CERTIFICATES**

### **3.1 Transfers of interests in the Global Certificate**

Transfers of interests in the Global Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Authorised Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

### **3.2 Transfers of Trust Certificates in definitive form**

Upon the terms and subject to the conditions set forth in the Declaration of Trust and the Agency Agreement, a Trust Certificate in definitive form may be transferred in whole or in part (in the Authorised Denomination or an integral multiple thereof). In order to effect any such transfer (a) the holder or holders must (i) surrender the definitive Trust Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly

authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the State, the Delegate and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Declaration of Trust).

Subject as provided above, the relevant Transfer Agent will, within five (5) business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request a new Trust Certificate in definitive form of a like aggregate face amount to the Trust Certificate (or the relevant part of the Trust Certificate) transferred. In the case of the transfer of part only of a Trust Certificate in definitive form, a new Trust Certificate in definitive form in respect of the balance of the Trust Certificate not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

No Certificateholder may require the transfer of a Trust Certificate in definitive form to be registered during the period of 15 days ending on a Periodic Distribution Date, the Scheduled Dissolution Date, a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

### **3.3 Costs of registration**

Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## **4. STATUS AND LIMITED RECOURSE**

### **4.1 Status**

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a limited recourse obligation of the Issuer. Each Trust Certificate ranks *pari passu* without any preference or priority, with the other Trust Certificates.

### **4.2 Status of the Guarantee**

The obligations of the State under the Guarantee constitute direct, general, unconditional, unsubordinated and unsecured obligations of the State, and the full faith and credit of the State is pledged for the due and punctual payment thereof and for the performance of all obligations of the State with respect thereto. The obligations of the State under the Guarantee shall at all times rank *pari passu* without any preference among themselves and at least *pari passu* in all respects with all other present and future unsecured and unsubordinated obligations of the State.

### **4.3 Limited Recourse**

Save as provided in the next sentence, the Trust Certificates do not represent an interest in or obligation of either the Trustee, the Obligor, the State, the Delegate, any Agent or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Trust Certificates, acknowledge that they will have no recourse to any of the Lease Assets forming the Trust Assets nor to any assets of the Trustee (including, in particular, other assets comprised in other trusts, if any) or the Obligor, the Delegate, any Agent or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets (other than the Lease Assets) and Certificateholders' sole recourse shall be to enforce the relevant Purchase Undertaking and the Guarantee.

The Obligor is obligated to pay the Exercise Price under the Purchase Undertaking to the Issuer, as trustee for and on behalf of the Certificateholders, and the Delegate will have direct recourse to the Obligor to recover such payments under the Purchase Undertaking.



The State is obliged to make payments of Rental under the Lease Agreement directly to the Trustee.

The State is obliged, in the event of a default in payment by the Obligor under the Purchase Undertakings, Redemption Undertakings or Substitution Undertakings, to make certain payments under the Guarantee directly to the Trustee for and on behalf of the Certificateholders, and the Delegate will have direct recourse to the State to recover such payments under the Guarantee.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets in accordance with these conditions may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 15 (*Enforcement and Exercise of Rights*), no holder of Trust Certificates will have any claim against the Delegate, any Agent or any of their respective affiliates, the Trustee, the Obligor or the State.

#### 4.4 Agreement of Certificateholders

By purchasing Trust Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, that, in relation to the Trust Certificates:

- (a) no payment of any amount whatsoever shall be made by the Trustee, the Delegate or any of their agents on their behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Lessor or the Delegate to the extent the Trust Assets have been exhausted following which all obligations of the Trustee or the Delegate shall be extinguished;
- (b) no recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with any of the Transaction Documents by virtue of any statute or otherwise shall be had against any shareholder, officer or director of the Trustee in their capacity as such and any and all personal liability of every such shareholder, officer or director in their capacity as such for any breaches by the Trustee of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law; and
- (c) save as provided in the Transaction Documents, the Trustee shall not be entitled to claim or exercise any right of set-off or counterclaim in respect of any sums due under any of the Transaction Documents or any part thereof with respect to any liability owed by it to the State or claim any lien or other rights over any property held by it on behalf of the State.

## 5. THE TRUST

### 5.1 Summary of the Trust

Pursuant to the Declaration of Trust, the Issuer will declare a trust over the Trust Assets. All payments by the State or the Obligor, as applicable, under the Lease Agreements, the Purchase Undertakings and the Redemption Undertakings will be deposited into an account of the Trustee maintained for such purpose (the **Transaction Account**). In addition, all obligations of the Purchaser under each Purchase Undertaking, and all payment obligations under each Redemption Undertaking and Substitution Undertaking will be unconditionally and irrevocably guaranteed by the State pursuant to the Guarantee.

The Trust will be dissolved upon the Scheduled Dissolution Date after the redemption of the Trust Certificates at the Dissolution Amount, unless the Trust was previously dissolved as a result of the occurrence of a Dissolution Event or the Obligor's exercise of its rights pursuant to the Redemption Undertaking.

Upon the occurrence of a Total Loss Event, the Trust Certificates will be redeemed and the Trust will be dissolved by the Trustee on the date specified by the Trustee in Condition 11.2 (*Dissolution Following a Total Loss Event*). The Trust Certificates will be redeemed at the Dissolution Amount in accordance with Condition 11.2 (*Dissolution Following a Total Loss Event*) using either the proceeds of insurance payable in respect of the Total Loss Event or, if a Total Loss Event occurs and an amount (if any) less than the Full Reinstatement Value (as defined in the Servicing Agency Agreement) is

credited to the Transaction Account in accordance with the Servicing Agency Agreement (the difference between the Full Reinstatement Value and the amount credited to the Transaction Account being the **Total Loss Shortfall Amount**), the aggregate of the insurance proceeds payable in respect of the Total Loss Event (if any) and the Total Loss Shortfall Amount transferred by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

The Purchaser has entered into the Purchase Undertakings pursuant to which the Purchaser undertakes, following receipt of an Exercise Notice (in the form set out in schedule 1 of the Purchase Undertaking) from the Trustee thereunder, to purchase all of the Trustee's interests, rights, title, benefits and other entitlements in and to the Lease Assets on the Scheduled Dissolution Date upon the occurrence of a Dissolution Event.

## 5.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the holders of the Trust Certificates. On each Periodic Distribution Date, or on the date specified in accordance with these Conditions for redemption of the Trust Certificates (the **Redemption Date**), the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer appointed by the Delegate in accordance with the Declaration of Trust;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) *third*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of: (i) the relevant Dissolution Amount or (ii) the amount payable following a Total Loss Event, as the case may be; and
- (d) *fourth*, only if such payment is made on the Scheduled Dissolution Date or a Dissolution Date, to the Servicing Agent in or towards payment of all outstanding Services Charge Amounts in respect of that Series.

The Principal Paying Agent shall apply the monies so received towards the payments set forth above.

## 6. THE DECLARATION OF AGENCY

### 6.1 Summary of the Declaration of Agency

Each of the Certificateholders confirms and ratifies the appointment of the Issuer as its agent (in such capacity, the **Sukuk Agent**) to perform certain functions in a manner recognised under the laws of Qatar. Each Certificateholder consents to the Issuer declaring that:

- (a) it will on the date hereof, in its capacity as Sukuk Agent:
  - (i) enter into the Transaction Documents to which it is a party;
  - (ii) issue the Trust Certificates;
  - (iii) hold the Trust Assets in respect of each series as agent for and on behalf of the Certificateholders of each series as beneficiaries pro rata according to the face amount of Trust Certificates of that series held by each such Certificateholder;
  - (iv) exercise on behalf of Certificateholders in respect of each series all of its rights under the Transaction Documents and appoint such agents as it deems necessary in respect of the Trust Certificates (including pursuant to the Agency Agreement);
- (b) without prejudice to Clause 6.1(a)(iv) above, it shall exercise its rights under the Purchase Undertaking:
  - (i) upon the occurrence of a Dissolution Event; or
  - (ii) on or prior to the fifth (5<sup>th</sup>) Payment Business Day prior to the Scheduled Dissolution Date,

and shall distribute any proceeds of the resultant sale in accordance with the Transaction Documents;

- (c) it will comply with and perform its obligations, or cause such obligations to be complied with and performed on its behalf, in accordance with the terms of the Trust Certificates, the Conditions and the Transaction Documents and observe all the provisions of the Transaction Documents which are expressed to be binding on it and, in particular but without limitation, shall maintain proper books of account in respect of the Trust (as defined in the Declaration of Trust) and, as far as permitted by law, allow the Delegate (where applicable) and any other person appointed by the Delegate free access to such books of account at all reasonable times during normal working hours; and
- (d) it shall act as agent for and on behalf of all present and future Certificateholders in respect of the Trust Assets in respect of each series, distribute the income from such Trust Assets to the Certificateholders of that series and perform its duties in accordance with the provisions of this Declaration and these Conditions.

## 6.2 Appointment of Delegate by the Sukuk Agent

Each of the Certificateholders confirms and ratifies the appointment of the Delegate by the Sukuk Agent within the Declaration of Agency to perform certain functions on their behalf in a manner recognised under the laws of Qatar.

## 7. NEGATIVE PLEDGE AND COVENANTS

### 7.1 Negative Pledge

The following restrictive covenant has been given by the State in the Guarantee.

So long as any of the Guaranteed Obligations remain outstanding, except as set forth below, the Guarantor will neither create nor permit to subsist any lien, pledge, mortgage or other security interest (any of the foregoing, a "Lien") upon the whole or any part of its existing or future assets or revenues to secure any Public External Indebtedness of the Guarantor or any other Person or any guarantee or indemnity thereof unless, at the same time or prior thereto, the obligations of the Guarantor under this Guarantee and all amounts payable under the Lease Agreement are secured equally and rateably with such Public External Indebtedness or as shall be approved by the Trustee (acting on the instructions of the Certificateholders); provided, however, that the foregoing shall not apply to:

- (a) any Lien upon any property or asset incurred for the purpose of financing the acquisition or cost of construction, improvement or repair of such property or asset or any renewal or extension of any such Lien which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (b) any Lien existing on any property or asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original property or asset covered thereby and which secures any renewal or extension of the original secured financing;
- (c) any Lien in existence on 16 July 2012;
- (d) any Lien arising in the ordinary course of banking transactions and securing the Public External Indebtedness of the Guarantor maturing not more than one year after the date on which it is originally incurred;
- (e) any Lien arising by operation of law or which arose pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings;
- (f) any Lien incurred for the purpose of financing all or part of the costs of the acquisition, construction or development, improvement, repair, extension or refinancing of a project, provided that the property over which such Lien is granted consists solely of the property, assets or revenues of such project (including, without limitation, royalties and other similar payments accruing to the Guarantor generated by the relevant project);
- (g) any Shari'ah compliant financing, offering of certificates or other instruments (including, but not limited to, a Shari'ah compliant sale and Ijara (lease) financing) (a **Transaction**), provided that the Guarantor does not provide any Lien over its property or assets to secure the performance of the obligations of the Guarantor under or with respect to any such Transaction; and

- (h) any Lien arising in connection with the incurrence of Public External Indebtedness as part of a Securitisation or any renewal or extension thereof.

## 7.2 Covenants

- (a) The Trustee covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):
  - (i) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee in respect of any obligation of any Person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares), except in all cases as contemplated in the Transaction Documents;
  - (ii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to the Transaction Documents;
  - (iii) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
  - (iv) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof);
  - (v) have any subsidiaries or employees;
  - (vi) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
  - (vii) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; and
  - (viii) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
    - (A) as provided for or permitted in the Transaction Documents;
    - (B) the ownership, management and disposal of Trust Assets as provided in the Transaction Documents; and
    - (C) such other matters which are incidental thereto.

## 8. FIXED PERIODIC DISTRIBUTION PROVISIONS

### 8.1 Periodic Distribution Amount

Subject to Condition 5.2 (*Application of Proceeds from Trust Assets*) and Condition 9 (*Payment*), a Periodic Distribution Amount representing a defined share of the Rental paid by the Lessee to the Lessor pursuant to the Lease Agreement in respect of the Lease Assets for the relevant Trust Certificates will be distributed by the Trustee to the relevant Certificateholders, pro rata to their respective holdings on each Periodic Distribution Date in arrear in accordance with these Conditions. The **Periodic Distribution Amount** payable on each Periodic Distribution Date shall be U.S.\$10.495 per U.S.\$1,000.00 in face amount of the 2018 Trust Certificates. The **Periodic Distribution Amount** payable on each Periodic Distribution Date in respect of the 2023 Trust Certificates shall be U.S.\$16.205 per U.S.\$1,000.00 in face amount of the 2023 Trust Certificates.

### 8.2 Calculation of Periodic Distribution Amounts payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of: (i) in the case of the 2018 Trust Certificates (a) 2.099 per cent. per annum, (b) the face amount of the relevant Trust Certificates and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards) and (ii) in the case of the 2023 Trust Certificates (a) 3.241 per cent. per annum, (b) the face amount of the relevant Trust Certificates and (c) the number of days in such Relevant Period calculated on the basis of a year of 12 30-day months divided by 360 (with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards).

### 8.3 Cessation of Accrual

No further amounts will be payable on any Trust Certificate from and including its due date for redemption, unless default is made in payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 8 (such amount to be the **Additional Dissolution Amount**).

## 9. PAYMENT

### 9.1 Payments in respect of the Trust Certificates

Subject to Condition 9.2 (*Payments subject to Applicable Laws*), payment of the Dissolution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in U.S. dollars by wire transfer in same day funds to the registered account of each Certificateholder. Payments of the Dissolution Amount will only be made against surrender of the relevant Trust Certificate at the specified office of any of the Paying Agents. The Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition:

- (a) **Dissolution Amount** means, as appropriate, the Exercise Price or the Dissolution Amount for the purposes of Condition 14 (*Dissolution Events*) (including any amount payable following a Total Loss Event);
- (b) a Certificateholder's **registered account** means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in the U.S. dollar, details of which appear on the Register at the close of business on the relevant Record Date; and
- (c) a Certificateholder's **registered address** means its address appearing on the Register at that time.

### 9.2 Payments subject to Applicable Laws

Payments in respect of Trust Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*).

### 9.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Payment Business Day on which the relevant definitive Trust Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the relevant Certificateholder is late in surrendering its definitive Trust Certificate (if required to do so).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

## 10. AGENTS

### 10.1 Agents of Issuer

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

### 10.2 Specified Offices

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided, however, that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar;
- (c) so long as any Trust Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system; and
- (d) there will at all times be a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 17 (*Notices*).

## 11. CAPITAL DISTRIBUTIONS OF THE TRUST

### 11.1 Dissolution on the relevant Scheduled Dissolution Date

Unless the Trust Certificates are previously redeemed, purchased, or cancelled, the Trustee will redeem each Trust Certificate on the Scheduled Dissolution Date at the Exercise Price. Upon payment in full of such amounts to the Certificateholders, the Declaration of Trust will terminate, the Trust Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 11.2 Dissolution following a Total Loss Event

Upon the occurrence of a Total Loss Event in respect of Lease Assets, the relevant Trust Certificates may be redeemed and the relevant Trust dissolved on the dates specified by the Delegate. The relevant Trust Certificates will be redeemed using the proceeds of insurance payable in respect of the Total Loss Event which are required to be paid into the Transaction Account by no later than the 30th day after the occurrence of the Total Loss Event.

A **Total Loss Event** is the total loss or destruction of, or damage to the whole of, the Lease Assets or any event or occurrence that renders the whole of the Lease Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Assets) the repair or remedial work in respect thereof is wholly uneconomical.

*The Servicing Agency Agreement provides that the Servicing Agent is required to insure the Lease Assets against total loss in an amount equal to their full reinstatement value (which value will not be less than the Aggregate Face Amount of the Series) and further provides that if the obligations of the Servicing Agent thereunder are not strictly complied with and as a result any insurance amounts paid into the Transaction Account are less than the full reinstatement value of the Lease Assets (the difference between the amount (if any) paid into the Transaction Account and such full reinstatement value being the **Total Loss Shortfall Amount**), the Servicing Agent (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failure to comply with the terms of the Servicing Agency Agreement relating to insurance) undertakes to pay the Total Loss Shortfall Amount into the Transaction Account immediately.*

### 11.3 Redemption at the Option of the Obligor

The Obligor shall have the right, with the prior written consent of the State, to redeem the Trust Certificates, in whole but not in part, by delivering an Optional Dissolution Exercise Notice to the Issuer specifying the Optional Dissolution Date and the Optional Dissolution Exercise Price in relation to the Trust Certificates (the **Optional Dissolution Right**) by giving at least five business days' notice to the Certificateholders. Upon the exercise of the Optional Dissolution Right, the Issuer shall be irrevocably and unconditionally required to accept the sale and transfer of all the Obligor's rights, title, interests, benefits and entitlements in and to the Lease Assets as identified in the Optional Dissolution Exercise Notice. Upon payment in full of the Optional Dissolution Exercise Price, the redeemed Trust Certificates shall cease to represent interests in the Lease Assets and no further amounts shall be payable in respect thereof and the Issuer (including in its capacity as Trustee), the Obligor and the Trustee shall have no further obligations in respect thereof. Redeemed Trust Certificates shall be cancelled pursuant to Condition 11.5 (*Purchase and Cancellations*) upon payment in full of the Optional Dissolution Exercise Price.

### 11.4 No other Dissolution

The Trustee shall not be entitled to redeem the Trust Certificates, and the Trustee shall not be entitled to dissolve the Trust, otherwise than as provided in this Condition and Condition 14 (*Dissolution Events*).

### 11.5 Purchase and Cancellations

The Trustee, the Purchaser, and/or the State or any affiliate, subdivision or instrumentality of any of them, may at any time purchase Trust Certificates at any price in the open market or otherwise. Such Trust Certificates may be held, resold or, at the option of the Issuer, the Purchaser or the State, as applicable, surrendered to the Principal Paying Agent for cancellation. All Trust Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold thereafter.

### 11.6 Dissolution Date

In these Conditions, the expression **Dissolution Date** means, as the case may be, (a) following the occurrence of a Dissolution Event (as defined in Condition 14 (*Dissolution Events*)), the date on which the Trust Certificates are dissolved in accordance with the provisions of Condition 14 (*Dissolution Events*), or (b) the Optional Dissolution Date.

## 12. TAXATION

All payments in respect of the Trust Certificates shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Trust Certificates is received by parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Trust Certificate:

- (a) presented for payment (where presentation is required) by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Trust Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment (where presentation is required) by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Trust Certificate to another Paying Agent in a different Member State of the European Union.

- (e) Presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

*The Lease Agreement and the Purchase Undertaking each provide that payments thereunder by the Lessee and the Obligor, respectively, shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by the Lessee and the Obligor, respectively, of additional amounts so that the full amount which would otherwise have been due and payable is received by the Issuer.*

### **13. PRESCRIPTION**

The right to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts and the Optional Dissolution Exercise Price) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 9 (*Payment*).

### **14. DISSOLUTION EVENTS**

Upon the occurrence and continuation of any of the following events (**Dissolution Events**):

- (a) default is made in the payment of the Dissolution Amount, the Optional Dissolution Exercise Price or any Periodic Distribution Amount and, in the case of a Periodic Distribution Amount only, such default continues for a period of 30 days from the due date for payment; or
- (b) the Trustee does not perform or comply with any one or more of its legal obligations in the Trust Certificates or the Declaration of Trust and either such default is not capable of remedy or (if capable of remedy) is not remedied within 60 days after written notice of such default shall have been given to the Trustee by the Delegate; or
- (c) an SoQ Event occurs; or
- (d) the Trustee repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (e) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable,
- (f) the State ceases to directly or indirectly own 100% of the issued and outstanding share capital of the Trustee;
- (g) at any time the Guarantee is held to be invalid or unenforceable for any reason,

the Delegate shall, as soon as practicable upon becoming aware thereof, give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Trust Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Trust Certificates, the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may, give notice to the Trustee, the Obligor, the Lessee and all the holders of the Trust Certificates in accordance with Condition 17 (*Notices*) that the Trust Certificates are to be redeemed at the Dissolution Amount on the date specified in such notice. Upon payment in full of such amounts, the Declaration of Trust will terminate, the Trust Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Trust Certificates, notwithstanding that the Trustee has, at the relevant time, insufficient funds to pay such amounts.



For the purposes of this Condition:

“**SoQ Event**” means:

- (a) **Non-Payment:** default is made by the Lessee in the payment of any Rental under the Lease Agreement, or default is made by the Purchaser in the payment of any Exercise Price under the Purchase Undertaking, as the case may be, and (in each case) the default continues for a period of at least thirty (30) days; or
- (b) **Breach of Other Obligations:** the Lessee does not perform or comply with any one or more of its other obligations under the Lease Agreement, the Guarantee or the Declaration of Trust, or the Purchaser does not perform or comply with any one or more of its other obligations under the Purchase Undertaking and (in each case) either such default is not capable of remedy or (if capable of remedy) is not remedied within sixty (60) days after written notice of such default shall have been given to the Lessee by the Delegate;
- (c) **Cross-Default:** (A) any other present or future Public External Indebtedness of the Lessee for, or in respect of, moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default (however described), or (B) any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds one hundred million U.S. dollars (US\$100,000,000) (or its equivalent in any other currency or currencies); or
- (d) **Moratorium:** the Lessee shall enter into an arrangement with its creditors generally for the rescheduling or postponement of its debts or a moratorium on the payment of any amount due in respect of all or any part of the External Indebtedness of the Lessee shall be declared; or
- (e) **Unlawfulness or invalidity:** validity of the Lessee’s obligations under any of the Transaction Documents is contested by the Lessee or the Lessee shall deny any of its obligations under the Transaction Documents or as a result of any change in, or amendment to, the laws or regulations in Qatar, which change or amendment takes place after 16 July 2012, (i) it becomes unlawful for the Lessee to perform or comply with any of its obligations under or in respect of the Transaction Documents or (ii) any of such obligations become unenforceable or invalid,

provided that (other than in the case of paragraphs (a) and (c)) the Delegate shall have determined that in its opinion such event or circumstance is materially prejudicial to the interests of the Certificateholders.

## **15. ENFORCEMENT AND EXERCISE OF RIGHTS**

### **15.1 Enforcement**

Upon the occurrence of a Dissolution Event and the giving of notice to the Trustee by the Delegate, to the extent that the amounts payable in respect of the Trust Certificates have not been paid in full pursuant to Condition 14 (*Dissolution Events*), the Delegate shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

- (a) enforce the provisions of the Purchase Undertaking against the Purchaser; and/or
- (b) enforce the provisions of the Guarantee against the State; and/or
- (c) enforce the provisions of the Lease Agreement against the Lessee; and/or
- (d) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing, the Delegate may at any time, at its discretion and without notice, take such proceedings, enforcement action and/or other steps as it may think fit against or in relation to each of the Trustee, the Obligor and/or the State to enforce their respective obligations under the Transaction Documents, these Conditions and the Trust Certificates, provided that under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Lease Assets comprising the Trust Assets (other than a sale of the Lease Assets pursuant to the Purchase Undertaking) in respect of any shortfall in the expected amounts from the Trust Assets (other than the Lease Assets) and the Delegate and the Certificateholders shall have the right in the event of such shortfall to enforce the Purchase Undertaking and the Guarantee against the Obligor and the State.

### **15.2 Delegate not obliged to take Action**

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee, the Purchaser and/or the State under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Trust Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

### **15.3 Direct Enforcement by Certificateholder**

No Certificateholder shall be entitled to proceed directly against the Trustee, the Purchaser or the State under any Transaction Document unless (a) the Delegate, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee, the Purchaser or the State as the case may be) holds at least 25 per cent. of the then aggregate face amount of the Trust Certificates outstanding. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Purchase Undertaking) and the sole right of the Delegate and the Certificateholders against the Trustee, the Purchaser and the State shall be to enforce their respective obligations under the Transaction Documents.

### **15.4 Limited Recourse**

After enforcing or realising the Trust Assets as contemplated above and distributing the proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) and the Declaration of Trust, the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and no holder of the Trust Certificates may take any further steps against the Trustee, the Delegate or any other Person to recover any further sums in respect of the Trust Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

## **16. REPLACEMENT OF DEFINITIVE TRUST CERTIFICATES**

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred

in connection with the replacement and on such terms as to evidence and indemnity as the Trustee or the State may reasonably require. Mutilated or defaced Trust Certificates must be surrendered before replacements will be issued.

## 17. NOTICES

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper (which will be in a leading English language newspaper having general circulation) in the Gulf region and a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses, in the event that the Certificates are in Definitive Form.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) by which the Trust Certificates have then been admitted to listing, trading and/or quotation. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

Until such time as any definitive Trust Certificates are issued, there may, so long as any Global Certificate representing the Trust Certificates is held on behalf of one or more clearing systems, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to the relevant clearing systems for communication by them to the Certificateholders and, in addition, for so long as any Trust Certificates are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to the relevant clearing systems.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by a Global Certificate held on behalf of one or more clearing systems, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through the clearing system in which its interest in the Trust Certificates is held in such manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

## 18. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

- 18.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions, the provisions of the Declaration of Trust or any other Transaction Document. The quorum at any meeting for passing an Extraordinary Resolution shall be one or more Certificateholders of the relevant series, proxies or representatives holding or representing in the aggregate not less than fifty per cent. (50%) of the then outstanding aggregate face amount of such series of the Trust Certificates, or at any adjourned such meeting one or more persons present whatever the outstanding face amount of the Trust Certificates held or represented by him or them, except that any meeting the business of which includes the modification of certain provisions of the Trust Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Trust Certificates, altering the currency of payment of the Trust Certificates and amending Condition 7.2 (*Covenants*) and certain covenants given by the State in the Transaction Documents in a way which is materially prejudicial to the interests of the Certificateholders), the quorum shall be one or more Certificateholders of such series, proxies or representatives holding or representing in the aggregate not less than sixty-six per cent. (66%) of the then aggregate outstanding face amount of such series of Trust Certificates, or at any adjourned such meeting one or more Certificateholders of the relevant series, proxies or representatives holding or representing in the aggregate not less than twenty-five per cent. (25%) of the then outstanding face amount of the Trust Certificates of such series. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the persons voting on a show of hands or, if a poll is duly demanded, a

majority of not less than three-quarters of the votes cast on such poll and, if duly passed, will be binding on all holders of the Trust Certificates, whether or not they are present at the meeting and whether or not voting.

- 18.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust, the Agency Agreement or any other Transaction Document, or determine, without any such consent or sanction as aforesaid, that any Dissolution Event or an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (a) such modification is of a formal, minor or technical nature, (b) such modification is made to correct a manifest or proven (to the satisfaction of the Delegate) error or (c) such modification, waiver, authorisation or determination is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders.
- 18.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.
- 18.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

## **19. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE**

- 19.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.
- 19.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the State under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by the State but are not so made and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration.
- 19.3 Each of the Delegate and the Trustee is exempted from (i) any liability in respect of any loss or theft of the Trust Assets or any cash, (ii) any obligation to insure the Trust Assets or any cash and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of default or misconduct by the Trustee or the Delegate, as the case may be.

## **20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any Person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any Person which exists or is available apart from that Act.

## 21. GOVERNING LAW AND DISPUTE RESOLUTION

- 21.1 The Declaration of Trust and the Trust Certificates, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and construed in accordance with, English law.
- 21.2 Subject to Condition 21.3 below, any dispute, difference or claim arising out of or connected with the Declaration of Trust and/or the Trust Certificates (including a dispute regarding the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust and/or the Trust Certificates or a dispute, difference or claim relating to any non-contractual obligations arising out of or in connection with either of the Declaration of Trust or the Trust Certificates), or the consequences of any nullity of the Declaration of Trust and/or the Trust Certificates (a **Dispute**) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (**LCIA**) (the **Rules**), which Rules are incorporated by reference into this Condition 21.2). In relation to any such arbitration:
- (a) the arbitral tribunal shall consist of three arbitrators;
  - (b) the claimant and the respondent shall each nominate one arbitrator within fifteen (15) days from receipt by the Registrar of the LCIA of the Response to the Request for arbitration as defined in the Rules, and the chairman of the arbitral tribunal shall be nominated by the two party nominated arbitrators within fifteen (15) days of the last of their appointments. If he is not so nominated, he shall be chosen by the LCIA;
  - (c) the seat of the arbitration shall be London, England;
  - (d) the language of the arbitration shall be English;
  - (e) the State undertakes to waive any right of application to determine a preliminary point of law under section 45 of the Arbitration Act 1996;
  - (f) without prejudice to the powers of the arbitrators provided under the Rules, statute or otherwise, the arbitrators shall have the power at any time, following the written request (with reasons) of any party at any time, and after due consideration of any written and/or oral response(s) to such request made within such time periods as the arbitral tribunal shall determine, to make an award in favour of the claimant(s) (or the respondent(s) if a counterclaim) in respect of any claims (or counterclaims), if it appears to the arbitral tribunal that there is no reasonably arguable defence to those claims (or counterclaims), either at all or except as to the amount of any damages or other sum to be awarded;
  - (g) if any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration under this Declaration of Trust (an **Existing Dispute**) or arises out of substantially the same facts as are the subject of an Existing Dispute (a **Related Dispute**), then the arbitral tribunal nominated or appointed in respect of any such Existing Dispute shall also be nominated as the arbitral tribunal in respect of any Related Dispute, save where the arbitral tribunal considers such appointment would be inappropriate;
  - (h) where the same arbitral tribunal has been appointed in relation to two (2) or more Existing and/or Related Disputes, the arbitral tribunal may, with the agreement of all of the parties concerned or upon the application of one of the parties, being a party to each of the Disputes, order that the whole or part of the matters at issue shall be heard together upon such terms or conditions as the arbitral tribunal thinks fit;
  - (i) upon request of a party to a Dispute which itself wishes to be joined to the reference to arbitration proceedings in relation to a Dispute, the arbitral tribunal may join any such party to the reference to arbitration proceedings in relation to that Dispute between them. Each of the Trustee, the Delegate and the State hereby consents to be joined to the reference to arbitration proceedings in relation to any Dispute at the request of a party to that Dispute, and to accept the joinder of a party requesting to be joined pursuant to this Condition 21.2(i).
- 21.3 Notwithstanding Condition 21.2 above, within 28 days of service of a Request for Arbitration (as defined in the Rules), or in the event that no arbitration has commenced, the Trustee, the Delegate or any Certificateholder (where permitted to do so) may, in the alternative, and in its sole discretion, by notice in writing to the Issuer require that a Dispute be heard by a court of law. If the Trustee, Delegate or any Certificateholders (where permitted to do so) gives such

notice, the Dispute to which such notice refers shall be determined in accordance with Condition 21.4 below, and any arbitration commenced under Condition 21.2 in respect of that Dispute will be terminated.

- 21.4 In the event that the Delegate issues a notice pursuant to Condition 21.3 above, the following provisions shall apply:
- (a) subject to Condition 21.4(b) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and, in that respect, the Issuer, Trustee and the State, as the case may be, agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
  - (b) this Condition 21.4 is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding Condition 21.4(a) above, the Delegate and any Certificateholder (where permitted so to do) may commence proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may commence concurrent Proceedings in any number of jurisdictions.
- 21.5 Each of the Trustee and the State agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at its address currently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom. Any service of process shall only be valid and effective if it is delivered in the manner detailed above. If:
- (a) such person is not or ceases to be effectively appointed to accept service of process on behalf of the State, the State shall, on the written demand of the Trustee or the Delegate (as the case may be), appoint a further person in England to accept service of process on its behalf and, failing such appointment within fifteen (15) days, the Trustee or the Delegate (as the case may be) shall be entitled to appoint such a person by written notice addressed to the State; or
  - (b) such person is not or ceases to be effectively appointed to accept service of process on behalf of the Trustee, the Trustee shall, on the written demand of the State, appoint a further person in England to accept service of process on its behalf and, failing such appointment within fifteen (15) days, the State shall be entitled to appoint such a person by written notice addressed to the Trustee.

Nothing in this Condition 21.5 shall affect the right to serve process in any other manner permitted by law. For the avoidance of doubt, this Clause applies to Proceedings in England.

- 21.6 To the extent that the State may in any jurisdiction claim for itself or its revenues, assets or properties which consist of its public and private properties invested in financial, commercial or industrial activities or deposited in banks (**Sovereign Assets**) immunities from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or legal process and to the extent that in any such jurisdiction there may be attributed to itself or its Sovereign Assets such immunity (whether or not claimed), the State hereby irrevocably agrees for the benefit of the Trustee and the Delegate not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction (including, without limitation, the State Immunity Act of 1978 of the United Kingdom and Decree Law No. (18) of 1996 Amending Certain Provisions of Law No. (10) of 1987 in respect of the Public and Private Properties of the State of Qatar). In addition, to the extent that the State or any of its Sovereign Assets shall be entitled in any jurisdiction to any immunity from set-off, banker's lien or any similar right or remedy, and to the extent that there shall be attributed, in any jurisdiction, such an immunity, the State hereby irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction with respect to any Proceedings or Disputes.

## GLOBAL CERTIFICATE

*The Global Certificate contains certain provisions which apply to the Trust Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.*

### 1. Holders

For so long as all of the Trust Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate face amount of the Trust Certificates (each, a **Holder**) (in which regard any Trust Certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate face amount of the Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate face amount of the Trust Certificates (and the expression **Certificateholders**, **Certificateholders** and references to **holding of Trust Certificates** and to **holder of Trust Certificates** shall be construed accordingly) for all purposes other than with respect to payments on the Trust Certificates, the right to which shall be vested, as against the Issuer and the Delegate, solely in the registered holder of the Global Certificate in accordance with and subject to the terms of the Global Certificate. Each Holder must look solely to Euroclear or Clearstream, Luxembourg (as the case may be) for its share of each payment made to such holder.

### 2. Cancellation

Cancellation of any Trust Certificate following its redemption by the Issuer will be effected by reduction in the aggregate face amount of the Trust Certificates in the Register.

### 3. Payments

Payments of any Dissolution Amount and Periodic Distribution Amount in respect of Trust Certificates represented by the Global Certificate will be made upon presentation and, if no further payment is due under the Global Certificate, surrender of it to or to the order of the Registrar or such other Agent as shall have been notified to the holder of the Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Global Certificate will be credited to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

### 4. Notices

So long as all the Trust Certificates are represented by the Global Certificate and the Global Certificate is held in its entirety on behalf of Euroclear and/or Clearstream, the relevant notice may be delivered to Euroclear and/or Clearstream for communication by them to the Certificateholders in substitution for notification as required by the Conditions except that, so long as the Trust Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream.

### 5. Registration of Title

The Registrar will not register title to the Global Certificate in a name other than that of a nominee for a relevant clearing system for a period of seven (7) calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Amount in respect of the Trust Certificates.

### 6. Transfers

Transfers of book-entry interests in the Trust Certificates will be effected through the records of Euroclear or Clearstream and their respective participants in accordance with the rules and procedures of those clearing systems and their respective direct and indirect participants.

## 7. Exchange for Definitive Certificates

The Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Trust Certificates in definitive form (the **Definitive Certificates**) upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that:

- (a) the Delegate has given notice in accordance with Condition 17 (*Notices*) that a Dissolution Event has occurred and is continuing; or
- (b) if Euroclear and/or Clearstream is closed for business for a continuous period of 14 days other than by reason of holiday, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so and no successor or alternative clearing system satisfactory to the Delegate is available,

provided that, in the case of any transfer pursuant to (b) above, the holder has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require in order to complete, execute and deliver the Definitive Certificates.



## **USE OF PROCEEDS**

The net proceeds from the offer of the Trust Certificates will be paid by the Trustee to purchase the Lease Assets from the State pursuant to the Sale and Purchase Agreement.

## DESCRIPTION OF THE OBLIGOR

### General

SoQ Sukuk B, a Qatari Shareholding Company incorporated pursuant to Article 68 of the Commercial Companies Law was incorporated on 4 July 2012 pursuant to Emiri Decree No. 3 of 2012. The Obligor has been established as a special purpose vehicle for the sole purpose of entering into the transactions contemplated by the Transaction Documents. The registered office of the Obligor is at P.O. Box 83, Doha, Qatar and its fax number is +974 44413617.

The authorised share capital of the Obligor is one hundred Qatari Riyals (QR100) divided into 10 ordinary shares of ten Qatari Riyals (QR10) par value of each, all of which have been issued (the Shares) subscribed to by the Government of Qatar, but so far unpaid. The Government of Qatar has the option to pay the share capital at any time it deems appropriate. It is not anticipated that any distribution will be made whilst any Trust Certificate is outstanding.

### Business of the Obligor

The Obligor has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Trust Certificates.

The objects for which the Obligor is established are set out in its Articles of Association.

### Financial Statements

Since the date of its incorporation, no financial statements of the Obligor have been prepared. The Obligor is not required by Qatari law, and does not intend, to publish audited financial statements.

### Directors of the Obligor

The Directors of the Obligor are as follows:

<u>Name:</u>	<u>Principal Occupation:</u>
Khalaf Ahmed Al-Mannai	Undersecretary, Ministry of Economy and Finance
Rashid Al-Maadadi	Director, Legal Affairs Department
Meshaal Mohammed Al Mahmoud	Manager, Project Finance, Qatar Petroleum

The business address of each Director is c/o P.O. Box 83, Doha, Qatar.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Obligor.

## DESCRIPTION OF THE ISSUER

### General

SoQ Sukuk A, a Qatari shareholding company incorporated pursuant to Article 68 of the Commercial Companies Law, was incorporated on 4 July 2012 pursuant to Emiri Decree No. 3 of 2012. The Issuer has been established as a special purpose vehicle for the sole purpose of issuing the Trust Certificates and entering into the transactions contemplated by the Transaction Document. The registered office of the Obligor is at P.O. Box 83, Doha, Qatar and its fax number is +974 44413617.

The authorised share capital of the Issuer is one hundred Qatari Riyals (QR100) divided into 10 ordinary shares of ten Qatari Riyals (QR10) par value of each, all of which have been issued (the Shares) subscribed to by the Government of Qatar, but so far unpaid. The Government of Qatar has the option to pay the share capital at any time it deems appropriate. It is not anticipated that any distribution will be made whilst any Trust Certificate is outstanding.

### Business of the Issuer

The Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the Trust Certificates. The Trust Certificates are the obligations of the Issuer alone.

The objects for which the Issuer is established are set out in its Articles of Association.

### Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Qatari law, and does not intend, to publish audited financial statements.

### Directors of the Issuer

The Directors of the Issuer are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
Khalaf Ahmed Al-Mannai	Undersecretary, Ministry of Economy and Finance
Rashid Al-Maadadi	Director, Legal Affairs Department
Meshaal Mohammed Al Mahmoud	Manager, Project Finance, Qatar Petroleum

The business address of each Director is c/o P.O. Box 83, Doha, Qatar.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

## OVERVIEW OF THE STATE OF QATAR

### Introduction

Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QR364,536 (U.S.\$100,147) in 2011 based on Qatar's 2011 mid-year population figure of 1,732,638. Over the last several years, Qatar has been one of the fastest growing economies in the world. As of January 2012, Qatar's proven reserves of hydrocarbons amount to approximately 181.3 billion barrels of oil equivalent.

Qatar, which gained independence from the United Kingdom on 3 September 1971, has been ruled since 27 June 1995 by the Emir. The hereditary successor to the Emir is the Emir's fourth son, the Heir Apparent His Highness Sheikh Tamim bin Hamad bin Khalifa Al-Thani (the **Heir Apparent**). Since becoming ruler of Qatar, the Emir has implemented various initiatives designed to exploit the State's oil and gas resources in a responsible manner, thereby making rapid economic development and the construction of modern infrastructure possible in Qatar. Despite rapid economic and social progress, as well as political change, Qatar has maintained its cultural and traditional values as an Arab and Islamic nation.

### Geography

Qatar, which shares a land border as well as maritime boundaries with Saudi Arabia, and maritime boundaries with Bahrain, the United Arab Emirates and Iran, extends over a relatively flat, barren peninsula covered with sand that is approximately 160 kilometres long, covering a total area of approximately 11,493 square kilometres. Doha, which is located on the east coast of the Qatar peninsula, is Qatar's capital city as well as its commercial, financial and cultural centre. Doha is also the location of Qatar's international airport and main port facility. Qatar's most important industrial cities are Ras Laffan City (located to the north of Doha) and Mesaieed Industrial City (located to the south of Doha).

### Population

Based on the State's 2011 mid-year population figure, Qatar has a total population of 1,732,638. According to the State's 2010 Census, Qatar had a total population of 1,699,435 as of April 2010, indicating a 128.4% growth in population since the last census carried out in 2004. A substantial part of the increase in population results from the immigration of non-Qatari nationals, principally expatriate workers from South Asia, the Far East and, to a lesser extent, Africa. A large portion of the country's population is comprised of non-Qatari nationals. Recently the high population growth rate has begun to slow and a more stable population growth rate is expected in the future.

The official language of Qatar is Arabic, although English is widely spoken.

### National Vision

Recognising that Qatar's considerable wealth creates a host of opportunities as well as challenges, in October 2008, the State's General Secretariat for Development Planning developed and published the Qatar National Vision 2030 (the **National Vision**). The National Vision defines broad future trends and long-term objectives for Qatar, providing the framework within which national strategies and implementation plans can be developed. Besides establishing the foundation for developing Qatar's future strategies and policies, the National Vision has also helped to strengthen the coordination among governmental agencies and integrate planning efforts for the Government, the private sector and civic organisations. The four cornerstones of the National Vision are human, social, economic and environmental development, in the context of which the State aims to balance: (i) modernisation and the preservation of traditions; (ii) the needs of the current generation and the needs of future generations; (iii) managed growth and uncontrolled expansion; (iv) the size and quality of the expatriate labor force; and (v) economic growth and social development, and environmental management.

In March 2011, Qatar published the National Development Strategy 2011-2016 (**NDS**) which translates the goals identified in the National Vision into actionable targets. The NDS seeks to address the State's expected decline in the growth of the oil and gas sector by strengthening the structure and performance of the non hydrocarbon sectors of the economy. The NDS discusses the need for concerted institutional and organisational capacity building, efficient and transparent delivery of public

services, fruitful public private cooperation and partnerships, a vibrant business climate and a larger space for civil society. It further notes that the State's investment in foreign currency assets and planned investments in physical and social infrastructure beyond the needs of the 2022 FIFA World Cup (the **World Cup**) is part of the State's broader strategy to diversify its income base. The State also aims to maximise the rental income it receives from its mineral assets (including its oil and gas assets) and to ensure an adequate return on any capital it invests. The structures governing hydrocarbon linked investments, upstream and downstream, will be expected to provide adequate flexibility to deal with project specifics, changing costs or market conditions and equitable risk sharing arrangements. In addition, the State intends to ensure that the hydrocarbon rents it shares with private investors are compensated by other benefits that flow to the country such as the acquisition of technology, infrastructure or knowledge and skills. Qatar also intends to leverage its cheap domestic feedstock and energy to contribute to the expansion of its production base and to long-term economic diversification.

## **Government Organisation**

Since becoming the ruler of Qatar, the Emir has instituted a number of governmental reforms, including the promulgation of the Constitution, which came into effect in 2005 and replaced the provisional constitution that had been created shortly after independence. The Constitution formally separates power among the executive branch, which is comprised of the Emir, with assistance from his cabinet, the Council of Ministers, the legislature (the **Advisory Council**) and the judiciary. The Constitution guarantees all residents of Qatar equality before the law, regardless of their origin, language, religion or gender. Moreover, the Constitution assures personal freedom and privacy, guarantees freedom of expression, association and the media, and prohibits any amendment to individual rights and public liberties (except for the purposes of granting additional rights and guarantees). The Constitution also provides guiding principles for the State, including protecting public health, preserving the environment, promoting education, and encouraging investment.

Under the Constitution, the Emir, as the State's principal executive officer, head of state and supreme commander of the armed forces, is endowed with various powers, including the power to declare defensive war, make treaties, formulate the general policy of the State, propose and ratify laws, promulgate decrees, and appoint the State's Prime Minister, along with other members of the Council of Ministers (all of whom are answerable to the Advisory Council). The Constitution also provides that the Emir may conclude conventions and agreements by issuing decrees and putting them before the Advisory Council, accompanied by relevant explanations. These become law after being endorsed and published. However, conventions or agreements related to the territories of the State, rights of sovereignty, rights of citizens or amendments to Qatari law are not valid unless explicitly approved by the Advisory Council and issued as a law. In exceptional circumstances that require the documentation of urgent measures without delay, along with the promulgation of laws at a time when the Advisory Council is not in session, the Emir may issue decrees that have the power of law (**decree laws**). These decree laws must be submitted to the Advisory Council for its opinion, and the Advisory Council has the right to reject or amend them. In addition, the Constitution sets forth the rules of hereditary succession for the Heir Apparent.

In November 2011, the State announced elections to the Advisory Council for 2013. The Advisory Council consists of 45 members, of which 30 members are elected by direct general secret ballot while the remaining 15 members are appointed by the Emir from amongst Ministers or others. The term of service of the appointed members expires when these members resign their seats or are relieved from their posts. The functions of the Advisory Council are to assume legislative authority for the State, approve the general policy of the Government and the budget, and exercise control over the executive branch. In addition to the Emir and the Council of Ministers, any member of the Advisory Council may propose laws. Draft laws passed by the Advisory Council are subject to the endorsement of the Emir. In the event that the Emir fails to endorse a draft law passed by the Advisory Council, the draft law must be returned to the Advisory Council along with the reasons for the non-endorsement. If the draft law is then approved by the Advisory Council with at least a two-thirds vote, the Emir is required to endorse it. The Emir may stop implementation of a law for an unspecified period of time, however, if the Emir considers such an action "absolutely necessary for the greater interests of the country."

The Constitution also guarantees the full independence of Qatar's judiciary, which also has a supreme council (the **Supreme Council**) to oversee the proper functioning of Qatari courts and their related agencies. The judiciary in Qatar was originally established in 1972 as an independent body and divided into a civil and commercial court system, as well as a Shari'ah court system that administered Islamic law. In 2003, the civil and commercial courts were unified with the Shari'ah court into a single

judicial body. Qatari courts determine civil and commercial disputes in accordance with legislation. If no legislation is available with respect to a particular matter, Qatari civil and commercial courts will look to Shari'ah law. In addition, Qatari courts are made up of preliminary courts, an appeal court, a court of cassation, and the Supreme Constitutional Court. Decisions of preliminary courts may be appealed to the appeal court on points of fact and law, while decisions of the appeal court may be appealed to the court of cassation on points of law only. The Supreme Constitutional Court presides only on certain issues of law such as the legitimacy of laws and regulations under the Constitution. Its rulings, decisions and interpretations are final and binding on State authorities. The chief of the court of cassation is appointed by an Emiri decree, while all other judges are appointed by Emiri decree upon the recommendation of the Supreme Council.

## **Legal System**

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil law now sets forth civil law principles, including with respect to conflict of laws, contracts, rights and obligations, security, ownership and torts. Qatar's commercial law now addresses commercial affairs and entities, competition, commercial obligations and contracts, and commercial paper. The commercial law also provides comprehensive provisions addressing bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the State. Finally, the Commercial Companies Law addresses matters with respect to the ownership of shares, limited liability, capital contributions, payment of dividends, shareholder rights and obligations and general principles of corporate governance. The Commercial Companies Law introduces, for the first time, the concept of a single member limited liability company, and is not dissimilar to the companies laws of more mature legal systems.

The State has passed other significant new legislation in recent years, including the Foreign Investment Law (see "*Balance of Payments—Foreign Investment*"), the Central Bank Law, the Money Laundering Law, the Doha Securities Market Law and the Qatar Financial Centre Law (the **QFC Law**), as well as competition, intellectual property, labour, property, tax and environmental laws.

Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover such topics as, employment, companies, anti-money laundering, contracts and insolvency. In accordance with the rules and regulations of the QFC, the QFCRA regulates, licenses and supervises banking, financial and insurance related businesses carried on, in or from the QFC in accordance with legislative principles of an international standard, modelled closely on those used in London and other major financial centres. In addition, the Qatar International Court and Dispute Resolution Centre (**QICDRC**) comprises the QFC Civil and Commercial Court, the Regulatory Tribunal and a Dispute Resolution Centre. The QFC Civil and Commercial Court deals with matters arising under the QFC Law, the QFC Regulatory Tribunal has the jurisdiction to hear appeals against decisions of the QFC Authority, including the decisions of the Employment Standard Office and the Tax Office, the Regulatory Authority and other QFC institutions and the Dispute Resolution Centre offers international arbitration and mediation services.

## **Employment and Wages**

The unemployment rate in Qatar has increased to 0.6% in 2011 from 0.3% in 2010. Owing to a shortage of indigenous labour, the economy is dependent on foreign workers. The introduction of Labour Law No. (14) of 2004 granted rights to certain workers, but excluded, among others, employees of the ministries and Government corporations. Qatari labour law provides that employees working in any organisation with more than 100 Qatari employees have the right to form an employee committee, although this right is rarely exercised.

According to the Labour Force Statistics Bulletin 2011, approximately 91,095 people were employed in the Government sector, of whom approximately 55.1% were Qatari nationals, and approximately 59,000 people were employed in companies and corporations wholly owned by the State, of whom approximately 19.2% were Qatari nationals. According to the same survey, approximately 39,000 people were employed by companies and corporations partly owned by the

State (such as Qatar Steel Company (**QASCO**) and Qatar Fertilizer Company (**QAFCO**)), of whom approximately 15.6% were Qatari nationals, and approximately 990,700 people were employed by the private sector, of whom approximately 0.3% were Qatari nationals.

In September 2011, Qatar issued Emiri Decree No. 50 of 2011 authorising a 60% increase in the basic salary and social allowances for state civilian employees, a 120% rise in the basic salary and social allowances for military personnel with a rank of officer or above and a 50% increase in basic salary and social allowances for personnel of other ranks. The pensions of retired civilian employees and retired military officers were increased by 60% and 120%, respectively, and the pensions of retired non-officer military personnel were increased by 50%. The total annual cost of the wage increases may reach approximately QR10 billion (U.S.\$2.75 billion) and the total additional contribution to pensions and retirement subscriptions may amount to a one time cost of QR20 billion (U.S.\$5.5 billion).

It is the Government's strategic goal to increase the proportion of Qataris in both the public and the private sectors. This policy, known as "Qatarisation," is effected by giving preference in employment to suitably qualified Qataris. The Government's aim is to increase the proportion of Qataris in the manufacturing sector to 50% by 2020; there is also a Government recommendation of 20% employment of Qatari nationals in other sectors. The Government is also seeking to improve the education and technical skills of the Qatari population to assist with the development of Qatar's industrial sector.

## Education

Education is compulsory until the age of 18 or the completion of the preparatory stage, and is provided free to all Qatari nationals as well as to all children of non-Qatari residents who work in the public sector. Education takes the form of a 12-year public school system, including elementary school, preparatory school and secondary school. As of the end of 2011, Qatar had 200 primary schools, 124 preparatory schools and 108 secondary schools. In addition, according to preliminary estimates, Qatar's literacy rate (measured for 15 year old individuals and above) was 96.3% at the end of 2010 and 95.4% for 2011.

Qatar University is made up of seven colleges which together have over 641 faculty members in the following subjects: Education, Arts and Sciences, Shari'ah and Islamic Studies, Engineering, Law, Business and Economics, and Pharmacology. In 1995, the Government established the Qatar Foundation for Education, Science and Community Development (the **Qatar Foundation**) to support education, scientific research and community development in Qatar. In 2001, the Qatar Foundation created Education City, a 14.0 million square meter area of learning and research facilities. Education City houses many branches of foreign universities offering various types of degrees in their area of specialty, including the Virginia Commonwealth University School of the Arts in Qatar, the Weil Cornell Medical College in Qatar, Texas A&M University at Qatar, Carnegie Mellon University in Qatar, Georgetown University School of Foreign Service in Qatar and Northwestern University in Qatar.

In line with efforts to develop Qatar as a centre for research and development, the Qatar Foundation and 21 partner organisations in the energy, environment, health sciences, information, communications and technology fields have invested over QR2,912 million (U.S.\$800 million) in the Qatar Science and Technology Park (the **QSTP**), which opened in 2004. The QSTP is designated as a free zone allowing full foreign ownership, and is designed to provide a home for technology-based companies from around the world and to act as an incubator for start-up enterprises.

## Healthcare

The State annually funds the Supreme Council of Health (the **SCH**) (formerly known as the National Health Authority), which was established by Emiri Decision No. (13) of 2009 with the objective of creating a clear vision for Qatar's national health service. The SCH also regulates the medical profession, sets the health research agenda, and monitors and evaluates progress in the health sector. Qatar's healthcare sector is equipped with advanced medical equipment, highly qualified staff and a country-wide network of hospitals and healthcare centres. According to a report from the General Secretariat of the Ministers of Health of the GCC, Qatar enjoys the region's lowest maternal mortality rate.

Free healthcare is available to all Qatari citizens. With Qatar's population increasing, the State has addressed concerns regarding hospital capacity by investing in new projects, such as Sidra Medical Research Centre (**Sidra**). Sidra is expected to be a medical and research centre located at Education

City, which is scheduled to open at the end of 2012. Sidra has been funded by an endowment of approximately QR28,760 million (U.S.\$7,901 million) from the Qatar Foundation. Once fully operational, it is expected to employ approximately 4,500 clinicians, technologists, biomedical researchers and support staff.

## Environment

Qatar's Ministry of Environment is responsible for the protection of the environment and the preservation of endangered wildlife and natural habitats. To strengthen its efforts, Qatar has passed legislation relating to the protection of the environment, including Law No. (30) of 2002, which outlines the framework for environmental protection policy in Qatar, including protecting the environment, developing natural resources, counteracting the effects of pollution and protecting human health. Moreover, Article 33 of the Constitution commits Qatar to environmental protection and preservation, with a view to maintaining sustainable development for future generations. The State also maintains an Environmental Prosecution Department, which is responsible for investigating and prosecuting violations of Qatar's environmental laws.

According to the adopted environmental regulations, detailed environmental impact assessment studies and environmental management plans should be conducted and submitted and an Environmental Permit(s) should be obtained for each facility or project, including each infrastructure project (e.g. railway and roads). The studies and plans are specified according to the project's stage as follows and needs to be conducted by accredited environment consultants:

- at the policy stage, a strategic environmental assessment;
- at the planning and design stage, an environmental impact assessment;
- before and during the construction stage, a construction environmental management plan; and
- before the operational stage, an operation environmental management plan.

Qatar is a signatory to a number of international environmental conventions and protocols, including the UN Framework Convention on Climate Change, the Kuwait Convention on the Protection of Marine Environment, the Basel Convention on the Control of Trans-Boundary Movement of Hazardous Wastes and Their Disposal (the **Basel Convention**), the Stockholm Convention on Persistent Organic Pollutants (the **Stockholm Convention**), the Rotterdam Convention on Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade (the **Rotterdam Convention**) the Convention on Biological Diversity, the Vienna Convention for the Protection of the Ozone Layer (the **Vienna Convention**) and the UN Convention to Combat Desertification. In accordance with the Basel Convention, Qatar prohibits hazardous waste from entering the country and is working toward developing specialised treatment centres to store hazardous industrial waste materials. Qatar has adopted the general policies of the Strategic Approach to International Chemicals Management (**SAICM**) through various environmental agreements on hazardous substances and wastes consistent with the Basel Convention, the Rotterdam Convention, the Stockholm Convention and the Vienna Convention. In addition the State adheres to the Globally Harmonised System of Classification of Hazardous Materials through Transport (**GMS**).

In 2009 Qatar joined the Global Gas Flaring Reduction Partnership, a global effort to reduce the flaring of gas associated with oil production, making Qatar the first GCC state to join this effort, according to the World Bank. Qatar has also announced that it is committed to achieving a zero-flaring target. The specific focus of Qatar's efforts is to eliminate routine sources of associated gas venting that could be captured and conserved, and to eliminate or reduce the large sources of associated gas flaring (primarily the major sources of continuous production flaring) other than those which arise as a result of an emergency or operational problem or to ensure the health and safety of those involved in operations.

## Culture, Sport and Media

In recent years, the State has sought to support the cultural development of Qatar. For example, the State opened the Museum for Islamic Art, a 45,000 square meter museum designed by Pritzker Prize-winning architect I.M. Pei. In addition, the Tribeca Film Festival, which showcases international films, has formed a partnership with the Qatar Museums Authority to establish the annual Tribeca Film Festival Doha, the fourth edition of which is scheduled to be held in October 2012.



Qatar also regularly hosts premier international sporting events and will host the World Cup. Additionally, Qatar hosted the 2006 Asian Games, the 2010 World Indoor Athletics Championship and the 2011 Asian Cup soccer competition.

Qatar has multiple news networks providing television and radio broadcasting services, including the Al Jazeera news organisation which is headquartered in Qatar and broadcasts current affairs, features, analysis, documentaries, live debates, entertainment, business and sports, to a worldwide audience.

## **Foreign Relations**

### ***Global Organisations and Summits***

Qatar has been a member of the WTO since 1996. In line with its commitment to the WTO, Qatar's policies are focused on the liberalisation of the economy and trade, the reduction of tariffs and increasing and diversifying exports. In 2001, Qatar hosted the Fourth WTO Ministerial Conference, which launched the current round of trade negotiations known as the Doha Development Agenda. There are currently no disputes at the WTO involving Qatar.

Qatar is a member of the United Nations and was a non-permanent member of the UN Security Council for the 2006-2007 term. On 22 June 2011, Nassir Abdulaziz Al-Nasser, the Permanent Representative of Qatar, was elected President of the 66th session of the United Nations General Assembly. Qatar is also a member of the OPEC and numerous other international and multilateral organisations, including, among others, the League of Arab States, the Organisation of The Islamic Conference, UNESCO, the Multinational Investment Guarantee Agency, the IMF and the International Bank for Reconstruction and Development.

On 23 December 2008, representatives of eleven gas producing nations, including Qatar, Russia and Iran, signed an intergovernmental memorandum and charter formally establishing the Gas Exporter Countries Forum (**GECF**), which chose Doha as the future headquarters for its permanent secretariat. The GECF Secretary General commenced his duties in Doha in February 2010 and the GECF Liaison Office, which facilitates the affairs of the GECF, is also based in Doha. The fourteenth GECF Ministerial Meeting took place in Doha on 13 November 2011 and the first summit for the GECF took place in Doha on 15 November 2011. The GECF's objectives include exchanging information on a broad range of issues such as new technologies, investment programs, relations with natural gas consuming countries and environmental protection.

In addition to its memberships in various global organisations, Qatar has hosted numerous economic, political and financial summits and conferences, including the UN's Second Global Conference on Financing for Development in 2008, the High-Level Forum on Trade & Investment of the G-77 (the largest intergovernmental organisation of developing states in the UN) in 2004 and 2005, and the 9th Islamic Summit Conference in 2000. In addition, from 2000 to 2003, Qatar presided over the Organisation of the Islamic Summit Conference. In February 2010, Qatar hosted the seventh edition of the U.S.-Islamic World Forum, a three-day event jointly sponsored by the Brookings Institution and Qatar's Ministry of Foreign Affairs. In December 2011, Qatar hosted the 20th World Petroleum Congress.

### ***GCC Membership***

Qatar is an advocate for regional integration and is a member of the GCC, whose other members include Bahrain, Kuwait, the United Arab Emirates, Oman and Saudi Arabia. In 2003, the GCC established a customs union under which Qatar applies a common customs tariff of 5% to most products, with a limited number of exceptions. In 2005, as part of the GCC, Qatar joined the Istanbul Cooperation Initiative, which is a NATO initiative to enhance regional security in the broader Middle East.

Since 2001, members of the GCC have been meeting with the goal of eventually establishing a common currency and improving economic integration. The goal of the GCC monetary union is to improve the efficiency of financial services, lower transaction costs and increase transparency in the prices of goods and services. In December 2008, finance ministers of the GCC member states (other than Oman) signed an agreement establishing a framework for the monetary union and a monetary council which may ultimately serve as a GCC central bank. Four of the six GCC members have signed an accord to join the monetary union—Qatar, Kuwait, Saudi Arabia and Bahrain—while the United Arab Emirates and Oman have decided not to join. The original GCC target date of 2010 for a common

currency was extended by the GCC, and there is currently no date targeted for the establishment of the common currency. In March 2010, Qatar, Kuwait, Saudi Arabia and Bahrain unanimously elected Saudi Arabia's Monetary Agency Governor as the first chairman of the GCC Monetary Council, and further talks in 2011 and in 2012 have been held about the future of the monetary union and the common currency. Throughout the discussions on the monetary union and single currency, Qatar has maintained its historical currency peg to the U.S. dollar.

### ***Regional Relations***

Qatar has good relations with other members of the GCC. A territorial dispute with Bahrain over the Hawar Islands and a maritime boundary were resolved through a ruling in 2001 by the International Court of Justice in The Hague. Both countries agreed to the ruling, and Bahrain kept the main Hawar Island, but dropped claims over parts of mainland Qatar, while Qatar retained significant maritime areas and their resources. Good relations between Qatar and Bahrain are demonstrated by the 40 kilometer causeway planned to link the two countries. Qatar has had a long-term dialogue with Saudi Arabia over their shared borders. The Dolphin pipeline from Qatar to the UAE also passes through an area that has been subject to dispute between Saudi Arabia and Qatar and between Saudi Arabia and the UAE. In 2001 and 2008, major agreements were reached on the delimitation of the land and maritime borders between Saudi Arabia and Qatar and joint minutes were filed with the UN. In the joint minutes from 2008, Qatar agreed to grant a maritime corridor in its own territorial waters to Saudi Arabia that crosses the Dolphin pipeline. In July 2009, the UAE sent a letter to the UN reserving its rights in relation to certain parts of the joint minutes which the UAE views as conflicting with its sovereignty. In November 2009, Saudi Arabia sent a response letter to the UN reserving its rights in relation to certain disputes with the UAE and requesting that the UAE delineate its borders with Saudi Arabia. Qatar has not filed any letters with the UN on the subject since the joint minutes in 2008. Qatar does not believe it has any open border disputes.

Qatar seeks to maintain good relations with all countries in the region, including Iran and Iraq. A portion of Qatar's principal gas field, the North Field, extends into Iranian territorial waters. Qatar and Iran concluded a maritime border agreement in 1969, and the boundary between the two countries is not disputed. Qatar engages in regular bilateral talks with the Iranian government to ensure friendly and cooperative relations between the two countries, and recent delegations have met to review bilateral relations as well as to explore means of bolstering them, especially in the energy and industrial sectors. In addition, Qatar supports constitutional developments in Iraq and Iraqi aspirations for unity and independence.

Over the past several years, Qatar has become an important mediator in regional conflicts. In May 2010, Qatar chaired the Arab Peace Initiative Follow-Up Committee in Egypt, at the headquarters of the Arab League, to discuss U.S. proposals relating to Palestine. Among other recent initiatives, in February 2009, Qatar mediated talks between the Sudanese government and Sudan's Justice and Equality Movement in connection with the conflict in the Darfur region of the Sudan and also pledged to contribute 10% of the required financing for reconstruction and development projects at the International Donors Conference for the Reconstruction of Darfur. In addition, in January 2009, Qatar hosted a consultative meeting in response to the conflict in Gaza that included a number of Arab states and senior non-Arab participants. In 2008, Qatar brokered a deal between rival Lebanese leaders in an attempt to end an 18 month long political conflict. Qatar has an increasing presence in regional and international diplomacy and currently heads the Arab Peace Initiative.

In 2011, Qatar along with the United Arab Emirates, and pursuant to a UN vote authorising air strikes in Libya, joined the NATO led international forces to aid the Libyan National Transitional Council. In January 2012, Qatar condemned Syria in its use of force against its civilian population.

### ***U.S. Relations***

Qatar has a close and cordial relationship with the United States, having signed a defence treaty with the United States in June 1992, thereby initiating a period of close coordination in military affairs that continues to the present, including contributing to coalition forces during the first Gulf War. The United States maintains pre-positioned military equipment in Qatar, has engaged in cooperative defence exercises, and has entered into base access agreements. The United States also maintains a forward headquarters for U.S. Central Command in Qatar, and the United States and Qatar continue to cooperate on counterterrorism efforts.

Additionally, since 1996, the U.S. Export Import Bank has provided substantial amounts in loan guarantees to support various natural gas development projects where U.S. oil and gas companies have made significant investments in Qatar. In 2009, the United States accounted for 12.3% of Qatar's total imports and 0.7% of Qatar's total exports. In 2010, the United States enjoyed a favourable balance of trade with Qatar and accounted for 11.8% of Qatar's total imports and 1.0% of the total exports. The United States is also the intended destination of a portion of the LNG to be produced by Qatari LNG trains pursuant to long-term sale and purchase agreements; however, the sale and purchase agreements allow the diversion of cargoes and Qatar has recently diverted most of its cargoes away from the United States to seek higher returns in the Asian and European spot markets. See *"The Economy of Qatar—Oil and Gas Industry."* In an effort to expand bilateral trade and investment, the United States and Qatar signed a Trade and Investment Framework Agreement in 2004, which created a joint council to establish a permanent dialogue with the goal of resolving trade issues and deepening the bilateral trade relationship. Qatar also donated QR364.0 million (U.S.\$100.0 million) to victims of Hurricane Katrina in August 2005.

### ***Asian Relations***

Qatar has strong relations with many Asian countries, particularly Japan, South Korea, Singapore and China. The majority of Qatar's oil exports are shipped to Asia, and the region is an important destination for Qatari LNG. In 2010 Asia accounted for 82.2% of Qatar's total exports.

Japan is an important trade partner for Qatar, both for imports and exports. In 2009, Japan accounted for 7.3% of Qatar's total imports and 22.9% of Qatar's total exports. In 2010, Japan accounted for approximately 7.5% of Qatar's total imports and 29.4% of Qatar's total exports. Japan, which first began importing Qatari LNG in 1996, is a primary destination for LNG exports and is also the primary destination for Qatari crude oil, condensate and LPG. Japanese companies have made significant investments in Qatar over the years.

Qatar has close relations with South Korea, exemplified by the rapid growth and development of economic and trade relations in the public and private sectors, with South Korea accounting for 3.6% of Qatar's total imports and 14.2% of Qatar's total exports in 2009. In 2010, South Korea accounted for approximately 3.1% of Qatar's total imports and 16.5% of Qatar's total exports. Qatar has hosted numerous South Korean business delegations and in February 2009, hosted a delegation of small and medium-sized South Korean enterprises with the objective of establishing direct contact with Qatari companies and promoting trade ties. In addition to being an importer of Qatari LNG, South Korean shipyards also build many of the LNG vessels which currently transport, or are anticipated to transport, Qatari LNG.

Qatar and Singapore have a strong trade relationship and recently strengthened ties through a free trade agreement signed by GCC member states and Singapore on 15 December 2008, covering areas such as trade, e-commerce, investment, government procurement, customs and media cooperation. In 2010, Singapore accounted for approximately 0.7% of Qatar's total imports and 7.8% of Qatar's total exports.

Qatar and China have had continuous diplomatic relations since 1988, and have engaged in many bilateral agreements, such as the "Agreement on Avoiding Double Taxation and Preventing Evasion of Tax between the Government of China and the Government of Qatar (2001)," which demonstrate a commitment to mutual interests. In 2008, the Chinese Vice President and Premier both confirmed that China seeks to develop long-term, stable and cooperative relations with Qatar. The State of Qatar, represented by Qatar Petroleum, entered into an Exploration and Production Sharing Agreement with Shell and PetroChina Company Limited in May 2010 for exploration of natural gas in Qatar's Block D offshore area.

### ***African Relations***

In recent years, Qatar has developed its relations with African countries by receiving a number of African heads of state, such as the presidents of the State of Eritrea and Sudan. In addition, Qatar has aided in the mediation of certain conflicts in Africa, including Eritrea's conflicts with Ethiopia, Djibouti and Sudan. Qatar has been involved in the discussions to find a solution to the Darfur conflict in Sudan and was instrumental in setting up the Doha Darfur Peace Document which is now the framework for the comprehensive peace process in Darfur. Qatar's role in mediating African conflicts has incentivised various African countries to open embassies in Doha, which now hosts the embassies of many African countries.

## ***EU Relations***

Qatar's relations with the EU have strengthened over the years through the exchange of official visits with various EU countries, including the UK, France, Germany, Italy, Spain, Luxembourg and Belgium. During these visits, several bilateral agreements and memoranda of understanding, covering political, economic, cultural and informational matters, were signed. In June 2009, the European Commission and Qatar's Ministry of Foreign Affairs met in Brussels to discuss regional and international issues. The second session of the dialogue was held in Doha in May 2010.

The EU is a destination for a portion of the LNG produced by Qatari LNG trains, and British and French companies are the EU's main investors in Qatar. See "*The Economy of Qatar—Oil and Gas Industry.*" In addition, Britain and France have signed defence treaties with Qatar. In March 1988, the EU and member countries of the GCC signed a cooperation agreement that included provisions for complementing and strengthening relations between the EU and the GCC and generally liberalising trade between the two groups by providing for the negotiation of a free trade agreement. Negotiations for a free trade agreement have been ongoing for over 20 years. The 20th EU-GCC Joint Council held in June 2010 set out a three-year action plan covering strategic areas of economic, financial and monetary cooperation. The 22<sup>nd</sup> EU-GCC Joint Council is scheduled to take place in June 2012. Currently, all six GCC countries benefit from preferential access to the EU market under the EU's Generalised System of Preferences. The Financing Instrument for Cooperation with Industrialised and Other High-Income Countries and Territories for the period 2007-2013 became effective on 1 January 2007 and is the framework for financial cooperation activities between the EU and the Gulf region (in addition to other high-income countries).

## ***Latin American Relations***

In recent years, Qatar has focused on developing its relations with Latin America by arranging the Emir's visits to several Latin American countries and hosting a number of Latin American heads of state and government. These efforts have yielded certain bilateral agreements and memoranda of understanding. Certain Latin American countries have opened embassies in Doha or announced their desire to establish resident diplomatic representation within Qatar. Qatar plans to open embassies in those Latin American countries that have embassies in Doha. Qatar has also been a permanent observer to the Organisation of American States since 2002. In May 2005, the Emir participated in the first Summit of South American-Arab Countries held in Brazil. The second summit, held in March 2009, was hosted by Qatar in Doha.

## ***Commercial Relations***

QP and its affiliates have developed an extensive network of commercial relationships globally with suppliers, contractors, business partners, other sovereigns and, most importantly, customers. In respect of LNG sales, with sale and purchase agreements lasting up to 20 years, it is particularly important for customer relationships to be strong. In some cases, it can take years to negotiate an LNG sale and purchase agreement. Through its LNG operations, QP has developed deep and long-standing relationships with its offtakers. At the same time, these business relationships have strengthened the political relationships between Qatar and the countries who import significant amounts of Qatar hydrocarbons throughout Asia, Europe and North America. In addition, through its operating company partnerships and equity partnerships in projects, QP has forged relationships with a geographically diverse group of companies, including Exxon Mobil Corporation and ConocoPhillips from the United States, TOTAL from France and Shell from the United Kingdom and The Netherlands. In addition, QP, either directly or through Qatargas and RasGas, has developed close working relationships with major international supply contractors, such as Chiyoda Corporation, W.L.L., Snamprogetti and Technip.

## THE ECONOMY OF QATAR

### General

Qatar is one of the most prosperous countries in the world, with a nominal GDP per capita of QR364,536 (U.S.\$100,147) in 2011 based on Qatar's 2011 mid-year population figure of 1,732,638. Over the last several years, Qatar has been one of the fastest growing economies in the world. As of January 2011, Qatar's proven reserves of hydrocarbons amount to approximately 181.3 billion barrels of oil equivalent. These hydrocarbons consist of proven reserves of approximately 883.2 trillion cubic feet of natural gas, 2.3 billion barrels of crude oil and 22.1 billion barrels of condensate. Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world, representing approximately 15% of the world's natural gas reserves in 2009. Qatar has over 100 years of proven gas reserves at projected long-term production levels.

Qatar's carefully planned exploitation of its hydrocarbon reserves resulted in a nominal GDP CAGR of 27.5% from 2004 to 2011. Qatar's economy achieved a new record in 2011 with a total nominal GDP of QR631,609 million (U.S.\$173,519 million) representing a growth of 36.3% in 2011 compared to 2010. The increase of Qatar's total nominal GDP in 2011 has been attributed to the expansion in the production levels of gas-related products, LNG and condensates, coupled with high hydrocarbon prices. The trend has continued in 2012 with preliminary estimates of nominal GDP of QR176,070 million (U.S.\$48,370 million) for the three-month period ended 31 March 2012 compared to a nominal GDP of QR141,060 million (U.S.\$38,753million) for the three-month period ended 31 March 2011, representing an increase of 24.8%. The oil and gas sector has contributed 51.7% and 57.7% of Qatar's total nominal GDP in 2010 and 2011 respectively. As Qatar reaches the end of its successful 20 year LNG development plan, LNG production is expected to plateau at a high, but steady, level over the next few years. Future growth in gas production is expected to come from the Barzan Project, which is a gas project under development to provide domestic pipeline gas. Qatar has focused on diversifying its economy in recent years in an effort to reduce its historical dependence on oil and gas revenues. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism. As a result, nominal GDP for the non-oil and gas sector grew at a CAGR of 25.7% between 2004 and 2011, reflecting a slightly lower annual growth rate than the oil and gas sector for the same period. Nominal GDP for the non-oil and gas sector reached QR267,150 million (U.S.\$73,393 million), or 42.3% of Qatar's total nominal GDP, in 2011.

QP, which is wholly owned by the State and the State's primary source of revenues, is responsible for all phases of the oil and gas industry in Qatar. Oil was discovered in Qatar in 1939 and crude oil production began in 1949. Since then, Qatar has steadily increased its levels of crude oil production, both directly and by entering into exploration and development production sharing agreements with leading international oil exploration and production companies, including Maersk, TOTAL and Occidental Petroleum. The U.S. Energy Information Administration estimated Qatar to have been the 16th largest global oil producer in the world in 2009, and the 19<sup>th</sup> largest global oil producer in the world in 2010, due to oil production increases by other countries.

In the early 1990s, Qatar developed a long-term strategy to accelerate the commercialisation of its substantial natural gas reserves as a means to diversify and ultimately modernise Qatar's economy. In furtherance of this strategy, Qatar has made large scale investments across the entire value chain of LNG trains, tankers, and storage and receiving facilities. Qatar is now the leading LNG producing country in the world with 74.5 million tons of additional LNG exports in 2011. As of 31 December 2010, Qatar reached its planned LNG production capacity of 77.5 mta, which reflects an increase of more than 150% since 2008 due to the completion of its remaining planned LNG trains. Via its flagship Qatargas and RasGas LNG projects, Qatar has developed its LNG business through strategic partnerships with a number of the world's leading oil and gas companies, including Exxon Mobil Corporation, Shell, TOTAL and ConocoPhillips. By investing across the entire LNG value chain, Qatar now enjoys meaningful cost advantages in the gas sector due to significant economies of scale and a low cost structure. Because most of the natural gas in the North Field is "wet," meaning it is associated with other hydrocarbons such as condensates, Qatar's LNG projects also produce significant quantities of condensate and natural gas liquids which contribute to the diversification of the State's revenue sources and creates downstream opportunities. Qatar also has a good central geographic location for global shipping to all major gas consuming regions of the world and, based on contractual commitments, Qatari LNG is sold globally to customers in 15 countries in North America (Mexico and the United States), Northwest Europe (the United Kingdom, the Netherlands and Belgium), Western

Europe (Italy, France and Spain), South Asia (UAE, Kuwait and India) and Northeast Asia (China, South Korea, Japan and Taiwan). Most of the LNG produced by Qatar's upstream ventures is sold under long-term take-or-pay agreements that provide certainty of volume offtake.

In recent years, Qatar has focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production. QP has developed pipeline gas projects both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, QP is the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value added products, such as petrochemicals, fertiliser, steel, iron and metal coating, both for domestic consumption and for export. Qatar has also invested in exploiting various GTL technologies and has two joint venture projects currently in operation to generate GTL products like distillates.

Throughout a period characterised by rapid growth and development, Qatar has demonstrated fiscal responsibility by managing its budget and public finances prudently. The State has historically had low levels of indebtedness but there was an increase in indebtedness starting in 2009 and continuing through 2012 mainly due to the support given by the State to the commercial banking sector during the global financial crisis in 2009 and the issuance of bonds and treasury bills by the QCB in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for riyal-denominated domestic bonds. The State's total direct external indebtedness was QR87,873 million (U.S.\$24,141 million) as of 31 March 2012. Most of Qatar's significant energy projects are funded on a stand-alone, limited recourse basis.

The significant revenues generated by the oil and gas sector have provided sustained liquidity while ensuring sizeable surpluses in the fiscal and external accounts. Qatar has had budget surpluses since the fiscal year ended 31 March 2001, with an estimated budgeted surplus of QR44,514 million (U.S.\$12,229 million) or 21.8% of total Government revenues for the fiscal year ended 31 March 2012. In addition, Qatar's trade activity is strong, with total goods exported (including re-exports) in 2010 valued at QR262,277 million (U.S.\$72,054 million) and total imports in 2010 valued at QR76,210 million (U.S.\$20,937 million), together constituting 73.0% of total nominal GDP. Between 2007 and 2010, the value of Qatar's exports increased by 65.7%, while the value of imports decreased by 0.8%. The external sector has been characterised by a large current account surplus each year since 2000 and robust growth in imports has been counterbalanced by a significant rise in hydrocarbon exports.

In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programs, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. This diversification will be important to Qatar's future Government revenues as the growth rate of the State's revenue from the oil and gas sector is expected to stabilise given the completion of several of the State's long-term hydrocarbon investment programs. In 2005, the State established the QIA to propose and implement investments for the State's growing financial reserves, both domestically and abroad. Through the QIA, Qatar has invested in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20% in the domestic banks listed on the Qatar Exchange. In line with the plan, from 2009 through to 2011, the QIA acquired equity positions ranging from 5% to 20% in various domestic banks, including Qatar Islamic Bank, Commercial Bank of Qatar, Qatar International Islamic Bank, Ahli Bank and Doha Bank. The total equity injections in the domestic banks currently amounts to QR11.2 billion (U.S.\$3.1 billion). The Government is expected to give these banks an option to buy back their shares over the next five years.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of seven of the nine domestic banks listed on the Qatar Exchange at a total purchase price of approximately QR6,500 million (U.S.\$1,786 million) paid through a combination of

cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QR15,000 million (U.S.\$4,121 million). The total support to the banking sector, which includes purchases of real estate and investment portfolio in domestic banks as well as the equity injections, has been QR32,700 million (U.S.\$8,984 million).

Since becoming the ruler of Qatar in June 1995, the Emir has instituted a number of governmental reforms, including establishing a constitution that formally separates power among the executive, legislative and judicial branches. Qatar has also reformed its legal system to bring it in line with international laws, standards and practices. The country has an organised set of institutions supporting the growth in trade and commerce, both internally and externally, including the Qatar Financial Centre Authority, the Qatar Exchange and regulators, namely the Qatar Central Bank, the QFMA and the QFCRA. Qatar has good relations with other members of the GCC and the wider Middle East in general. Qatar has significant trade and investment ties with the major Asian countries and Qatar also has strong ties with the West, notably the United States, which maintains a significant military presence in the country. Qatar is a member of, among other international organisations, the UN, the WTO and OPEC. Qatar has low levels of corruption and has established a National Committee for Integrity and Transparency in relation to implementing its obligations as a member of the UN. Qatar is also a signatory to the GATT and a number of other conventions and protocols. In addition to its memberships in international organisations, Qatar has hosted numerous economic, political and financial summits and conferences and, over the past several years, has become an important mediator in regional conflicts. Qatar will host the FIFA World Cup in 2022 and views the World Cup as an opportunity to further invest in its infrastructure and develop the non-oil and gas sector of its economy.

The factors mentioned above have contributed to improved credit ratings over the years. Qatar's long-term credit rating by Standard & Poor's has improved from BBB as of February 1996 to AA as of July 2010 which was most recently confirmed on 27 October 2011 with a stable outlook. Similarly, Qatar's foreign and local currency bond ratings by Moody's have improved from Baa2 as of September 1999 to Aa2 as of July 2007, which were most recently confirmed on 15 June 2011 with a stable outlook. Qatar's five year credit default swap spread, which is a measure of default risk, is presently among the lowest of the GCC countries.

## **Economic Policy**

The State's primary economic objective is to create a thriving investment climate that encourages domestic investment and identifies positive opportunities for outward investment. The State seeks to achieve this by increasing the production and export of natural gas, making investments across the entire LNG value chain, and diversifying the economy by developing the non-oil and gas sectors.

Historically, Qatar's economy has been dependent on crude oil production. In the early 1990s, however, the State developed a multi-directional and fast-track strategy to accelerate the commercialisation of Qatar's substantial natural gas reserves as a means to diversify and ultimately modernise the economy. This strategy was implemented pursuant to a three-pronged approach, namely by developing LNG and GTL for global export, by developing pipeline gas for regional export markets, and by developing pipeline gas for domestic petrochemicals and industrial consumption. In furtherance of this strategy, the State has made large-scale investments across the entire value chain of LNG trains, tankers, and storage and receiving facilities, becoming the leading LNG producing country in the world, according to the U.S. Energy Information Administration.

Although the State is focused on ensuring the optimal and sustainable development and commercialisation of the oil and gas sector, which continues to be the backbone of the economy, one of the cornerstones of Qatar's current economic policy is a commitment to diversify the overall economy so that Government revenues from the oil and gas sector are supplemented by an increased percentage of Government revenues from non-oil and gas-related activities. The General Secretariat for Development Planning, in furtherance of Qatar's economic policy, announced the State's long-term strategic goals in the National Vision in 2008, and also published the NDS to establish targets to achieve the goals set out in the National Vision. The Ministry of Business and Trade participates in the process of identifying action items drawn from the targets highlighted in the Development Strategy. The State's long-term economic objectives, as set out in the National Vision, include developing Qatar's

infrastructure and strengthening its private sector. In pursuit of these objectives, and made possible by increased Government revenues and budget surpluses, the State has increased total expenditure from QR50,768 million (U.S.\$13,947 million) for the fiscal year ended 31 March 2006 to an estimated QR158,851 million (U.S.\$43,640 million) for the fiscal year ended 31 March 2012. Much of this expenditure has been directed into major construction projects such as the Lusail real estate development (including Energy City), the New Doha International Airport, the new port at Ras Laffan City, and transportation and social infrastructure.

The State is also strengthening the private sector by undertaking regulatory reforms aimed at improving Qatar's business climate and creating an environment that will support enterprise creation, private competition and foreign direct investment, and to this end has taken steps such as liberalising the telecommunications sector and creating special economic zones. In addition, the State has sought to increase Qatar's attractiveness to foreign direct investment by implementing laws that allow more foreign participation in the domestic economy. For example, the Government has established the Qatar Financial Centre Authority, which enables global firms to operate as onshore institutions in Qatar. In addition, on 1 January 2010, Law No. (21) of 2009 on Income Tax (the **Income Tax Law**) created a flat income tax rate of 10% except (i) on the income of certain oil and gas companies that will continue to be taxed at not less than 35% and (ii) in respect of agreements to which the Government, the Ministries or other governmental bodies or public body enterprises are a party and which were concluded prior to the Income Tax Law coming into force where the tax rate shall be that provided for in the agreements and, if such agreements do not specify a tax rate, the tax rate shall be 35%. These developments are part of a broad plan to diversify the Qatari economy to reduce reliance on oil and gas revenues, which accounted for approximately 51.7% of total nominal GDP in the year ended 31 December 2010 and approximately 57.7% of total nominal GDP for the year ended 30 December 2011.

The State is also seeking to increase foreign direct investment (**FDI**) in Qatar. The QCB, in its 2010 Financial Stability Review, reports that Qatar received QR171.4 billion (U.S.\$47.1 billion) or approximately 48% of its GDP from foreign investment in 2009. This reflects an increase of 36.4% over the 2008 foreign investment amount of QR125.6 billion (U.S.\$34.5 billion). Total FDI in 2009 amounted to QR94.25 billion (U.S.\$25.9 billion), of which QR48 billion (U.S.\$13.2 billion) reflecting 50.9% of the total FDI, went to the mining sector which also includes crude oil and gas operations. The other main recipients of FDI were the manufacturing, business services, construction, and building and banking sectors. The major countries contributing to inward FDI were the United Kingdom, the United States, the United Arab Emirates, Japan and South Korea, in that order.

### **Gross Domestic Product**

With the exception of 2009, Qatar's GDP growth has been steady over the last five years, driven by the production and export of crude oil, LNG, petrochemicals and related products, coupled with rising hydrocarbon prices. Annual nominal GDP growth amounted to an increase of 36.7% in 2006, 30.9% in 2007 and 44.6% in 2008, a decrease of 15.2% in 2009 and an increase of 30.2% in 2010 and 36.3% in 2011. The decrease in the growth rate in 2009 reflects the unfavourable conditions seen in the international oil and gas markets as a consequence of the global financial crisis and the consequent lower international oil and gas prices offset in part by the continued growth in the non-oil and gas sector. With major economies experiencing slow recovery in the aftermath of the financial crisis, Qatar, like most oil and gas producing countries, saw a lower demand for oil and gas and consequently, reported lower GDP growth in the country's oil and gas sector during 2009. However, the GDP figures for the year 2011 reflect Qatar's continuous recovery from 2009 owing to an increase in international oil and gas prices and new projects in the oil and gas sector commencing production. In addition, the preliminary nominal GDP figure for the three-month period ended 31 March 2012 represents an increase of 24.8% compared to the preliminary nominal GDP figures for the three-month period ended 31 March 2011, which is also indicative of Qatar's continuous recovery.



The following table sets forth certain information about Qatar's nominal GDP by economic sector and by percentage contribution to total nominal GDP for each of the five years ended 31 December 2011 at current prices.

	Year ended 31 December									
	2007		2008		2009		2010 <sup>(1)</sup>		2011 <sup>(1)</sup>	
	Value	%	Value	%	Value	%	Value	%	Value	%
	<i>In millions of QR except for percentages</i>									
<b>Oil and gas sector</b> .....	<b>150,014</b>	<b>51.7</b>	<b>230,312</b>	<b>54.9</b>	<b>159,467</b>	<b>44.8</b>	<b>239,745</b>	<b>51.7</b>	<b>364,458</b>	<b>57.7</b>
Non-oil and gas by sectors:										
Finance, business services, insurance and real estate .....	41,982	14.5	51,580	12.3	58,099	16.3	62,119	13.4	73,427	11.6
Manufacturing <sup>(2)</sup> .....	26,810	9.2	44,853	10.7	33,570	9.4	49,185	10.6	62,689	9.9
Building and construction .....	15,925	5.5	27,199	6.5	25,522	7.2	24,143	5.2	23,325	3.7
Trade, restaurants and hotels .....	20,848	7.2	23,429	5.6	29,839	8.4	32,309	7.0	34,920	5.5
Transport and communications .....	8,697	3.0	14,775	3.5	16,212	4.6	18,275	3.9	21,593	3.4
Electricity and water .....	1,820	0.6	2,063	0.5	1,794	0.5	2,070	0.4	2,564	0.4
Agriculture and fisheries .....	319	0.1	523	0.1	439	0.1	534	0.1	582	0.1
Other services <sup>(3)</sup> .....	23,736	8.2	24,848	5.9	31,045	8.7	35,109	7.6	48,050	7.6
<b>Total non-oil and gas sector</b> .....	<b>140,137</b>	<b>48.3</b>	<b>189,279</b>	<b>45.1</b>	<b>196,519</b>	<b>55.2</b>	<b>223,744</b>	<b>48.3</b>	<b>267,150</b>	<b>42.3</b>
<b>Total nominal GDP</b> .....	<b>290,152</b>	<b>100.0</b>	<b>419,583</b>	<b>100.0</b>	<b>355,986</b>	<b>100.0</b>	<b>463,489</b>	<b>100.0</b>	<b>631,609</b>	<b>100.0</b>
<b>Memorandum items</b>										
FISIM .....	(6,734)		(10,149)		(10,152)		(10,953)		(12,111)	
Import duties .....	3,946	1.4	3,540	0.8	3,114	0.9	4,019	0.8	4,018	0.9

Notes:

(1) Preliminary estimates.

(2) For purposes of calculating GDP, certain downstream activities generally associated with Qatar's oil and gas industry, such as the production and export of petrochemicals and fertiliser, steel, iron and metal coating, are included in the manufacturing sector as part of the non-oil and gas sector.

(3) Includes social services, imputed bank service charges (FISIM), government services, household services and import duties.

Source: Qatar Statistics Authority.

### Oil and Gas Sector

The preliminary estimates of nominal GDP from the oil and gas sector for the year ended 31 December 2011 was QR364,458 million (U.S.\$100,125 million) representing an increase of QR124,713 million (U.S.\$34,262 million), or 52%, over the oil and gas sector GDP reported for the year ended 31 December 2010. This growth has been attributed to expansion in the production levels of gas-related products, LNG and condensates, along with increases in hydrocarbon prices. The trend has continued in 2012 with preliminary estimates of nominal GDP from the oil and gas sector of QR105,460 million (U.S.\$28,973 million) for the three-month period ended 31 March 2012 compared to a nominal GDP from the oil and gas sector of QR81,120 million (U.S.\$22,286 million) for the three-month period ended 31 March 2011, representing an increase of 30.0%.

### Non-Oil and Gas Sector

The preliminary estimates of nominal GDP from the non-oil and gas sectors for the year ended 31 December 2011 was QR267,150 million (U.S.\$73,393 million) reflecting a continued pace of growth with an increase of 19.4% over the sector's output as of 31 December 2010. The trend has continued in 2012 with preliminary estimates of nominal GDP from the non-oil and gas sector of QR70,620 million (U.S.\$19,401 million) for the three-month period ended 31 March 2012 representing an increase of 17.8% compared to the nominal GDP for the three-month period ended 31 March 2011.

In recent years, the State has invested heavily in diversifying its economy to reduce its historical high dependence on oil and gas revenues. In 2011, this sector contributed 42.3% to the total nominal GDP of the country. The key drivers of growth in this sector in 2011 were the government services sector which grew by 37.5% and the manufacturing sector which grew by 27.5%.

The relative contribution of the non-oil and gas sector to total nominal GDP as compared to the oil and gas sector has fluctuated in recent years largely due to increases in production of LNG and variation in commodity prices. Within the non-oil and gas sector, the finance, business services, insurance and real estate sectors made the largest contribution to total nominal GDP in 2010, as has been the case since 2005.

The following table sets forth the nominal and percentage contribution of the non-oil and gas sector to Qatar's total nominal GDP for each of the three years ended 31 December 2011.

	Year ended 31 December					
	2009		2010 <sup>(1)</sup>		2011 <sup>(1)</sup>	
	Value	%	Value	%	Value	%
<i>(in Millions of QR, except for percentages)</i>						
Non-oil and gas sector	196,519	55.2	223,744	48.3	267,150	42.3

Notes:

(1) Preliminary estimate.

Source: Qatar Statistics Authority.

## Oil and Gas Sector

### Overview

The following table sets forth Qatar's total proven and expected reserves of crude oil, natural gas and condensate as of 1 January 2011.

	As of 1 January 2011 <sup>(1)</sup>	
	Proven	Expected
Natural gas <i>(in trillions of cubic feet)</i> <sup>(2)</sup>	883.2	884.1
Crude oil <i>(in billions of barrels)</i>	2.3	3.3
Condensate <i>(in billions of barrels)</i>	22.1	22.1
<b>Total barrels of oil equivalent <i>(in billions of barrels)</i><sup>(3)</sup></b>	<b>181.3</b>	<b>182.3</b>

Notes:

(1) For a description of how Qatar classifies proven and expected reserves, see "Presentation of Certain Reserves Information."

(2) Includes North Field gas reserves as well as reserves from Dukhan, Bul Hanine and Maydan Mazham oil fields.

(3) Proven and expected reserves of natural gas have been converted to barrels of oil equivalent using the BP Statistical Review methodology, which converts gas to barrels of oil equivalent on a calorific basis according to a conversion factor of one billion cubic feet of gas to 0.18 million barrels of oil equivalent.

Source: Qatar Petroleum.

QP, which is wholly owned by the State and the State's primary source of revenues, is responsible for all phases of the oil and gas industry in Qatar. The principal activities of QP and its subsidiaries and joint ventures cover exploration, drilling and production, storage and transport, and the marketing and sale of crude oil, pipeline gas, LNG, petrochemicals, GTL, steel, fertilisers and other products and services. QP conducts its operations and activities at various onshore and offshore locations, while hydrocarbon exploration and new projects are conducted under production sharing agreements with international oil and gas companies. QP's downstream strategy is driven by opportunities to add value to existing oil and gas production as well as the requirements of the domestic economy. QP is also the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value-added products, such as petrochemicals, fertilisers and steel, both for domestic consumption and export. Although oil-related activities currently account for a significant portion of QP's revenues and net cash flows, the State expects that the contribution of non-oil revenues to QP's net cash flow will steadily increase relative to other sources of income, with the State expecting to derive a majority of its oil and gas revenue from the sale of LNG and other natural gas as the result of its investment in the commercialisation of Qatar's substantial natural gas reserves.

QP is managed by a board of directors appointed by the Emir. The State's Minister of Energy and Industry serves as the Chairman and Managing Director of QP. Other members of QP's board of directors include representatives of QP's major subsidiaries and affiliates. In addition, QP's annual budget is approved by the Ministry of Economy and Finance, the Council of Ministers and the Emir. All proceeds from the export of crude oil, gas refined products and condensate are paid directly to the Ministry of Economy and Finance. The Ministry of Economy and Finance has the right to withdraw funds from QP at the time. In addition, QP has the ability to request that the Ministry of Economy and Finance deposit cash into QP's accounts in accordance with QP's approved annual budget.

QP has a long-term foreign currency issuer rating of AA from Standard & Poor's and Aa2 from Moody's, with a stable outlook from both rating agencies.

The following table given an overview of the historical consolidated financial information of QP as of and for each of the three years ended 31 December 2011:

	As of and for the year ended 31 December <sup>(1)</sup>				
	2009	2010	2010 <sup>(2)</sup>	2011	2011 <sup>(2)</sup>
	(in millions of QR)	(in millions of QR)	(in millions of U.S.\$)	(in millions of QR)	(in millions of U.S.\$)
<b>Income statement data:</b>					
<b>Operating revenue:</b>					
Sales:					
Crude oil .....	31,326	44,556	12,241	57,649	15,838
Liquefied natural gas .....	30,367	51,978	14,280	91,578	25,159
Condensate .....	19,103	30,185	8,293	51,990	14,283
Refined products .....	8,200	17,326	4,760	22,239	6,110
Natural gas and liquids .....	14,903	24,902	6,841	38,676	10,625
Petrochemicals .....	5,068	6,655	1,828	9,467	2,601
Fertilisers .....	2,480	2,910	799	4,286	1,177
Steel .....	3,987	5,334	1,465	7,826	2,150
Gas-to-liquids products .....	985	1,382	380	2,190	602
Other services .....	1,722	2,787	766	3,278	901
Other operating income .....	6,448	9,279	2,549	11,163	3,067
<b>Total operating revenue .....</b>	<b>124,589</b>	<b>197,294</b>	<b>54,202</b>	<b>300,342</b>	<b>82,512</b>
<b>Total operating expenses .....</b>	<b>(29,172)</b>	<b>(37,478)</b>	<b>(10,296)</b>	<b>(45,424)</b>	<b>(12,479)</b>
<b>Net operating income .....</b>	<b>95,417</b>	<b>159,816</b>	<b>43,905</b>	<b>254,918</b>	<b>70,032</b>
Dividend and interest income .....	1,326	806	221	683	188
Finance charges .....	(4,149)	(5,628)	(1,546)	(5,911)	(1,624)
Royalties, taxes and minority interest .....	(57,387)	(100,427)	(27,590)	(160,828)	(44,184)
<b>Net income .....</b>	<b>35,207</b>	<b>54,567</b>	<b>14,991</b>	<b>88,862</b>	<b>24,413</b>
<b>Balance sheet data:</b>					
<b>Total non-current assets .....</b>	<b>232,604</b>	<b>252,560</b>	<b>69,385</b>	<b>260,795</b>	<b>71,647</b>
Current assets:					
Cash and cash equivalents .....	25,519	29,165	8,012	49,009	13,464
Other current assets .....	24,185	27,172	7,465	57,747	15,865
<b>Total current assets .....</b>	<b>49,704</b>	<b>56,337</b>	<b>15,477</b>	<b>106,756</b>	<b>29,329</b>
<b>Total current liabilities .....</b>	<b>(25,410)</b>	<b>(24,538)</b>	<b>(6,741)</b>	<b>(34,020)</b>	<b>(9,346)</b>
Non-current liabilities:					
Loans .....	(75,338)	(74,354)	(20,427)	(73,893)	(20,300)
Other non-current liabilities .....	(115,126)	(90,031)	(24,734)	(41,329)	(11,354)
<b>Total non-current liabilities .....</b>	<b>(190,464)</b>	<b>(164,385)</b>	<b>(45,161)</b>	<b>(115,222)</b>	<b>(31,654)</b>
<b>Total capital and reserves .....</b>	<b>(66,434)</b>	<b>(119,974)</b>	<b>(32,960)</b>	<b>(218,309)</b>	<b>(59,975)</b>
<b>Cash flow statement data:</b>					
<b>Net cash from operating activities ..</b>	<b>40,864</b>	<b>58,517</b>	<b>16,076</b>	<b>117,348</b>	<b>32,238</b>
Cash flows from investing activities:					
Payments for property, plant and equipment, deferred expenditure and other assets ..	(35,350)	(24,455)	(6,718)	(32,854)	(9,026)
Other investing activities .....	1,000	616	169	(879)	(241)
<b>Net used in investing activities .....</b>	<b>(34,350)</b>	<b>(23,839)</b>	<b>(6,549)</b>	<b>(33,733)</b>	<b>(9,267)</b>
Cash flows from financing activities:					
Proceeds from borrowings .....	16,331	5,149	1,415	7,420	2,038
Repayments of loans and obligations under finance leases .....	(6,908)	(4,565)	(1,254)	(7,110)	(1,953)
Net change in account with Ministry of Economy and Finance .....	(28,249)	(29,470)	(8,096)	(63,923)	(17,561)
Movement in minority interest .....	(1,357)	(1,201)	(330)	(614)	(169)
<b>Net cash used in financing activities .....</b>	<b>(20,183)</b>	<b>(30,087)</b>	<b>(8,266)</b>	<b>(64,227)</b>	<b>(17,645)</b>
<b>Net change in cash and cash equivalents .....</b>	<b>(13,669)</b>	<b>4,591</b>	<b>1,261</b>	<b>19,388</b>	<b>5,326</b>
<b>Cash and cash equivalents at the beginning of the year .....</b>	<b>37,880</b>	<b>24,211</b>	<b>6,651</b>	<b>28,802</b>	<b>7,913</b>
<b>Cash and cash equivalents at the end of the year .....</b>	<b>24,211</b>	<b>28,802</b>	<b>7,913</b>	<b>48,190</b>	<b>13,239</b>

Notes:

(1) The overview of historical consolidated financial information has been derived from QP's historical consolidated financial statements, which are prepared in accordance with QP Accounting Standards. This Prospectus does not include QP's historical consolidated financial statements. See "Presentation of Financial Information."

(2) The U.S.\$ figures included have not been extracted from QP's historical consolidated financial statements, and have been calculated on the basis of U.S.\$1 to QR3.64.

Source: Qatar Petroleum

For the year ended 31 December 2011, QP's total operating revenue and net income increased by 52.2% and 63%, respectively, compared to the year ended 31 December 2010, mainly as a result of higher volumes and prices realised on its hydrocarbon products. In addition due to higher revenues generated especially from the sale of crude oil and LNG, royalties and taxes payable to the State increased by 61%.

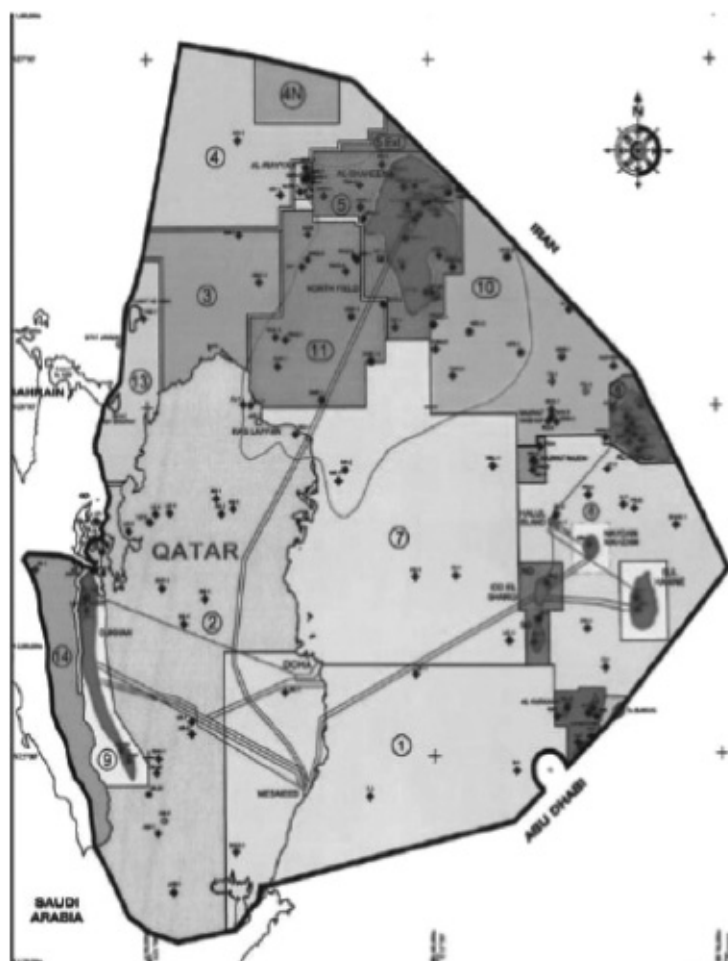
QP's operating revenues increased by 58.4% from QR124,589 million (U.S.\$34,228 million) in 2009 to QR197,294 million (U.S.\$54,202 million) in 2010 and further increased by 52.2% in 2011 to QR300,342 million (U.S.\$82,512 million). The lower operating revenue in 2009 was due to the global financial crisis and resultant recession in the developed economies which affected the price of oil and gas and demand for commodities adversely. QP's sale and export of crude oil, LNG and petroleum products is its primary revenue generator. The recovery of the developed economies in 2010 led to a higher demand in commodities, including petroleum products, and an increase in the price of oil and gas which resulted in higher operating revenues for QP in 2010. The demand for the hydrocarbon products further increased in 2011 due to various factors including the political crisis in some of the oil producing countries as well as the destruction of nuclear reactors in Japan as well as increase in overall production capacity of LNG plants contributed to higher operating revenues in 2011.

QP's capital expenditures consist principally of costs associated with building facilities for the production and processing of oil, LNG and natural gas, drilling, the production of fertilisers and petrochemicals, and the construction of LPG tanks and pipelines. To fund its capital requirements, QP depends primarily on internal sources of liquidity along with loans from financial institutions and the export credit agencies of its trade partners. Over the next five years, capital expenditure by QP, its subsidiaries and joint venture partners is projected to be approximately QR207,335 million (U.S.\$56,960 million). Many of the projects undertaken by QP, its subsidiaries and joint ventures have been structured as non-recourse projects (although some have required guarantees by QP), with loans amortising over approximately 15 to 25 years and repayment obligations expected to be met through the cash flows generated by each relevant project. It is estimated that QP's share of the capital expenditure over the next five years will be QR185,592 million (U.S.\$50,987 million). Financing for certain projects has already been fully committed, and certain expenditure commitments have already been made. For details on certain project commitments see "*Natural Gas Operations—LNG Exports*".

QP's strategy is to continue to contribute to the diversification of Qatar's economy and the State's assets by leveraging QP's experience along with the State's vast hydrocarbon wealth to generate long-term returns on investment in the international oil and gas industry. QP aims to diversify risk geographically as well as capture further value in the oil and gas value chain. In furtherance of this strategy, QP has set up its wholly owned subsidiary, Qatar Petroleum International (**QPI**), through which it invests outside Qatar in the international oil and gas markets. QPI has also begun to explore and evaluate various investment and acquisition opportunities that would further optimise the operations of QP as well as maximise the value of Qatar's hydrocarbon resources, including by expanding into downstream activities in the natural gas sector in those regions where Qatari LNG is sold so that the State has greater involvement and ownership in the entire LNG value chain.

Foreign investments made to date by QPI include, among others, the purchase in June 2008 from TOTAL of 20% minority interests in two onshore oil exploration blocks in Mauritania, and the signing in January 2008 of a memorandum of understanding with ConocoPhillips to pursue and develop international energy projects outside of Qatar. In December 2009, QPI acquired an ownership interest in two Shell petrochemical joint ventures in Singapore. QP interests in LNG terminals located outside of Qatar (South Hook, Adriatic and Golden Pass) were transferred to QPI's portfolio effective 1 January 2011. In October 2011, QPI, an affiliate of Shell and PetroChina Company Ltd signed a framework agreement for a petrochemical complex in China.

Set forth below is a map of Qatar's oil and gas fields.



Note:

\* Numbers reference exploration blocks.

Source: Qatar Petroleum.

## ***Natural Gas Operations***

### ***General***

Qatar produced a total of 5,268.5 billion cubic feet of natural gas in the year ended 31 December 2010 and 4,059.7 billion cubic feet of natural gas in the year ended 31 December 2009. QP estimates that Qatar's proven gas reserves amounted to approximately 883.2 tcf as of 1 January 2011. According to a 2009 report by the U.S. Energy Information Administration, Qatar possesses the third largest proven reserves of natural gas in the world (behind only Russia and Iran). Virtually all of Qatar's natural gas reserves are located in the North Field, which extends over an area of approximately 6,000 square kilometres, predominantly underlying the territorial waters of Qatar. A portion of the North Field underlies the Qatari land mass. The North Field is a part of a structure which extends into the territorial waters of Iran. Qatar and Iran concluded a maritime border agreement in 1969, and the boundary between the two countries is not disputed. Iran is developing part of the North Field independently through its South Pars Field projects. The North Field is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world, representing approximately 15% of the world's natural gas reserves in 2009. The North Field also possesses proven reserves of approximately 22.1 billion barrels of condensate. The gas reserves located in the North Field are found within a massive limestone and dolomite rock formation known as the Khuff Formation, which consists of four reservoirs (named K1, K2, K3 and K4). The Khuff Formation is approximately 1,500 feet thick and is present as a prominent regional formation. In offshore Qatar, the Khuff Formation is shaped as a large low relief structure that contains the gas. More than 200 appraisal and development wells have

been drilled in the North Field since its discovery in 1971 in order to quantify the Khuff Formation's gas accumulation, determine the reservoir fluid and geological characteristics of the field, and begin tapping its resources.

The State has placed a moratorium on further development of new projects in the North Field for the time being while several large LNG and other gas based projects are being implemented, as the State wishes to assess the performance of existing developments and carry out further studies on the North Field to ensure the ongoing and sustainable development of Qatar's most valuable resource well into the future. However, the Barzan Project, which will develop pipeline gas for domestic consumption, and the exploration and production agreement signed with PetroChina Company Limited in May 2010 are not subject to the moratorium. It is currently anticipated that there will not be any further development of new projects in the North Field until such time as all the existing developments have commenced and sustained production for several years, followed by a comprehensive study of the North Field's reservoir and its production performance.

### *Exploration and Production*

The following table sets forth Qatar's total proven and expected reserves of natural gas as of 1 January 2011.

	<b>As of 1 January 2011<sup>(1)</sup></b>	
	<b>Proven</b>	<b>Expected</b>
	<i>(in trillions of cubic feet)</i>	
North Field gas reserves .....	871.7	871.7
Other gas reserves <sup>(2)</sup> .....	11.5	12.4
<b>Total Qatar gas reserves</b> .....	<b><u>883.2</u></b>	<b><u>884.1</u></b>

Notes:

(1) For a description of how Qatar classifies proven and expected reserves, see "Presentation of Certain Reserves Information."

(2) Includes associated reserves from the Dukhan, Bul Hanine and Maydan Mahzam oil fields.

Source: Qatar Petroleum.

The State exploits its natural gas reserves through the following operations: (i) the flagship Qatargas and RasGas Projects for LNG; (ii) QP's production of natural gas for its own account, including the North Field Alpha Project; (iii) the production of associated gas from Dukhan and certain offshore oil fields through various production and development agreements with international oil and gas companies; (iv) Gas-to-Liquids production through the Pearl and Oryx Projects; and (v) pipeline gas through the Al Khaleej and Dolphin Projects, and the Barzan Project when it comes on line.

The RasGas and Qatargas LNG Projects produce LNG for export. The QP operated North Field Alpha Project and the Al-Khaleej Gas Project supply natural gas for Qatar's domestic use, while the Dolphin Gas Project supplies pipeline gas to the regional market. The anticipated Barzan Project, once completed and on stream, will supply pipeline natural gas to Qatar's domestic market and potentially for regional export. The Pearl GTL Project, one of Qatar's major GTL projects, recently exported its first consignment of gasoil in June 2011. Once fully operational, the Pearl GTL Project will be the world's largest source of GTL products, producing 140,000 barrels of GTL products each day for export and Qatar's domestic consumption.

The following table sets forth certain information about the production of natural gas in Qatar (net of flaring and gas re-injection) for each of the three years ended 31 December 2011.

	Year ended 31 December		
	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011 <sup>(1)</sup>
	<i>(in billions of cubic feet)</i>		
QP-operated fields:			
Dukhan .....	177.9	210.6	245.3
Bul Hanine .....	24.9	28.1	28.6
Maydan Mahzam .....	13.0	13.9	16.2
North Field Alpha .....	313.2	198.0	295.5
<b>Total QP-operated fields .....</b>	<b>529.0</b>	<b>450.6</b>	<b>585.6</b>
<b>PSA fields<sup>(2)</sup> .....</b>	<b>84.2</b>	<b>109.0</b>	<b>109.0</b>
Project-operated fields:			
North Field—Qatargas Projects .....	992.0	1,479.4	1,327.0
North Field—RasGas Projects .....	1,411.6	2,076.7	1926.0
North Field—Al Khaleej Project .....	317.6	422.8	226.9
Dolphin project .....	725.3	730.0	743.0
<b>Total project-operated fields .....</b>	<b>3,446.5</b>	<b>4,708.9</b>	<b>4,222.9</b>
<b>Total gas production in Qatar<sup>(3)</sup> .....</b>	<b>4,059.7</b>	<b>5,268.5</b>	<b>4917.5</b>

Note:

- (1) These figures are unaudited and are as estimated by the relevant project's management.
- (2) Substantially all gas production from production sharing agreements comes from the Idd El Shargi (North and South Domes) and Al Shaheen oil fields. Other production sharing agreement oil fields produce small amounts of gas that is either re-injected, utilised as fuel for power or flared.
- (3) These figures reflect gross production of natural gas in Qatar.

Source: Qatar Petroleum.

### LNG Exports

A substantial portion of Qatar's LNG sales are derived from long-term sale and purchase agreements which provide certainty of volume offtake. However, Qatari LNG sales are subject to price fluctuations as many of the prices set in such agreements are linked to an oil price or other similar index. See "*Risk Factors—Risks Relating to Qatar—Changes in global or regional prices or supply of natural gas, crude oil and other hydrocarbons, and any decline in Qatar's future production of hydrocarbons, may materially and adversely impact the State's revenues and the financial condition of the State.*" Most of the more recent contracts with respect to the sale of Qatari LNG include diversion rights, whereby sales of LNG can be diverted to other markets based on certain circumstances. These diversion rights enable the Qatargas and RasGas entities to maximise the potential revenues from the sale of Qatari LNG, based on then existing market conditions, and to take advantage of changes in demand patterns in different markets around the world. In the current market, for example, as North American natural gas prices have been depressed, Qatar has increasingly targeted other markets in Asia and Central Europe for its LNG volumes. Qatar has the ability to continue this activity for so long as North American gas demand remains soft. The State also believes that an important competitive advantage it possesses is that Qatar's central location permits access to all major LNG markets globally, allowing for a flexible marketing approach. Qatar continues to divert cargo to maximise its potential revenues.

Qatar is a central geographic location for global shipping. QP also has interests in re-gasification terminals in Europe, where certain Qatari LNG customers are based. The Qatargas and RasGas LNG Projects are the source of all Qatari LNG exports and, based upon contractual commitments, Qatari LNG is sold globally to customers in 15 countries in North America (Mexico and the United States), Northwest Europe (the United Kingdom, the Netherlands and Belgium), Western Europe (Italy, France and Spain), South Asia (UAE, Kuwait and India) and Northeast Asia (China, South Korea, Japan and Taiwan). Given current developments in the global market for LNG, the State believes that, in the future, the amount of Qatari LNG sold to markets in Europe (particularly Central Europe) and Asia will increase, while the amount of Qatari LNG sold to the United States will decrease.

The following table gives an overview of Qatar's LNG exports and QP's share thereof for each of the three years ended 31 December 2011.

	Year ended 31 December <sup>(1)</sup>		
	2009	2010	2011
	<i>(in millions of tons, except as noted otherwise)</i>		
<b>Qatargas Projects<sup>(3)</sup></b>			
Qatargas .....	9.4	9.4	9.7
Qatargas 2 .....	4.7	13.9	15.7
Qatargas 3 .....	—	0.1	7.8
Qatargas 4 .....	—	—	5.6
<b>Total Qatargas Projects</b> .....	<b>14.1</b>	<b>23.4</b>	<b>38.8</b>
<b>RasGas Projects:</b>			
RasGas I .....	7.3	6.9	7.1
RasGas II .....	13.7	13.9	13.5
RasGas 3 .....	2.0	12.2	15.1
<b>Total RasGas Projects</b> .....	<b>23.0</b>	<b>33.0</b>	<b>35.7</b>
<b>Total LNG exports from Qatar<sup>(2)</sup></b> .....	<b>37.1</b>	<b>56.4</b>	<b>74.5</b>
QP share of total LNG exports .....	23.3	35.1	45.1
QP share of LNG revenues <i>(in millions of QR)</i> .....	30,367	51,978	91,578
QP share of LNG revenues <i>(in millions of U.S.\$)</i> .....	8,343	14,280	25,159

Note:

- (1) All volumes are derived from information provided by the Qatargas and RasGas entities.
- (2) For comparative purposes, total LNG exports from Qatar were 24.9 mta, 29.3 mta and 30.4 mta for 2006, 2007 and 2008 respectively.
- (3) Excludes LNG that has been degasified and sold as Natural Gas. The related revenue is included in Natural Gas and Liquids revenue.

Source: Qatar Petroleum.

As the global demand for LNG has grown, Qatar has raised its annual LNG production capacity to its target level of 77.5 mta. Almost all of Qatar's LNG production has been contractually committed. Due to the construction time for a new LNG project, further LNG production in the near future would only be possible through debottlenecking existing LNG trains.

### LNG Projects

Qatar's total LNG sales in 2011 were approximately QR151,514 million (U.S.\$41,625 million), including sales to five international regions. Qatar's LNG is produced through the RasGas and the Qatargas LNG Projects, which process natural gas in offshore and onshore facilities. QP holds between 60% and 70% equity ownership interests in these projects. It has entered into joint ventures or heads of agreements with Marubeni and subsidiaries of ConocoPhillips, Exxon Mobil Corporation, Mitsui, Shell and TOTAL of France as part of the Qatargas Projects and subsidiaries or affiliates of Exxon Mobil Corporation, Itochu, LNG Japan and Korea Gas Corporation as part of the RasGas Projects. Downstream, these projects liquefy and store the natural gas in Qatar. LNG thus produced is shipped by over 80 LNG vessels to contracted customers in 15 countries in North America (Mexico and the United States), Northwest Europe (the United Kingdom, the Netherlands and Belgium), Western Europe (Italy, France and Spain), South Asia (UAE, Kuwait, and India) and Northeast Asia (China, South Korea, Japan and Taiwan).



The following table sets forth certain information about Qatar's flagship Qatargas and RasGas LNG projects:

<b>Project</b>	<b>Partner(s)</b>	<b>Production Capacity</b>
Qatargas	TotalFinaElf E&P Qatar, Exxon Mobil Qatargas Inc., Marubeni Corporation and Mitsui & Co. Ltd.	9.9 mta (in aggregate) for Trains 1, 2 and 3
Qatargas 2	Exxon Mobil Qatargas (II) Limited, Total E&P Golfe Limited	16.0 mta (in aggregate) for Trains 4 and 5
Qatargas 3	ConocoPhillips Qatar Limited, Mitsui Qatargas 3 Ltd.	8.0 mta for Train 6
Qatargas 4	Shell Gas B.V.	8.0 mta for Train 7
RasGas I	Exxon Mobil RasGas Inc., Korea Ras Laffan LNG Limited, Itochu Corporation, LNG Japan Corporation	6.6 mta (in aggregate) for Trains 1 and 2
RasGas II	Exxon Mobil RasGas Inc.	14.1 mta (in aggregate) for Trains 3, 4 and 5
RasGas 3	Exxon Mobil Ras Laffan (III) Limited	15.6 mta (in aggregate) for Trains 6 and 7

### *Qatargas Projects*

The Qatargas Projects (Qatargas and Qatargas 2, 3 and 4) are joint ventures with major international oil and gas companies to extract, process and export LNG from the North Field through seven LNG trains located at Ras Laffan City. With the start of production from Train 7, Qatargas' overall production capacity has now reached 41.9 mta, making the Qatargas Projects the largest LNG producer in the world. The Qatargas Projects have delivered nearly 2,000 LNG cargoes as of the end of 2011. As of 31 December 2011, the cumulative capital expenditure on the Qatargas projects amounted to approximately QR122,663 million (U.S.\$33,699 million). In addition, as of 31 December 2011, the Qatargas entities had QR48,534 million (U.S.\$13,334 million) in aggregate principal amount of indebtedness outstanding. Additional details on the Qatargas Projects are set forth below:

### *Qatargas*

Qatargas, Qatar's first LNG project, is a three train LNG project with an aggregate of approximately 9.9 mta of production capacity for LNG and associated liquids. The first train commenced production in 1996, while the second and third trains commenced production in 1997 and 1998, respectively. In 2011, Qatargas produced approximately 10.1 mta of gas, had made a cumulative capital expenditure of approximately QR23,367 million (U.S.\$6,420 million) and had no debt outstanding. Qatargas is party to two long-term sale and purchase agreements with utility companies in Japan and Spain.

### *Qatargas 2*

Qatargas 2 is a two train LNG project with an aggregate of approximately 16.0 mta of production capacity for LNG and associated liquids. The fourth Qatargas train commenced production in May 2009 and the fifth Qatargas train commenced production in September 2009. The LNG is exported and sold under two long-term sale and purchase agreements to a company jointly owned by QP, Exxon Mobil Corporation and TOTAL. Qatargas 2's LNG is primarily exported to the United Kingdom, Asia and Europe. The sale and purchase agreements also provide for diversion rights which enable Qatargas 2 to divert LNG volumes to other markets if market conditions make it more favourable to do so.

As of 31 December 2011, Qatargas 2 had produced approximately 15.7 mta of gas and made a cumulative capital expenditure of approximately QR44,321 million (U.S.\$12,176 million) and had approximately QR20,764 million (U.S.\$5,704 million) in aggregate principal amount of indebtedness outstanding.

### *Qatargas 3*

Qatargas 3 is a one train LNG project with an aggregate of approximately 8.0 mta of production capacity for LNG and associated liquids. The sixth Qatargas train commenced production in November 2010. The LNG is sold to ConocoPhillips under a long-term sale and purchase agreement and exported to the United States; however, such sale and purchase agreement provides for diversion rights which enable Qatargas 3 to divert LNG volumes to other markets if market conditions make it more favourable to do so. LNG is also supplied to countries in Asia and Europe. As of 31 December 2011, Qatargas 3 had produced approximately 7.6 mta of gas and had approximately QR14,097 million (U.S.\$3,873 million) in aggregate principal amount of indebtedness outstanding.

#### *Qatargas 4*

Qatargas 4 is a one-train LNG project co-developed alongside Qatargas 3 with an aggregate of approximately 8 mta of production capacity for LNG and associated liquids. The seventh Qatargas train commenced production in January 2011. The LNG is sold to Shell under a long-term sale and purchase agreement and exported to the United States and other markets, including the Middle East and Asia. However, such sale and purchase agreements provide for diversion rights which enables Qatargas 4 to divert LNG volumes to other markets if market conditions make it more favourable to do so. In 2011, Qatargas produced approximately 6.1 mta of gas and had approximately QR14,000 million (U.S.\$3,846 million) in aggregate principal amount of indebtedness outstanding.

#### *RasGas Projects*

The RasGas Projects (RasGas I, II and 3) are joint ventures with major international oil and gas companies to extract, process and export up to an aggregate of approximately 36.3 mta of LNG from the North Field through seven LNG trains located in Ras Laffan City. As of 31 December 2011, the cumulative capital expenditure on the RasGas Projects amounted to approximately QR60,875 million (U.S.\$16,724 million) and the RasGas Projects had QR34,336 million (U.S.\$9,433 million) in aggregate principal amount of indebtedness outstanding. Additional details on the RasGas Projects are set forth below:

#### *RasGas I*

RasGas I is a two train LNG project with an aggregate of approximately 6.6 mta of production capacity for LNG and associated liquids. The first RasGas train commenced production in 1999 and the second RasGas train commenced production in 2000. As of 31 December 2011, RasGas I had cumulatively produced approximately 4,498 bcf of gas, had made a cumulative capital expenditure of QR10,501 million (U.S.\$2,885 million) and had no aggregate principal amount of indebtedness outstanding. This debt had been repaid in full by September 2011. RasGas I is party to long-term sale and purchase agreements with Korea Gas Corporation and a consortium comprised of four of the largest energy companies in India.

#### *RasGas II*

RasGas II is a three-train LNG project with an aggregate of approximately 14.1 mta of production capacity for LNG and associated liquids. The third RasGas train commenced production in 2004, the fourth RasGas train commenced production in 2005, and the fifth RasGas train commenced production in 2006. As of 31 December 2011, RasGas II had produced a cumulative amount of 5,212 bcf of gas, made a cumulative capital expenditure of QR16,617 million (U.S.\$4,565 million) and QR9,504 million (U.S.\$2,611 million) in aggregate principal amount of indebtedness outstanding. RasGas II is party to long-term sale and purchase agreements with buyers in India, Italy, Spain, Belgium and Taiwan.

#### *RasGas 3*

RasGas 3 is a two-train LNG project with an aggregate of approximately 15.6 mta of production capacity of LNG and associated liquids. The sixth RasGas train commenced production in July 2009 and the seventh RasGas train commenced production in February 2010. The RasGas 3 LNG trains currently sell LNG to countries in North America, Europe and Asia under long-term sale and purchase agreements. As of December 31, 2011, RasGas 3 had cumulatively produced approximately 1,654 bcf of gas, made a cumulative capital expenditure of QR33,757 million (U.S.\$9,274 million) and raised senior debt financing of approximately QR24,832 million (U.S.\$6,822 million).

#### *LNG Shipping*

As LNG exports to liberalised gas markets make a larger contribution to the State's revenues and as QP's partners in Qatar's LNG projects invest more capital in Qatar, the State has progressed toward full LNG value chain integration, thus linking upstream, midstream and downstream components. As part of this process, Qatar Gas Transport Company (**QGTC**) was established in 2004 to own, manage and operate LNG vessels providing shipping and marine related services to a range of participants within Qatar's hydrocarbon sector.

QGTC's activities are currently focused on the transportation of LNG to global markets. QGTC owns non-operating equity ownership interests (ranging from 20% to 60%) in 29 LNG vessels, all of

which have been delivered. QGTC owns these LNG vessels in partnership with a number of leading international shipping companies. In 2006, QGTC established a program to acquire LNG vessels on a wholly owned basis through its subsidiary Nakilat. Pursuant to the program, 25 LNG vessels have been financed and constructed and the last ship was delivered to Nakilat in August 2010. With the last ship deliveries, QGTC now has equity interests in a total of 54 LNG vessels. QGTC partially owns four LPG vessels which export LPG from Qatar. QGTC has also recently diversified its activities by acquiring interests in a shipyard to be built in phases at Ras Laffan City. QGTC, which is listed on the Qatar Exchange, is 50% owned by the public and 50% owned by various Qatari national companies (including 5% which is owned by QP).

#### *Other Gas Production*

##### *QP Gas Production*

QP also produces associated natural gas for its own account from the onshore Dukhan oil field and from the offshore Bul Hanine and Maydan Mahzam oil fields, as well as non-associated natural gas from the onshore Dukhan Khuff reservoir and the offshore North Field Alpha project.

##### *PSA Gas Production*

As a result of their crude oil production activities, projects operating pursuant to production and sharing agreements with the State of Qatar also produce offshore associated gas from the Idd El Shargi, Al Shaheen and Al Khaleej oil fields. In general, under the production and sharing agreements, any associated gas that is not used for lifting or reinjection belongs to the State, and this gas is delivered to QP as the State's agent. Some of the natural gas produced at the Al Shaheen and Idd El Shargi oil fields is fed onshore to the NGL plants at Mesaieed Industrial City, while some of the natural gas produced at the Al Khaleej field is used for power generation at Halul Island.

In May 2010, QP entered into an exploration, production and supply agreement with Shell and PetroChina Company Limited for exploration of natural gas in Qatar's Block D. The Block D concession is for pre-Khuff geological intervals. Part of the Block D concession extends beneath the North Field. The 30 year agreement starts with a five year First Exploration Period during which Shell and PetroChina will implement a work program including exploration technical studies, 2D and 3D seismic acquisition, processing, re-processing and interpretation, and drilling a number of exploration wells to the pre-Khuff formation. Shell and PetroChina will produce natural gas under QP's supervision. Under the agreement, QP will be the off-taker of any potential gas produced.

#### *Pipeline Gas Supply Projects*

##### *Al Khaleej*

Al Khaleej is a pipeline gas supply project with rights to develop facilities to produce up to 2.0 bcf/d of natural gas from the North Field for distribution in Qatar, as well as the condensate, NGL and ethane produced with the gas. The project is a joint venture between the State of Qatar and Exxon Mobil Corporation Middle East Gas Marketing Limited (**EMMEGML**), an indirect wholly-owned subsidiary of Exxon Mobil Corporation. As part of the project, EMMEGML has constructed natural gas processing facilities, NGL recovery facilities, and NGL fractionation facilities, storage and loading facilities at Ras Laffan City. The project is operated by RasGas Company Limited.

The first part of the Project, AKG 1, began production in November 2005 and primarily produces natural gas for supply to the Ras Laffan Power Company to generate power at Ras Laffan Industrial City, provide fuel for Mesaieed Industrial City customers and supply feedstock to the Oryx GTL project. The second part of the Project, AKG-2, began production in November 2010. In 2011 AKG-1 and AKG-2, cumulatively, produced about 1,676 mcf/d of natural gas; 26.4 million barrels of field and plant condensates; 997,043 tons of natural gas liquids (propane and butane); and 673,272 tons of ethane a year for use as petrochemical feedstock.

##### *Dolphin*

The State, subsidiaries of TOTAL and Occidental Petroleum, and Dolphin Investment Company developed the Dolphin project under the terms of a 2001 development and production sharing agreement. The Dolphin project entails production of wellhead gas from the North Field in an amount sufficient to export lean gas at a rate of 2.0 bcf/d to the UAE through an offshore export pipeline. The

project also includes the processing of the gas at Ras Laffan Industrial City to extract condensate, ethane, LPG and sulphur for export. The Dolphin project began production in mid-2007, reaching full operation in February 2008, and is estimated to have produced approximately 723 bcf of natural gas in 2011.

### Barzan

QP has entered into a joint venture with Exxon Mobil to further develop the North Field gas reserves through the Barzan Project to supply pipeline gas to the local industries and power generation sectors in Qatar. The project is expected to have three offshore platforms and two onshore gas trains. It will share common storage, loading and offsite facilities at Ras Laffan City. The first train is expected to come on stream in 2014, followed by the second one in 2015. The project is expected to provide about 1.35 bcf/d of pipeline gas. The capital expenditure incurred in this Project is expected to be reflected in the financial accounts of QP rather than the financial and capital account of the State's expenditures and revenues.

### Gas-to-Liquids Projects

The term gas-to-liquids refers to a small number of technologies designed to convert natural gas to liquid fuels, as alternatives to the traditional refining of crude oil and other natural gas commercialisation routes. Typical output yields for a GTL process consist of about 70% ultra-clean diesel fuel, 25% naphtha and a few percent LPGs, lubes and waxes. Thus the prime potential markets for GTL fuels are the transport fuel market and the chemical feedstock market.

QP is actively pursuing a number of GTL projects for the production of synthetic fuels and base oil stocks. They are all integrated with offshore development to supply the large amounts of gas needed for these projects.

The table below lists out the currently operational GTL projects:

<u>Project</u>	<u>Operator(s)</u>	<u>Production Capacity</u>	<u>Status</u>
Pearl GTL .....	Qatar Shell GTL, Ltd., a subsidiary of Shell	Production expected to increase to 140,000 bbl/day of GTL plus 120,000 bbl/day of condensate.	March 2011: The plant began producing condensate, LPG, sulphur and oxygen. June 2011: The plant sold its first shipment of GTL product—Gasoil.
Oryx .....	Joint venture between QP (51%) and Sasol Ltd. (49%), a South African petrochemicals company	Targeted production capacity of approximately 33,000 bpcd, consisting of 24,000 bpd of diesel fuel, 8000 bpcd of naphtha and 1,000 bpcd of LPG.	Started production in 2006.

The following table gives an overview of Qatar's GTL exports and QP's share thereof for each of the three years ended 31 December 2011.

	<u>Year ended 31 December</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>
	<i>(in millions of bbl, except as noted otherwise)</i>		
<b>GTL Projects:</b>			
Pearl GTL .....	—	—	5.2
Oryx .....	6.8	8.6	10.2
<b>Total GTL exports from Qatar</b> .....	<b>6.8</b>	<b>8.6</b>	<b>15.4</b>
QP share of total annual GTL production (in thousands of bbl) .....	4,179	4,430	6,333
QP share of total GTL export sales (in thousands of bbl) .....	3,450	4,411	6,421
QP share of total value of export sales (in millions of QR) <sup>(1)</sup> .....	985	1,382	2,429
QP share of total value of export sales (in millions of U.S.\$) <sup>(1)</sup> .....	271	380	667

Source: Qatar Petroleum

(1) QP share of total value of export sales in 2011 comprise Oryx GTL sales of QR2,190 million (\$602 million) and Pearl GTL sales of QR 239 million (\$65 million) has been included under Refined Products sales revenue.

## Condensate

Field condensate is essentially a very light crude oil and is produced from non associated gas at the North Field and from a gas cap at the Dukhan oil field. It is primarily exported to Asia and sells in direct competition with other Middle Eastern light crude oils. Occasionally, the field condensate produced from North Field Alpha or the Dukhan oil field is sold to customers directly if the condensate splitters are undergoing maintenance.

Plant condensate is extracted from raw NGL supplied from the Dukhan oil field, the offshore oil fields and the North Field at the NGL fractionation plants at Mesaieed Industrial City. Plant condensates from RasGas, Qatargas and AKG projects are marketed jointly by these projects and QP. The primary markets for plant condensates have been Japan, Singapore, Taiwan, Malaysia and Thailand. The current contract price for plant condensate is linked to international prices of naphtha plus a variable premium, which is negotiated on a bi annual basis. Naphtha based petrochemicals companies are QP's main customers.

In addition, the Qatargas, RasGas and Al Khaleej projects also produce field and plant condensate as part of their natural gas operations in the North Field and processing activities at Ras Laffan City.

The following table sets forth the proven and expected reserves of Qatar's field condensate as of 1 January 2011:

	As of 1 January 2011 <sup>(1)</sup>	
	Proven	Expected
	<i>(in millions of barrels)</i>	
North Field .....	22,064.0	22,064.0
Dukhan .....	80.4	125.9
Bul Hanine .....	146.3	153.9
Maydan Mahzan .....	32.4	46.4
Idd El Shargi North Dome .....	21.9	23.7
<b>Total field condensate reserves</b> .....	<b>22,345.0</b>	<b>22,413.9</b>

Note:

(1) For a description of how Qatar classifies proven and expected reserves, see "Presentation of Certain Reserves Information."

Source: Qatar Petroleum.

The following table sets forth the production and export sales of condensate (both field and plant condensate) attributable to QP for each of the three years ended 31 December 2011:

	Year ended December 31 <sup>(1)</sup>		
	2009	2010	2011
QP share of total annual production <i>(in thousands of barrels)</i> <sup>(2)</sup> .....	118,687	153,819	185,257
QP share of total export sales <i>(in thousands of barrels)</i> .....	89,437	116,704	146,480
QP share of total value of export sales <i>(in millions of QR)</i> .....	19,103	30,185	51,990
QP share of total value of export sales <i>(in millions of U.S.\$)</i> .....	5,248	8,293	14,283

Notes:

(1) A portion of these volumes is derived from information provided by QP's joint ventures as well as operators operating pursuant to production sharing agreements.

(2) Excludes Condensate that has been refined and sold as Refined Products.

Source: Qatar Petroleum.

## Natural Gas Liquids

QP has four NGL plants located at Mesaieed Industrial City (NGL 1, NGL 2, the North Field Gas Plant and NGL 4) which process the following feed streams by separating NGLs from gas and fractionating the same:

- Associated gas from Offshore oil fields—Bul Hanine (PS-3), Maydan Mahzam (PS-2) and Idd El-Shargi (PS-1)—Processed in NGL-2 Stripping Plant
- Associated gas from Offshore Al-Shaheen oil field via NFA—Processed in NGL-3 Gas plant
- Non-associated gas/liquid from the North Field (Alpha)—Processed in NGL-3 Gas/Liquid plants

- Associated gas from the Dukhan oil fields—first processed in Dukhan, raw NGL further processed in NGL fractionation plants (NGL-1/2), Mesaieed
- Non associated gas from Dukhan Arab-D fields—first processed in Dukhan, raw NGL further processed in NGL fractionation plants (NGL-4), Mesaieed

High value NGL products including methane, ethane, propane, butane, NGL Condensate and NF Condensate are extracted at the NGL plants and are then either exported, further processed in the QP refinery complex or used in downstream chemical plants such as Q-Chem I/II, QAPCO or QAFAC. Sulphur produced in the gas sweetening process is exported.

The following tables set forth the feed and production capacity for the various plants at Mesaieed Industrial City as of 1 January 2011.

<b>Gas/Liquid Plants</b>	<b>NGL-2 Stripping<sup>(1),(3)</sup></b>	<b>NGL-3 Gas</b>	<b>NGL-3 Liquid<sup>(2)</sup></b>	<b>Total</b>
	<i>(All figures in tons per day)</i>			
Feed .....	4,769	23,306	4,015	<b>32,090</b>
Production capacity .....				
Methane .....	4,038	16,462	—	<b>20,500</b>
NF Condensate .....	—	—	3,240	<b>3,240</b>
Sulphur .....	—	285	—	<b>285</b>

Note:

(1) Raw NGL from NGL-2 Stripping and NGL-3 Gas Plant is further processed at NGL Fractionation plants.

(2) Sour gas from NGL-3 Liquid Plant is processed at NGL-3 Gas Plant.

(3) NGL-2 capacity data refers to summer case, winter capacity is lower.

Source: Qatar Petroleum

<b>Fractionation Plants</b>	<b>NGL-1</b>	<b>NGL-2 Fractionation</b>	<b>NGL-4</b>	<b>Total</b>
	<i>(All figures in tons per day)</i>			
Feed .....	4,084	4,157	10,200	<b>18,441</b>
Production capacity .....				
Ethane .....	1,352	1,145	4,305	<b>6,802</b>
Propane .....	1,293	1,096	3,073	<b>5,462</b>
Butane .....	851	899	2,041	<b>3,791</b>
NGL Condensate .....	588	903	781	<b>2,272</b>
<b>Total</b> .....	<b>4,084</b>	<b>4,043</b>	<b>10,200</b>	<b>18,327</b>

Source: Qatar Petroleum

The Qatargas, RasGas and Al Khaleej projects use the NGL recovery, fractionation and treatment facilities constructed at Ras Laffan City, which, in addition to plant condensate, produce similar natural gas liquids as the NGL plants at Mesaieed Industrial City. The anticipated Barzan Project, currently under construction, will also share the same facilities at Ras Laffan City when it becomes operational. Propane is used locally as a fuel as well as exported, while butane is used as a feedstock by QAFAC and is also exported. Surplus LPGs are sold mainly to Japan, while historically all plant condensate produced by QP has been sold to Japan on a term contract basis.

The following table sets forth the production and sale of NGL attributable to QP for each of the three years ended 31 December 2011.

	<b>Year ended December 31,<sup>(1)</sup></b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
QP share of total annual production <i>(in thousands of tons)</i> .....	4,912	6,308	7,612
QP share of total sales <i>(in thousands of tons)</i> .....	4,569	6,027	7,457
QP share of total value of sales <i>(in millions of QR)</i> .....	8,871	14,895	21,828
QP share of total value of sales <i>(in millions of U.S.\$)</i> .....	2,437	4,092	5,997

Note:

(1) A portion of these volumes is derived from information provided by QP's joint ventures as well as PSA operators.

(2) Excludes Natural Gas Liquids that has been used as feedstock to produce Petrochemical Products.

Source: Qatar Petroleum.

## Crude Oil Operations

Oil was discovered in Qatar in 1939 and crude oil production began in 1949. Since then, Qatar has steadily increased its levels of crude oil production, both directly and by entering into production sharing agreements with leading international oil exploration and production companies, including Maersk, TOTAL and Occidental Petroleum. With average crude oil production of approximately 830,000 barrels per day in 2009, Qatar was estimated by the U.S. Energy Information Administration at that time to be the world's 16th largest global oil producer. Other authorities report its position in 2010 as 19<sup>th</sup> due to production increases by other producers rather than a decline in Qatar's position. QP's strategy of focusing on developing and commercialising Qatar's vast natural gas reserves has led to a decrease in the contribution of oil sales to QP's total operating revenue and the sale of crude oil accounted for 25.1%, 22.6% and 19.2% of QP's total operating revenues for the years ended December 31, 2009, December 31, 2010, and 31 December 2011 respectively.

As a member of OPEC, Qatar's crude oil production is determined by quota restrictions. OPEC does not publish its quota restrictions for each of its member countries. Oil producers in Qatar have the capacity to exceed the OPEC quota and, in the past, actual production has been reduced to avoid exceeding OPEC quotas.

## Reserves

As of 1 January 2011, Qatar had proven reserves of 2.3 billion barrels of crude oil. Assuming there are no further discoveries of oil reserves in Qatar, it is estimated that crude oil production may have peaked in 2010. The discovery of additional oil reserves is possible given QP's experience with the application of new technology to enhance recovery from existing oil reservoirs. Consequently, it is possible that the period of peak production may be extended beyond 2010.

The following table sets forth the total proven and expected reserves of crude oil and associated field condensate (other than condensate associated with the North Field) in Qatar as of 1 January 2011.

	As of 1 January 2011 <sup>(1)</sup>	
	Proven	Expected
	<i>(in millions of barrels)</i>	
QP operated oil fields:		
Bul Hanine .....	438.5	560.2
Maydan Mahzam .....	130.6	265.2
Dukhan .....	558.1	872.1
<b>Total QP operated oil fields</b> .....	<b><u>1,127.2</u></b>	<b><u>1,697.5</u></b>
Non-QP operated oil fields:		
Al Shaheen .....	412.4	597.4
Al Khaleej .....	79.2	96.8
Idd El Shargi North Dome .....	522.9	603.7
Idd El Shargi South Dome .....	58.7	116.7
Al Rayyan .....	34.5	34.5
Al Karkara .....	20.0	40.5
50% of El Bunduq <sup>(2)</sup> .....	—	—
<b>Total non-QP operated oil fields</b> .....	<b><u>1,127.7</u></b>	<b><u>1,489.6</u></b>
<b>Total all oil fields<sup>(3)</sup></b> .....	<b><u>2,254.9</u></b>	<b><u>3,187.1</u></b>

Note:

(1) For a description of how Qatar classifies proven and expected reserves, see "Presentation of Certain Reserves Information."

(2) Data not available for 2011.

(3) These figures include both crude oil and associated field condensate, but do not include condensate from the North Field.

Source: Qatar Petroleum.

## Oil Production

Qatar's total oil exploration area is divided into 26 hydrocarbon "blocks" covering a total surface area of 43,426 square kilometres. QP is involved in the exploration, development, and production of crude oil in Qatar both through its own operations and in conjunction with the State and major international oil and gas companies pursuant to production sharing agreements. QP produces crude oil

for its own account from the onshore Dukhan oil field, and the offshore Bul Hanine and Maydan Mahzam oil fields, which commenced production in 1949, 1965 and 1969, respectively. Since the early 1990s, QP, as agent of the State, has entered into a number of production sharing agreements with various international oil and gas companies for the purpose of hydrocarbon exploration and the exploitation of these blocks. As of June 2011, a total surface area of 8,217 square kilometres, or 19% of Qatar's total exploration area, was being operated subject to production sharing agreements for post Khuff reservoirs, and 23,587 square kilometres or 54% of Qatar's total exploration area, was being operated subject to production sharing agreements for deep Paleozoic reservoirs. The remaining area consists of either open exploration areas or areas where QP operates oil fields.

The State develops these blocks either through exploration and production sharing agreements (**EPSAs**), under which the contractor is granted the right to explore for oil in the relevant block and, upon oil discovery, to appraise and develop the field, or through development and production sharing agreements (**DPSAs**), where contractors are given the right to appraise and develop fields in which there are known to be reserves of oil. QP acts as the State's agent in the EPSAs and DPSAs entered into between the State of Qatar and multiple international oil and gas companies. QP pursues the commercialisation of Qatar's oil reserves pursuant to production sharing agreements because of the many benefits accruing to the State. The capital costs associated with exploration, development and production in areas subject to production sharing agreements are incurred solely by the contractors, thus minimising the financial burden on Qatar. In addition, these international oil and gas companies typically have access to modern technology and advanced oil extraction techniques and generally use such technology and techniques in their operations, thus helping to maximise Qatar's production and export of oil and the development of its oil reserves.

The terms of each production sharing agreement varies according to the different circumstances of the relevant area, such as the difficulty of extracting oil and the size of the reserves. In general, the production sharing agreements are structured to make it economically attractive for the contractor to develop the field and fully exploit its reserves, while at the same time protecting the State's economic interests. In general, the production sharing agreements have terms of 25 years, although the operator often has the option to extend them for a further period. QP generally takes physical delivery of its share of the crude oil produced under production sharing agreements for export, with the net proceeds from the sale of such crude oil being collected directly by the Ministry of Economy and Finance. QP retains revenues from the sale of such crude oil net of the taxes payable under the production sharing agreements.

Oil fields in Qatar subject to production sharing agreements include the Al Shaheen field which is operated under an agreement with a subsidiary of Maersk, the Al Khaleej field operated by TOTAL, the Idd El Shargi North Dome and South Dome fields, operated by a subsidiary of Occidental Petroleum, and the Al Rayyan field, which is operated by another subsidiary of Occidental Petroleum. In general, Qatar's oil fields are mature and their production is expected to significantly decrease over the next decade.

#### *Al Shaheen Field.*

Al Shaheen Field, located in Block 5 approximately 43 miles off Qatar's north eastern coast is one of Qatar's most productive oil fields. The State of Qatar entered into an EPSA with Maersk Oil Qatar AS (**Maersk Qatar**) for the development of the Al Shaheen Field in 1992. Recovery of oil from Al Shaheen Field has been significantly enhanced by the application of extended reach horizontal drilling techniques, three dimensional seismic survey technology and pressure maintenance through water injection. In 2009, the production of Al Shaheen increased after the completion of new wells, pipelines and oil platforms. However, new drilling in Al Shaheen has led to a significant reassessment of the fields' reserves: estimates of the proven reserves for Al Shaheen were reduced from 1,076 million barrels as of 1 January 2009 to 412 million barrels as of 1 January 2011 and expected reserves were reduced from 1,592 million barrels as of 1 January 2009 to 597 million barrels as of 1 January 2011. As a result of this reduction in reserves, Al Shaheen, which has historically been one of the most productive fields in Qatar, may see its production curtailed in the future.

#### *Al Khaleej Field.*

Al Khaleej Field is located in Block 6, along Qatar's maritime border with Iran, and to the east of the North Field. On 7 January 1989, the State of Qatar entered into an EPSA with a consortium (whose ultimate sponsors were Elf and Agip) for Block 6. The successor to the consortium, TOTAL E&P Qatar,



currently operates the block. The field was discovered in May 1991 and production started in early 1997. Since then, TOTAL E&P Qatar has completed several expansion projects to raise the total production. High resolution three dimensional seismic survey technology was used to enhance production from this field.

*Idd Al Shargi North Dome Field.*

Idd Al Shargi North Dome Field (**ISND**), first discovered by Shell in 1960, lies 59 miles east of Qatar's northern tip. ISND is operated by Occidental Petroleum of Qatar Ltd. (**Occidental Qatar**), pursuant to a DPSA entered into with the State of Qatar on 24 July 1994, wherein Occidental Qatar planned to invest U.S.\$700 million and committed to invest U.S.\$200 million in the Shuaiba reservoir development, optimisation, gas and water injection systems, and further appraisal.

The El Bunduq field straddles the marine border between Qatar and the United Arab Emirates and is owned equally by the two countries. The El Bunduq field, operated by a private Japanese development company, is developed pursuant to a concession agreement (rather than a production and sharing agreement) and, accordingly, the State receives royalties and taxes directly from the operator on revenues derived from oil production. Lastly, there are several smaller oil producing fields in Qatar where the State has entered into production sharing agreements.

The following table sets forth the average daily production of crude oil (excluding condensate) in Qatar for each of the three years ended 31 December 2010.

	<b>Year ended 31 December</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(barrels per day)</i>		
<b>QP-operated fields:</b>			
Dukhan .....	254,320	243,186	220,907
Bul Hanine .....	54,088	56,273	49,810
Maydan Mahzam .....	30,344	27,481	24,284
<b>Total QP-operated fields</b> .....	<b>338,752</b>	<b>326,940</b>	<b>295,001</b>
<b>Production Sharing Agreement fields:</b>			
Al Shaheen .....	293,317	308,629	302,185
Al Khaleej .....	36,250	28,520	26,923
Idd El Shargi North Dome .....	107,661	104,302	100,581
Idd El Shargi South Dome .....	2,126	3,835	3,662
Al Rayyan .....	10,042	9,891	9,373
Al Karkara .....	6,185	6,230	6,208
<b>Total Production Sharing Agreement fields</b> .....	<b>455,581</b>	<b>461,407</b>	<b>448,932</b>
Total El Bunduq field <sup>(1)</sup> .....	7,046	6,548	5,132
<b>Total from all fields</b> .....	<b>801,379</b>	<b>794,895</b>	<b>749,065</b>
<b>QP share:</b>			
QP-operated fields .....	338,752	326,940	295,001
QP share of Production Sharing Agreement fields .....	249,126	283,710	284,964
QP share of El Bunduq field .....	7,046	6,548	5,132
<b>Total QP share from all fields</b> .....	<b>594,924</b>	<b>617,198</b>	<b>585,097</b>

Note:

(1) Excludes 50% of crude oil produced from the El Bunduq field that is allocable to the United Arab Emirates.

Source: Qatar Petroleum.

The following table sets forth the smaller producing fields where the State of Qatar has entered into DPSA contracts to develop crude oil reserves in Qatar.

<b>Field</b>	<b>Location</b>	<b>Operator</b>	<b>DPSA Date</b>
<i>DPSA Fields in Qatar</i>			
Idd Al Shargi South Dome Field	Offshore-Northeast	Occidental Qatar	10 December 1997
Al Rayyan Field	Offshore-North	Occidental Qatar Energy Company	10 April 1976
Al Karkara, and A-North Structure	Offshore-South	Qatar Petroleum Development (consortium)	15 July 1997
Najwat Najem Field	Offshore-South	ONGC Videsh Limited	2 March 2005

Source: Qatar Petroleum

## Exploration Plans

The following table sets forth the EPSA contracts that the State of Qatar has entered into to encourage crude oil exploration in Qatar.

Block	Location	Operator	EPSA Date
		<i>EPSA Fields in Qatar</i>	
2	Onshore	Encana	24 March 1998
4	Offshore-North	GDF Suez Qatar Block 4 Company	18 May 2004
5 Extension Area	Offshore-North	Maersk Qatar	13 April 2004
10	Offshore-East	Wintershall Aktiengesellschaft Company (consortium)	16 July 1997
11	Offshore-North	Talisman Energy (Qatar) Inc. Co	17 November 2002
13	Offshore-Northwest	Occidental Qatar Energy Company	10 April 1976

Source: Qatar Petroleum

## Oil Exports

The crude oil produced by QP or that accrues to its benefit through the production sharing agreements is exported through the terminal operations at either Mesaieed Industrial City, Halul Island or floating storage facilities located near the production sharing agreement operators, or is supplied to QP's refinery at Mesaieed Industrial City. A majority of crude oil sales are sold for export on one year term contracts on an evergreen basis with an annual renewal subject to a price renegotiation. The remaining crude oil sales are made on the international spot market. The substantial majority of the oil produced by QP is exported to Asia, primarily Japan, Singapore and South Korea.

The following table sets forth certain information about the production and export of crude oil in Qatar for each of the three years ended 31 December 2011.

	Year ended December 31,		
	2009	2010	2011
Average daily production of crude oil ( <i>in thousands of barrels per day</i> ) <sup>(1)</sup>	801.4	794.9	749.1
QP share of average daily production of crude oil ( <i>in thousands of barrels per day</i> )	594.9	617.2	585.1
QP share of total annual crude oil exports ( <i>in millions of barrels</i> )	187.0	196.0	184.0
QP share of total value of crude oil exports ( <i>in millions of QR</i> ) <sup>(2)</sup>	31,326	44,556	57,649
QP share of total value of crude oil exports ( <i>in millions of U.S.\$</i> ) <sup>(2)</sup>	8,606	12,241	15,838

Note:

(1) For comparative purposes, Qatar's average daily production of crude oil was 761,000, 801,000 and 844,000 barrels per day in 2006, 2007 and 2008 respectively.

(2) Net of royalties and taxes related to production sharing agreements.

Source: Qatar Petroleum.

## Future Exploration

Subject to QP bidding plans, new exploration blocks are opened to bidding from time to time by international oil and gas companies. The following table sets forth the production sharing agreements that QP has entered into, as agent of the State, to encourage exploration for crude oil in Qatar.

Block	Location	Operator	PSA Effective Date
3	Offshore-North	Wintershall Holding AG (consortium)	24 October 2007
4	Offshore-North	GDF Suez Qatar Block 4 Company	18 May 2004
4N	Offshore-North	Wintershall Holding AG	17 November 2008
12-13	Offshore-Northwest	Occidental Qatar Energy Company	10 April 1976

## Refining and Marketing Activities

### QP Oil Refinery

QP's oil refinery is located at Mesaieed Industrial City and is the only crude oil refinery in Qatar. The refinery takes the crude oil and condensate supplied from QP's domestic production and processes them into various finished petroleum products, including LPG, naphtha, gasoline, kerosene,

jet fuel, diesel fuel and fuel oil. These finished products are used to meet domestic and international export demands. Production from QP's oil refinery enabled Qatar to become both self sufficient and export oriented with regard to refined oil production. For purposes of calculating GDP, revenues generated by QP's oil refinery are included as part of "manufacturing" in the non-oil and gas sector.

As the result of an expansion program for QP's oil refinery completed in 2003, production capacity has increased from 57,500 bbl/d to 137,000 bbl/d. The expansion added two condensate processing trains and a new fluidised catalytic cracker and upgraded some of the existing facilities at the complex. As part of the expansion program, Mitsui entered into a 20 year long-term sales contract with QP under which Mitsui committed to purchase a certain amount of the refinery's output from 2001, which is sufficient to cover annual repayments of the indebtedness incurred to finance the refinery's expansion.

The following table sets forth the sales of refined products provided by QP's oil refinery, including local sales to Qatar Fuel Company, for each of the three years ended 31 December 2011.

	Year ended 31 December		
	2009	2010	2011
QP share of total domestic sales ( <i>in thousands of barrels</i> ) .....	24,738	32,523	34,845
QP share of total export sales ( <i>in thousands of barrels</i> ) .....	15,751	16,220	15,052
QP share of total value of domestic sales ( <i>in millions of QR</i> ) .....	3,623	4,681	6,594
QP share of total value of export sales ( <i>in millions of QR</i> ) .....	3,445	4,747	5,887

Note:

(1) Excludes refined products that have been used as feedstock to produce petrochemical products.

Source: Qatar Petroleum.

## WOQOD

Qatar Fuel Company (**WOQOD**), which was created by the State in 2002, acts as QP's exclusive domestic distributor and retails finished products under a State granted 15 year concession for the marketing, sale, transportation and distribution of LPG and petroleum products, other than bitumen. Before the State established WOQOD, QP had conducted most of these operations. WOQOD participates in bitumen importation and distribution operations, sells lubricants and operates modern service stations and is expected to start a ship to ship bunkering service at Ras Laffan shortly. WOQOD was created as a part of a privatisation project by the State, whereby QP retained a 40% equity ownership interest in WOQOD, with the remainder of WOQOD's shares being listed on the Qatar Exchange in an initial public offering in 2002. In a share exchange completed in May 2009, WOQOD acquired Qatar Technical Inspection Company; in connection with such share exchange, WOQOD's share capital was increased by 5%, and QP acquired additional shares, thereby retaining its 40% equity ownership interest in WOQOD.

## Ras Laffan Condensate Refinery

The condensate refinery, located in Ras Laffan Industrial City and in operation since 2009, is a joint venture project of QP with several of its partners, and processes condensate from the North Field and produces LPG's and a variety of refined products. The refinery has a total processing capacity of 146,000 barrels per stream per day and utilises the field condensate produced from the Qatargas and RasGas facilities. The condensate is refined and turned into products such as naphtha, kerosene (sold as Jet Fuel) gasoil and liquefied petroleum gas. The refinery is currently under expansion to further increase refining capacity by 292,000 barrels per day. The Laffan Refinery 2 is currently under construction and is expected to become operational in 2016.

The following table gives an overview of QP's share of processed products exported from the Ras Laffan Condensate Refinery for each of the three years ended 31 December 2011.

	Year ended 31 December		
	2009	2010	2011
QP share of total export sales (in thousands of barrels) .....	4,358	25,647	26,032
QP share of total export sales (in millions of QR) .....	1,223	7,891	9,487

Source: Qatar Petroleum.

## *Tasweeq*

Qatar International Petroleum Marketing Company (**Tasweeq**), wholly owned by the State, was established in 2007 to market and sell all regulated products, such as LPG (predominantly propane and butane), condensate, products from petroleum refineries (e.g., butane, propane and pentane) and sulphur (the **Regulated Products**) outside Qatar's domestic market. In January 2010, Tasweeq began marketing and selling crude oil internationally, a role it has taken over from QP. Tasweeq is the exclusive export marketer of the Regulated Products and was formed in order to coordinate the marketing and sale of Regulated Products in Qatar (each, a **Producing Entity**). The Government has indicated that it passed the law establishing Tasweeq (Decree Law No. (15) of 2007 (the **Tasweeq Law**)) in a manner designed to ensure that Tasweeq acts in an effective and efficient manner so as to maximise the market value and ensure that the State and the Producing Entities are protected against possible production curtailments and losses of project revenues. The Government included certain auditing, transparency and benchmarking requirements pursuant to the Tasweeq Law and the constitutional documents of Tasweeq so that the appropriate parties could review Tasweeq's performance and ensure that Tasweeq is acting in an appropriate manner. Tasweeq's stated objectives include treating all Producing Entities in a fair and equitable manner, and maximising the global market value of the Regulated Products exported from Qatar. For purposes of calculating GDP, revenues generated by Tasweeq are included as part of "manufacturing" under the non-oil and gas sector.

## ***Industrial Cities and Port Facilities***

### *Ras Laffan Industrial City and Ras Laffan Port*

Ras Laffan Industrial City, a directorate of QP, is a gas based industrial city situated along the north east coast of Qatar which operates the world's largest LNG exporting port. It provides integrated services as well as several industrial facilities to existing industries and prospective investors. The facilities include modern infrastructure, common seawater and waste management facilities, fire stations and support services such as healthcare, security, emergency response, transportation, accommodation, and telecommunication. The industrial city is home to Qatar's mega projects such as Qatargas, RasGas, Dolphin Energy, Barzan, Oryx GTL, Pearl GTL and various other gas processing plants and support industries. QP has appointed a management team which runs the city. This team works closely with operating companies and government bodies and is responsible for developing the land use plan and infrastructure at Ras Laffan Industrial City.

The Barzan Project, RasGas Projects, Qatargas Projects, AKG Project, Dolphin Project and certain of their affiliates share or will share in certain facilities at Ras Laffan City, including, without limitation, common LNG storage and loading facilities, LNG loading berths, certain process units, field and plant condensate pipelines, common condensate storage and loading facilities, common sulphur storage and loading facilities, LPG fractionation facilities, common LPG storage and loading facilities, the plant ethane and propane storage line interconnects, the helium project, fire protection, water treatment, seawater cooling water, administration buildings, site utilities and infrastructure and the Al Khor Community facilities. These facilities are either under undivided joint ownership or are shared pursuant to certain sharing agreements that provide for a licensing arrangement through which legal ownership of the assets is retained by the original owner and the sharing party that has the long-term beneficial right to use the facilities pays license fees to the owner of the asset based on the agreed shared usage.

The Ras Laffan Port, located in the Ras Laffan Industrial City, facilitates export of LNG, condensate, other hydrocarbon products and sulphur derived from the processing of gas produced from the North Field. QP acts as the port authority and operates the port facilities of Ras Laffan City on behalf of the State. The port has six berths dedicated to LNG exports. As a result, Qatar supported the annual export of approximately 75.2 mta of LNG in 2011. It is anticipated that the port will undergo further expansion in the future to match the growth of industries at Ras Laffan City, including LNG projects. The expansion works, once completed, would make the Ras Laffan Port the largest man made harbour for LNG exports.

### *Mesaieed Industrial City and Port*

Mesaieed Industrial City is located approximately 40 km south of Doha. Mesaieed Industrial City Management was established in 1996 as a single point authority to provide "one stop" services to all businesses in Mesaieed, to develop a strategic plan for the allocation of land and to provide common port, marine and infrastructure facilities.

The Port of Mesaieed handles over 1000 vessels per year and has twelve berths or jetties which service the industries located at Mesaieed Industrial City, including several downstream operating companies such as QASCO, QAFAC, QAFCO and Q Chem I. Additionally, the port has one offshore berth which is capable of transporting crude oil and naphtha onshore through a pipeline.

### **Other Downstream Activities**

QP's downstream strategy is driven by opportunities to add value to existing oil and gas production and the requirements of the local market. QP is a shareholder in a number of industrial companies which utilise natural gas as feedstock and/or fuel to produce various value added products for both domestic consumption and export. The principal industrial projects are located at the industrial complex at Mesaieed Industrial City, which hosts iron and steel plants, a petrochemicals complex, a chemical fertiliser plant, an oil refinery, NGL plants, a metal coatings plant and other industrial developments. Several of these companies are owned through a QP subsidiary, Industries Qatar, which was partially privatised in April 2003, and in which QP has a 70% equity ownership interest as of 31 December 2011.

Recent developments in the process of diversification within the oil and gas sector (and related products) include the construction of a 585,000 tpa aluminium production facility known as Qatalum which commenced operations in the fourth quarter of 2009. In addition, a production facility (Q-Chem II) has started up. It has the capacity to produce 453,000 tpa of polyethylenes (LLDPE and HDPE) and also 47,000 tpa of normal alpha olefines (NAO) which is chiefly comprised of 1-hexene. A fifth train started (**QAFCO 5**) in the fourth quarter of 2011, increasing ammonia production to 3.8 million tpa and urea production to 3.0 million tpa. QP and its joint ventures have undertaken to develop integrated petrochemicals projects in Ras Laffan and Mesaieed. As a part of these projects, Ras Laffan Olefin Company, owned by QChem and Qatofin, will use the ethane extracted from the natural gas to produce ethylene; once produced, the ethylene will be delivered to Mesaieed through a purpose built pipeline. Q-Chem and Q-Chem II, joint ventures between QP and certain of its partners, produce high density polyethylene and poly-alpha olefins. Qatofin, a joint venture between QP and TOTAL produces linear low density polyethylene and began production in May 2010.

The State also intends to invest an additional U.S.\$25 billion in the petrochemicals sector between 2012 and 2020. The investment would be spread out over two phases of planned and expected investments, with U.S.\$17 billion being invested in the first phase on a complex with two crackers and one aromatics production facility that is expected to become operational in 2017, and another U.S.\$8 billion being invested in the second phase on LPG cluster projects expected to become operational by 2020.

The following table sets forth the production and export sales of petrochemicals attributable to QP for each of the three years ended 31 December 2011.

	<b>Year ended 31 December<sup>(1)</sup></b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
QP share of annual production ( <i>in thousands of tons</i> ) .....	2,840	3,013	3,900
QP share of total exports ( <i>in thousands of tons</i> ) .....	2,093	2,156	2,551
QP share of total value of exports ( <i>in millions of QR</i> ) .....	5,068	6,655	9,467
QP share of total value of exports ( <i>in million of U.S.\$</i> ) .....	1,392	1,828	2,601

(1) These volumes are derived from information provided by QP's joint ventures.

Source: Qatar Petroleum

The following table sets forth certain information about Qatar's downstream projects and their related joint ventures.

<b>Company</b>	<b>QP Effective Holding (%) as of 31 December 2010</b>	<b>Partner(s)</b>	<b>Industry</b>	<b>Production Capacity</b>	<b>Construction Status</b>
Qatar Petrochemical Company Limited QSC ( <b>QAPCO</b> )	56.0%	Total Petrochemicals	Ethylene, polyethylene, hexane and other petrochemical products	Ethylene: 720,000 tpa LDPE: 400,000 tpa Sulfur: 70,000 tpa	Commenced production in 1981 Third plant to be commissioned in 2012
Qatofin	35.6%	Atofina S.A.	Linear low-density polyethylene	LDPE: 450,000 tpa (expandable to 600,000 tpa at a later stage)	Commenced production in May 2010
Ras Laffan Olefins Company Limited	44.5%	Total Petrochemicals, Chevron Phillips Chemical Co LLC	Ethane cracker plant	Ethylene: 1.3 mta	Commenced production in May 2010
Qatar Chemical Company Ltd QSC ( <b>Q-Chem</b> )	51.0%	Chevron Phillips Chemical International Qatar Holdings LLC	High-density and medium density polyethylene and alpha olefin	Ethylene: 500,000 tpa HDPE: 453,000 tpa Hexene-1: 47,000 tpa	Commenced production in 2004
Qatar Chemical Company II Ltd ( <b>Q-Chem II</b> )	51.0%	Chevron Phillips Chemical International Qatar Holdings LLC	High-density polyethylene and normal alpha olefin	HDPE: 350,000 tpa NAO: 345,000 tpa	Commenced production in December 2010
Qatar Fuel Additives Company Ltd QSC ( <b>QAFAC</b> )	35.0%	International Octane Ltd, OPIC Netherlands Antilles NV and LCY Investments Corp.	Methanol and Methyl tertiary-butyl ether (MTBE)	Methanol: 1,000,000 tpa MTBE: 610,000 tpa	Commenced production in 2000
Qatar Fertilizer Company S.A.Q. ( <b>QAFCO</b> )	52.5%	Yara Nederland BV, Fertiliser Holdings AS	Ammonia and urea	Ammonia: 5,800 tpd UREA: 8,000 tpd (current production levels) 5th train: ammonia: 3.8 million tpa urea: 3 million tpa	3rd train commenced production in 1997/4th train commenced production in 2004/5th train is expected to commence production in the fourth quarter of 2011/6th train under construction and expected to commence production in 2012
Qatar Vinyl Company Ltd ( <b>QVC</b> )	73.0%	QAPCO and Arkema, formerly Atofin S.A.	Ethylene dichloride, vinyl chloride monomer and caustic soda	Ethylene dichloride: 200,000 tpa Vinyl chloride monomer: 290,000 tpa Caustic soda: 290,000 tpa	Commenced production in 2001
Qatar Fuel Company ( <b>WOQOD</b> )	40.0%	Public	Fuel distribution	—	—
Qatar Steel Company ( <b>QSC</b> )	70.0%	None	Steel	2.25 mta	Expansion completed in 2007; produces over 800,000 tons annually. Further expansion plans initiated in 2011 and a 1.1 million mta Molten Steel plant is expected to be completed in 2013
Qatar Aluminium Limited ( <b>Qatalum</b> )	50.0%	Hydro Aluminium AS	Aluminium	585,000 mta	Commenced production in 2009 and is expected to increase production to 605,000 mta from 2013

## Non Oil and Gas Sector

In recent years, the State has invested heavily in diversifying its economy to reduce its historical high dependence on oil and gas revenues. In 2011, this sector contributed 42.3% to the total nominal GDP of the country. The key drivers of growth in this sector in 2011 were the Government services sector which increased by 37.5% and the manufacturing sector which increased by 27.5%.

The contribution of the non-oil and gas sector to total nominal GDP in Qatar as compared to the oil and gas sector has fluctuated in recent years, largely due to increases in the production of LNG and also a variation in commodity prices. In 2010, within the non-oil and gas sector, the finance, business services, insurance and real estate sectors made the largest contribution to total nominal GDP in Qatar, which has been the case since 2005.

### **Finance, Business Services, Insurance and Real Estate**

In 2011, the finance, business services, insurance and real estate sector contributed QR73,427 million (U.S.\$20,172 million) to Qatar's total nominal GDP, or 11.6% of the total as compared with QR62,119 million (U.S.\$17,066 million) or 13.4% of the total during 2010.

#### *Finance and Business Services*

This sector comprises banks, exchange, finance and investment companies. As of 31 December 2011, six locally owned conventional commercial banks, four Islamic institutions, seven branches of foreign banks and one development bank were operating in Qatar, all of which were licensed and regulated by the QCB. See "*Monetary and Financial System—Banking System—Commercial Banks*" and "*—Qatar Financial Centre.*" As of 31 December 2011, 20 exchange companies, three finance companies and six investment companies were operating in Qatar.

The following table sets forth the aggregate total assets of the exchange, finance and investment companies operating in Qatar, by type, as of 31 December 2007 to 2011, as well as the percentage change from 2010 to 2011.

	Year ended 31 December					Change (2010-2011)
	2007	2008	2009	2010	2011	
	<i>(in millions of QR, except for percentages)</i>					
Total assets:						
Exchange companies	635.5	670.90	677.1	763.2	934.0	22.4%
Finance companies	2,448.9	3,081.01	4,998.7	4,105.6	3,475.0	-15.4%
Investment companies	709.4	638.7	695.8	645.5	687.2	6.5%

Source: Qatar Central Bank.

#### *Insurance*

The State has supported the domestic insurance sector by modernising the insurance industry and the associated legislative framework. An increase in investment in LNG carriers and aircraft, the development of Shari'ah-compliant projects and the rise in the cost of gross insurance premiums have contributed to the growth of Qatar's insurance sector. In addition to a number of foreign insurance companies with branches in Qatar, five national insurance companies currently operate in Qatar.

In 2003, a Council of Ministers resolution created a captive insurance and reinsurance vehicle called Al Koot Insurance and Reinsurance Company (**Al Koot**) to insure the Qatari energy sector. Al Koot is indirectly held by the State through QP, which has a 30% indirect ownership interest in Al Koot. Under the Foreign Investment Law, investment in Qatar's national insurance companies is only permitted after obtaining a Council of Ministers decision. Foreign insurance companies may operate under a license issued by the QFC. See "*Monetary and Financial System—Banking System—Qatar Financial Centre*" and "*Balance of Payments—Foreign Investment.*" The number of foreign insurance companies operating in Qatar has increased steadily, including, among others, American Life Insurance Company, AXA Insurance (Gulf) BSC and HSBC Insurance Brokers Ltd. that now have offices or operations in Qatar.

The aggregate total assets of Qatar's national insurance companies listed on the stock exchange increased by approximately QR1,926.6 million (U.S.\$529.3 million in 2010, a 16.3% increase from 2009 compared to an increase in 2009 of QR2,190.1 million (U.S.\$601.7 million), or 22.2% over 2008.

The following table sets forth the aggregate total assets of Qatar's national insurance companies as of 31 December 2007 to 2011, as well as the percentage change from 2010 to 2011.

	As of 31 December					Change (2010-2011)
	2007	2008	2009	2010	2011	
	<i>(in millions of QR, except for percentage)</i>					
Total assets .....	9,534.7	9,879.0	12,069.1	14,031.7	14,927.3	6.4%

Source: Qatar Central Bank.

In June 2009, the Qatar Financial Centre Authority (the **QFCA**) launched a wholly owned, web-based infrastructure called Qatarlyst to support global reinsurance trading. It has offices in London and Dubai as well as its headquarters in Doha. Qatarlyst became a member of the General Arab Insurance Federation in July 2011.

### *Real Estate*

Real estate prices in Qatar rose significantly in the three years prior to 2008. This increase was driven by sustained population growth as people moved to Qatar largely due to the development of the oil and gas industry. In order to address the overall rapid increase in real estate prices, the Government, after consultation with the IMF, implemented a two-year rent freeze in March 2008 which was extended until 14 February 2010. However, despite a growth in population of 18.1% between 2007 and 2008 and 13.1% between mid-year 2008 and mid-year 2009, the increase in real estate prices slowed in 2008 to 19.7%, and continued to slow in 2009 due to an increase in available real estate and a decrease in demand driven by the general slowdown in the global economy.

Various real estate and development companies, including Qatari Diar (**Diar**), Barwa Real Estate Company (**Barwa**) and United Development Company (**UDC**) are undertaking commercial and residential construction projects that are scheduled for completion in the coming years. Credit extended by commercial banks to the real estate sector increased by 49.3% from QR51,041 million (U.S.\$14,022 million) as of 31 December 2010 to QR76,220 million (U.S.\$20,940 million) as of 31 December 2011.

Qatar Foundation established Msheireb Properties (formerly Dohaland) in April 2007. Msheireb Properties' first project is focused on revitalising the historic centre of Doha with environmentally conscious development plans. In addition, Msheireb Properties launched a new landmark called the Knowledge Enrichment Centre, a floating platform along Doha's Corniche capable of hosting workshops and conferences, cultural events and gallery space with exhibits that focus on Qatar's heritage. Msheireb Properties announced in October 2011 that it has appointed Hyatt Hotel Corporation to manage one of the four hotels in its flagship Msheireb Downtown Doha Project.

### **Building and Construction**

In 2011, the building and construction sector contributed QR23,325 million (U.S.\$6,408 million) to Qatar's total nominal GDP, or 3.7% of the total.

This sector provides extensive employment opportunities and, in 2010, companies in this sector employed approximately 497,631 persons, or approximately 39% of Qatar's labour force. Credit extended by commercial banks to the building and construction sector increased by 41.8% during 2010 to QR18,410.6 million (U.S.\$5,057.9 million), as compared to QR12,987.9 million (U.S.\$3,568.1 million) in 2009.

Although the building and construction sector's contribution to Qatar's nominal GDP decreased in 2010 by 5.4% as compared to 2009, the sector has expanded rapidly in the past five years as a result of growing infrastructure needs and the economy's growth and diversification. In the coming years, this sector is expected to experience growth due to lower construction costs and major public projects, such as the construction of the New Doha International Airport, which will replace the existing Doha International Airport at an estimated cost of approximately QR40,000 million (U.S.\$10,989 million). The New Doha International Airport is currently scheduled to be completed by 2013 and, by its completion, is expected to handle 50 million passengers, two million tons of cargo and 320,000 landings and takeoffs per year. Large mixed-used commercial and residential developments, such as Lusail and Mushreib, are also driving growth in the construction sector. Lusail is being constructed at the Al-Qutaifiya Lagoon to the north of Doha and is designed for 200,000 inhabitants. It includes the construction of hotels, houses, apartments and retail space.



Qatar also plans to begin construction of an estimated QR20,000 million (U.S.\$5,495 million) New Doha Port project in three phases, with the first phase expected to be completed in 2014. The New Doha Port is expected to be constructed in the coastal strip north of Mesaieed and south of Al Wakra on land recently designated Economic Zone 3. The current plan is to transfer operations of the existing port, which has almost reached its maximum throughput capacity, to the new port as the various terminals are completed. The first phase includes new dedicated terminals for containers, general cargo, bulk grain, vehicle carriers, livestock, and offshore supply support operations and a facility for the Qatar coast guard and navy. The new container terminal is one of three planned for the port. The ultimate capacity of the new port will be in the order of 12 million TEUs. The third phase is scheduled to be completed by 2030 and will make the New Doha Port one of the largest deep-sea ports in the world. Qatar has also developed a port expansion plan for the port of Ras Laffan, the first phase of which is expected to be commissioned by the end of 2011. The second phase is expected to be completed in the first quarter of 2016. See “—Oil and Gas Industry—The Ports of Mesaieed and Ras Laffan.”

There are plans to construct a 40 kilometer road and rail bridge between Qatar and Manama, Bahrain (the **Qatar Bahrain Causeway**). The Qatar Bahrain Causeway is expected to be the longest bridge in the world upon construction.

Qatar also has plans to develop a railway network. German rail operator Deutsche Bahn has agreed a contract with Qatar Railways Company to set up a joint corporation to build and operate passenger and freight rail services in Qatar. Qatari Diar, the real estate arm of state-owned Qatar Investment Authority, is the majority shareholder in Qatar Railway Development Company (**QRDC**), with 51%, and DB International, a subsidiary of DB, holds the remaining 49%. The Railways Project will consist of (i) an east coast rail link, a passenger and freight railway linking Ras Laffan and Mesaieed via Doha; (ii) a high speed link between the New Doha International Airport, Doha City Centre, and Kingdom of Bahrain via the planned causeway bridge; (iii) the freight rail link based on the GCC rail and Doha expressway studies; (iv) the Doha Metro Network based on the Qatar Transport Master Plan; and (v) light rail/people mover networks, such as Lusail, Education City and Westbay.

The planning and management company QRDC will be responsible for the construction of the 180 km high speed line to Bahrain, a passenger route to Saudi Arabia and a 325 km freight network. A future 300 km metro network with four lines and 98 stations is also part of the strategic project. Qatar aims to have the major portion of the rail project completed by 2022 in time for the World Cup.

Qatar's successful bid to host the World Cup will not be expected to have a large economic impact in 2012 as most of the projects associated with the World Cup, such as new stadiums or other facilities, are unlikely to move far beyond the planning stage. Over the longer term hosting the World Cup is expected to have a significant impact on Qatar's economy and its broader development. Base outlays on stadiums and facilities for the World Cup is estimated at QR32.8 billion (U.S.\$9 billion). The World Cup is expected to accelerate the development of other key projects in Qatar including the Lusail City development and Doha Metro which have budgeted costs of approximately U.S.\$45 billion. Decisions regarding the World Cup project spending will be made by the Qatar 2022 Supreme Committee, which has appointed the Colorado-based firm CH2M HILL to ensure the successful delivery of the World Cup.

In addition, there are a range of other public projects focused on developing Qatar's public services, social and health services and education and youth services, including Education City, the QSTP, Sidra and the Qatar National Convention Centre, which was opened in December 2011 at an estimated cost of QR154.0 million (U.S.\$42.3 million). See “*Overview of the State of Qatar—Education.*”

### **Manufacturing**

In 2011, the manufacturing sector (which primarily comprise of petroleum refining and includes chemicals, fertiliser and steel industries) contributed QR62,689 million (U.S.\$17,222 million) to Qatar's total nominal GDP, or 9.9% of the total.

The manufacturing sector has historically been driven primarily by refined petroleum products, but the Government aims to diversify its revenue sources in the future and maximise the utilisation of Qatar's natural resources. Other important activities in the manufacturing sector include the production of flour, cement, concrete, plastics, textiles and footwear, household articles and paint.

Included within the manufacturing sector are, among other companies, QP Refinery, WOQOD, QAFAC, QAFCO and QASCO, as further described in “—Oil and Gas Industry—Crude Oil Operations—Refining and Marketing Activities” and “—Other Downstream Activities.”

### ***Trade, Restaurants and Hotels***

In 2011, the trade, restaurants and hotels sector contributed QR34,920 million (U.S.\$9,593 million) to Qatar's total nominal GDP, or 5.5% of the total.

In response to Qatar's economic growth and high hotel occupancy rates, Qatar's hotel industry attracted significant investments before the global financial crisis. The hotel industry continued to expand during the global financial crisis, but several projects were delayed or cancelled. The Qatar Tourism Authority stated that the hotel occupancy rate improved in the third quarter of 2011 to 48%, which represented a 4% increase compared to the third quarter of 2010. Additionally, tourism has been on the rise in Qatar in part due to the global expansion of Qatar Airways and the number of high profile events hosted in Qatar. Tourism is expected to continue to increase in the future, especially leading up to the 2022 FIFA World Cup.

### ***Transport and Communications***

In 2011, the transport and communications sector contributed QR21,593 million (U.S.\$5,932 million) to Qatar's total nominal GDP, or 3.4% of the total.

#### *Transport*

Qatar Airways, a joint public and private sector enterprise, currently operates a fleet of 102 Airbus and Boeing aircraft serving over 100 destinations across Europe, the Middle East, Africa, South Asia, the Far East and North America. Qatar Airways has placed large orders for numerous aircraft. It is one of the fastest growing airlines in the world. Qatar Airways operates from its hub at Doha International Airport, which currently serves 23 regional and international airlines while handling over 12 million passengers a year. The rapid growth of Qatar Airways and the increase in the number of passengers at Doha International Airport have led to the development of the New Doha International Airport. See "*—Non-Oil and Gas Sector—Building and Construction.*"

Qatar's proposed national rail network project (the **Rail Project**) is currently in the planning phase and is planned to link Qatar's main industrial and residential hubs through high-speed passenger rail and freight services. The Rail Project is expected to be approximately 350 kilometres long, with budgeted costs of approximately QR32.8 (U.S.\$9 billion). The approximate expected completion date of the Rail Project is 2017. The network will be connected to the proposed common Gulf Cooperation Council rail network, also expected to be operational in 2017. Since Qatar is currently served by one land border crossing to the Kingdom of Saudi Arabia, the completion of the Rail Project should significantly improve the connectivity between Qatar and the Gulf Cooperation Council countries. See "*—Non-Oil and Gas Sector—Building and Construction.*"

Qatar's proposed Doha metro system project is also currently in the planning stage. To date, Qatari Diar and Deutsche Bahn have formed a consortium to manage this project which is expected to be built in three phases, with approximate completion around 2025 and an estimated project cost of QR98.3 (U.S.\$27 billion).

#### *Communications*

The Supreme Council of Information and Communications Technology is the telecommunications regulatory authority in Qatar. Qatar Telecom (**QTel**) is the primary provider of mobile and fixed line telecommunications services in Qatar. As of 31 December 2011, QTel had a mobile subscriber base of over 2.0 million with the number of subscribers exceeding the population of Qatar because of multiple personal and business accounts. QTel operates a portfolio of brands including QTel, Indosat, Asiacell, Wataniya, Nawras, Nedjma and Tunisiana.

QTel has announced a deal with Vodafone Qatar to create a mobile commerce platform. A test version of the platform is currently available for monthly subscribers. QTel has also announced the launch of its new QR200 million LTE Project to deliver the fastest and longest 4G network in Qatar. The project will deploy nearly 900 base stations across the country and offer potential download speeds of approximately 150 Mbps on mobile phones and devices. QTel has been allocated a 800 Mhz spectrum to conduct the LTE trial.

In June 2008, a new mobile telecommunications license was issued to Vodafone Qatar, a consortium of Vodafone Group plc and Qatar Foundation, for approximately QR7,700 million

(U.S.\$2,115 million). Vodafone Qatar, which completed an initial public offering on the Qatar Exchange in mid-2009, began delivery of mobile telecommunications services in July 2009 and currently has approximately 814,000 subscribers.

ICT Qatar is working in collaboration with other government agencies, telecommunications providers, content providers, property developers and consumers to build a high-speed broadband network in the country. The Qatar National Broadband Network (**QNBN**) aims to connect all individuals and businesses to a fibre optic broadband network by approximately 2015.

### ***Electricity and Water***

In 2011, the electricity and water sector contributed QR2,564 million (U.S.\$704 million) to Qatar's total nominal GDP, or 0.4% of the total.

Most of Qatar's electricity generation capacity is comprised of gas turbines which are fuelled by natural gas. Water desalination is achieved in tandem with electricity generation. Qatar currently has an electricity generation capacity of 5.4GW and a water desalination capacity of 255 million gallons per day. In addition to existing electricity generation and water desalination facilities at Ras Abu Fontas, Ras Laffan City and Mesaieed Industrial City, further capacity is planned at Ras Laffan and Mesaieed.

Qatar Electricity & Water Co. has worked to increase its production capacity through the development of expansion projects and new stations. Expansion projects include RAF B1, which added a capacity of 376.5 MW of power, RAF B2 with production capacity of 567 MW of power and 30 MIGD of water, and RAF A1, which added 45 MIGD to QEWC's water production capacity. QEWC has participated in several power generation and water desalination projects. Ras Laffan Power Company, where QEWC has recently increased its ownership to 80% by purchase of shares of AES Corporation, has a production capacity of 750 MW of power and 45 MIGD of water.

The second Independent Power Project in Qatar is Q Power Project, which has a power generation capacity of 1025 MW and water desalination capacity of 60 MIGD. QEWC holds 55% ownership in Q Power. QEWC owns 40% shares in Mesaieed Power Company, which has a production capacity of 2007 MW of power. The latest is Ras Girtas Power Company project which began operations in June 2011. Ras Girtas has a power generation capacity of 2,730 MW and water desalination capacity of 63 MIGD. QEWC owns 45% shares of Ras Girtas Power Company.

With the inauguration of this unit, Qatar's electricity generation and water desalination capacity, respectively, has increased to 9,000 MW and 325 million gallons of water per day. Additionally, a number of industrial companies, such as QAPCO, QAFCO, QASCO and QVC, have their own embedded electricity generating facilities.

Qatar has one of the highest levels of electricity use per capita in the world. High summer ambient temperatures, significant and growing industrial demand and the need for water desalination, contribute to Qatar's high level of energy use. Demand for electricity continues to rise, although it is forecasted to increase at a slower rate than in recent history due to the impact of the economic downturn.

Kahramaa, a public company wholly owned by the State, purchases all electricity and desalinated water produced in Qatar and is responsible for the transmission, distribution and wholesale and retail sales of electricity and water throughout Qatar.

### ***Agriculture and Fisheries***

In 2011, the agriculture and fisheries sector contributed QR582 million (U.S.\$160 million) to Qatar's total nominal GDP, or 0.1% of the total.

The agriculture and fisheries sector has only played a minor role in the modern Qatari economy because of unsuitable weather and environmental conditions. Cultivable land only accounts for approximately 5.7% of Qatar's total surface area.

### ***Other Services***

In 2011, the other services sector (which includes social services, imputed bank service charges, government services, household services and import duties) contributed QR48,050 million (U.S.\$13,201 million) to Qatar's total nominal GDP, or 7.6% of the total.

## MONETARY AND FINANCIAL SYSTEM

The QCB, the QFCRA and the QFMA are the three regulatory authorities tasked with regulating and supervising the monetary, banking and financial system in Qatar.

The QCB formulates and implements monetary and exchange rate policies and is entrusted with the supervision of the banking system and non-bank financial institutions (except insurance companies). Its objectives include maintaining the stability of the Qatari riyal and its free convertibility to other currencies, the stability of commodity and service prices and the stability of the financial and banking system in Qatar. The QCB also acts as the primary supervisory authority and regulator for Qatar's commercial banks, and issues licenses and consents to banking and financial services companies operating in Qatar. The QFCRA is an independent statutory body of the QFC that licenses and supervises banking, financial and insurance related businesses that provide financial services in or from the QFC. The QFMA is the independent regulatory authority for Qatar's capital markets that regulates and supervises the Qatar Exchange along with the securities industry and associated activities.

### Qatar Central Bank

The QCB was established in 1993 and operates in coordination with the Ministry of Economy and Finance. The QCB is managed by a board of directors and chaired by its Governor. The board of directors includes the Deputy Governor of the QCB and at least three other members, including representatives from the Ministry of Economy and Finance, the Ministry of Business and Trade and the Economic Adviser, from the Emiri Diwan.

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks and non-bank financial institutions (with the exception of insurance companies) with a view to minimising banking and financial risk in Qatar's financial sector. The QCB conducts regular inspections of commercial banks and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports.

The QCB has initiated single factor stress testing of the portfolios of commercial banks in Qatar. The testing covers the four broad areas of liquidity risk, credit risk, interest rate risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial bank's capital adequacy ratio or return on assets. Recent stress testing of commercial banks, on an aggregate basis, conducted by the QCB, suggested that neither the capital adequacy ratio nor the returns on assets of Qatar's domestic banks would be significantly impaired. The QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations. It requires commercial banks to maintain a minimum reserve requirement of 4.75% and a capital adequacy requirement of 10% in line with the Basel II guidelines. The QCB has also established the Qatar Credit Bureau which provides analytical data and supports banks in their implementation of advanced risk management techniques outlined by Basel II. The QCB plans to implement Basel III standards earlier than the required timeline for completion of different aspects of the Basel III framework which fall between 2013 and 2019. Commercial banks are required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior management.

The IMF in its January 2011 Report noted that almost all banks in Qatar are above the minimum threshold for the common equity requirement of 4.5% and have Tier 1 capital in excess of the prescribed 6% under Basel III. The IMF Report further noted that the QCB is conducting regular stress tests on banks and that it had published its first Financial Stability Report in October 2010. The IMF Report acknowledged Qatar's commitment to establish a single regulator for the financial system under the umbrella of the QCB as an appropriate response to addressing regulatory and supervisory gaps and strengthening financial sector reforms.

The IMF in its January 2012 Report noted that the Qatari banking system continued to remain resistant to any economic shocks. The IMF Report provided that results of stress tests done on banks indicated that the Qatari banking system has the ability to withstand credit and market risks, and that the exposure of local Qatari banks to European banks was limited, with local banks' exposures (loans and investments) to the European banking sector being approximately U.S.\$3.3 billion as at the end of June 2011.

The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves that are primarily in the form of securities issued or guaranteed by other sovereigns with maturities of up to 10 years. These investments are maintained at a level at least equal to 100% of the riyals issued by the QCB at any time.

The QCB, in order to ensure better regulation and risk management in the domestic Islamic and conventional banking sector, issued instructions in 2011 to conventional banks to wind up their Islamic banking operations by the end of 2011. The QCB also imposes certain exposure limits and credit controls on commercial banks. Credit facilities in excess of 20% of any bank's capital and reserves cannot be extended to a single customer and credit and investment facilities in excess of 25% of any commercial bank's capital and reserves cannot be extended to a single customer. Credit facilities extended to a single major shareholder in any bank cannot exceed 10 % of that bank's capital and reserves.

The QCB sets a maximum limit on loans and Islamic finance of QR2 million for Qatari citizens and QR400,000 for non-Qatari residents, with an overall cap on non-Qatari residents of QR1 million. The QCB provides that the maximum terms on loans and Islamic finance are six years for Qatari citizens and four years for non-Qatari residents. Maximum rates of interest are set at the QCB lending rate (the **QCB Rate**) on top of which 1.5% is added for Qatari citizens and non-Qatari residents. The QCB also sets caps in relation to the amount of total monthly obligations that an individual can have against salary which is set at 75% of the sum of basic salary and social allowance for Qatari citizens and 50% of total salary for non-Qatari residents.

The QCB regulates that the maximum credit card withdrawal limit of an individual in Qatar is double the net total salary for both Qatari citizens and the non-Qatari residents. The QCB provides that maximum rates of interest for credit cards are set at 1% monthly for Qatari citizens and non-Qatari residents. The QCB also provides that the maximum rate of interest arising from credit cards is set at 0.25% monthly for Qatari citizens and for non-Qatari residents.

The QCB also regulates real estate financing where an individual's salary is the main source of repayment. The QCB provides that the maximum limit of total real estate finance available is 70% of the value of mortgaged properties. In addition the maximum repayment period of the real estate finance and interest is 20 years, including any grace period. The QCB regulates that the maximum salary deductions, including instalments and any other liability is capped at 75% of the basic salary and social allowance for Qatari citizens, and capped at 50% of total salary for non-Qatari residents, provided that the salary and post retirement service dues are transferred to the bank offering the finance.

The QCB also regulates that where real estate finance is granted to individual's salary is not the main source of repayment, that the maximum limit of total finance available is 60% of the value of the mortgaged properties. The QCB regulates that the maximum repayment period of the real estate finance is 15 years, including any grace period. The QCB regulates that the maximum limits mentioned may be increased if cash is regularly transferred to the bank through a formal assignment of claims to cover the full instalment during the repayment period, including rents and other contractual incomes and revenues. The QCB has determined that real estate finance risk should not exceed 150% of the bank's capital and reserves at any time.

The following table sets forth the QCB's balance sheet data as of 31 December 2007 to 31 December 2011.

	As of 31 December				
	2007	2008	2009	2010	2011
	<i>(in millions of QR)</i>				
<b>Assets:</b>					
Foreign assets:					
Gold .....	1,220.3	1,267.0	1,587.1	2,062.0	2,279.0
Foreign government securities .....	26,136.8	24,019.3	54,568.6	87,155.0	27,168.7
Balances with foreign banks .....	7,878.9	10,267.3	10,474.2	22,451.1	29,765.5
IMF reserve position .....	98.3	85.9	87.4	85.9	85.6
SDR holdings .....	165.6	168.6	1,534.5	1,508.3	1,505.8
Total foreign assets .....	35,499.9	35,808.1	68,251.8	113,262.3	60,804.6
Claims on commercial banks .....	8,547.2	8,215.4	2,528.0	3,239.6	5,050.3
Unclassified assets .....	431.7	435.0	499.7	535.8	616.3
<b>Total assets</b> .....	<b>44,478.8</b>	<b>44,458.5</b>	<b>71,279.5</b>	<b>117,037.7</b>	<b>66,471.2</b>
<b>Liabilities:</b>					
Reserve money:					
Currency issued .....	5,624.5	6,912.8	7,191.4	7,974.3	9,092.3
Required reserves .....	5,101.6	10,033.5	11,791.9	14,611.0	16,433.0
Deposits of local banks .....	19,926.3	6,677.1	26,920.0	69,223.3	5,660.4
Total reserve money <sup>(1)</sup> .....	30,652.4	23,623.4	45,903.3	91,808.6	31,185.7
Foreign liabilities .....	752.5	18.4	1,451.9	1,441.2	1,455.1
Government deposits .....	435.8	1,015.2	468.1	668.4	13,914.0
Capital accounts .....	8,909.3	9,982.5	11,063.8	12,092.9	12,167.1
Reserve revaluation .....	1,938.2	1,843.8	2,593.4	3,220.9	3,296.1
Unclassified liabilities .....	1,790.6	7,975.2	9,799.0	7,805.7	4,453.2
<b>Total liabilities</b> .....	<b>44,478.8</b>	<b>44,458.5</b>	<b>71,279.5</b>	<b>117,037.7</b>	<b>66,471.2</b>

Note:

(1) Excess reserves maintained by banks along with QMR deposits placed with the QCB.

Source: Qatar Central Bank

## Monetary Policy

Currently, Qatar's monetary policy is formulated by the QCB to, among other things, regulate interest rates, maintain the stability of the riyal, and control inflation. While the QCB operates in coordination with the Ministry of Economy and Finance, it is independent from political interference in its management of monetary policy. The State has recently approved the creation of an Economic Policy Committee (the **EPC**) to co-ordinate the State's fiscal and monetary policies and to ensure their alignment with the State's economic policy.

## Interest Rates

Prior to 2000, the QCB imposed certain ceilings on the credit and deposit interest rates offered by commercial banks. The QCB removed these restrictions in order to further liberalise the financial sector. Since 2000, Qatar's banking system has been free from any form of interest rate ceilings, other than in respect to credit cards.

The QCB utilises three different interest rates: a lending rate, a deposit rate and a repo rate. The lending rate is used for the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate is used for the deposit facility through which commercial banks can place deposits with the QCB. Both of these facilities may be rolled over to the next day, when transactions are executed electronically. The repo rate is a pre-determined interest rate set by the QCB for repo transactions entered into between the QCB and commercial banks. An overnight liquidity facility rate of 3% was also introduced a few years ago and is used for overnight lending by the QCB to commercial banks.

Prior to July 2007, the QCB tracked the interest rates of the U.S. Federal Reserve. However, and especially since the global financial crisis of 2008, the QCB has not deemed it necessary to change interest rates in tandem with the U.S. Federal Reserve on all occasions in view of domestic macroeconomic conditions. Although the QCB's money market rates are largely influenced by the movements in the interest rates of the U.S. Federal Reserve due to the peg on the exchange rate, the

QCB acted independently in 2010 and 2011 by changing its policy rate even as the U.S. Federal Reserve continued to keep interest rates unchanged at near-zero levels. The QCB deposit rate which had been kept at 2% from May 2008 till July 2010 was thereafter reduced by 125 basis points in total in three phases to 0.75% by August 2011. Since April 2011, the QCB lending rate has been reduced in two phases by 100 basis points in total to 4.5% and the QCB repo rate has been reduced in two phases by 105 basis points in total to 4.5%. The surplus liquidity conditions in 2010 and 2011 were reflected in the general softening of inter-bank interest rates across the maturity spectrum. Inter-bank interest rates were in the range of 1.1% to 3.7% across all maturities in 2010 as compared to the higher range of 1.8% to 4.0% in 2009. The low inter-bank rates in 2010 are partly explained by the large level of excess reserves held by banks resulting in low demand for funds in the inter-bank market. In 2011, inter-bank interest rates further declined to a range of between 0.2% and 2.7% across all maturities.

### **Currency**

The Qatari riyal has been fixed to the U.S. dollar at a rate of QR3.64 per U.S. dollar since 1980. It is one of the QCB's objectives to keep the riyal stable against the U.S. dollar. As the riyal is pegged to the U.S. dollar, the exchange rate of the riyal against other major currencies fluctuates in line with the movements of the exchange rate of the U.S. dollar against such currencies. In the past, the GCC countries have discussed adopting a common currency; however no date has been set for the establishment of a monetary union.

### **Inflation**

Qatar has had a mix of inflation and deflation (measured by a movement in Qatar's Consumer Price Index as opposed to a core inflation measurement) recently, with average inflation of 1.9% in 2011 which was preceded by a negative inflation rate of 2.4% in 2010 and 4.9% in 2009. Prior to 2009, Qatar has had high levels of inflation and the overall annual inflation rate was 15.2% in 2008 compared to 13.6% in 2007. Inflation in Qatar started to rapidly decline in 2009 due to decreases in housing and food costs. In 2010, the inflation rate decreased further to negative 0.5% in the first quarter, increasing to 0.3% in the second quarter, decreasing again to negative 0.4% in the third quarter due to the steep decline in rents in the real estate sector, but rising to 0.4% in the fourth quarter. Inflation returned in 2011 with an increase in inflation to 1.8% in the first quarter, an increase of 0.3% in the second quarter, zero inflation in the third quarter but increasing thereafter by 0.6% in the fourth quarter. Recent inflation is primarily the result of core inflation, as rents in the real estate sector have generally remained a deflationary force. The recent pay and pension increase for Qatari national governmental employees in 2011 is expected to have an inflationary effect in the future.

In January 2011, the IMF had noted that the country's projected high growth rates require careful monitoring of aggregate demand to ward off the risk of inflation at the high levels seen previously. The increased inflation prior to 2009 was primarily due to rapid and sustained increase in real estate prices, as well as an increase in international food and raw material prices. Prior to 2009, prices in the real estate sector in Qatar had increased significantly, increasing by 19.7% in 2008 and 29.4% in 2007. In order to address the domestic housing shortage and control housing prices, the Government had supported several domestic and residential construction projects near completion. The QCB reported that approximately 12,000 building permits and approximately 2,500 construction completion certificates for approximately 13,000 apartments and villas were issued in 2011. As a result, cost pressure had been abated and real estate prices saw a decline. The IMF noted in January 2011 that the risk of inflation in the short term was greatly reduced owing to excess real estate supply and the considerable easing of supply bottlenecks in raw materials as a consequence of increased investments in both sectors.

The IMF noted, in its January 2012 Report, that the recent deflationary period in Qatar, which is driven mainly by the roll-out of infrastructure and increased supply of real estate, has been overturned by increased inflationary pressures such as the pay increase (effective from 1 September 2011) for Qatari civilian and military state employees, the increase in domestic prices for petrol and steel and the impact of global food prices.

The QCB previously used various monetary instruments to address high inflation rates, including moving interest rates independently of the U.S. Federal Reserve despite the currency peg, maintaining the QCB's lending interest rate at 5.5%, and increasing the required reserve ratio for commercial banks in an effort to absorb excess liquidity from the domestic markets. The QCB has relaxed some of these

measures since August 2010 as a result of the new deflationary cycle and QCB deposit interest rates were reduced in three steps to 0.75% along with the QCB lending interest rate being reduced in two phases to 4.5% by August 2011.

The following table sets forth the consumer price index (the **CPI**) and annual percentage change for each of the four years ending 31 December 2011, as well as the share represented by each item in the general index.

	2008		2009		2010		2011 <sup>(2)</sup>	
	Index	%	Index	%	Index	%	Index	%
	<i>(2007 = 100, period average)<sup>(1)</sup></i>							
Rent, utilities and related housing services . . . . .	119.7	19.7	105.3	(12.0)	91.9	(12.8)	87.4	(4.9)
Food, beverages and tobacco . . . . .	120.0	19.9	121.4	1.2	123.9	2.1	129.4	4.4
Clothing and footwear . . . . .	111.8	11.8	106.8	(4.5)	105.2	(1.3)	113.3	7.7
Furniture, textiles and home appliances . . . . .	107.7	7.7	105.6	(2.0)	109.9	4.1	113.1	2.9
Medical care and services . . . . .	104.2	4.2	106.0	1.7	109.7	3.5	112.6	2.6
Transport and communications . . . . .	109.3	9.3	104.6	(4.3)	107.3	2.6	114.1	6.3
Education, recreation and culture . . . . .	109.9	9.9	108.6	(1.2)	111.6	2.8	113.9	2.1
Miscellaneous goods and services . . . . .	112.4	12.4	120.6	7.3	126.1	4.7	133.4	5.7
<b>General Index</b> . . . . .	<b>115.2</b>	<b>15.2</b>	<b>109.5</b>	<b>(4.9)</b>	<b>106.9</b>	<b>(2.4)</b>	<b>108.9</b>	<b>1.9</b>

Note:

(1) As QSA now calculates CPI figures using a base year of 2007, the figures in this chart have been recalculated using a base year of 2007. Previously, QSA calculated CPI figures using a base year of 2006.

(2) These figures are for the four quarters of 2011.

Source: Qatar Statistics Authority.

The following table sets forth the consumer price index and annual percentage change for the four quarters of 2010 and 2011, and the first quarter of 2012.

	Q1 2010		Q2 2010		Q3 2010		Q4 2010		Q1 2011		Q2 2011		Q3 2011		Q4 2011		Q1 2012	
	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%	Index	%
	<i>(2007 = 100, period average)</i>																	
Rent, utilities and related housing services . . . . .	94.6	(2.7)	92.5	(2.2)	90.2	(2.5)	89.9	(0.3)	89.5	(0.4)	88.6	(1.0)	86.7	(2.2)	84.8	(2.2)	84.2	(0.7)
Food, beverages and Tobacco . . . . .	122.5	0.8	123.3	0.7	123.8	0.4	126.6	2.2	128.3	1.3	129.4	0.9	128.8	(0.5)	131.1	1.8	132.5	1.0
Clothing and footwear . . . . .	103.0	(1.6)	104.1	1.2	106.1	1.9	108.2	2.0	112.0	3.5	112.8	0.7	113.3	0.4	114.9	1.4	116.5	1.4
Furniture, textiles and home Appliances . . . . .	109.4	0.3	109.9	0.4	110.2	0.3	110.3	0.1	111.3	0.9	112.1	0.7	112.6	0.4	116.4	3.4	116.4	0.0
Medical care and services . . . . .	109.1	1.0	109.5	0.3	109.9	0.4	110.4	0.4	111.4	0.9	112.2	0.8	112.7	0.5	114.0	1.1	113.5	(0.5)
Transport and Communications . . . . .	105.4	1.2	108.0	2.5	108.0	0.0	107.6	(0.4)	112.3	4.4	114.1	1.5	115.3	1.1	114.8	(0.5)	114.9	0.1
Entertainment, recreation and Culture . . . . .	109.9	0.7	111.7	1.7	112.9	1.0	112.2	(0.6)	112.4	0.2	111.7	(0.6)	113.0	1.2	118.5	4.9	118.1	(0.4)
Miscellaneous goods and Services . . . . .	123.9	0.3	125.7	1.5	126.5	0.6	129.0	2.0	130.1	0.8	131.5	1.0	135.4	3.0	136.4	0.8	139.8	2.5
<b>General Index</b> . . . . .	<b>106.7</b>	<b>(0.5)</b>	<b>107.1</b>	<b>0.3</b>	<b>106.7</b>	<b>(0.4)</b>	<b>107.1</b>	<b>0.4</b>	<b>108.5</b>	<b>1.3</b>	<b>108.9</b>	<b>0.3</b>	<b>108.8</b>	<b>(0.0)</b>	<b>109.5</b>	<b>0.6</b>	<b>109.5</b>	<b>0.3</b>

Source: Qatar Statistics Authority.

## Money Supply and Liquidity

### Money Supply

In recent years, the money supply in Qatar has grown steadily, primarily as a result of significant increases in Government spending, a reduction in net capital outflows and an expansion of private sector credit. The expansion in private sector credit occurred despite the Government's implementation of a credit ratio and an increase in reserve requirements designed to moderate such credit expansion.

As of February 2012, the narrow measure of money (**M1**), which comprises currency held by the public and deposits denominated in riyals of private sector, government and semi-government institutions, decreased by QR1,540.6 million (U.S.\$423.2 million), a 1.9% decrease from the end of



2011. As of February 2012, currency in circulation increased by QR106.7 million (U.S.\$29.3 million) while demand deposits decreased by QR1,647.3 million (U.S.\$452.6 million) from the end of 2011. As of February 2012, the broad measure of money (M2), which comprises M1 plus time deposits denominated in riyals and foreign currency deposits of private sector, government and semi-government institutions, decreased by QR4,662.6 million (U.S.\$1,280.9 million), a decrease of 1.5% from the end of 2011, due in large part to a 6.6% decrease in foreign currency deposits although domestic time deposits increased by 0.5%. Total quasi money represented by time deposits and foreign currency deposits decreased by QR3,122.0 million (U.S.\$857.7 million), a decrease of 1.4% increase from the end of 2011. This led to an increase in the share of M1 in domestic liquidity (M2) from 26.4% at the end of 2011 to 27.3% as of February 2012.

The following table provides an overview of the money supply and sets forth certain liquidity indicators for Qatar as of 31 December 2007 to 2011.

	As of 31 December				
	2007	2008	2009	2010	2011
	<i>(in millions of QR)</i>				
Foreign assets:					
QCB:					
Assets <sup>(1)</sup> .....	35,499.9	35,808.1	68,570.1	113,611.4	61,152.8
Liabilities .....	(752.5)	(18.4)	(1,452.9)	(1,441.2)	1,455.1
<b>QCB foreign assets (net)</b> .....	<b>34,747.4</b>	<b>35,789.7</b>	<b>67,118.2</b>	<b>112,170.2</b>	<b>59,697.7</b>
Commercial banks:					
Assets .....	88,960.7	99,168.5	88,494.7	91,124.8	119,439.4
Liabilities .....	(62,261.6)	(86,089.2)	(108,459.9)	(139,309.3)	(161,532.0)
<b>Commercial banks foreign assets (net)</b> .....	<b>26,696.1</b>	<b>13,079.3</b>	<b>(19,965.2)</b>	<b>(48,184.5)</b>	<b>(42,092.6)</b>
<b>Foreign assets (net)</b> .....	<b>61,443.5</b>	<b>48,869.0</b>	<b>47,153.0</b>	<b>63,985.7</b>	<b>17,605.1</b>
Claims on Government:					
Claims <sup>(2)</sup> .....	31,427.5	55,570.6	62,738.2	75,003.6	145,785.8
Deposits <sup>(3)</sup> .....	(50,130.0)	(63,533.3)	(15,879.6)	(19,154.2)	(54,738.6)
<b>Claims on Government (net)</b> .....	<b>(18,702.5)</b>	<b>(7,962.7)</b>	<b>46,858.6</b>	<b>55,849.4</b>	<b>91,047.2</b>
Domestic credit:					
Claims on public enterprises <sup>(4)</sup> .....	9,854.1	10,588.9	39,734.8	66,754.9	108,369.2
Claims on private sector .....	120,380.0	171,832.6	184,569.9	204,201.6	243,961.0
<b>Total domestic credit</b> .....	<b>130,234.1</b>	<b>182,421.5</b>	<b>224,304.7</b>	<b>270,956.5</b>	<b>352,330.2</b>
Other items (net) .....	(55,341.0)	(82,427.4)	(103,234.5)	(126,075.8)	(151,016.7)
<b>Domestic assets (net)</b> .....	<b>56,190.6</b>	<b>92,031.3</b>	<b>167,928.8</b>	<b>200,730.1</b>	<b>292,360.7</b>
Broad money:					
Money:					
Currency in circulation .....	4,487.2	5,368.2	5,653.0	6,094.9	7,013.2
Demand deposits .....	30,887.3	38,061.0	47,463.3	62,241.9	74,833.7
<b>Total money</b> .....	<b>35,374.5</b>	<b>43,429.2</b>	<b>53,116.3</b>	<b>68,336.8</b>	<b>81,847.0</b>
Quasi-money:					
Savings and time deposits .....	60,245.8	76,063.3	133,192.6	166,994.8	168,866.4
Foreign currency deposits .....	22,013.8	21,407.8	28,772.9	29,384.2	59,252.4
<b>Total quasi-money</b> .....	<b>82,259.6</b>	<b>97,471.1</b>	<b>161,965.5</b>	<b>196,379.0</b>	<b>228,118.8</b>
<b>Total broad money</b> .....	<b>117,634.1</b>	<b>140,900.3</b>	<b>215,081.8</b>	<b>264,715.8</b>	<b>309,965.8</b>
Change (%):					
Foreign assets (net) .....	0.3	(20.5)	(3.5)	35.7	(72.5)
Domestic assets (net) .....	88.6	46.4	24.3	19.5	45.6
Total broad money .....	32.7	19.8	52.6	23.1	17.1
Velocity of broad money (to total nominal GDP) .....	2.5	3.0	1.7	1.8	2.0
Velocity of broad money (to non-oil and gas nominal GDP) ...	1.2	1.3	0.9	0.8	0.9

Notes:

(1) Excludes the QCB's foreign currency deposits with local commercial banks.

(2) Includes Government borrowing on behalf of public enterprises in 2001.

(3) Includes foreign and local currency deposits.

(4) Non-financial sector enterprises with some Government ownership.

Source: Qatar Central Bank.

## **Liquidity**

The QCB, on behalf of the Government, issues bonds to absorb domestic liquidity and develop a yield curve for riyal-denominated domestic bonds. The QCB has issued a number of domestic bonds since 1999, including six issues in 2009 and three issues in 2010 (including one sukuk issue). In 2011, the QCB also issued bonds amounting to QR50 billion (U.S.\$13.7 billion) to Qatari domestic banks, of which roughly two thirds went to Islamic banks and the rest to conventional banks. The funds so generated were transferred by the QCB to the State's account and the State used these funds for various governmental uses and for investment. The QCB has also issued treasury bills of 91, 182 and 273 days maturity to further absorb domestic liquidity with an outstanding balance of QR14 billion (U.S.\$3.8 billion) as of 31 March 2012. The QCB also prescribes reserve requirements for commercial banks to be maintained with the QCB in order to control domestic liquidity.

## **Banking System**

### **Commercial Banks**

Commercial banks in Qatar consist of six locally owned conventional commercial banks (including Qatar National Bank, which is 50% Government owned), four Islamic institutions that operate according to Islamic Shari'ah principles (including the prohibition on the charging of interest on loans), seven foreign banks with established branches in Qatar.

Commercial banks are the primary financial institutions in Qatar, providing deposit taking, credit and investment services, as well as foreign exchange and clearance services. The deposits made in Qatar's commercial banks are not insured as there is no deposit insurance scheme in Qatar.

The QCB requires commercial banks to maintain a capital adequacy ratio of 10% in accordance with the Basel II guidelines. Historically, commercial banks have complied with this ratio. In 2011, the average capital adequacy ratio (**CAR**) was 20.6%, an increase of 4.5% points from 2010. The CAR for 2010 was 16.1%, the same ratio as in 2009, and in 2008 there was a CAR of 15.5%. In 2011, the Regulatory Tier 1 capital-to-asset ratio for all banks was 12.6% compared to 11.1% in 2010 and 11.5% in 2009. Currently, Qatar's commercial banks are compliant with Basel II pillar one, and are working to become compliant with the remaining risk components of pillars two and three.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20% in the domestic banks listed on the Qatar Exchange. In line with the plan, from 2009 through to 2011, the QIA acquired equity positions ranging from 5% to 20% in various domestic banks, including the Qatar Islamic Bank, the Commercial Bank of Qatar, the Qatar International Islamic Bank, the Ahli Bank and the Doha Bank. The total equity injections in the domestic banks currently amount to QR11.2 billion (U.S.\$3.1 billion). The Government is expected to give these banks an option to buy back their shares over the next five years.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of seven of the nine domestic banks listed on the Qatar Exchange at a total purchase price of approximately QR6,500 million (U.S.\$1,786 million) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of nine domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QR15,000 million (U.S.\$4,121 million). The total support to the banking sector, which includes purchases of real estate and investment portfolio in domestic banks as well as the equity injections has been QR32,700 million (U.S.\$8,984 million).

The amount of credit extended by commercial banks to the private sector grew by a CAGR of 106% between 2007 and 2011, increasing by 19.2% in 2011 to QR227,524 million (U.S.\$62,507 million) from QR190,862 million (U.S.\$52,435 million) in 2010. In 2011, credit extended to the real estate sector amounted to 33.5% of total private sector credit extended by commercial banks, while credit extended to the services sector and consumer credit amounted to 13.1% and 29.9% of total private sector credit, respectively. In 2011, the amount of credit extended to the real estate sector showed the sharpest increase, with an annual growth rate of approximately 49.3%. The amount of credit to 'contractors' declined by 11.9% in 2011 compared to 2010.

The level of “non performing” commercial bank loans in Qatar has been low over the past five years, changing from 1.5% in 2007 to 1.2% in 2008, 1.7% in 2009, 2.0% in 2010 and 1.7% in 2011. Under QCB regulations, non performing loans are defined as those loans that meet one of the following conditions for at least three months: (i) the borrower is not able to meet its loan repayments and the loan is past due; (ii) other credit facilities of that borrower are past due; (iii) the existing credit limits granted to that borrower for its other credit facilities are not renewed; or (iv) a borrower exceeds its agreed credit limit by 10% or more without prior authorisation. Commercial banks in Qatar categorise non performing loans into three groups: sub standard, doubtful and bad. Sub standard loans are those that have not performed for three or more months, doubtful loans are those that have not performed for six or more months, and bad loans are those that have not performed for nine or more months. The QCB also obliges national banks to form a “risk reserve” from the net profits thereof, which should not be less than 1.5% of the total direct credit facilities granted by the bank and its branches and subsidiaries inside and outside Qatar, according to their consolidated balance sheet, after deduction of the specific provisions, suspended interests and deferred profits for Islamic banks, with the exception of credit facilities extended to the Ministry of Economy and Finance, credit facilities guaranteed by the Ministry of Economy and Finance and credit facilities secured by cash collateral (with a lien on cash deposits). The risk reserve level that national banks must adhere to will be increased to 2% of the total direct credit facilities granted by the banks by the end of 2012, and to 2.5% by the end of 2013.

The following table sets forth the consolidated balance sheets of Qatari commercial banks as of 31 December 2007 to 2011.

	<b>As of 31 December</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>(in millions of QR)</i>				
<b>Assets:</b>					
<b>Reserves:</b>					
Cash .....	1,137.3	1,544.6	1,538.4	1,879.4	2,079.1
Balances with the QCB .....	24,959.7	16,561.7	38,361.3	83,578.5	21,802.1
<b>Foreign assets:</b>					
Cash .....	110.2	181.2	262.5	403.4	1,212.0
Claims on foreign banks .....	54,449.3	50,268.5	43,712.7	41,781.8	59,836.3
Foreign credit .....	14,267.1	21,845.6	18,561.6	20,560.5	26,867.3
Foreign investments .....	20,134.1	26,873.2	25,957.9	28,379.1	31,523.8
Fixed assets .....	0.0	0.0	0.0	0.0	0.0
<b>Domestic Assets:</b>					
Due from Banks in Qatar .....	10,989.9	32,777.0	35,323.4	27,999.1	38,656.4
Domestic Credit .....	146,329.0	220,807.3	251,915.9	293,920.0	376,695.2
Domestic Investments .....	15,437.2	22,110.0	41,844.4	56,174.7	121,567.2
Fixed Assets .....	1,730.6	3,012.7	3,372.3	4,082.3	4,196.6
Other Assets .....	4,791.7	5,933.2	7,048.7	8,723.4	9,864.5
<b>Total assets</b> .....	<b>294,336.1</b>	<b>401,915.0</b>	<b>467,899.1</b>	<b>567,482.2</b>	<b>694,300.5</b>
<b>Liabilities:</b>					
<b>Foreign Liabilities:</b>					
Non-resident deposits .....	4,365.3	14,428.8	22,021.5	29,680.8	19,835.2
Due to foreign banks .....	54,410.8	67,763.9	79,208.1	97,103.4	133,276.7
Debt securities .....	3,488.5	3,896.5	7,230.3	12,525.1	8,420.1
<b>Domestic Liabilities:</b>					
Resident deposits .....	162,841.1	198,050.3	224,840.3	277,106.7	343,777.2
Due to domestic banks .....	7,800.8	33,271.5	32,606.4	23,419.9	32,246.4
Due to QCB .....	1,316.2	6,782.3	2,719.1	3,413.2	4,910.3
Debt securities .....	36.4	76.8	300.0	115.0	7,541.3
Margins .....	764.2	1,379.4	1,881.6	1,047.8	1,096.2
Capital accounts .....	33,885.2	48,300.1	53,801.7	62,793.1	87,744.6
Provisions .....	3,257.9	4,253.1	5,864.6	7,315.8	8,162.0
Unclassified liabilities .....	22,169.7	23,712.3	37,425.5	52,961.4	47,290.5
<b>Total liabilities</b> .....	<b>294,336.1</b>	<b>401,915.0</b>	<b>467,899.1</b>	<b>567,482.2</b>	<b>694,300.5</b>

Source: Qatar Statistics Authority.

### **Qatar Development Bank**

Qatar Development Bank (**QDB**) was established by the Government in 1997, with contributions from national banks under the name of Qatar Industrial Development Bank. In 2006, QDB became a

government-owned bank and the following year changed its name to Qatar Development Bank. QDB's main objective is to contribute to the development and diversification of economic and industrial investments in Qatar. QDB finances small and medium sized industrial projects and provides technical assistance and advice to industrialists for the implementation of their projects. QDB also provides consultancy services and financing for projects in the education, agriculture, fisheries, healthcare, animal resources and tourism sectors. As of 31 December 2011, QDB's paid up capital was QR2.9 billion (U.S.\$796.7 million).

### **Qatar Financial Centre**

The QFC is a financial and business centre established by the Government in 2005 with a view to attract international financial services institutions and multinational corporations to Doha in order to grow and develop the market for financial services in the region. Unlike other financial centres in the region, the QFC is an onshore financial and business environment.

The QFC comprises: the QFCA, the QFCRA and the QICDRC. The QFCA determines the commercial strategy of the QFC and is responsible for legislation and compliance matters relating to the QFC legal environment. The QFCRA regulates, authorises, supervises and, when necessary, disciplines banking, securities, insurance and other financial businesses carried on in or from the QFC. The QFCRA also registers and supervises the directors and other designated officers of the businesses authorised by it. The QFCRA regulatory approach is modelled closely on that of the UK's Financial Services Authority. The QFC Civil and Commercial Court has jurisdiction over civil and commercial disputes arising between (i) entities established within the QFC; (ii) employees or contractors employed by entities established in the QFC and the employing entity; (iii) QFC entities and residents of State of Qatar; and (iv) QFC institutions and entities established in the QFC. The QFC Regulatory Tribunal hears appeals against decisions of the QFCRA, QFCA and other QFC institutions. The Dispute Resolution Centre offers international arbitration and mediation services. The QFCA, QFCRA, the QFC Civil and Commercial Court and the Regulatory Tribunal are all statutory independent bodies reporting to the Council of Ministers. See "*Overview of the State of Qatar—Legal System.*"

Firms operating under the QFC umbrella fall into two categories: those providing financial services, which are regulated activities, and those engaged in non-regulated activities in support of financial services. All QFC firms must apply to the QFCA for a business license to conduct a permitted activity in or from the QFC. Firms planning to conduct regulated activities also need to apply to the QFCRA for authorisation. The operations of the Company Registration Office are handled by the QFCA. Approximately 52% of the firms operating under the QFC umbrella, as of March 2012, are regulated financial institutions, including global financial institutions. The QFCA imposed a tax rate of 10% on local source business profits effective 1 January 2010.

Financial institutions licensed by the QFCRA as "Category-1" financial institutions are authorised to operate as universal banks and, among other things, may make various types of loans and accept deposits in any currency. Under the QFC licensing policy, such institutions are currently prohibited from conducting retail banking with, or on behalf of, retail customers unless they obtain authorisation from the QFCRA. Financial institutions authorised by the QFCRA as "Category-2," "Category-3" or "Category-4" are permitted to undertake certain more limited activities, and "Category-5" institutions may undertake Islamic finance activities.

### **Qatar Exchange**

In June 2009, Qatar Holding LLC (**QH**), the strategic and direct investment arm of the QIA, and NYSE Euronext signed agreements to form a strategic partnership whereby NYSE Euronext acquired a 20% stake in the Qatar Exchange (known prior to the transaction as the Doha Securities Market or DSM) for U.S.\$200.0 million. The QIA retained an 80% stake in the Qatar Exchange through QH. A newly appointed board of directors oversees the Qatar Exchange.

The purpose of the Qatar Exchange is to promote foreign and domestic investment in Qatar and to encourage the diversification of the economy. The DSM was officially commissioned, and trading activities began, in May 1997. Trading on the DSM became fully electronic on 11 March 2002. Further to its partnership with NYSE Euronext, the Qatar Exchange launched a new trading platform called Universal Trading Platform in September 2010 providing for international recognised trading functionality. The Qatar Exchange has also implemented procedures for settlement via central bank monies and a delivery versus payment process for the settlement of securities.

Currently, the Qatar Exchange lists equity securities and treasury bills, although its management aims to develop further asset classes like ETFs, REITs and derivatives in the near future. In February 2010, the Qatar Exchange announced plans to introduce new products such as sukuks, bonds, exchange traded funds, equity derivatives and investor education programs. As of December 2011, there were 42 companies listed on the Qatar Exchange, primarily from the banking and financial, insurance, service and industrial sectors. The Qatar Exchange Index is composed of the largest and most liquid 20 companies listed on the Qatar Exchange. In April 2012, Qatar Exchange introduced a total return version of the Qatar Exchange index, which measures both price and dividend performance. It also published an All Share index with seven underlying sector indices. The Qatar Exchange generally allows non-Qatari nationals to invest up to 25% of the share capital of any company listed on the Qatar Exchange, although this limit may be increased with the approval of the Council of Ministers.

In 2011, banking and financial sector companies had the highest trading activity by value on the Qatar Exchange with QR33.08 billion (U.S.\$9.06 billion) in value traded, followed by service sector companies with QR28.98 billion (U.S.\$7.96 billion) in value traded.

The following table sets forth the Qatar Exchange's market capitalisation for each of the five years ended 31 December 2011, as well as the percentage change from the previous year, the number of companies listed and the total value and number of trades in each of the years indicated.

	Year ended 31 December				
	2007	2008	2009	2010	2011
	<i>(in millions of QR, except as noted otherwise)</i>				
Market capitalisation at end of period	347,695	279,038	320,081	450,203	457,352
Percentage change	56.8%	(19.8)%	14.7%	40.6%	1.59%
Number of listed companies at end of period	40	43	44	43	42
Total trades (value)	108,930	175,552	92,165	67,185	76,737
Number of trades (in millions)	1,812	2,180	1,690	1,052	1,116

Source: Qatar Exchange

### **Qatar Financial Markets Authority**

The QFMA was established under Law No. 33 of 2005 as amended, as a public regulatory authority for Qatar's capital markets with the mandate to (i) implement a modern regulatory framework for the domestic capital markets and the securities industry based on international best practices, (ii) provide effective and responsible market oversight and supervision, and (iii) set the ground for developing Qatar as a leading capital market in the region and a preferred destination for financial services businesses. The creation of the QFMA is part of the Government's overall strategy of reforming Qatar's legal and regulatory regime in order to support the growth of the economy while improving investor confidence.

The QFMA has issued the following regulations to effectively regulate the Qatari capital market: (i) Executive regulation of Qatar Financial Markets Authority; (ii) Financial Services Rulebook; (iii) Offering & Listing of Securities Rulebook; (iv) Offering & Listing of Securities in Secondary Market Rulebook; (v) Bonds and Sukuks addendum in the Offering & Listing of Securities Rulebook; (vi) Anti-Money Laundering and Combating Terrorist Financing Rulebook; (vii) Share buyback regulations for listed companies; (viii) regulations for the settlement by arbitration of disputes arising from transactions related to securities; and (iv) Corporate Governance Code for listed companies which includes reporting requirements for the companies' directors as well as a requirement to establish a number of internal committees (such as audit, nomination and remuneration committees). The QFMA has recently started requiring mandatory compliance with certain provisions of the Governance Code that until recently were viewed as merely 'comply or explain' provisions.

Currently the Qatar Exchange lists equity shares and treasury bills. However, the QFMA is in the process of finalising and implementing amendments to its Regulations so as to facilitate the listing and trading of new securities such as exchange traded funds, real estate investment trusts and the shares of Qatar Financial Centre established companies which will deepen the domestic market. The QFMA is about to issue a new set of regulations on lending and borrowing activities, liquidity providers, direct market access and margin trading.

The QFMA has also developed, with the Chartered Institute for Securities & Investment (**CISI**), a new certification regime for all market professionals working with QFMA licenced firms. A grace period of 18 months has been granted for existing market professionals to pass the CISI examination. All new

applicants seeking to work as market professionals will need to pass the CISI exam and be suitably certified and approved by the QFMA as part of the new application process.

The QFMA has also entered into a bilateral memorandum of understanding with each of the following peer federal regulatory institutions: (i) the Securities Commission of Malaysia; (ii) the Autorité des Marchés Financiers; and (iii) China Securities Regulatory Commission. A Bilateral Memorandum of Understanding with the GCC's Capital Market Regulatory Authorities and with the Egyptian Financial Supervisory Authority is in process.

## PUBLIC FINANCE

### General

Qatar has experienced significant revenue growth and large budget surpluses since 2011 driven primarily by the rapid development of its hydrocarbon sector. Recently, the budget surpluses have decreased as a result of increased current and capital expenditure. The Government revenues of QR203,365 million (U.S.\$55,869 million) for the fiscal year ended 31 March 2012 were significantly greater than the revenues in the fiscal year ended 31 March 2011. Government figures show that the surplus increased from QR12,816 million (U.S.\$3,521 million) for the fiscal year ended 31 March 2011 to a surplus of QR44,514 million (U.S.\$12,229 million) for the fiscal year ended 31 March 2012.

The State's estimated budget surplus for the fiscal year ending 31 March 2013 is QR27,793 million (U.S.\$7,635 million). The surplus is primarily attributable to the increased international demand for oil and petroleum products coupled with an increase in the international price of oil, along with greater than anticipated non-oil and gas revenues.

Total expenditure for the fiscal year ending 31 March 2012 increased to QR158,851 million (U.S.\$43,640 million) from the total budgeted expenditure for the fiscal year ending 31 March 2011 of QR142,711 million (U.S.\$39,206 million). Total current expenditure for the fiscal year ending 31 March 2012 increased to QR113,367 million (U.S.\$31,145 million) from the total current expenditure for the fiscal year ending 31 March 2011 which amounted to QR98,468 million (U.S.\$27,052 million). Total capital expenditure for the fiscal year ending 31 March 2012 increased to QR45,484 million (U.S.\$12,496 million) from the total capital expenditure for the fiscal year ending 31 March 2011 which amounted to QR44,243 million (U.S.\$12,155 million).

The Government's primary source of budget revenues are oil and gas related revenues generated by QP's activities, accounting for approximately 81.16% of the total revenues for the fiscal year ended 31 March 2012 and approximately 85.14% of the total revenues for the fiscal year ended 31 March 2011 and approximately 80.7% of the total revenues for the fiscal year ended 31 March 2010. The Government's budget is formulated using a conservative estimate of oil prices per barrel for the relevant fiscal year: U.S.\$40 for the budget for the fiscal year ended 31 March 2008; U.S.\$55 for the budget for the fiscal year ended 31 March 2009; U.S.\$40 for the budget for the fiscal year ended 31 March 2010; U.S.\$55 for the budget for the fiscal year ended 31 March 2011; U.S.\$55 for the budget for the fiscal year ending 31 March 2012; and U.S.\$65 for the budget for the fiscal year ending 31 March 2013. The Ministry of Economy and Finance receives royalties and tax revenue on export sales of crude oil, refined products and gas products, including LNG and downstream products from QP and its joint venture partners. See "*—Taxation.*" In addition to such export sale receipts, the Government receives all of QP's net income as "investment income." Investment income has contributed to the growth in total revenues in recent years, in line with the growth of QP's net income. The Government has diversified its revenue sources in recent years to include customs duties, taxes on the operations of foreign owned businesses and charges for certain services provided by the Government.

The principal items of Government expenditure relate to the development of Qatar's infrastructure, the wages and salaries of Government employees and principal and interest payments in respect of Government indebtedness (both internal and external). Due to a significant wage and pension increase which came into effect on 1 September 2011 for Qatari government employees, Government expenditure for salaries and wages is expected to significantly increase for future budgets. The State has also announced its intention to create a committed QR10 billion (U.S.\$2.7 billion) fund to recapitalise the State pension fund in light of the recent increase in wages and pensions. The funds when made available would be viewed as an asset transfer. Other items of Government expenditure include the provision of social services such as healthcare, education and the pensions of former Government employees as well as utilities, such as water, electricity and telephone services. In recent years, the Government has increased aggregate expenditures substantially as the Government has invested in the development of Qatar's social and physical infrastructure to meet the needs of its growing population and to develop Qatar into a trade centre and leading LNG exporter. Expenditure growth has been characterised by gradual year-on-year growth between the fiscal year ended 31 March 2001 and the fiscal year ended 31 March 2004 and more significant year-on-year growth between the fiscal year ended 31 March 2004 and the fiscal year ended 31 March 2012 as Qatar's larger infrastructure projects have moved from the planning phase to the development and construction phases. Qatar's total expenditure continued to grow to QR158,851 million (U.S.\$43,640 million) in the fiscal year ended 31 March 2012, increasing from QR142,711 million (U.S.\$39,206 million) in the fiscal year ended 31 March 2011.

In recent years, the Government has used the budget surplus for the purpose of investment both in Qatar and abroad. Investment of the surplus in Qatar has been focused on capital projects, particularly related to real estate development, transportation and social infrastructure. Investment outside Qatar has been focused primarily on securities and other capital market instruments and real estate holdings. These investments are administered by the QIA on behalf of the Government. A portion of the budget surplus has also been placed into stabilisation funds administered by the QIA. The Government does not publish figures relating to the size, scope or performance of the portfolio of investments administered by the QIA. See “—*Qatar Investment Authority.*”

## **Budget Policy and Process**

The State budget plays a central role in Qatar’s economy and is a key tool in achieving the Government’s economic development goals. Fiscal policy is considered to be the core of the State’s general economic policy, which aims to utilise fully Qatar’s economic resources to raise the standard of living in Qatar and to achieve sustainable development through cooperation between the private and public sectors. Governmental expenditure is considered by the Government to be a primary stimulant of economic activity, and consequently a facilitator of economic growth in Qatar. The Government believes that it has various options open to it to maintain a surplus even in the face of commodity price volatility, including the imposition of additional charges for services and the development of additional revenue sources. In addition, the Government has flexibility in determining its capital expenditures and may review and reschedule items, if necessary, in order to reduce the amount of expenditures contained in future budgets.

Each year, the Budget Department of the Ministry of Economy and Finance supervises the preparation of ministerial and agency budgets for the following fiscal year. After approval by the Minister of Economy and Finance, the consolidated budget is submitted to the Council of Ministers for its approval (normally by 1 March in advance of the fiscal year, which commences on 1 April). The budget for capital projects is sent to the Advisory Council for discussion, and the Advisory Council submits its recommendations to the Council of Ministers for approval. Thereafter the budget is submitted to the Emir for his approval and, if approved, a decree implementing the budget is issued. The Ministry of Economy and Finance intends to reform its budget process in the future by becoming more performance oriented. New budgets are to be based on budget plans instead of previous budgetary allocations. The new budget process is intended to improve accountability and help the State to achieve specific goals. In furtherance of these reforms, the State has recently approved the creation of the EPC with a mandate to develop general budget variables in line with the National Development Strategy. The EPC, in addition to other objectives, would also propose policies associated with the preparation of the State’s general budget in order to prepare an annual publication, and would also discuss the implications of revenue and public expenditure policies on the national economy.

As in past years, the budget for the fiscal year ending 31 March 2012 was guided by the annual circular published by the Ministry of Economy and Finance regarding the preparation of the State’s budget. This circular provides that the financial policy of the State for the fiscal year ending 31 March 2012 will be focused on achieving the highest value for money possible for the State’s budgetary resources, ensuring appropriate allocation of resources to enable timely execution of projects, including infrastructure and public services projects, improving efficiency and cost savings in connection with government-related services, and stimulating private sector economic activity to increase growth and expand employment opportunities for Qatari nationals.



The following table sets forth the revenues, expenditure and overall surplus of the Government for each of the five fiscal years ended 31 March 2012 and the budgeted figures for the fiscal year ending 31 March 2013.

	Fiscal year ended 31 March,					Budget 2013 <sup>(2)</sup>
	2008	2009	2010	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>	
	<i>(in millions of QR)</i>					
Revenues:						
Oil and gas revenues:						
Oil revenues:						
Income tax	46,601	48,328	45,969	47,731	49,369	33,439
Royalties	13,039	12,493	15,401	10,543	12,259	10,271
Port fees and other oil revenues	10	13	7	13	10	—
Total oil revenues	59,650	60,834	61,377	58,287	61,638	43,710
Gas—royalties and taxes	10,698	18,764	21,065	38,209	52,697	46,871
Investment income (QP) <sup>(3)</sup>	30,047	33,018	53,735	35,929	50,732	53,128
<b>Total oil and gas revenues</b>	<b>100,395</b>	<b>112,616</b>	<b>136,177</b>	<b>132,425</b>	<b>165,067</b>	<b>143,709</b>
Non-oil and gas revenues:						
Investment income (non-QP) <sup>(4)</sup>						
Returns on misc. shares	133	—	—	—	—	—
Interest income	166	253	145	157	27	111
Total investment income (non-QP)	299	253	145	157	27	111
Customs duties	3,946	3,541	3,114	4,019	1,510	3,100
Business/corporate income tax	8,939	14,629	21,575	14,524	32,805	54,452
Public utility fees	344	235	54	73	65	234
Other	3,542	9,292	7,712	4,329	3,891	4,779
<b>Total non-oil and gas revenues</b>	<b>17,070</b>	<b>27,950</b>	<b>32,600</b>	<b>23,102</b>	<b>38,298</b>	<b>62,676</b>
<b>Total revenues</b>	<b>117,465</b>	<b>140,566</b>	<b>168,777</b>	<b>155,527</b>	<b>203,365</b>	<b>206,385</b>
Expenditure: <sup>(5)</sup>						
Current expenditure:						
Civil list	624	623	687	752	609	698
Defence and security	6,338	8,942	8,111	9,673	11,604	24,832
General administration	33,712	40,646	51,116	70,144	79,333	65,237
Education	4,027	5,496	5,249	6,323	7,920	11,094
Health	3,919	5,533	5,701	6,565	6,259	9,922
Labour and social services	429	466	765	1,652	1,537	967
Food subsidies and transfers	199	216	132	298	283	250
Water and electricity	1,467	3,346	3,388	1,800	2,600	2,500
Communication and transportation	—	—	—	—	—	—
Foreign grants	1,476	1,114	593	1,139	3,077	803
Subscriptions	125	147	133	122	145	177
<b>Total current expenditure</b>	<b>52,316</b>	<b>66,529</b>	<b>75,875</b>	<b>98,468</b>	<b>113,367</b>	<b>116,480</b>
Capital expenditure:						
Health	449	502	565	637	252	998
Education	1,117	5,031	5,590	6,017	4,342	11,333
Housing and construction	636	794	253	985	3,400	3,375
Roads	2,691	2,779	2,376	2,596	3,414	4,679
Communications and transportation	4,768	6,709	8,612	10,298	12,975	17,473
Utilities	8,141	8,505	10,767	14,924	10,372	9,223
Land reclamation, other	16,131	9,109	11,093	8,786	10,729	15,031
<b>Total capital expenditure</b>	<b>33,933</b>	<b>33,429</b>	<b>39,256</b>	<b>44,243</b>	<b>45,484</b>	<b>62,112</b>
<b>Total expenditure</b>	<b>86,249</b>	<b>99,958</b>	<b>115,131</b>	<b>142,711</b>	<b>158,851</b>	<b>178,592</b>
<b>Overall surplus/(deficit)</b>	<b>31,216</b>	<b>40,608</b>	<b>53,646</b>	<b>12,816</b>	<b>44,514</b>	<b>27,793</b>

Notes:

- (1) Preliminary data subject to revision.
- (2) The budget is based on an assumed price of U.S\$65 per barrel, which is significantly lower than the prevailing international oil prices resulting in a conservative budget for the fiscal year.
- (3) Investment income (QP) consists of Government revenue derived from the profits of QP provided to the Government after retained earnings, capital expenditures and reinvestment. Investment income (QP) includes a portion that is attributable to QP's non-oil and gas activities, such as in relation to the production of petrochemicals and fertiliser, steel, iron and metal coating.
- (4) Investment Income (non-QP) consists of Government revenue derived from interest income, dividends and proceeds from sales related to Government interests in non-QP entities. This does not include QIA investment income.

- (5) Expenditure related to salaries and wages is allocated across the various expenditure line items shown in the table, and is not separately listed. Salaries and wages were QR16, 003 million (U.S.\$4,396 million) in the fiscal year ended 31 March 2008, QR18,661 million (U.S.\$5,127 million) in the fiscal year ended 31 March 2009, QR19,975 million (U.S.\$5,488 million) in the fiscal year ended 31 March 2010, QR23,065 million (U.S.\$6,337 million) in the fiscal year ended 31 March 2011 and QR25,207million (U.S.\$6,925 million) in the fiscal year ended 31 March 2012. Effective as of 1 September, 2011, the Government has granted large wage and pension increases to Qatari citizens working for the Government.

### **Fiscal Year Ending 31 March 2013**

The Government published its planned budget for the fiscal year ending 31 March 2013 with an estimated surplus of approximately QR27,793 million (US\$7,635 million) based on an assumed oil price of US\$65 per barrel. This estimated surplus was primarily due to budgeted total revenues of QR206,385 million (US\$56,699 million) which represent an increase of 1.48% from total revenues of QR203,365 million (US\$55,869 million) for the fiscal year ended 31 March 2012. These higher budgeted revenues reflect the Government's expectation of higher revenues from the oil and gas sector. In addition, after increasing expenditure in recent years in the drive to modernize and diversify Qatar's economy and improve the country's health, education and welfare, budgeted expenditure for the fiscal year ending 31 March 2013 increased slightly as budgeted total expenditure of QR178,592 million (US\$49,063 million) represents a 12.4% increase from total expenditure of QR158,851million (US\$43,640 million) for the fiscal year ended 31 March 2012. This increase is comprised of a budgeted increase in capital expenditure, accompanied by a budgeted increase in current expenditure.

The Government's most recent budgeted revenue and expenditure figures reflect a greater overall surplus of QR27,793 (US\$7,635 million) or 13.4% of budgeted total revenues for the fiscal year ending 31 March 2013. Budgeted total oil and gas revenues represented approximately 69.6 % of total revenues for the fiscal year ending 31 March 2013. Budgeted total non-oil and gas revenues represented approximately 30.3 % of total revenues for the fiscal year ending 31 March 2013. The surplus for fiscal year ending 31 March 2013 is primarily attributable to higher than anticipated average oil prices along with greater than anticipated non-oil and gas revenues.

### **Fiscal Year Ending 31 March 2012**

#### ***Revenue***

For the fiscal year ended 31 March 2012, total revenues were QR203,365 million (U.S.\$55,869 million), which represented an increase of 30.7% of total revenues for fiscal year ended 31 March 2011. The increase in revenues for the fiscal year ended 31 March 2012 compared to total revenues for the fiscal year ended 31 March 2011 is primarily due to an increase in income received of gas royalties and taxes.

Oil and gas revenues were estimated at QR165,067 million (U.S.\$45,348 million) for the fiscal year ended 31 March 2012, or approximately 81.16% of total revenues of 31 March 2012 which represented an increase of approximately 24.6% over the oil and gas revenues reported for the fiscal year ended 31 March 2011. The increase was primarily due to an increase in income received from gas royalties and taxes.

Non-oil and gas revenues were QR38,298million (U.S.\$10,521 million) for the fiscal year ended 31 March 2012, which represents an increase of approximately 65.77% from the fiscal year ended 31 March 2011, due to an increase in income received through business and corporate income tax.

#### ***Expenditure***

For the fiscal year ended 31 March 2012, total expenditure was QR158,851 million (U.S.\$43,640 million), which represents an increase of approximately 11.3% from the fiscal year ended 31 March 2011. Consistent with the Government's drive to modernise and diversify Qatar's economy and improve the country's health, education and welfare, the expenditure for the fiscal year ended 31 March 2012 increased from total expenditure of QR142,711 million (U.S.\$39,206 million) for the previous fiscal year.

Current expenditure was QR113,367 million (U.S.\$31,145 million) for the fiscal year ended 31 March 2012, which represents an increase of approximately 15.1% from the current expenditure of QR98,468 (U.S.\$27,052 million) for the fiscal year ended 31 March 2011. Spending on Government wages and salaries was approximately QR25,207million (U.S.\$6,925 million) for the fiscal year ended 31 March 2012, which represents an increase of approximately 9.28% from the fiscal year ended

31 March 2011, partially due to a governmental-wide salary increase. Capital expenditure for the fiscal year ended 31 March 2012 was QR45,484 million (U.S.\$12,496 million), which represents an increase of approximately 2.8% from the fiscal year ended 31 March 2011.

## **Fiscal Year Ended 31 March 2011**

### ***Revenue***

For the fiscal year ended 31 March 2011, total revenues were QR155,527 million (U.S.\$42,727 million), or 92.14% of total revenues for fiscal year ended 31 March 2010. The decrease in revenues for the fiscal year ended 31 March 2011 compared to total revenues for the fiscal year ended 31 March 2010 is primarily due to lower oil and gas revenues primarily as a result of lower investment income received from QP and due to lower non-oil and gas revenues as a result of decreased tax revenue.

Oil and gas revenues were estimated at QR132,425 million (U.S.\$36,380 million) for the fiscal year ended 31 March 2011, or approximately 85.14% of total revenues of 31 March 2011 representing an decrease of 2.75% over the oil and gas revenues reported for the fiscal year ended 31 March 2010. The decrease was primarily due to lower investment income received from QP.

Non-oil and gas revenues were QR23,102 million (U.S.\$6,347 million) for the fiscal year ended 31 March 2011, which represents a decrease of approximately 29.1% from the fiscal year ended 31 March 2010, due to lower tax revenues from a decrease in corporate tax rates to 10% from 35% .

### ***Expenditure***

For the fiscal year ended 31 March 2011, total expenditure was QR142,711 million (U.S.\$39,206 million), which represents an increase of approximately 23.9% from the fiscal year ended 31 March 2010. Consistent with the Government's drive to modernise and diversify Qatar's economy and improve the country's health, education and welfare, the expenditure for the fiscal year ended 31 March 2011 increased from total expenditure of QR115,131 million (U.S.\$31,629 million) for the previous fiscal year.

Current expenditure was QR98,468 million (U.S.\$27,052 million) for the fiscal year ended 31 March 2011, which represents an increase of approximately 29.7% from the current expenditure of QR75,875 (U.S.\$20,845 million) for the fiscal year ended 31 March 2010. Spending on Government wages and salaries was approximately QR23,065 million (U.S.\$6,337 million) for the fiscal year ended 31 March 2011, which represents an increase of approximately 15.4% from the fiscal year ended 31 March 2010, partially due to a governmental-wide salary increase. Capital expenditure for the fiscal year ended 31 March 2011 was QR44,243 million (U.S.\$12,155 million), which represents an increase of approximately 12.7% from the fiscal year ended 31 March 2010.

## **Qatar Investment Authority**

The QIA, a State agency, was founded pursuant to Emiri Decision No. (22) of 2005 for the purpose of investing Qatar's financial reserves domestically and abroad, with the objective of strengthening Qatar's economy by generating meaningful returns on investment. The QIA employs a strategy of diversification, both geographically and by investing in a mix of asset classes that includes fixed income, equities, private equity, real estate and alternative assets, as well as by making direct investments. QIA income has not historically been included in the State's accounting as revenue, expenditure or overall surplus (or deficit) in the State budget. The Government does not publish financial information relating to the QIA or figures relating to the size, scope or performance of the portfolio of investments administered by the QIA.

The Heir Apparent serves as the Chairman of the QIA, while the Prime Minister and Foreign Minister serves as the QIA Chief Executive. The QIA is managed by a board of directors, which has established a framework for the QIA's operations by developing and implementing investment, risk management, and legal and compliance policies, as well as a code of conduct. The QIA's board of directors provides strategic guidance for the QIA and monitors its executive management team, which is responsible for the QIA's day-to-day management.

Domestically, the QIA or, in some cases, the State itself, holds equity ownership interests in Qatar Airways, Q-Tel, Katara Hospitality and the Qatar Exchange. In addition, the QIA has purchased equity ownership interests of up to 20% in all domestic commercial banks listed on Qatar Exchange.

See “*Monetary and Financial System—Banking System—Commercial Banks.*” Among its other investments, the QIA also manages the investment activities of the Qatar Foundation, which owns 49% of a joint venture with Vodafone plc. This joint venture, Vodafone & Qatar Foundation LLC, owns 45% of Vodafone Qatar, which holds Qatar’s second mobile telecommunications license and completed an initial public offering on the Qatar Exchange in mid-2009.

Outside Qatar, the QIA, primarily through Qatar Holding LLC (its strategic and direct investment arm), makes direct investments in foreign entities and currently holds equity ownership interests in several non-Qatari companies. In addition, the QIA, primarily through Qatari Diar (its wholly owned subsidiary) and, to a lesser extent, Barwa, which is 45% owned by the State, makes real estate investments and undertakes developments in a number of foreign markets, including Europe, North Africa and Southeast Asia.

## **Taxation**

At present, there is no personal income taxation in Qatar. Profits of business establishments owned in full by Qatari individuals are not taxed. What is termed income tax in Qatar applies only to businesses and is therefore generally a form of corporate tax. Tax in Qatar is governed by the recently enacted Income Tax Law that came into effect on 1 January 2010 which repealed the previous tax law (the Law Decree No. (11) of 1993). Further guidance on the specific terms of the Income Tax Law were provided by the Decision of the Minister of Economy of Finance No. 10 of 2011 issuing the Executive Regulations of the Income Tax Law No. 21 of 2009 (the **Executive Regulations**).

Under the Income Tax Law, tax is generally charged on profits and income arising from a taxable entity’s activity in Qatar for each taxable year commencing on 1 January and ending on 31 December. Under the Income Tax Law, taxable income in any taxable year is now taxed at a flat tax rate of 10%, except certain oil and gas companies that will continue to be taxed at a rate of at least 35%.

The Income Tax Law also introduced withholding tax in relation to certain payments to non-residents that are not connected with a permanent establishment in Qatar. The withholding tax provisions provide for 5% withholding on payments of royalties and technical fees and 7% withholding on payments of interest, commissions, brokerage fees, directors’ fees and any other amounts paid for services carried out wholly or partly in Qatar.

The Executive Regulations provide that certain categories of interest will not be subject to withholding under the Income Tax Law. Exceptions include (i) interest on bonds and securities issued by the State of Qatar and public authorities, establishments and the corporations owned wholly or partly by the State of Qatar, (ii) interest on deposits in banks in Qatar, and (iii) interest on transactions, facilities and loans with banks and financial institutions.

The majority of the Government’s tax revenues come in the form of income taxes and royalties from QP and its joint venture partners engaged in oil and gas production which are collected under a separate regime. Royalties are payable by QP on export sales at the rate of 20% of the invoice value of crude oil and refined products exports and at the rate of 12.5% of the invoice value of gas products exports. In addition, tax is charged on QP’s computed income derived from crude oil export sales at the rate of 85% of the invoice value of all export sales less deductions for the cost of operations, depreciation, amortisation and royalties, and on gas products export sales at the rate of 50% of this computed income. The royalty and tax rates paid by QP’s joint venture partners are set forth in the production agreements to which they are a party.

In addition, Law No. (13) of 2008 provides that 2.5% of the net annual profits of public corporations are to be collected by the Government and dedicated to the support of social, sporting, cultural and charitable activities.

Qatar’s municipal authorities are funded out of the central Government’s budget and do not levy local taxes, with the exception of a registration fee on residential rental contracts equal to 1% of annual rent pursuant to Article 20 of the Rent Law (No. 4 of 2008).

The QFC levies a tax on business profits of QFC-authorized entities of 10%. Generally, only local source business profits will be subject to tax in Qatar.

The State has entered into double taxation agreements with a number of other countries although not all agreements are in effect. It is expected that the State will continue to enter into similar agreements. In many of its treaties, the State has adopted the Organisation for Economic Cooperation and Development (**OECD**) standards regarding transparency and exchange of information.

## Privatisation

Although the Government believes that its various state-owned enterprises are well managed, efficient and profitable, it has been implementing a privatisation programme since the late 1990s in order to increase the involvement of the private sector in these enterprises. The privatisation programme is an important part of the Government's strategy for realising economic development, upgrading the performance of companies and improving the standard of services. It is also aimed at increasing the financial efficiency of these companies, reducing administrative burdens, increasing economic growth, reducing the prices of commodities and services and enlarging the ownership base in the country. Many of the 42 companies listed on the Qatar Exchange as of 31 March 2012 were listed as part of Qatar's privatisation programme. See "*Monetary and Financial System—Qatar Exchange*."

Key privatisations have included: the sale of the Ras Abu Fontas B power and water desalination facility in 1999 by the Government to Qatar Electricity and Water Company, one of the first private sector power and water producing companies in the region; the sale in 1998 of 45% of the share capital of Q-Tel; the initial public offering of 30% of Industries Qatar, which owns 75% of QAFCO, 80% of QAPCO, 100% of Qatar Steel and 50% of QAFAC; the initial public offering of 60% of the Qatar Fuel Company (**WOQOD**); the establishment in 2004 of QGTC as a joint stock company listed on the Qatar Exchange owned 50% by the public and 50% by its founding shareholders; and QP's initial public offering of 70% of Gulf International Services Q.S.C. on the Qatar Exchange in 2008.

The Government intends to continue this privatisation programme in due course as part of its efforts to accelerate the development of Qatar's economic sectors and the diversification of Qatar's economy.

## INDEBTEDNESS

The Government's total outstanding indebtedness as of 31 March 2012 was QR207,161 million (U.S.\$56,912 million), with internal indebtedness of QR119,288 million (U.S.\$32,771 million) or 57.6% of total indebtedness, and external indebtedness of QR87,873 million (U.S.\$24,141 million), or 42.4% of total indebtedness, excluding the issue of the Trust Certificates.

The ability of the Government to incur indebtedness and provide guarantees in respect of indebtedness is addressed by Law No. (2) of 1962, as amended by Decree Law No. (19) of 1996 (the **Financial Policy Law**), subsequent legislation and the Constitution. The Financial Policy Law provides that the Government may not enter into loan agreements or commit to projects which involve expenditure of money from the State treasury unless authorised to do so by law. The Financial Policy Law also provides that the Government may provide guarantees and acknowledgements for State obligations pursuant to an Emiri Decree.

Law No. (18) of 2002 on Public Debt and Islamic Finance Notes, as amended by Law No. (22) of 2009, (the **Public Debt Law**) authorises the State to borrow money and issue public debt and Islamic Finance notes. The Public Debt Law provides that the amount required to be borrowed and the rights to be granted to holders of the public debt and Islamic finance notes must be determined by a resolution of the Council of Ministers after consulting with the QCB. The Public Debt Law further provides that the nominal value of each of the public and Islamic finance debt notes, the objects and duration of the issuance, and the method in which the issuance is offered to lenders and subscribers inside and outside Qatar must be determined by the Minister of Economy and Finance after consulting with the QCB.

A decision of the Council of Ministers, No. (17) of 2008 (as amended) established the State Finance Policy Committee, which comprises senior government officials, including the Minister of Economy and Finance as chairman, a representative of Qatar Central Bank as deputy chairman, and representatives of the QIA and QP. Under its mandate, the State Finance Policy Committee provides guidance to all government related entities that seek to access the international capital markets and coordinates debt offerings by Qatari issuers in order to increase liquidity and optimise borrowing costs for Qatari borrowers.

The following table sets forth the Government's direct indebtedness as of 31 March 2008 to 2012.

	As of 31 March,				
	2008	2009	2010	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>
	<i>(in millions of U.S.\$, except for percentages)</i>				
<b>Total internal indebtedness<sup>(1)(2)</sup></b> .....	<b>2,929.3</b>	<b>2,411.4</b>	<b>16,705.6</b>	<b>34,100.7</b>	<b>32,771.4</b>
% of nominal GDP <sup>(3)(4)</sup> .....	3.7%	2.1%	17.1%	26.8%	18.9%
<b>Total external indebtedness<sup>(5)</sup></b> .....	<b>3,319.1</b>	<b>7,798.5</b>	<b>17,944.6<sup>(6)</sup></b>	<b>19,304.5</b>	<b>24,141</b>
% of nominal GDP <sup>(7)</sup> .....	4.2%	6.8%	18.3%	15.2%	13.9%
<b>Total indebtedness<sup>(6)</sup></b> .....	<b>6,248.4</b>	<b>10,209.9</b>	<b>34,650.2</b>	<b>53,405.2</b>	<b>56,912</b>
<b>Total nominal GDP</b> .....	<b>79,712</b>	<b>115,270</b>	<b>97,798</b>	<b>127,332</b>	<b>173,519</b>
% of nominal GDP <sup>(8)</sup> .....	7.8%	8.9%	35.4%	41.9%	32.8%

Notes:

- (1) Preliminary data subject to revision.
- (2) Internal indebtedness means direct indebtedness of the Government incurred inside Qatar (excluding guarantees by the Government), regardless of the currency of denomination.
- (3) The increase in the level of internal indebtedness as of 31 March 2010 is mainly due to the State's issuance of bonds in order to develop a local bond market rather than the State's need to address any particular funding requirement. The increase in total indebtedness as of 31 March 2011 is mainly due to monetary policy and the issuance of domestic bonds and treasury bills by the QCB. The decrease in total indebtedness as of October 31 2011 is due to repayment of medium-term government bonds. See "—Internal Indebtedness".
- (4) Indebtedness as a percentage of nominal GDP is calculated using nominal GDP figures on a calendar year basis and indebtedness as of the end of the fiscal year ending on 31 March of the following year. For example, indebtedness as of 31 March 2012 is compared to nominal GDP for the year ended 31 December 2011. Note that given the high rate of growth in the GDP of Qatar in 2010 and 2011, this calculation may materially overstate Qatar's level of indebtedness as of 31 March 2010 and 2011.
- (5) External indebtedness means direct indebtedness of the Government incurred by the Government outside Qatar (excluding guarantees by the Government), regardless of the currency of denomination. In relation to any euro-denominated indebtedness, indebtedness is in U.S. dollars using a Euro/U.S. dollar conversion rate of €1.00:U.S.\$1.3273.
- (6) Does not include the principal amount of the Trust Certificates offered hereby.

- (7) The increase in external indebtedness as of 31 March 2010 is due to the issuance of bonds and entry into a commercial bank facility.
- (8) Represents the total nominal GDP for the previous year. For instance, while the total internal and external indebtedness under the 2012 column represents the estimated figures for internal and external indebtedness as of 31 March 2012, the corresponding figure for total nominal GDP represents the total nominal GDP for the year ended 31 December 2011.

Source: Ministry of Economy and Finance.

Qatar has never defaulted on any payment of principal of, or premium or interest on, any of its internal or external indebtedness. Overall, Qatar's stable economic situation has improved its credit ratings over the past decade. Through a Series of increases, Qatar's long-term credit rating by Standard & Poor's has improved from BBB as of February 1996 to AA as of March 2008 which was most recently confirmed on 27 October 2011 with a stable outlook. Similarly, Qatar's foreign and local currency bond ratings by Moody's have improved from Baa2 as of September 1999 to Aa2 as of December 2008, which were most recently confirmed on 15 June 2011 with a stable outlook.

### Internal Indebtedness

As of 31 March 2012, the State's internal indebtedness was QR119,288 million (U.S.\$32,771 million), which represented a decline of 3.9% from QR124,128 million (U.S.\$34,101 million) as of 31 March 2011. The reduction in debt was primarily due to the repayment of medium term government bonds by the State. The State issued treasury bills of 91, 182 and 273 day maturities between 31 March 2011 and 31 March 2012, with an outstanding balance of 12,000 as of 31 March 2012, in order to further absorb liquidity in the domestic market. See "*Monetary and Financial System—Liquidity*". As of 31 March 2012, internal indebtedness from medium-term bank loans provided by Qatari commercial banks was QR25,338 million (U.S.\$6,961 million), which represented 23.3% of total internal indebtedness, and indebtedness from medium and long-term domestic sovereign bonds was QR82,766 million (U.S.\$22,738 million), which represented 76.3% of total internal indebtedness.

The State's internal indebtedness as of 31 March 2011 reflected an increase of 104.1% over the State's internal indebtedness as of 31 March 2010. The increase in internal indebtedness as of 31 March 2011 compared to 31 March 2010 was mainly due to the issuance of domestic bonds by the QCB to absorb excess liquidity in the domestic market. To absorb excess liquidity, the State issued bonds equivalent to QR50 billion (U.S.\$13.7 billion) to Qatari domestic banks in January 2011, of which approximately QR33 billion (U.S.\$9 billion) went to Islamic banks as sukuks and the rest to conventional banks. Previously, in June 2010 the QCB had issued QR12,000 million (U.S.\$3,297 million) of domestic sovereign bonds (QR2,000 million (U.S.\$549 million) of the proceeds of which were used to refinance outstanding bonds). As of 31 March 2011, the aggregate principal amount of the State's total outstanding domestic bonds, including treasury bills, was QR98,218 million (U.S.\$26,983 million), which represented 79.1% of total internal indebtedness, with internal indebtedness from medium-term bank loans provided by Qatari commercial banks totaling QR24,497 million (U.S.\$6,730 million), which represented 19.7% of total internal indebtedness.

The funds generated by the State from the issue of sovereign domestic bonds and other internal debt instruments are transferred by the QCB to the State's account and the State generally uses such funds for various government uses and for investment.

The following table sets forth a breakdown of the Government's direct internal indebtedness by creditor type as of 31 March 2008 to 2012.

	As of 31 March,				
	2008	2009	2010	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>
	<i>(in millions of U.S.\$)</i>				
Medium term government bonds <sup>(2)</sup> . . . . .	1,373.6	1,373.6	10,537.9	26,982.9	25,692.3
Medium term government loans . . . . .	0	0	0	0	0
Medium term commercial bank indebtedness <sup>(3)</sup> . . . . .	1,155.7	924.6	5,779.7	6,729.9	6,961.0
Long term bank indebtedness <sup>(4)</sup> . . . . .	286.8	0	0	0	0
Islamic Murabaha <sup>(5)</sup> . . . . .	113.2	113.2	387.9	387.9	118.7
<b>Total internal indebtedness<sup>(6)</sup> . . . . .</b>	<b>2,929.3</b>	<b>2,411.4</b>	<b>16,705.6</b>	<b>34,100.7</b>	<b>32,771.4</b>

Notes:

- (1) Preliminary data subject to revision.
- (2) Includes domestic government bonds issued by the QCB on behalf of the Government, denominated in Qatari riyals and having three to ten-year maturity terms with semi-annual coupon rates of between 1.0% and 8.0% with some bonds carrying a variable rate.

- (3) These are bank loan facilities from the Qatar National Bank with variable terms, generally between one and nine years, with fixed coupon rates varying from 5.0% to 8.0% as decided by the QCB. This also includes one loan with the QCB at the rate of margin plus 2.25%.
- (4) These Qatar Islamic Bank facilities have fixed rates at 9.25% and between six and ten-year maturity terms.
- (5) This is a six-month renewable facility with Qatar International Islamic Bank.
- (6) This does not include the principal amount of the Trust Certificates offered hereby.

Source: Ministry of Economy and Finance

## External Indebtedness

As of 31 March 2012, the State's external indebtedness was QR87,873 million (U.S.\$24,141 million), which represented an increase of 25.1% from QR70,270 million (U.S.\$19,305 million) as of 31 March 2011. This increase was primarily due to the issuance of bonds in December 2011. As of 31 March 2012, external indebtedness from banks and financial institutions was QR28,177 million (U.S.\$7,741 million), which represented 32.1% of total external indebtedness, and indebtedness from medium and long-term bonds was QR59,696 million (U.S.\$16,400 million), which represented 67.9% of total external indebtedness.

The State's external indebtedness as of 31 March 2011 reflected an increase of 7.6% and 147.5% over the State's external indebtedness as of 31 March 2010 and 31 March 2009, respectively. The increase in external indebtedness as of 31 March 2011 compared to 31 March 2010 was mainly due to loans taken out by the State from commercial banks to provide the QIA with additional funds for foreign investment. As of 31 March 2011, the aggregate principal amount of the State's total outstanding bonds was QR41,496 million (U.S.\$11,400 million), which represented 59.1% of total external indebtedness, and the aggregate amount of external indebtedness from banks and financial institutions was QR28,774 million (U.S.\$7,905 million), which represented 40.9% of total external indebtedness.

All of the Government's direct external indebtedness is denominated in U.S. dollars with the exception of one bank loan facility denominated in euros. Historically, the Government's external indebtedness has been incurred to finance the budgetary requirements of previous fiscal years and to finance Qatar's infrastructure construction. More recently, the Government has accessed the international markets to refinance current indebtedness and obtain low cost financing for its infrastructure development program and other government purposes.

The following table sets forth a breakdown of the Government's direct external indebtedness by creditor type as of 31 March 2008 to 2012.

	As of 31 March,				
	2008	2009	2010	2011	2012
	<i>(in millions of U.S.\$)</i>				
Banks and financial institutions (all loans & bonds which are LIBOR +) . . .	919.1	5,398.5	6,545	7,904.5	7,741.0
Liabilities owed to suppliers . . . . .	—	—	—	—	—
9.50% bonds due 2009 <sup>(1)</sup> . . . . .	1,000.0	1,000.0	—	—	—
9.75% bonds due 2030 <sup>(2)</sup> . . . . .	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0
5.15% bonds due 2014 <sup>(3)</sup> . . . . .	—	—	2,000.0	2,000.0	2,000.0
6.55% bonds due 2019 <sup>(4)</sup> . . . . .	—	—	1,000.0	1,000.0	1,000.0
4.00% bonds due 2015 <sup>(5)</sup> . . . . .	—	—	3,500.0	3,500.0	3,500.0
5.25% bonds due 2020 <sup>(6)</sup> . . . . .	—	—	2,500.0	2,500.0	2,500.0
6.40% bonds due 2040 <sup>(7)</sup> . . . . .	—	—	1,000.0	1,000.0	1,000.0
3.125% bonds due 2017 <sup>(8)</sup> . . . . .	—	—	—	—	2,000.0
4.50% bonds due 2022 <sup>(9)</sup> . . . . .	—	—	—	—	2,000.0
5.750% bonds due 2042 <sup>(10)</sup> . . . . .	—	—	—	—	1,000.0
<b>Total external indebtedness<sup>(11)</sup></b>	<b><u>3,319.1</u></b>	<b><u>7,798.5</u></b>	<b><u>17,944.6</u></b>	<b><u>19,304.5</u></b>	<b><u>24,141.0</u></b>

Notes:

- (1) These bonds were issued in May 1999. The principal amount of these bonds was redeemed on 21 May 2009.
- (2) These bonds were issued in June 2000. The principal amount of these bonds is scheduled to be redeemed on 15 June 2030.
- (3) These bonds were issued in April 2009. The principal amount of these bonds is scheduled to be redeemed on 15 June 2014.
- (4) These bonds were issued in April 2009. The principal amount of these bonds is scheduled to be redeemed on 15 June 2019.



- (5) These bonds were issued in November 2009. The principal amount of these bonds is scheduled to be redeemed on 20 January 2015.
- (6) These bonds were issued in November 2009. The principal amount of these bonds is scheduled to be redeemed on 20 January 2020.
- (7) These bonds were issued in November 2009. The principal amount of these bonds is scheduled to be redeemed on 20 January 2040.
- (8) These bonds were issued in December 2011. The principal amount of these bonds is scheduled to be redeemed on 20 January 2017.
- (9) These bonds were issued in December 2011. The principal amount of these bonds is scheduled to be redeemed on 20 January 2022.
- (10) These bonds were issued in December 2011. The principal amount of these bonds is scheduled to be redeemed on 20 January 2042.
- (11) This does not include the principal amount of the Bonds offered hereby.

Source: Ministry of Economy and Finance.

The following table sets forth the Government's estimated projected obligations in respect of principal and annual payments of interest on the State's current outstanding direct external indebtedness for each of the five fiscal years ending 31 March 2017 (excluding payments on the Bonds offered hereby and assuming a LIBOR rate of 1%).

	Fiscal year ending 31 March,				
	2013	2014	2015	2016	2017
	<i>(in millions of U.S.\$)</i>				
Annual external indebtedness principal repayments .....	1,904.6	—	5,500.0	—	2,000.0
Annual external indebtedness interest repayments <sup>(1)</sup> .....	715.3	677.3	677.3	397.3	659.07
<b>Total external annual indebtedness repayments .....</b>	<b>2,619.9</b>	<b>677.3</b>	<b>6,177.3</b>	<b>397.3</b>	<b>2,659.07</b>

Notes:

- (1) Interest repayments are in U.S. dollars using a Euro/U.S. dollar conversion rate of €1.00:U.S.\$1.3273. Actual payments are valued at prevailing rates at that time.

Source: Ministry of Economy and Finance.

### **Qatar Petroleum Indebtedness and Other Indebtedness of State Owned Companies**

QP and its subsidiaries and joint venture companies have also incurred significant indebtedness to finance the development and expansion of Qatar's LNG projects, power projects and other industrial enterprises. As of 31 December 2011, QP and its subsidiaries and joint venture companies had total consolidated loans of QR81,306 million (U.S.\$22,337 million). Moreover, certain QP group entities have entered into long-term charter agreements for LNG vessels and other finance leases. As of 31 December 2011, the aggregate present value of the remaining lease payments was QR37,547 million (U.S.\$10,315 million). In past years, the Government has guaranteed certain obligations of QP and its subsidiaries and joint venture companies to facilitate the development of the country's hydrocarbon infrastructure. All of this guaranteed indebtedness has since been paid down and none of the debt facilities directly guaranteed by the Government currently remains outstanding. Even if the State does not guarantee debt of QP or its subsidiaries or joint ventures, the incurrence of debt by QP or its subsidiaries or joint ventures and the related debt service payments by QP or its subsidiaries or joint ventures may reduce the amount of investment income that the State receives from QP.

The Government has also guaranteed indebtedness of certain State-owned companies, such as Qatar Airways (approximately QR22,976 million (U.S.\$6,312 million) is available, of which QR13,599 million (U.S.\$3,736 million) has been guaranteed as of 31 March 2012) and Qatari Diar (QR 12,745,190 billion (U.S.\$3.5 billion) as of 31 March 2012), the proceeds of which were provided to Barwa. The State has also guaranteed the power purchase obligations of Kahramaa under the power purchase agreements Kahramaa has entered into with respect to certain electricity projects.

## BALANCE OF PAYMENTS

### General

Except for 2011, Qatar has maintained a surplus in its balance of payments since 1999. The deficit in 2011 was due to a deficit in the capital and financial account over the current account surplus. In nominal terms, Qatar's current account surpluses have more than doubled over the period from 2007 to 2011. The increase in the current account surpluses has been primarily due to the high prices obtained for oil and gas exports to East Asian economies which have received significant amounts of exports from Qatar. These strong exports have increased the current account surplus despite a significant increase in imports and in net outflows from services, official income and current transfers.

In 2011, the balance of payments was in deficit of QR52,218 (U.S.\$14,346 million), which was a decrease of QR96,611 million (U.S.\$26,541 million) when the balance of payments was QR44,393 million (U.S.\$12,196 million) in 2010 mainly due to a large outflow in the capital and financial account. The preliminary estimate of the current account in 2011 was QR88,994 million (U.S.\$24,449 million), reflecting a 2.8% increase from QR86,584 million (U.S.\$23,787 million) in 2010. The current account increase in 2011 was primarily attributable to the increase in the trade balance for commodities from QR196,061 million (U.S.\$53,863 million) in 2010 to QR192,920 million (U.S.\$53,000 million) in 2011, reflecting a decrease of 1.6%. This decrease in the trade balance for commodities was mainly due to an increase in imports despite an increase in value of crude oil and LNG exports due to higher oil and gas prices. The preliminary estimates of outflows from the current account was due to services, official income and current transfers in 2011 amounting to QR103,925 million (U.S.\$28,551 million), reflecting a 5.1% decrease from QR109,447 million (U.S.\$30,068 million) in 2010. The capital and financial account deficit increased from QR38,868 (U.S.\$10,678 million) in 2010 to QR145,985 (U.S.\$40,106 million) in 2011 as a result of increased international investment. These outflows from the current account reflect payments for engineering and other services provided by foreign contractors in respect of LNG projects and other industrial development; the repatriation of profits by foreign companies, such as contractors operating under production sharing agreements, and the joint venture partners of QP and its subsidiaries; the payment of interest on the public sector's external indebtedness; and remittances made by the high number of expatriate workers in Qatar.

The following table sets forth an overview of Qatar's balance of payments for each of the five years ended 31 December 2011.

	Year ended 31 December				
	2007	2008	2009	2010	2011 <sup>(1)</sup>
	<i>(in millions of QR)</i>				
Current account:					
Trade balance (commodities):					
Exports (including re-exports) .....	161,821	244,999	174,746	272,271	290,930
Imports (FOB) .....	(76,832)	(91,492)	(81,726)	(76,210)	(98,010)
<b>Total trade balance (commodities) .....</b>	<b>84,989</b>	<b>153,507</b>	<b>93,019</b>	<b>196,061</b>	<b>192,920</b>
Services .....	(14,074)	(13,819)	(14,255)	(21,000)	(34,482)
Income .....	(15,431)	(24,614)	(34,262)	(47,115)	(30,160)
Current transfers .....	(13,779)	(18,270)	(21,247)	(41,362)	(39,283)
<b>Total current account .....</b>	<b>41,706</b>	<b>96,804</b>	<b>23,255</b>	<b>86,584</b>	<b>88,994</b>
Capital and financial account .....	(24,779)	(87,308)	(2,197)	(38,868)	(145,985)
Errors and omissions .....	2,782	(7,873)	(4,806)	(3,323)	4,774
<b>Balance of payments surplus</b>	<b>14,145</b>	<b>1,623</b>	<b>30,258</b>	<b>44,393</b>	<b>(52,218)</b>

Notes:

(1) Preliminary estimates.

Source: Qatar Statistics Authority.

### Foreign Trade

Foreign trade plays an important role in Qatar's expanding economy and Qatar enjoys a favourable balance of trade due to its strong exports. Qatar's principal trading partners include Japan, South Korea, Singapore, the United States and EU countries, such as Spain and Germany. Qatar's

leading import trade partners in 2011 were the Asian countries, which accounted for 47.5% of Qatar's total imports. For many previous years, Japan was the main import and export trade partner of Qatar and remains an important trading partner to date.

Qatar's foreign trade has grown significantly in recent years due to ongoing and completed oil, gas, industrial and infrastructure related projects. Although the trade balance decreased slightly from QR196,061 million (U.S.\$53,863 million) in 2010 to QR192,920 million (U.S.\$53,000 million) in 2011, a decrease of 1.60%. In 2011, the export (including re-exports) and import of goods amounted to QR388,940 million (U.S.\$106,852 million), which constituted 61.58% of total nominal GDP. The current account surplus, which was 16.5% of total nominal GDP in 2010, reflects a strong export performance that balanced out the sizeable growth in imports and in net services and transfers.

The following table sets forth an overview of Qatar's trade balance for each of the four years ended 31 December 2010.

	Year ended 31 December			
	2007	2008	2009	2010
	<i>(in millions of QR)</i>			
Trade balance <sup>(1)</sup> :				
Hydrocarbon:				
Crude oil .....	69,820	93,769	57,314	73,642
LNG .....	38,801	66,792	51,047	87,929
Propane, butane .....	6,742	13,080	11,282	20,577
Condensates <sup>(2)</sup> .....	23,927	41,094	29,690	42,829
Refined petroleum products .....	5,934	6,773	5,896	20,348
<b>Total hydrocarbon</b> .....	<b>145,224</b>	<b>221,507</b>	<b>155,230</b>	<b>245,325</b>
Non-hydrocarbon:				
Petrochemicals .....	12,229	14,430	10,216	13,782
Others .....	4,368	9,062	9,300	13,164
<b>Total non-hydrocarbon</b> .....	<b>16,597</b>	<b>23,491</b>	<b>19,516</b>	<b>26,946</b>
<b>Total exports (including re-exports)</b> .....	<b>161,821</b>	<b>244,998</b>	<b>174,746</b>	<b>272,271</b>
Imports:				
<b>Total imports (FOB)</b> .....	<b>76,832</b>	<b>91,492</b>	<b>81,726</b>	<b>76,210</b>
<b>Total trade balance</b> .....	<b>84,989</b>	<b>153,506</b>	<b>93,020</b>	<b>196,061</b>

#### Notes:

(1) Trade balance data tends to be revised over time due to the collection and verification of data.

(2) Preliminary estimates.

Source: Qatar Statistics Authority.

## Exports

Between 2006 and 2010, the CAGR of Qatar's exports (excluding re-exports, as calculated by the QSA) was 21.9%, with total exports (excluding re-exports) recorded at QR264,954 million (U.S.\$72,790 million) in 2010, a 55.4% increase from 2009. However, in 2010, Qatar's exports (including re-exports) increased by 45.6% to QR272,271 million (U.S.\$ 74,800 million) from QR174,746 million (U.S.\$ 48,007 million) in 2009. While the majority of export earnings were generated by crude oil, which raised a total of QR73,642 million (U.S.\$ 20,231 million) in 2010, or 27% of total exports, LNG has become an increasingly important component of Qatar's exports. Even though exports of LNG declined by 23.6% in 2009, LNG exports raised a total of QR87,929 million (U.S.\$24,156 million) in 2010, representing 32.3% of total exports. The remainder of total export earnings was primarily generated from the sale of petrochemicals and fertilisers, along with smaller contributions from the sale of iron and steel.

Qatar's leading export trade partner in 2010, and for a number of years previously, was Japan, which accounted for 29.4% of Qatar's total exports. In 2010, 82.2% of Qatar's total exports went to Asian and Arab countries, with South Korea, India and Singapore as the three other main trading partners in Asia.

The following table sets forth the destination of exports (by country, excluding re-exports) from Qatar for each of the five years 31 December 2010.

	Year ended 31 December									
	2006		2007		2008		2009		2010	
	Value	%	Value	%	Value	%	Value	%	Value	%
<b>Japan</b>	<b>51,382.6</b>	<b>42.0</b>	<b>62,033.0</b>	<b>38.8</b>	<b>84,517.5</b>	<b>34.9</b>	<b>56,317.5</b>	<b>33.0</b>	<b>77,991.5</b>	<b>29.4</b>
South Korea .....	17,197.9	14.1	26,694.2	16.7	49,525.4	20.5	25,054.4	14.7	43,756.7	16.5
Singapore .....	11,679.8	9.5	17,267.4	10.8	26,728.4	11.1	12,146.2	7.1	20,780.0	7.8
Other .....	22,385.1	18.3	30,773.2	19.2	41,105.8	17.0	42,216.3	24.8	75,222.4	28.4
<b>Total</b> .....	<b>102,645.4</b>	<b>83.9</b>	<b>136,767.8</b>	<b>85.5</b>	<b>201,877.1</b>	<b>83.5</b>	<b>135,734.4</b>	<b>79.6</b>	<b>217,750.6</b>	<b>82.2</b>
<b>European countries:</b>										
UK .....	12.8	0.0	236.0	0.1	325.5	0.1	4,696.3	2.8	12,631.6	4.8
Belgium .....	338.7	0.3	2,179.1	1.4	5,260.0	2.2	4,791.7	2.8	4,819.8	1.8
Spain .....	3,041.9	2.5	3,406.3	2.1	5,020.8	2.1	5,271.8	3.1	11,722.0	4.4
Netherlands .....	725.2	0.6	464.9	0.3	188.6	0.1	249.0	0.1	1,799.5	0.7
Other .....	493.2	0.4	471.9	0.3	1,635.1	0.7	503.0	0.3	4,956.4	1.9
<b>Total</b> .....	<b>4,611.8</b>	<b>3.8</b>	<b>6,758.2</b>	<b>4.2</b>	<b>12,430.0</b>	<b>5.1</b>	<b>15,511.8</b>	<b>9.1</b>	<b>35,929.3</b>	<b>13.6</b>
<b>Oceania:</b>										
New Zealand .....	674.7	0.6	1,029.8	0.6	3,943.6	1.6	2,035.7	1.2	1,519.5	0.6
Australia .....	731.1	0.6	705.3	0.4	248.2	0.1	1,113.8	0.7	1,553.2	0.6
Other .....	0.2	0.0	0.1	0.0	—	—	143.2	0.1	144.4	0.1
<b>Total</b> .....	<b>1,406.0</b>	<b>1.1</b>	<b>1,735.2</b>	<b>1.1</b>	<b>4,191.8</b>	<b>1.7</b>	<b>3,292.7</b>	<b>1.9</b>	<b>3,217.1</b>	<b>1.2</b>
<b>Americas:</b>										
United States .....	492.3	0.4	993.0	0.6	268.9	0.1	1,285.9	0.8	2,702.5	1.0
Other .....	78.8	0.1	491.9	0.3	146.9	0.1	417.5	0.2	2,027.6	0.8
<b>Total</b> .....	<b>571.1</b>	<b>0.5</b>	<b>1,484.9</b>	<b>0.9</b>	<b>415.8</b>	<b>0.2</b>	<b>1,703.4</b>	<b>1.0</b>	<b>4,730.1</b>	<b>1.8</b>
<b>Africa and any other countries:</b>										
South Africa .....	485.4	0.4	441.4	0.3	205.5	0.1	589.8	0.3	759.4	0.3
Other .....	599.0	0.5	428.1	0.3	428.5	0.2	831.7	0.5	1,701.8	0.6
<b>Total</b> .....	<b>1,084.4</b>	<b>0.9</b>	<b>869.5</b>	<b>0.5</b>	<b>634.0</b>	<b>0.3</b>	<b>1,421.5</b>	<b>0.8</b>	<b>2,461.2</b>	<b>0.9</b>
<b>Not Stated Countries:</b> ...	<b>12,083.0</b>	<b>9.9</b>	<b>12,278.0</b>	<b>7.7</b>	<b>22,299.4</b>	<b>9.2</b>	<b>12,833.8</b>	<b>7.5</b>	<b>866.2</b>	<b>0.3</b>
<b>Total (net)</b> .....	<b>122,401.7</b>	<b>100.0</b>	<b>159,893.6</b>	<b>100.0</b>	<b>241,848.1</b>	<b>100.0</b>	<b>170,497.6</b>	<b>100.0</b>	<b>264,954.5</b>	<b>100.0</b>

Notes:

(1) Figures for 2011 exports by country of destination (excluding re-exports) were not available as of the date of this Prospectus.

(2) Including Arab countries.

Source: Qatar Statistics Authority.

## Imports

Between 2006 and 2010, total imports into Qatar increased by 41.4% as a result of improved economic conditions and Qatar's expansion of hydrocarbon production. However, in 2009 and 2010, Qatar's total imports have decreased due to decreased domestic demand for base metals and articles and vehicles and transport equipment. Qatar's imports (calculated by Cost, Insurance and Freight (CIF) decreased by 10.7% in 2009 to QR90,716 million (U.S.\$24,922 million) from QR101,556 million (U.S.\$27,900 million) in 2008. Imports decreased by 6.7% in 2010 to QR84,593 million (U.S.\$23,240 million) from QR90,716 (U.S.\$24,922 million) in 2009.

A large percentage of Qatar's imported items are machinery and metals required for the expansion of Qatar's hydrocarbon industry. Spending on non-oil construction materials for residential and infrastructure also increased. Imports of consumer durables were also high, reflecting the rise in personal wealth in Qatar.

Qatar's main import trade partner in 2010 was the United States, which accounted for QR9,981 million (U.S.\$2,742 million), or 11.8% of Qatar's total imports. The three other main sources of imports into Qatar were the People's Republic of China, which accounted for QR7,658 million

(U.S.\$2,104 million), or 9.0 % of Qatar's total imports, and Italy and Germany, which each accounted for QR5,498.7 million (U.S.\$1,511 million), and QR6,129.8 million (U.S.\$1,684 million) or 6.5% and 7.2% of Qatar's total imports, respectively.

The following table sets forth the composition of imports (by CIF) to Qatar for each of the five years ended 31 December 2010.

	Year ended 31 December							
	2007		2008		2009		2010	
	Value	%	Value	%	Value	%	Value	%
	<i>(in millions of QR)</i>							
Base metals and articles . . . . .	17,174.7	20.1	20,012.2	19.7	13,502.7	14.9	10,976.4	13.0
Machinery and mechanical appliances . . . . .	33,671.4	39.5	37,996.7	37.4	38,669.3	42.6	27,744.4	32.8
Vehicles, aircraft, vessels and associated transport equipment . . . . .	11,771.1	13.8	14,941.0	14.7	10,220.8	11.3	13,278.9	15.7
Other <sup>(1)</sup> . . . . .	22,666.3	26.6	28,606.4	28.2	28,323.2	31.2	32,593.4	38.5
<b>Total</b> . . . . .	<b>85,283.5</b>	<b>100.0</b>	<b>101,556.3</b>	<b>100.0</b>	<b>90,715.9</b>	<b>100.0</b>	<b>84,593.0</b>	<b>100.0</b>

Notes:

(1) Other includes live animals and animal products, vegetable products, prepared foodstuffs, beverages and tobacco, mineral products, products of chemical or allied industries, plastics and rubber, raw hides and skins, wood articles, wood pulp, textile and textile products, footwear, headgear, articles of stone, pearls, precious or semi-precious stones, precious metals, optical, photographic, cinematographic, measuring, checking, precision, medical and surgical instruments and apparatus, arms and ammunition and miscellaneous manufactured articles.

Source: Qatar Statistics Authority.

The following table sets forth the origin of imports (by country, CIF) to Qatar for each of the five years ended 31 December 2010.

Country	Year ended 31 December									
	2006		2007		2008		2009		2010	
	Value	%	Value	%	Value	%	Value	%	Value	%
	<i>(in millions of QR)</i>									
<b>Asian countries:</b>										
Japan . . . . .	7,182.8	12.0	8,596.8	10.1	9,785.1	9.6	6,602.8	7.3	6,373.2	7.5
People's Republic of China. . . . .	3,482.8	5.8	4,974.8	5.8	7,326.6	7.2	7,158.9	7.9	7,658.2	9.0
South Korea . . . . .	3,278.4	5.5	5,182.8	6.1	5,577.3	5.5	3,234.9	3.6	2,642.2	3.1
Other . . . . .	15,156.1	25.3	22,935.2	26.9	29,292.3	28.8	25,322.5	27.9	23,507.0	27.8
<b>Total</b> . . . . .	<b>29,100.19</b>	<b>48.6</b>	<b>41,689.2</b>	<b>48.9</b>	<b>51,981.3</b>	<b>51.2</b>	<b>42,319.2</b>	<b>46.7</b>	<b>40,180.5</b>	<b>47.5</b>
<b>European countries:</b>										
Germany . . . . .	5,581.0	9.3	6,637.4	7.8	8,535.7	8.4	6,829.2	7.5	6,129.8	7.2
Italy . . . . .	5,543.3	9.3	8,859.5	10.4	7,475.9	7.4	6,790.7	7.5	5,498.7	6.5
United Kingdom . . . . .	2,985.0	5.0	4,142.5	4.9	4,775.0	4.7	4,125.1	4.5	4,308.6	5.1
Other . . . . .	7,929.8	13.3	11,196.1	13.1	15,610.7	15.4	14,870.1	16.4	12,821.6	15.2
<b>Total</b> . . . . .	<b>22,039.1</b>	<b>36.9</b>	<b>30,835.5</b>	<b>36.1</b>	<b>36,397.4</b>	<b>35.8</b>	<b>32,615.1</b>	<b>36.0</b>	<b>28,758.7</b>	<b>34.0</b>
<b>Americas:</b>										
United States . . . . .	5,899.6	9.9	9,561.4	11.2	9,168.5	9.0	11,158.6	12.3	9,980.7	11.8
Other . . . . .	1,394.6	2.3	1,427.1	1.7	1,943.3	1.9	2,216.8	2.4	2,778.5	3.3
<b>Total</b> . . . . .	<b>7,294.1</b>	<b>12.2</b>	<b>11,988.5</b>	<b>12.9</b>	<b>11,111.9</b>	<b>10.9</b>	<b>13,375.4</b>	<b>14.7</b>	<b>12,759.2</b>	<b>15.1</b>
<b>Oceania:</b>										
Australia . . . . .	757.8	1.3	917.9	1.0	883.3	0.9	780.4	0.9	1,309.2	1.5
Other . . . . .	59.8	0.1	73.8	0.1	124.7	0.1	89.3	0.1	96.4	0.1
<b>Total</b> . . . . .	<b>817.5</b>	<b>1.4</b>	<b>991.7</b>	<b>1.2</b>	<b>1,008.0</b>	<b>1.0</b>	<b>869.7</b>	<b>1.0</b>	<b>1,405.6</b>	<b>1.7</b>
<b>Africa:</b>										
South Africa . . . . .	129.5	0.2	195.5	0.2	328.8	0.3	250.0	0.3	278.5	0.3
Other . . . . .	460.8	0.8	581.4	0.7	728.8	0.7	1,286.4	1.4	1,210.5	1.4
<b>Total</b> . . . . .	<b>590.3</b>	<b>1.0</b>	<b>776.9</b>	<b>0.9</b>	<b>1,057.6</b>	<b>1.0</b>	<b>1,536.5</b>	<b>1.7</b>	<b>1,489.0</b>	<b>1.8</b>
<b>Unstated Countries:</b>	<b>4.8</b>	<b>0.0</b>	<b>1.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0</b>
<b>Total (net)</b> . . . . .	<b>59,845.9</b>	<b>100.0</b>	<b>85,283.5</b>	<b>100.0</b>	<b>101,556</b>	<b>100.0</b>	<b>90,716</b>	<b>100.0</b>	<b>84,593</b>	<b>100.0</b>

Source: Qatar Statistics Authority.

## Tariffs and Customs

In accordance with the GCC Customs Union outlined in Law No. (40) of 2002, goods imported into Qatar are subject to a customs duty specified in the GCC unified customs tariff. Law No. (41) of 2002 implements the GCC unified customs tariff, which imposes a 5% tariff on the CIF invoice value of most imported products. The GCC unified customs tariff has allowed exemptions for approximately 400 goods, including certain basic food products. Tobacco and manufactured tobacco substitutes are subject to a customs duty of at least 100%.

Qatar is a member of the Greater Arab Free Trade Area (**GAFTA**) pursuant to which Qatar eliminated customs duties on certain products from GAFTA member states in 2005. GAFTA was established in February 1997 with the aim of fostering regional integration among Arab nations and currently has eighteen member states participating from the Arab League. To date, GAFTA has achieved full trade liberalisation of certain goods through the full exemption of customs duties and charges having equivalent effect among signatory countries. In addition, the Arab League has launched negotiations on services and investment liberalisation, as well as an initiative to upgrade GAFTA into a Customs Union by 2015.

## Capital and Financial Account

In 2011, Qatar's combined capital and financial account recorded a deficit of QR145,985 million (U.S.\$40,106 million) compared to the deficit of QR38,868 million (U.S.\$10,678 million) in 2010, which followed the surplus of QR2,197 million (U.S.\$604 million) in 2009. Qatar's capital and financial account balance reflects government reserves and foreign investments made by the QIA, which are incorporated in line with IMF recommendations.

Over the last five years, the QCB reserve has increased steadily except for the year 2011, while the financial account balance, which accounts for the government's spending on foreign assets, has fluctuated. The capital account balance increased by QR3,919 million (U.S.\$1,077 million) in 2011 to QR11,408 million (U.S.\$3,134 million) from QR7,489 million (U.S.\$2,057 million) in 2010, continuing a trend from 2007 to 2010.

The financial account balance has fluctuated from 2007 to 2011, with an outflow of QR134,577 million (U.S.\$36,972 million) in 2011 following an outflow of QR31,379 (U.S.\$8,621 million) in 2010 and an inflow of QR8,735 million (U.S.\$2,400 million) in 2009. The outflow recorded in 2011 reflected an increase in foreign investment after a decline in 2009 owing to the global financial crisis and the consequent recession. The outflows in the financial account recorded from 2007 to 2011 were consistent with the government spending on foreign assets made through the QIA except for the year 2009 where it reflects Qatar's 2009 bond offering proceeds added to its financial account.

The following table sets forth Qatar's capital and financial account balances as of each of the five years ended 31 December 2011.

	Year ended 31 December				
	2007	2008	2009	2010	2011
	<i>(in millions of QR)</i>				
Capital account balance .....	(4,118)	(4,949)	(6,538)	(7,489)	(11,408)
Financial account balance .....	(20,661)	(82,359)	8,735	(31,379)	(134,577)
<b>Capital and financial account balance .....</b>	<b>(24,779)</b>	<b>(87,308)</b>	<b>2,197</b>	<b>(38,868)</b>	<b>(145,985)</b>

Source: Qatar Central Bank.

## Trade Agreements

Qatar has been a contracting party to the GATT since April 1994, and has been an original member of the WTO since 1996. Qatar has not been involved in any dispute under the WTO Dispute Settlement Mechanism, either directly or as a third party. In 2001, Qatar hosted the Fourth Ministerial Conference of the WTO, where the Doha Development Agenda was launched. As a result of its participation in the GCC Customs Union, Qatar has applied the GCC unified customs tariff since January 2003. A free trade agreement between the GCC and Singapore was signed in December 2008. In 1998, the EU and member states of the GCC signed a cooperation agreement and negotiations for a free trade agreement have been ongoing for over 20 years. In March 2004, Qatar and the United States signed a trade and investment framework agreement.

## Foreign Investment

Qatar has taken steps to increase the attractiveness of foreign direct investment, including the enactment of Law No. (13) of 2000, as amended (the **Foreign Investment Law**), which permits up to 49% foreign participation in most sectors of Qatar's economy. In addition, foreign participation of up to 100% is permitted in certain sectors of the economy with the approval of the Minister of Business and Trade, including agriculture, health, education, tourism, development and exploitation of natural resources, energy and mining. The Foreign Investment Law also permits foreign investment in the banking and insurance sectors with the approval of the Council of Ministers. Non-Qatari nationals are permitted to own up to 25% of the share capital of companies listed on the Qatar Exchange (and more than 25% with the approval of the Council of Ministers).

The Foreign Investment Law also provides foreign investors with certain fiscal incentives such as an income tax exemption for up to ten years with Government approval and the ability to make transfers in respect of their investments freely in and out of Qatar. The Government is currently considering a proposal to open most sectors of the economy to foreign participation of up to 100%.

Foreign investment is not permitted in commercial agencies or generally in real estate. However, in 2004, Qatar passed legislation to permit foreigners to own residential property in designated areas, including the Pearl of the Gulf Island, the West Bay Lagoon project and the Al Khor Resort project. This legislation also permits GCC citizens to own property, and other foreigners to obtain usufruct rights for 99 years, in certain areas designated by the Council of Ministers.

In 2005, the QFC was created by the Government as an integral part of the development and diversification of Qatar's economy. The legal and regulatory environment of the QFC is based on international standards and is designed to enable global firms to operate seamlessly as onshore institutions in Qatar and in the region generally. See "*Monetary and Financial System—Qatar Financial Centre.*"

Under the Income Tax Law, tax is applied on non-Qatari companies' taxable income at a flat rate of 10% (except certain oil and gas companies that are taxed at a rate of at least 35% and in respect of income pursuant to certain agreements to which the Government or public bodies are a party on which tax will be levied at the rate set out in such agreements). There is, at present, no personal taxation in Qatar. Prior to the Income Tax Law there was a seven tier system of corporate taxes with the rates ranging from 0% to 35%, depending on the amount of revenue generated. The changes in the application and the level of corporate taxes had as one of its stated aims to encourage greater direct foreign investment into Qatar. This is part of a broad plan to diversify the Qatari economy to decrease reliance on oil and gas revenues, which accounted for approximately 51.7% of total nominal GDP in 2010 and approximately 57.8% of total nominal GDP for the six-month period ended 30 June 2011.

## Foreign Reserves

The following table sets forth the net foreign reserves held by the QCB (excluding certain assets contained in Qatar's foreign investment portfolio managed by the QIA) for each of the five years ended 31 December 2011.

	As of 31 December				
	2007	2008	2009	2010	2011
Foreign reserves .....	35,499.9	35,808.1	68,251.8	113,262.3	60,804.6

Note: Reflects total reserves before deducting foreign liabilities

Source: Qatar Central Bank.

The foreign reserves held by the QCB are held primarily in the form of bonds issued or guaranteed by other sovereigns with maturities of less than ten years, and are maintained at a level at least equal to 100% of the Qatari riyals issued by the QCB at any time. The QCB foreign reserves are held in diversified currencies and are not exposed to write-downs or downgrades in the value of any particular sovereign or currency.

## GENERAL DESCRIPTION OF THE LEASE ASSETS

### *Description of the Lease Assets*

The Lease Assets which are the subject of the Trust constituted for the Trust Certificates comprise an ownership interest in a portfolio of rights in Lease Assets, which are more particularly described below. The Lease Assets in respect of the Trust Certificates will be owned by the Trustee and will, represent obligations of the Lessee and Obligor in Qatar.

The Lease Assets comprise an area of land located in Doha, Qatar which is approximately 9,779,719 square metres in size. The Ministry of Economy and Finance has conducted an internal valuation of the land comprising the Lease Assets and has confirmed that such land is valued at U.S.\$4.0 billion. The area of underlying land which comprises the Lease Assets is located at the site of the existing Doha International Airport, which is situated in the centre of Doha. Pursuant to the Lease Agreement, the Issuer will register the lease at the Doha Land Registry on or around the date of this Prospectus. Pursuant to the Lease Agreement, Rental amounts received by the Trustee in respect of the Lease Assets will be used by the Trustee to pay the Periodic Distribution Amounts to Certificateholders. The composition of the Lease Assets may change over the life of the Trust Certificates, as such Lease Assets may be substituted for other lease assets of equal or greater value, pursuant to the terms of the Substitution Undertaking.

### *Ijara Sale and Lease Back of the Lease Assets*

Pursuant to the Sale and Purchase Agreement, the Issuer (as purchaser) will use the net proceeds received from the issue of the Trust Certificates to pay the purchase price payable under the Sale and Purchase Agreement for the transfer and sale by the State of all of its of its rights, title, interest, benefits and other entitlements in relation to the Lease Assets owned by the State. Accordingly, the purchase price of the Lease Assets is equal to the net proceeds received from the issue of Trust Certificates.

On the Issue Date, the Issuer will agree to lease, and the State will agree to take on lease, the Lease Assets for lease terms which will equal the tenor of the relevant Series of Trust Certificates. The State (as lessee) will make rental payments at regular intervals to the Issuer (as lessor). The amount of each rental payment will be equal to the Periodic Distribution Amount payable for the corresponding Periodic Distribution Period under the relevant Series of Trust Certificates which the Trustee will pay the Certificateholders on each Periodic Distribution Date.

### *Limited Recourse*

Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of the Lease Assets except pursuant to the Transaction Documents (which includes the Purchase Undertaking) and the Trustee, the Delegate and the Certificateholders shall have the right to enforce the obligations of the State to perform its obligations under the remaining Transaction Documents.

Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Trust Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished. Certificateholders should note that through, *inter alia*, the Purchase Undertaking, the Trustee and the Delegate will have recourse to the Obligor and the State and the ability of the Trustee to pay the amounts due in respect of the Trust Certificates will ultimately be dependent on the State.



## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).*

*A separate version of each of the following Transaction Documents (other than the Declaration of Trust, Declaration of Agency and the Sale and Purchase Agreement) will be entered into on the Closing Date in respect of each Series. References to the "Trust Certificates" and other terms defined in the Conditions are, therefore, to the 2018 Trust Certificates or the 2023 Trust Certificates and references to "Lease Assets" or "Trust Assets" are to the Lease Assets or Trust Assets in respect of the relevant Series.*

### **Sale and Purchase Agreement**

The Sale and Purchase Agreement will be entered into on the Closing Date between the Trustee (in its capacity as the Purchaser) and the State (in its capacity as the Seller) and will be governed by Qatari law.

Pursuant to the Sale and Purchase Agreement, the Purchaser/Trustee will purchase from the Seller all of the Seller's rights, title, interests, benefits and other entitlements in and to certain real property assets set out in schedule 1 (*Lease Assets*) to the Sale and Purchase Agreement, free and clear of any encumbrance. The proceeds received by the Trustee from the issuance and sale of the Trust Certificates will be used to pay the purchase price of those real property assets to the Seller.

### **Lease Agreement**

The Lease Agreement will be entered into on the Closing Date between the Trustee (in its capacity as the Lessor), the State (in its capacity as the Lessee) and the Delegate and will be governed by Qatari law.

Pursuant to the Lease Agreements, the Lessor has agreed to lease to the Lessee, and the Lessee has agreed to lease from the Lessor, the Lease Assets for renewable six months terms commencing and ending on the dates specified in the Lease Agreement. During the term of the Lease, the Lessee will pay to the Lessor rental payments as specified in the Lease Agreement. The rental payments due under the Lease Agreement will not be less than the Periodic Distribution Amounts payable on the Periodic Distribution Dates. The Lessee will be obligated to make such rental payments on each Periodic Distribution Date.

The Lessee shall, at its own cost and expense, be responsible for the performance of all ordinary maintenance and repair required for the Lease Assets.

The Lessor shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship or other relevant taxes; and (iii) insuring the Lease Assets and the Lessee acknowledges that the Lessor may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the major maintenance and structural repair, the payment of such taxes and any insurance of the Lease Assets, in each case, on behalf of the Lessor.

All payments by the Lessee to the Lessor under the Lease Agreement shall be paid in full without any set-off except as provided in the Servicing Agency Agreement or counterclaim of any kind and without any deduction or withholding for or on account of tax unless the deduction or withholding is imposed or levied by or on behalf of any relevant taxing authority, in which event the Lessee shall forthwith pay to the Lessor such additional amount so that the net amount received by the Lessor will equal the full amount which would have been received by it had no such deduction or withholding been made.

The Lessee has agreed to use the Lease Assets at its own risk. Under the Lease Agreement, the Lessee bears the entire risk of loss of or damage to the Lease Assets or any part thereof arising from the usage or operation thereof by the Lessee to the extent such losses or damages have resulted from the Lessee's negligence, default, breach of the Lease Agreement or other action or failure to action. In addition, the Lessor shall not be liable (and the Lessee will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee's use or operation of the Lease Assets.

The Lessee has agreed that each of the following events or circumstances shall constitute an SoQ Event under the Lease Agreement, the occurrence of which shall entitle the Lessor to terminate the Lease Agreement:

- i. *Non-Payment:* default is made by the Lessee in the payment of any Rental under the Lease Agreement, or default is made by the Purchaser in the payment of any Exercise Price under the Purchase Undertaking, as the case may be, and (in each case) the default continues for a period of at least thirty (30) days; or
- ii. *Breach of Other Obligations:* the Lessee does not perform or comply with any one or more of its other obligations under the Lease Agreement, the Guarantee or the Declaration of Trust, or the Purchaser does not perform or comply with any one or more of its other obligations under the Purchase Undertaking and (in each case) either such default is not capable of remedy or (if capable of remedy) is not remedied within sixty (60) days after written notice of such default shall have been given to the Lessee by the Delegate;
- iii. *Cross-Default:* (A) any other present or future Public External Indebtedness of the Lessee for, or in respect of, moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default (however described), or (B) any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds one hundred million U.S. dollars (US\$100,000,000) (or its equivalent in any other currency or currencies); or
- iv. *Moratorium:* the Lessee shall enter into an arrangement with its creditors generally for the rescheduling or postponement of its debts or a moratorium on the payment of any amount due in respect of all or any part of the External Indebtedness of the Lessee shall be declared; or
- v. *Unlawfulness or invalidity:* validity of the Lessee's obligations under any of the Transaction Documents is contested by the Lessee or the Lessee shall deny any of its obligations under the Transaction Documents or as a result of any change in, or amendment to, the laws or regulations in Qatar, which change or amendment takes place after 18 July 2012, (i) it becomes unlawful for the Lessee to perform or comply with any of its obligations under or in respect of the Transaction Documents or (ii) any of such obligations become unenforceable or invalid,

provided that (other than in the case of paragraphs (i) and (iii)) the Delegate shall have determined that in its opinion such event or circumstance is materially prejudicial to the interests of the Certificateholders.

The Certificateholders will also have the benefit of a negative pledge and certain other restrictive covenants given by the State in the Lease Agreement, the full details of which are set out in Condition 7 (*Negative Pledge and Covenants*) under "*Terms and Conditions of the Trust Certificates*" above.

### **Servicing Agency Agreement**

The Servicing Agency Agreement will be entered into on the Closing Date by the State (in its capacity as the Servicing Agent) and the Trustee (in its capacity as the Lessor). Pursuant to the Servicing Agency Agreement, the Lessor will appoint the Servicing Agent as its agent and the Servicing Agent will agree to act as the agent for the Lessor and to provide certain services in respect of the Lease Assets. The Servicing Agency Agreement will be governed by Qatari law.

Under the terms of the Servicing Agency Agreement, the Servicing Agent will be responsible for: (i) ensuring on behalf of the Lessor that the Lease Assets are properly insured; (ii) the performance of all major maintenance and structural repair; and (iii) the payment of any proprietorship or other relevant taxes charged, levied or claimed in respect of the Lease Assets.

An amount equal to the Supplementary Rental to be paid by the State (as the Lessee under the Lease Agreement) to the Lessor as, or as part of, any: (i) rental under the Lease Agreement; or (ii) Exercise Price under the Purchase Undertaking, shall be set off against the Services Charge Amount to be paid by the Lessor to the Servicing Agent under the Servicing Agency Agreement.

Upon the occurrence of a Total Loss Event, all insurance proceeds are required to be paid into the Transaction Account by no later than the thirtieth (30<sup>th</sup>) day after the occurrence of the Total Loss Event. The Servicing Agency Agreement provides that if the insurance proceeds paid into the Transaction Account are less than the Full Reinstatement Value, due to the Servicing Agent's failure to comply with the terms of the Servicing Agency Agreement, the Servicing Agent undertakes to pay any shortfall amount (being the difference between the Full Reinstatement Value and the amount credited to the Transaction Account (the Total Loss Shortfall Amount)) into the Transaction Account by no later than close of business in London on the thirty first (31<sup>st</sup>) day after the Total Loss Event occurred unless the Service Agent proves beyond reasonable doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Service Agency Agreement relating to insurance. Following the payment of such Total Loss Shortfall Amount, any insurance proceeds from any insurer shall be for the Servicing Agent's sole account.

### **Purchase Undertaking**

The Obligor will enter into the Purchase Undertaking on the Closing Date in favour of the Trustee and the Delegate, which will be governed by English law.

Under the terms of the Purchase Undertaking, the Obligor irrevocably undertakes to purchase, take, transfer, convey and deliver all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets on: (i) the Scheduled Dissolution Date of the Trust Certificates; or (ii) any earlier due date following the occurrence of a Dissolution Event in exchange for payment of the Exercise Price. The Exercise Price will be in relation to each Trust Certificate, the aggregate of: (i) the outstanding face amount of such Trust Certificate; (ii) any accrued but unpaid Periodic Distribution Amount in respect of such Trust Certificates to be redeemed; and (iii) any outstanding Services Charge Amount. An amount equal to the Supplementary Rental to be paid by the Obligor as part of any Exercise Price and any Services Charge Amount to be paid by the Trustee in accordance with the Servicing Agency Agreement which has not been paid by way of payment of rental under the Lease Agreement shall be set-off against one another.

In order to exercise these rights, the Delegate is required to deliver an Exercise Notice to the Obligor under the Purchase Undertaking.

Simultaneously with the payment of the Exercise Price in accordance with the Purchase Undertaking, the parties will enter into a sale agreement to effect the sale by the Trustee to the Obligor of all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets. Such sale agreement will be governed by Qatari law.

### **Redemption Undertaking**

The Trustee will enter into the Redemption Undertaking on the Closing Date in favour of the Obligor, which will be governed by English law.

Under the terms of the Redemption Undertaking, the Obligor may, in the event of cancellation of all of the Trust Certificates by the Obligor in accordance with the Declaration of Trust, exercise its rights under the Redemption Undertaking to require the Trustee to transfer and convey all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets. One year from the Closing Date, the Obligor may exercise its Optional Dissolution Right and require the Trustee to transfer and convey all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets in exchange for the Optional Dissolution Exercise Price.

Simultaneously with the cancellation of all the Trust Certificates or payment of the Optional Dissolution Exercise Price (as the case may be), the parties will enter into a sale agreement to effect the sale or transfer by the Trustee to the Obligor of all of the Trustee's rights, title, interests, benefits and other entitlements in and to the Lease Assets. Such sale agreement will be governed by Qatari law.

## Substitution Undertaking

The Trustee will enter into the Substitution Undertaking on the Closing Date in favour of the Obligor, which will be governed by English law.

Pursuant to the Substitution Undertaking, the Trustee has granted to the Obligor the right to require the Trustee to sell certain of the Lease Assets (the **Substituted Assets**) in exchange for new assets (the **new assets**) of a value which is equal to or greater than the value of the Substituted Assets. The substitution of Lease Assets will become effective on the Substitution Date (as specified in the substitution notice to be delivered by the Obligor in accordance with the Substitution Undertaking) by the Obligor and the Trustee entering into a sale agreement in the form attached as a schedule to the Substitution Undertaking which sale agreement will (i) effect the transfer of ownership in the Substituted Assets from the Trustee to the Obligor and (ii) effect the transfer of ownership in the New Assets from the Obligor to the Trustee and will be governed by Qatari law.

## The Declaration of Trust

The Declaration of Trust will be entered into on the Closing Date between the State, the Trustee and the Delegate and will be governed by English law.

The “**Trust**” is the Trust created by the Issuer under the Declaration of Trust.

The “**Trust Assets**” means, in respect of each Series:

- (a) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the Lease Assets relating to that Series;
- (b) all of the Trustee’s rights, title, interests, benefits and other entitlements, present and future, in, to and under the relevant Transaction Documents of that Series (excluding: (i) any representations given to the Trustee by the State pursuant to any of the relevant Transaction Documents; and (ii) the covenant given to the Trustee pursuant to Condition 7.1 (*Negative Pledge*));
- (c) all monies standing to the credit of the Transaction Account;
- (d) any security created in favour of the Trustee pursuant to Condition 7.1 (*Negative Pledge*); and
- (e) all proceeds of the foregoing.

The Declaration of Trust specifies that, on or after the relevant Dissolution Date of a Series of Trust Certificates, the rights of recourse in respect of Trust Certificates shall be limited to the amounts from time to time available and comprising the relevant Trust Assets of that Series, subject to the priority of payments set out in the Conditions. The Certificateholders have no claim or recourse against the Trustee in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished. Following the distribution of the Trust Assets to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly the Certificateholders may not take any action against the Trustee or any other person to recover any such sum, in respect of the Trust Certificates or the Trust Assets.

The Trustee shall not be bound in any circumstances to take any action to enforce or to realise such Trust Assets or take any action against the Obligor under any Transaction Documents to which the Obligor is a party unless directed or requested to do so by the Certificateholders in accordance with the Conditions, and then only to the extent indemnified to its satisfaction.

No Certificateholder shall be entitled to proceed directly against the Obligor unless: (i) the Trustee, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Obligor) holds at least 25 per cent. of the aggregate face amount of the Trust Certificates then outstanding.

The foregoing is subject to the following: after enforcing or realising such Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from Trust Assets*) the obligations of the Trustee in respect of such Trust Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Trust Certificates and the right to receive any such sums unpaid shall be extinguished. Under no circumstances shall the Trustee or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking or any Sale Agreement, and the Trustee and the Certificateholders shall have the right to be to enforce the obligations of the Obligor to pay the Dissolution Amount and any other amounts due under the Transaction Documents and the obligations of the State under the Guarantee.

Certificateholders, by subscribing for or acquiring Trust Certificates, acknowledge that no recourse may be had for the payment of any amount owing in respect of any Trust Certificates against the Trustee or the Delegate, in any circumstances whatsoever, or the relevant Trust to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee or the Delegate and the relevant Trust shall be extinguished. Certificateholders should note that through, *inter alia*, the Purchase Undertaking, the Trustee and the Delegate will have recourse to the Obligor and the State and the ability of the Trustee to pay the amounts due in respect of the Trust Certificates will ultimately be dependent on the State.

Following the distribution of the Trust Assets to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the Certificateholders have no claim or recourse against the Trustee or any other person (including the State) in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Declaration of Trust, the Trustee will (*inter alia*):

- (f) hold the Trust Assets on trust absolutely for the Certificateholders *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (g) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name and on its behalf to execute, deliver and perfect all documents and to exercise certain present and future duties, powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) vested in the Trustee by the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to perform the present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

### **Declaration of Agency**

On the Closing Date, the Issuer will enter into the Declaration of Agency which will be governed by Qatari law and its entry into this arrangement will be expressly acknowledged by the State. Pursuant to the Declaration of Agency, the Issuer will define its obligations to Certificateholders as agent acting on their behalf in a manner that is recognised under the laws of Qatar. The Declaration of Agency will require the Issuer, as Sukuk Agent, to enter into the relevant Transaction Documents, to hold the Lease Assets, and to confirm and ratify the appointment of the Delegate.

### **Guarantee**

The Guarantee will be entered into on the Closing Date by the State in favour of SoQ Sukuk A Q.S.C. (as Issuer and as Trustee for the Certificateholders) and the Delegate and will be governed by English law.

Subject to the terms and conditions of the Guarantee, the Guarantor shall unconditionally and irrevocably guarantee to the Delegate and the Trustee, for the benefit of the Certificateholders, the punctual performance by the Obligor of the Obligor's obligations (including payment obligations) under each Purchase Undertaking and each Redemption Undertaking and the Obligor's payment obligations only under each Substitution Undertaking (the **Guaranteed Obligations**).

The Guarantor will undertake that whenever the Obligor does not pay any amount when due under or in connection with any of the Purchase Undertakings, the Substitution Undertakings and the Redemption Undertakings, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor and acknowledges and agrees that it is jointly and severally liable for the Guaranteed Obligations. If any Guaranteed Obligation is or becomes unenforceable, invalid or illegal, the Guarantor (as an independent and primary obligation) agrees it will indemnify the Issuer, the Trustee and the Delegate immediately on demand against any cost, loss or liability that the Issuer, Trustee and/or the Delegate (as the case may be) incurs as a result thereof (subject to such indemnity not exceeding the amount the Guarantor would have had to pay if the amount claimed had been recoverable on the basis of a guarantee).

The Guarantee will be a continuing guarantee and will extend to the ultimate balance of the Guaranteed Obligations and will not be discharged except by payment in full of the Guaranteed Obligations and will be additional to, and will not in any way prejudiced by, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise. The obligations of the Guarantor under the Guarantee will constitute direct, general, unconditional, unsubordinated and, subject to the negative pledge undertaking described Condition 7.1 (*Negative Pledge*) of the Conditions and contained in Clause 7.1 of the Guarantee, unsecured obligations of the Guarantor.

Until all Guaranteed Obligations have been discharged or satisfied in full, the Guarantor will be subject to a negative pledge covenant as described in Condition 7.1 (*Negative Pledge*) of the Conditions.

## TAXATION

*The following is a general description of certain tax considerations relating to the Trust Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates. Prospective purchasers of any Trust Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of the Trust Certificates and receiving payments under those Trust Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### Qatar

This general description of taxation in Qatar is based upon (a) Law No. 21 of the Year 2009 (the **Qatar tax law**), and (b) Resolution of the Minister of Economy and Finance No. 10 of 2011 issuing the Implementing Regulations for the Qatar Tax Law (the **Implementing Regulations**). This general description is subject to any subsequent change in Qatar tax law, regulations and practice that may come into force after such date.

Under the Qatar tax law, tax is imposed on income derived from a source in Qatar. Income derived from a source in Qatar includes gross income arising from an activity carried on in Qatar, contracts wholly or partially performed in Qatar and real estate situated in Qatar (including the sale of shares in companies or partnerships, the assets of which consist mainly of real estate situated in Qatar). The gross income of Qatari natural persons and citizens of member states in the Gulf Cooperation Council (the GCC), including their shares in the profits of legal entities, is exempt from Qatar tax as is the capital gains on the disposal of real estate and securities derived by natural persons provided that the real estate and securities so disposed of do not form part of the assets of a taxable activity. Natural or legal persons deemed subject to income tax in Qatar will pay tax at the standard rate of 10 per cent. (except for activities under “Petroleum Operation” in article 11.1 (a) which is subject to 35% tax) on the net taxable income.

A withholding tax applies to certain payments made to “non-residents” (as defined in the Qatar tax law) in respect of activities not connected with a permanent establishment in Qatar. The Qatar tax law specifies a withholding tax rate of 7 per cent. on payments of interest. Pursuant to the Implementing regulations, payments of interests on notes and bonds issued by the State or companies wholly or partially owned by the State of Qatar shall be exempted from withholding tax but it is not clear whether this will also apply to payments to Certificateholders. In any case, payments to Certificateholders have been exempted from withholding tax by the Emiri Decree No. 3 of 2012.

There is no stamp duty, capital gains tax or sales tax applicable in Qatar (however, unless specifically exempt under the Qatar tax law, gains of a capital nature are treated as income and taxed at the same rate as income).

There are no provisions in the Qatar tax law that specify the tax treatment in respect of payments made pursuant to Shari’a compliant transactions or deal with the tax status of the entities involved in such transactions. Therefore, there is some uncertainty in the application of the Qatar tax law as to (i) the tax status of the Issuer (who owns assets located in Qatar), (ii) the taxation of the payments received by the Issuer, (iii) the taxation of the payments under the Trust Certificates to Certificateholders (who have a beneficial interest in assets located in Qatar), and (iv) the taxation of any gains derived from a sale or exchange of Trust Certificates.

### EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), EU Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income, which may include Periodic Distribution Amounts) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

Barwa Bank (Q.S.C.), Deutsche Bank AG, London Branch, HSBC Bank plc, QInvest L.L.C. and Standard Chartered Bank, (the **Joint Lead Managers**) and Masraf Al Rayan Q.S.C., NCB Capital Company, Qatar International Islamic Bank (Q.S.C.) and Samba Financial Group (the **Co-Managers**, together with the Joint Lead Managers, the **Managers**) have entered into a Subscription Agreement (the **Subscription Agreement**) with the Issuer and the State dated 16 July with respect to the Trust Certificates. Subject to certain conditions, each Joint Lead Manager and Masraf Al Rayan Q.S.C., NCB Capital Company and Qatar International Islamic Bank (Q.S.C) have jointly and severally agreed to subscribe for the Trust Certificates.

The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Trust Certificates in certain circumstances prior to payment to the Issuer. The Issuer and the State have given certain representations and warranties to the Managers in the Subscription Agreement, and the Issuer and the State have agreed to indemnify the Managers on a joint and several basis against certain liabilities in connection with the offer and sale of the Trust Certificates.

### Other Relationships

Certain of the Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Obligor and/or the State and their respective affiliates or departments. Such Managers have received, and expect to receive, customary fees and commissions for any such transactions.

### Selling Restrictions

#### United States

The Trust Certificates have not been and will not be registered under the Securities Act nor any state securities law and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Manager has represented, warranted and agreed that it has not offered or sold and that it will not offer or sell, any Trust Certificates constituting part of its allotment within the United States. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to any Trust Certificates. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Trust Certificates, an offer or sale of Trust Certificates within the United States by any Manager (whether or not participating in the offering of the Trust Certificates) may violate the registration requirements of the Securities Act.

#### United Kingdom

Each Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the State; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the United Kingdom.

#### Kingdom of Bahrain

Each Manager has represented, warranted and agreed that it has not offered and will not offer any Trust Certificates to the Public (as defined in Articles 142-146 of the Commercial Companies Law (decree Law No. 21/2001) of Kingdom of Bahrain) in the Kingdom of Bahrain.



## Dubai International Financial Centre

Each Manager has represented, warranted and agreed that it has not offered and will not offer the Trust Certificates to any person in the DIFC unless such offer is an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the DFSA Rulebook issued by the Dubai Financial Services Authority (the **DFSA**) Rulebook. This document is not to be relied upon by, or distributed to, any person who is a Retail Client for purposes of Rule 2.3.5 of the Conduct of Business (COB) Module of the DFSA Rulebook.

## Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates other than: (i) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## Japan

The Trust Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended; the **FIEA**). Each Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell any Trust Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Malaysia

Each Manager has represented and agreed that;

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia; and
- (b) accordingly, the Trust Certificates have not been and will not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under (i) Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) and (ii) Schedule 8 (or Section 257(3) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Trust Certificates as aforesaid without the necessary approvals being in place.

## **Qatar (excluding the Qatar Financial Centre)**

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Trust Certificates in the State of Qatar, except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Prospectus has not been reviewed or approved beforehand by the Qatar Central Bank or the Qatar Financial Markets Authority and is only intended for specific recipients in compliance with the foregoing.

## **Qatar Financial Centre**

This document has not been, and will not be, registered with or approved by the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the Qatar Financial Centre. This document is intended for the original recipient only and must not be provided to any other person. It is not for general circulation in the Qatar Financial Centre and may not be reproduced or used for any other purpose.

## **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia (**Saudi Arabia**) that would permit a public offering of the Trust Certificates in Saudi Arabia. The Trust Certificates will only be initially offered and sold in Saudi Arabia through the Managers in accordance with the Offers of Securities Regulations as issued by the board of the Capital Market Authority pursuant to resolution number 2-11-2004 dated October 4, 2004 as amended by resolution number 1-28-2008, as amended (the **CMA Regulations**). The Trust Certificates will be offered in Saudi Arabia to Sophisticated Investors (as defined in the CMA Regulations) in accordance with Articles 9(a)(2) and 10 of the CMA Regulations with each such offeree paying an amount not less than Saudi Riyals 1,000,000 or an equivalent amount in another currency. Each Manager has represented and agreed that the offer of the Trust Certificates will only be directed at Sophisticated Investors.

Investors are informed that Article 17 of the CMA Regulations place restrictions on secondary market activity with respect to the Trust Certificates which are summarised as follows:

- (a) any transfer must be made through an entity licensed by the Capital Market Authority;
- (b) a person (the **transferor**) who has acquired Trust Certificates may not offer or sell such Trust Certificates or part thereof to any person (referred to as a **transferee**) unless (i) the price to be paid by the transferee for such Trust Certificates equals or exceeds Saudi Riyals 1,000,000; or (ii) the transferee is a sophisticated investor (as defined under the CMA Regulations);
- (c) if the provisions of paragraph (b) cannot be fulfilled because the price of the Trust Certificates being offered or sold to the transferee has declined since the date of the original limited offer, the transferor may offer or sell the Trust Certificates to the transferee if their purchase price during the period of the original offer was equal to or exceeded Saudi Riyals 1,000,000;
- (d) if the provisions of (b) and (c) cannot be fulfilled, the transferor may offer or sell the Trust Certificates if he/she sells his entire holding of the Trust Certificates to one transferee; and
- (e) the provisions of paragraphs (b), (c) and (d) shall apply to all subsequent transferees of the Trust Certificates.

## **Singapore**

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, each Manager has represented and agreed that it has not offered or sold and that it will not offer or sell any Trust Certificates or cause such Trust Certificates to be made the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Trust Certificates, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor pursuant to Section 274 of the SFA;

- (b) to a relevant person, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Manager has represented and agreed that the Trust Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **General**

Each Manager has represented, warranted and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers any Trust Certificates or possesses or distributes the Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the State, the Trustee, the Delegate and any other Manager shall have any responsibility therefor.

None of the Issuer, the State, the Trustee, the Delegate and any of the Managers represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Prospectus or any Trust Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of Trust Certificates.

## GENERAL INFORMATION

### Authorisation

The issue of Trust Certificates has been duly authorised by a resolution of the Board of Directors of the Issuer dated 11 July 2012. The Issuer has obtained all necessary consents, approvals and authorisations in Qatar in connection with the issue and performance of Trust Certificates and the execution and performance of the Transaction Documents. The entry into the Transaction Documents has been duly authorised by a resolution of the Board of Directors of the Issuer on 11 July 2012.

The issue of the Guarantee by the State was authorised by Emiri Decree No. 3 of 2012.

The Trustee and the Obligor have obtained all necessary consents, approvals and authorisations in Qatar in connection with the issue and performance of the Transaction Documents. The entry into the Transaction Documents has been duly authorised by a resolution of the Board of Directors of the Obligor on 11 July 2012.

### Listing

Application has been made to the UK Listing Authority for the Trust Certificates to be admitted to the Official List and to the London Stock Exchange for such Trust Certificates to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Trust Certificates is expected to be granted on or before 20 July 2012. The costs associated with the listing of the Trust Certificates are approximately £4,200.

### Documents Available

For so long as any Trust Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available, during usual business hours on any weekday (Fridays, Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Issuer and the Paying Agent in London:

- (a) the Transaction Documents including the Declaration of Trust, the Declaration of Agency, the Agency Agreement, the Sale and Purchase Agreement, the Lease Agreements, Servicing Agency Agreements, Purchase Undertakings, Redemption Undertakings, Substitution Undertakings and the Guarantee;
- (b) the Memorandum and Articles of Association of the Issuer and the Obligor;
- (c) the budget of the State for the current fiscal year (as set out on page 99); and
- (d) this Prospectus.

The Prospectus will be published on the website of the National Storage Mechanism operated by the Morningstar at <http://www.morningstar.co.uk/uk/NSM>.

### Clearing Systems

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the 2018 Trust Certificates is XS0801656256. The Common Code for the 2018 Trust Certificates is 080165625. The ISIN for the 2023 Trust Certificates is XS0801656330. The Common Code for the 2023 Trust Certificates is 080165633.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Significant or Material Change

Since 4 July 2012, (which is the date of the Issuer's incorporation), there has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer.

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the State since 31 December 2011.

## **Litigation**

Neither the Issuer nor the Obligor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Obligor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Obligor.

The State is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the State is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the State.

## **Auditors**

The first financial year of the Issuer will end on 31 December 2012. The Issuer has no subsidiaries. The Issuer is not required by Qatari law, and does not intend, to publish audited financial statements or appoint any auditors. The first financial year of the Obligor will end on 31 December 2012. The Obligor has no subsidiaries. The Obligor is not required by Qatari law, and does not intend, to publish audited financial statements or appoint any auditors. The State does not publish audited financial accounts.

## **Shari'a Advisory Board**

The transaction structure relating to Trust Certificates to be issued (as described in this Prospectus) has been approved by HSBC Amanah Central Shariah Committee, Standard Chartered Bank Shariah Supervisory Committee, QInvest Sharia'a Supervisory Board, Deutsche Bank AG Shari'a Advisor and Barwa Bank's Shariah Board. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in Trust Certificates and should consult their own Sharia advisers as to whether the proposed transaction described in the approval referred to above is in compliance with Sharia principles.

## **Managers transacting with the State**

Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the State (and its affiliates) in the ordinary course of business.

**ISSUER AND TRUSTEE**

**SoQ Sukuk A Q.S.C.**

P.O. Box 83  
Doha  
Qatar

**OBLIGOR**

**SoQ Sukuk B Q.S.C.**

P.O. Box 83  
Doha  
Qatar

**GUARANTOR AND LESSEE**

**The State of Qatar**

Ministry of Finance  
P.O. Box 83  
Doha  
Qatar

**JOINT LEAD MANAGERS**

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