STANDARD & POOR'S

CREDIT RESEARCH REPORT

Credit Ratings

Foreign currency
A+/Stable/—

Primary Credit Analysts: Luc Marchand
London
(44) 20-7176-7111
luc_marchand@standardandpoors.com

Secondary Credit Analyst:
Farouk Soussa
PhD.
London
(44) 20-7176-7104
farouk_soussa@standardandpoors.com

Additional Contact: Sovereign Ratings
SovereignLondon@standardandpoors.com

RatingsDirect
Publication Date

Oct. 21, 2005

Qatar Petroleum

Major Rating Factors

Strengths:

- Strong implicit and explicit sovereign support.
- Key role in the government of Qatar's development plans.
- Very strong financial position, including substantial profits and high liquidity.
- Good business prospects.

Weaknesses:

- Relatively high debt burden.
- High sensitivity of revenues to oil prices.

Rationale

The 'A+' long-term foreign currency issuer credit rating on Qatar Petroleum (QP), Qatar's national oil and gas company, reflects the ratings on the State of Qatar (A+/Stable/A-1), its sole shareholder. The long-term foreign currency ratings on the two entities are equalized, in view of QP's close links with the government and its strategic importance to the national economy.

The rating on QP reflects its key role in the government of Qatar's development plans. In addition, the government has placed key ministers at the top of the QP management. QP is the most important contributor to Qatar's economy and state budget, with oil and gas revenues, mostly raised from QP, comprising 62% of total general government revenues for fiscal year 2004/2005 (ended March 31, 2005). One of the main strategic development targets of the government is to expand the oil, gas, and petrochemical sectors that are QP's main areas of production and exports. Furthermore, QP has a cash-call account with the Ministry of Finance and its balance can go either way, thereby shifting liquidity from one entity to the other. Nevertheless, QP has its own accounts, which are separate from the state budget and are audited and published.

With the large and increasing share of crude oil and natural gas exports, and with the prices of natural gas products being linked to those of oil, QP's overall revenues are highly sensitive to oil price fluctuations. Sales revenues increased in 2004 by 38%, after 25% expansion in 2003 and stagnation in 2002. Reflecting this pick-up in sales, and despite a 13% increase in operational expenses, 2004 EBITDA increased by 39% from its 2003 level. In addition, due to a more favorable interest rate environment, interest payment expenditures declined by 9.6% in 2004, so that EBITDA interest coverage increased to 75.5x, from 49.3x in 2003. Nevertheless, due to significant borrowing expected in 2005-2010 to increase capacities in the production of oil, gas, and gas-related products, leverage will rise, therefore hiking interest payments, with the interest coverage ratio projected to fall back to about 56x in 2006.

Over the past few years, QP and its subsidiaries and joint ventures have incurred significant debt to finance the development and expansion of liquefied natural gas (LNG) and other projects. Recently, however, QP slightly decreased its consolidated debt (including its pro-rata shares in various subsidiaries and joint ventures) to $5.0 billion at year-end 2004, from $5.4 billion at year-end 2003. Due to expansion projects, debt is expected to increase, however, to $8.4 billion in 2005 and to $11.4 billion in 2006. QP's cash increased to about $4.0 billion at year-end 2004, from the $3.4 billion posted at year-end 2003. Reflecting these changes in debt and cash, QP's net debt-to-capital ratio eased back to about 16.5% and 7.8% respectively in 2003 and 2004, after an increase to 14.9% in 2002. Assuming the same capital in 2005 and 2006, net debt-to-capital ratio would increase to 32% in 2005 and 40% in 2006.

Standard & Poor's Ratings Services believes that the increase leverage and interest payments for QP will not have a material impact on its ability to repay. First, net income would remain substantially in surplus even if oil prices were to fall by about 40%. Second, most of the new debt will be nonrecourse, and the debt service (interest and amortization) will cease to be paid after the completion of the corresponding construction projects.

Outlook

The stable outlook on QP mirrors that on the State of Qatar. For the foreseeable future, no changes are expected in the policy and institutional framework that would weaken the company's significant role in the government's development plans, or its crucial importance for both the budget and the economy.

Business Profile

QP was created in 1974 to manage Qatar's hydrocarbon industry, following the nationalization of foreign interests. The company's strategic objectives include exploring additional crude oil reserves, increasing crude oil production, and optimizing the development of the North Field gas reserves. It also aims to maximize the use of such reserves through the development and expansion of various industrial projects that use natural gas as feedstock or fuel. Latest reservoir studies have led to an upward revision of both oil and natural gas reserves in the North Field. The production lifespan of oil has been extended to almost 96 years, whereas natural gas reserves are expected to last for more than 200 years, even if the ambitious production plan materializes. Gas reserves of 906 trillion cubic feet (tcf) place Qatar third in the world in terms of this resource, behind The Russian Federation (foreign currency BBB-/Stable/A-3; local currency BBB/Stable/A-3) with 1,694 tcf, and

Iran with 971 tcf. To develop these natural resources, QP has set up various subsidiaries and joint ventures with major international oil and gas companies.

In addition, the company is involved in a number of other projects that are at various stages of development, including projects related to the development of the North Field, the production of natural gas liquids (NGLs) and petrochemicals, the construction and operation of a condensate refinery, and the development of a power plant. The aggressive capital investment started in the late 1980s is already beginning to bear fruit in terms of sales and revenues. With economies of scale and production rising, in addition to the current high oil prices, QP's profitability has significantly increased.

State Support

Explicit strategic role

The rating on QP reflects the clearly defined and strategic role assigned to it by the government of Qatar, namely to optimize the use of national resources. QP is responsible for all phases in the crude oil and gas industry, including exploration and drilling for oil, natural gas, and other hydrocarbon substances. The company is also required to produce, refine, transport, and store these substances and any of their derivatives and byproducts such as petrochemicals and LNG. Furthermore, it is responsible for the trading in, distribution, sale, and export of these substances.

Further sovereign support

QP's 100% ownership by the state ensures strong implicit sovereign support. In addition, the government has placed key ministers at the top of the management. For instance, the managing director and chairman of QP's board of directors is the second Deputy Prime Minister and the Minister of Energy and Industry, while the vice-chairman is the Finance Minister, highlighting the company's close links with the government. QP is the most important contributor to Qatar's economy and state budget, with oil and gas revenues, mostly raised from QP, comprising about 62% of total general government revenues for fiscal 2005. These take the form of royalties and income tax on exports, and transfers of net income after allocations to reserves. Royalties are assessed on the invoice value of exports at a rate of 20.0% on crude and refined oil products, and 12.5% on gas products, whereas taxes on net income are levied at a rate of 85.0% on crude oil exports and 50.0% on gas exports.

QP has a cash-call account with the Ministry of Finance and its balance can go either way, thereby shifting liquidity from one entity to the other. Nevertheless, QP has its own accounts, which are separate from the state budget and are audited and published. This has improved the transparency of its operations not only compared with other national oil companies in the region, but also compared with a few years ago, when its accounts were subsumed within the government budget and it did not publish its own financial data. The company's expenses used to flow through the national budget, with transfers made by the government to finance the company's capital, operational, and investment outlays. To increase its operational transparency, since July 2002, all of QP's tenders have been posted on its Web site.

Strategic position in economy

The company also occupies a strategic position in the economy (see full analysis on the State of Qatar, published on Sept. 30, 2005, on RatingsDirect, Standard & Poor's Web-based credit analysis system). The oil and gas sector accounted for about 60% of GDP in 2004, while manufacturing, the bulk of which is related to oil and gas downstream operations, accounted for about 10%. QP's total contribution to economic activity well exceeds 50% of GDP. Furthermore, the company and its foreign partners account for almost all of Qatar's exports. Standard & Poor's expects the contribution of QP to the state budget and the economy as a whole to increase, as the company's various export-oriented projects, notably related to LNG and NGLs, expand over the next two-to-three years.

Financial Profile

Revenues increase sharply, but fixed expenditure increases also expected

QP's consolidated accounts for 2004 indicate a sharp increase in sales revenues by 38%, after 25% expansion in 2003 stagnation in 2002 (see table 1). Sales revenues are highly sensitive to crude oil prices, both because of the large share of revenues from crude oil exports, and because the prices of NGL and LNG, whose revenue shares are increasing, are linked by formulas to the price of crude oil. In 2004, sales revenues from crude oil and refined petroleum products accounted for 53.0% of the total; NGLs and condensates for 16.9%; LNG for 18.1%; petrochemicals and fertilizers for 8.3%; and other products and services for 3.7%.

Table 1

Qatar Petroleum Sales, 1999-2002

	2004			2003			2002		
	(Mil. $)	(% share)	(% change)	(Mil. $)	(% share)	(% change)	(Mil. $)	(% share)	(% change)
Crude oil	6,252.7	42.5	34.3	4,655.7	43.6	17.1	3,977.0	46.6	(9.8)
Liquefied natural gas	2,653.5	18.1	30.1	2,039.1	19.1	19.5	1,706.0	20.0	(2.6)
Refined products	1,544.2	10.5	24.5	1,240.7	11.6	21.4	1,022.0	12.0	117.2
Natural gas and liquids	1,121.6	7.6	33.3	841.7	7.9	64.4	512.0	6.0	(9.4)
Petrochemicals	837.2	5.7	62.0	516.9	4.8	26.1	410.0	4.8	14.2
Condensate	1,359.8	9.3	63.2	833.1	7.8	22.2	682.0	8.0	(15.7)
Fertilizers	380.7	2.6	43.0	266.1	2.5	44.6	184.0	2.2	(1.5)
Steel	488.4	3.3	N.A.	241.9	2.3	N.A.	0.0	0.0	0.0
Other services	60.9	0.4	58.5	38.4	0.4	6.6	36.0	0.4	16.5
Total	14,698.9	100.0	37.7	10,673.6	100.0	25.2	8,528.0	100.0	(0.6)

Source: QP consolidated financial statements. N.A.—Not available.

Reflecting the pick-up in sales in 2004, and despite a 13% increase in operational expenses, EBITDA increased by 39% from its 2003 level (see table 2). In addition, due to a more favorable interest rate environment, interest payment expenditures declined by 9.6% in 2004, so that EBITDA interest coverage increased to 75.5x, from 49.3x in 2003. Although this indicator may be misleading in view of the exceptionally high tax burden on QP, net income interest coverage also increased, to 25.1x from 17.0x in 2003, thereby confirming the strengthening of QP's cash flow. Nevertheless, due to significant borrowing expected in 2005-2010 to increase capacities in production of oil, gas, and gas-related products, leverage will rise, therefore hiking interest payments. Assuming an increase in EBITDA of 34.6% in 2005 and a decrease of about 5.2% in 2006 (in line with the expected increase in gross sales and interest payments and with the average past increase in expenditures), Standard & Poor's projects the ratio of interest coverage to fall back to about 56x in 2006.

Table 2

Qatar Petroleum Selected Financial Statistics

	—Year ended Dec. 31—				
(Bil. $)*	**2004**	**2003**	**2002**	**2001**	**2000**
Revenues	15.2	11.4	8.9	8.9	9.1
EBITDA	13.1	9.4	7.4	7.6	8.0
Royalties and taxes	7.3	5.1	4.1	4.3	4.4
Net income from continued operations	4.3	3.3	2.3	2.1	2.4
Funds from operations (FFO)	5.4	4.0	3.0	3.0	3.1
Capital expenditures	2.3	1.8	1.5	1.4	1.1
Total debt	5.0	5.4	5.7	5.3	5.8
Net debt	0.9	2.0	1.8	1.3	2.6
Shareholders' equity	7.2	6.6	6.6	6.5	6.8
(%)					
Operating income/sales	86.1	81.8	81.5	84.2	87.6
EBITDA interest coverage (x)	75.5	49.0	31.3	25.5	23.0
Net income interest coverage (x)	25.1	17.0	9.7	7.1	6.9
FFO/total debt	108.5	73.9	52.0	57.0	53.1
Total debt/capital	41.0	45.0	46.4	44.9	45.9
Net debt/capital	7.8	16.5	14.9	11.1	20.3

Source: QP consolidated financial statements. *$1=QAR3.64. QAR—Qatari riyal.

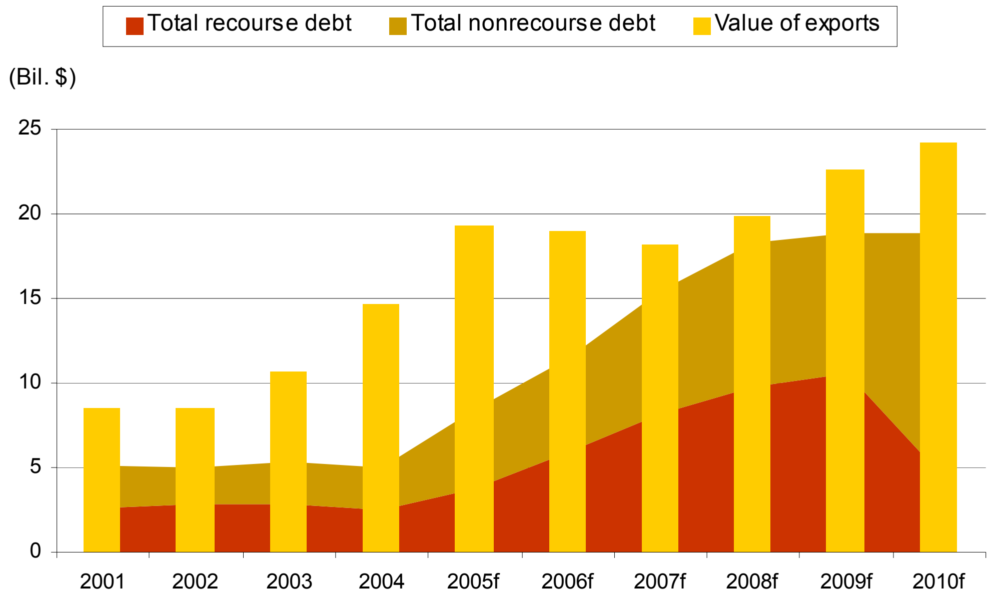
High debt burden will increase further

Over the past few years, QP and its subsidiaries and joint ventures have incurred significant debts to finance the development and expansion of LNG and other projects. The company's consolidated debt figures reflect the sum of its pro-rata shares in the various subsidiaries and joint ventures. Recently, however, QP slightly decreased its consolidated debt to just under $5.0 billion at year-end 2004, from $5.4 billion in 2003. On the basis of current loan commitments, loan repayments due in 2005 are expected to be $913.6 million. The company's cash increased to about $4.0 billion at year-end 2004, from the $3.4 billion posted at year-end 2003. Reflecting these changes in debt and cash, QP's net debt-to-capital ratio eased back to about 16.5% and 7.8% respectively in 2003 and 2004, after an increase to 14.9% in 2002. Assuming the same capital in 2005 and 2006, the ratio would increase to 32% in 2005 and 40% in 2006.

At year-end 2004, about 82.6% of the company's stock of consolidated debt was in the form of floating-rate loans, with the balance in the form of fixed-rate loans (3.7%) and bonds (13.7%). To manage exposure to interest rate risk, QP and its subsidiaries have entered into interest rate swap contracts on part of their loans. Nearly all of QP's debt is denominated in U.S. dollars, which provides it with a natural hedge against foreign exchange fluctuations. A significant portion of the company's debt, however, is secured by present and future assets, and the present and future revenues of QP and its subsidiaries and joint ventures. In this respect, QP stands out among oil and gas companies (whether state-owned or independent), in that it has relied heavily on nonrecourse or limited-recourse, project finance techniques (see chart 1). In doing so, it has encumbered a significant share of its assets and revenues, while at the same time allowing lenders a high degree of scrutiny and ongoing monitoring.

Chart 1

Qatar Petroleum Debt And Exports, 2001-2010



Source: QP consolidated financial statements for 2001-2004. f--Standard & Poor's forecast.

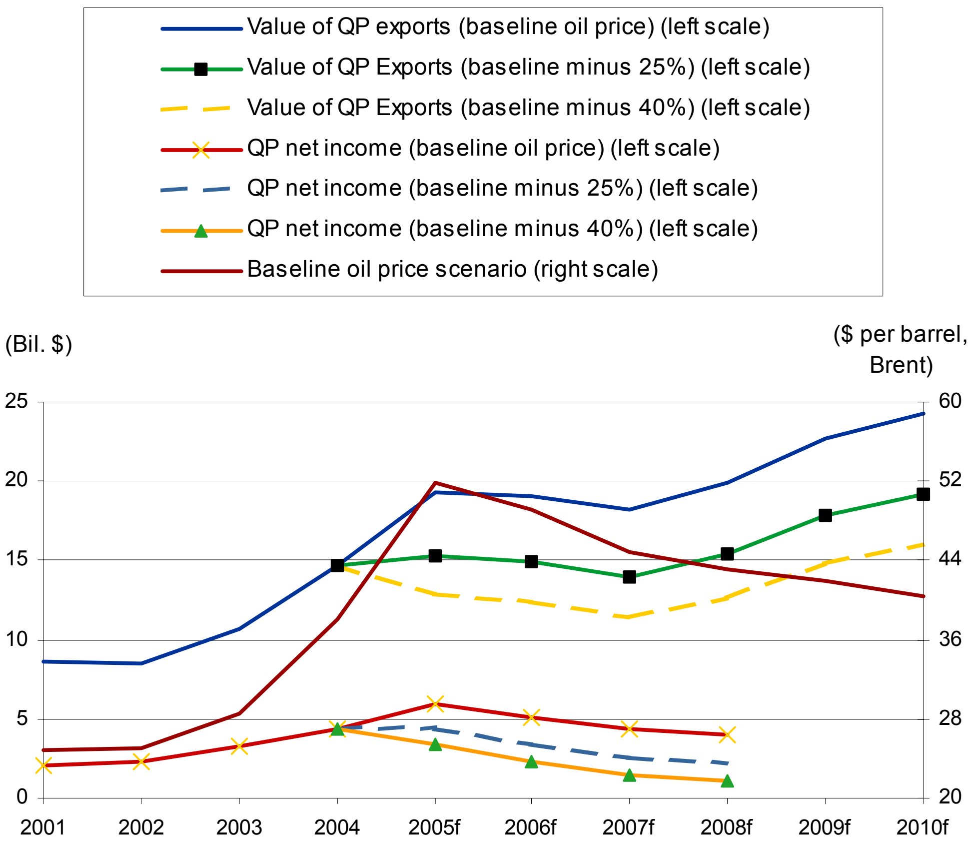
Gross sales and net income resilient to oil price stress scenarios

Total expected gross sales will increase sharply during the new few years, helping to keep the debt burden manageable (see chart 1). Furthermore, the company's debts will only partly weight on future QP cash flows, as a the debt service (interest and amortization) on a significant part of the debt will cease to be paid after the completion of the corresponding construction projects.

Additionally, according to Standard & Poor's estimates, the company would still retain a comfortable net income of more than $1 billion up to 2008, even if we apply an oil price discount of 25% or 40% from the $43-$52 per barrel price for Brent expected in standard & Poor's baseline scenario for the period 2005-2008 (see chart 2). Also, because most of the oil and LNG export contracts are long-term, sales volumes are secured for exports even if the oil price is falling. Moreover, Qatar's competitive advantage in gas and gas-related products will remain important, and as a result, it is securing significant future foreign direct investment and external financing for these sectors.

Chart 2

Sensitivity Of Qatar Petroleum Income And Exports To Oil Prices, 2001-2010



Source: QP consolidated financial statements for 2001-2004. f--Standard & Poor's forecast.

In addition to these stress scenarios, the company benefits from securities such as its remaining cash and easily salable securities, and its relationship with the ministry of finance. In particular, in Standard and Poor's point of view, there a very high probability that the Qatari government would provide its immediate financial support to QP in case of short-term liquidity problems, as the company remains the main strategic asset of the state. QP is therefore expected to be able to repay its debt at least as well as the sovereign even in the worst reasonable case scenario, notably for a significant lower oil prices.

Strategy In The Oil Sector

Production below capacity and changing export markets

In 2004, production of crude oil averaged 752,000 barrels per day (bpd), increasing only marginally from 729,000 bpd in 2003, as a result of OPEC quota restrictions, compared with a production capacity of about 800,000 bpd. The burden of any production cuts is shared between QP and its foreign partners. The bulk of Qatari crude is sold under term contracts on an evergreen basis and renewed annually, with the great majority of term contract customers being based in East Asia, although the U.S. and EU are increasingly important markets.

Slightly decreasing reserves

At Jan. 1, 2005, total estimated crude oil and condensate reserves in fields operated by QP and its partners consisted of about 27.0 billion barrels, slightly down from 27.6 one year earlier due to depletion. The slow nature of this decrease reflected a significant upward revision, mainly attributed to reservoir studies in the North Field, where recorded crude and condensate reserves increased by 87.1% in 2004 from 2003. At the current rate of production, these reserves are expected to last for more than 80 years. In addition, the company and its partners have been trying to increase the level of reserves through exploration and development activities.

Exploration and production: long term contracts

QP is involved in both onshore and offshore oil production, either on its own account or in partnership with major international oil companies in the context of two general types of production-sharing agreements (PSAs). The first type is exploration- and production-sharing agreements (EPSAs), under which the contractor is granted the right to explore for oil in the specified area and, if oil is discovered, to develop the field. The second type is development- and production-sharing agreements (DPSAs), under which contractors are given the right to develop fields in which there are known to be oil reserves. QP is holding talks with international oil companies on EPSAs in offshore blocks that have been opened up since the resolution of the state's border dispute with the Kingdom of Bahrain (foreign currency A-/Positive/A-2). The terms of each PSA vary according to circumstances such as the difficulty of extracting oil and the size of the reserves. In general, PSAs have terms of 25 years and may be extended for another five years at the discretion of QP. Typically, in the first five-to-seven years from the date of initial production, the company takes about 40% of the oil produced. Once the contractors have recovered their costs in accordance with the PSA, the proportion of oil taken by QP increases to 70%-80% under EPSAs, and to 80%-90% under DPSAs. Under the provisions of existing PSAs, contractors do not pay royalties or taxes on their share of the oil production.

Oil refining

In 2002, QP began to increase its downstream business in oil refining by expanding the capacity of the Mesaieed Refinery to 137,000 bpd (from about 70,000 bpd). This project will be completed by year-end 2005. In addition, in June 2005, engineering, procurement, and construction contracts were signed with a consortium of Korean-based companies GS Engineering & Construction Corporation and Daewoo Engineering & Construction Co. Ltd for the construction of Laffan Refinery (146,000 bpd, using condensates), including associated storage and export facilities to be located at Ras Laffan Industrial City for a total cost of $0.7 billion. The refinery should be completed by 2008.

Strategy For Natural Gas

Continued boom and new markets for gas exports

The North Field has been producing gas and condensate for domestic use and exports since 1991, but its full exploitation began with the commissioning of two LNG plants, Qatar Liquefied Gas Co. Ltd. (QatarGas) and Ras Laffan Liquefied Natural Gas Co. Ltd. (RasGas) in 1996 and 1999, respectively. Since then, the two companies have increased their production and export capacities significantly. They have also secured financing contracts for all the expansion, increasing the overall QP external debt, which is all backed by future export revenues. Overall LNG production and export is expected to increase sharply in the next few years. Several heads of agreements have also been signed, and if these are transformed into Sales and Purchase Agreements, it is possible that planned exports may be raised easily to about 78 million tonnes per year (tpy) by 2012 from about 25 tpy in 2005 (see table 3). This level of production would make QP (and therefore Qatar) the largest LNG producer in the world.

Table 3

State of Qatar LNG Production Capacity And Exports

(Mil. tpy)	2012f	2011f	2010f	2009f	2008f	2007f	2006f	2005f	2004
Capacity and exports committed under SPAs only									
Total capacity	77.2	77.2	76.0	64.7	44.3	30.0	26.3	21.9	19.5
Qatargas	37.7	37.7	35.6	25.0	11.9	9.6	6.7	6.1	6.2
RasGas	15.9	15.9	16.4	16.0	16.4	16.0	16.4	12.3	10.3
Exports	28.9	28.9	28.9	28.9	27.6	24.8	21.5	19.9	16.6
Exports (SPAs and HOAs)									
Total	78.1	78.1	75.9	62.4	41.6	28.5	26.3	24.7	19.7
Qatargas	41.6	41.6	39.0	28.5	15.4	9.9	10.1	9.9	9.8
Chubu/others (Japan)	6.7	6.6	6.4	6.3	6.4	6.3	6.2	6.2	6.4
Gas Natural (Spain)	2.9	2.9	2.9	2.9	2.9	2.8	2.7	2.2	1.5
British Petroleum (Spain)	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.8	0.8
ExxonMobil (U.K. and EU)	15.6	15.6	15.6	13.0	5.3	0.0	0.0	0.0	0.0
ConocoPhillips (U.S.)	7.8	7.8	7.8	5.7	0.0	0.0	0.0	0.0	0.0
Others	7.8	7.8	5.3	0.0	0.0	0.0	0.0	0.0	0.0
RasGas	36.5	36.5	36.9	33.9	26.2	18.6	16.2	14.9	9.9
Kogas (Korea)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.8
Petronet (India)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.4	2.0
Edison Gas (Italy)	4.6	4.6	4.6	4.7	2.7	0.0	0.0	0.0	0.0
Edesa (Spain)	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.0
Fluxys and Distrigas (Belgium)	5.7	5.7	5.7	5.7	5.6	4.1	0.6	0.0	0.0
ExxonMobil (U.S.)	15.9	15.9	15.7	15.6	7.8	0.0	0.0	0.0	0.0
RasGas Taiwan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	(0.4)	(0.4)	0.1	(2.8)	(0.7)	3.7	4.8	4.8	3.1

Source: QP. LNG—Liquefied natural gas. Tpy—Tons per year. SPA—Sales and purchase agreement. HOA—Heads of agreement. f—Forecast.

The expected production by 2012 would be easily absorbed by demand for natural gas that is expected to quadruple between now and 2020. The LNG markets are also set to change in the next few years. For instance, in 2005 about 45.0% of Qatar's LNG is exported to Japan and South Korea. The proportions should change significantly in the next few years, with the expected proportion to U.S. and EU markets expected to rise to 40.0% and 37.8%, respectively, by 2012, against 14.9% for Southeast Asia and 6.4% for India.

Moreover, whereas oil quotas (for example, those imposed by OPEC) exist to prevent oversupply and a fall in price, there is no such limitation on the production of natural gas. Finally, the production cost of gas in Qatar is one of the lowest in the world and continues to decrease. Gas trains' capacities are constantly rising toward an expected 7.8-8.0 million tpy in 2009-2010, thereby increasing economies of scale (see tables 3 and 4). QP has allocated Qatari riyal (QAR) 122 billion ($33.5 billion) in its five-year plan starting 2005, for LNG and piped natural gas projects.

Table 4

Qatar Petroleum Main LNG Projects

	Status in September 2005	Date of HOA	Date of SPA/date of contract	Period of contract (years)	QP share	Expected export starting date	Initial capacity	Final capacity
Ras Laffan Liquefied Natural Gas Company								
RasGas Train 1	Built	N/A	October 1995	25	63	1999	3.0	3.4
RasGas Train 2	Built	N/A			63	2000	3.0	3.4
RasGas II Train 3	Built	N/A	April 2001	25	70	2004	3.0	3.4
RasGas II Train 3 debottlenecking	N/A	N/A	June 2001	25	70	2007	4.7	4.7
RasGas II Train 4	Built	N/A	July 2003	20	70	August 2005	4.7	4.7
RasGas II Train 4 debottlenecking	N/A	June 2004	N.A.	25	70	2007	4.7	4.7
RasGas II Train 4 debottlenecking	N/A	July 2004	N.A.	N/A	70	Mid-2008	6.0	6.0
RasGas II Train 5	Under construction		September 2005	25	70	Mid-2007	4.7	4.7
RasGas III Train 6	Under development	October 2003	N.A.	25	70	End-2008	7.8	7.8
RasGas III Train 7	Under development	N/A	N.A.	N/A	70	End-2009	7.8	7.8
Qatar Liquefied Natural Gas Company								
QatarGas Train 1	Built	December 1996	2000	25	65	2000	2.0	3.1
QatarGas Train 2	Built	N/A	2000	25	65	2001	1.0	2.9
QatarGas Train 2 debottlenecking	N/A	N/A	N.A.	N/A	65	2004	0.8	0.5
QatarGas Train 3	Built	January 2004	N.A.	12	65	2001	2.0	3.1
QatarGas II Train 4*	Under development	N/A	N.A.	N/A	70	2008	7.8	7.8
QatarGas II Train 5*	Under development	N/A	N.A.	N/A	70	2009	7.8	7.8
QatarGas III Train 6	Under development	July 2003	N.A.	N/A	70	End-2008	7.8	7.8
QatarGas IV Train 7	Under development	N/A	N.A.	N/A	70	End-2008	7.8	7.8
Other production, export, and distribution of oil products								
National Oil Distribution Company (QSC) (NODCO) Mesaied Refinery	Running	N/A	N.A.	N/A	100	N/A	N.A.	N.A.
Qatar Fuel Company (WOQOD)	N.A.	N/A	N.A.	N/A	70	N/A	7.5	N.A.
Ras Laffan Refinery project EPC	N.A.	N/A	June 2005	N/A	N/A	2008	N.A.	N.A.
Transport: LNG vessels								
(Current transport company)	42 ships currently built	N/A	N.A.	N/A	N/A	N/A	N/A	N/A

Table 4

Qatar Petroleum Main LNG Projects (cont.'d)

	Status in September 2005	Date of HOA	Date of SPA/date of contract	Period of contract (years)	QP share	Expected export starting date	Initial capacity	Final capacity
Qatar Gas Transport Co (Naqilat)	12 Q-flex ships for RasGas II	N/A	N.A.	N/A	N/A	N/A	N/A	N/A
Qatar Gas Transport Co (Naqilat)	58-60 potentially to be built	N/A	N.A.	N/A	N/A	N/A	N/A	N/A
Transport: pipelines								
Dolphin Energy Ltd. to Abu Dhabi	N.A.	December 2001	December 2005	N/A	0	2007	2.0 billion standard cubic feet per day	N.A.
Dolphin Energy Ltd. to Dubai	N.A.	December 2001	December 2003	N/A	0	2007	N.A.	N.A.
Al-Kaheej Gas Project	N.A.	N/A	May 2000	N/A	N/A	End-2005	0.7 billion standard cubic feet per day	N.A.
Al-Kaheej Gas Project-Phase 2	N.A.	N/A	2006	N/A	N/A	2009	1.2 billion standard cubic feet per day	N.A.
Al-Kaheej Gas Project-other 1	N.A.	N/A	N.A.	N/A	N/A	2009-2010	N.A.	N.A.
Al-Kaheej Gas Project-other 2	N.A.	N/A	January 2002	N/A	N/A	2009-2010	N.A.	N.A.
Infrastructures: terminals								
Rovigo Offshore LNG terminal (Italy)	N.A.	N/A	2004-2005	N/A	45	N/A	N.A.	N.A.
U.S. LNG terminal (U.S.)	HOA signed	September 2005	2004-2005	N/A	N/A	N/A	N.A.	N.A.
Milford Haven terminal (U.K.)	N.A.	N/A	2004-2005	N/A	N/A	N/A	N.A.	N.A.

All projects for exports only. Source: QP and Standard & Poor's estimates. *EPCs signed, December 2004. LNG—Liquefied natural gas. HOA—Heads of agreement. SPA—Sales and purchase agreement. EPC—Engineering, procurement, and construction contract. N.A.—Not available. N/A—Not applicable.

Downstream businesses

QP continued to increase its role in the non-oil sector of the Qatari economy by creating new plants to feed local industries. The Mesaieed Refinery expansion will be completed by year-end 2005, and in July 2005, Qatar Petroleum and Qatar Nitrogen Company formed a new joint venture called Qatar Industrial Gases Company. The two Qatari companies will hold 60% and France-based L'Air Liquide S.A. (A+/Stable/A-1) will hold 40%. The newly created company will start by setting up new production facilities and pipelines to supply oxygen and nitrogen to the oil and gas, petrochemical, and steel industries at Mesaieed Industrial City by as early as 2007. In parallel, Qatar Industrial Gases will develop a nitrogen production and distribution system in Ras Laffan Industrial City, which is becoming one of the most important LNG, GTL (gas to liquid), and petrochemicals sites in the world.

Pipelines and vessels increasing export capacities

In addition to developing LNG projects aimed at the Far East and European markets, QP is targeting the markets of neighboring countries with various pipeline projects. Two main pipeline projects are underway: the Dolphin Project, for the delivery of gas to Abu Dhabi and Dubai from the North Field in Qatar; and the Al-Khaleej Gas Project, which will develop North Field gas for domestic downstream projects and regional exports—notably gas delivery to the State of Kuwait (A+/Stable/A-1+). This will diversify QP's revenues by taking advantage of the regional demand for gas and will increase synergies between the existing platforms and the downstream chains in the gas industry.

In addition to the extra pipelines, Qatar is investing heavily in increasing its LNG tanker fleet, to meet demand. The current number of tankers available is 42. In 2004, the government created a new company, Qatar Gas Transport Co., of which 5% is owned by QP and the rest by three other Korean companies. This company is expected to more than double the country's fleet of vessels up to 90 (with 60 more to be built) by 2010 to fulfill the new demand for export capacity from RasGas and QatarGas.

Upcoming NGL and GTL projects

NGL plants were first established to use the onshore associated gas by degassing, compressing, and NGL stripping, which separated the original gas into ethane-rich gas, propane, butane, and condensate (see table 5). QP also aims to become a world leader in ultrA-clean fuels using GTL technology. Taking into account all the new projects planned, production could now reach up to 800,000 bpd in 2011-2012. The current GTL facilities are already the world's largest. Other projects to develop GTL are underway, in response to a rapid growth in external demand from the U.S., EU, and Japan (see table 5).

Expanding Petrochemical Capacity

QP is also engaged in a number of fast-growing industries, although these contribute a relatively small part of its total revenues. On the back of its vast supply of raw materials, QP is notably expanding its petrochemicals capacity (see table 5).

Table 5

Qatar Petroleum Other Main Projects

(Excluding crude oil and LNG)

Name of the company/ Project	Status in September 2005	Partner (country)	Share held by QP or QP subsidiary (%)	Export start date (actual or planned)	Main Products
Production and export of chemicals					
Qatar Petrochemical Company (QAPCO)	Running	Atofina S.A (France)	80 (IQ)	1998, 1996 (expansion)	Ethylene, polyethylene, sulphur
Qatofin	Derivatives EPC tendered	Atofina S.A	63 (QAPCO); 1 (QP)	End-2008	Linear low-density polyethylene (LLDPE)
Qatar Chemical Company (Q-Chem)	Running	Chevron Phillips Chemical Co. LLC (U.S.), Atofina S.A. (France), QAPCO (Qatar)	51	January 2003	High-density polyethylene (HDPE)
Q-Chem II	Derivatives EPC tendered	Chevron Phillips Chemical Co. LLC (US),	51	End-2008	High-density polyethylene (HDPE) and normal alpha olefin

Table 5

Qatar Petroleum Other Main Projects (cont.'d)

Qatar Fuel Additives Company Ltd. (QAFAC)	Running	Chinese Petroleum Company; Lee Chang Yung Chemical Industry Corporation (Taiwan); and International Octane Ltd. (Canada)	50 (IQ)	July 2000	Methanol, methyl tert-butyl ether
QAFAC II Project	HOA signed	OPIC Netherlands Antilles NV; Chinese Petroleum Company; International Octane; and LCY Investments Corp. (Taiwan)	50 (IQ)	2008	Methanol, ammonia
Qatar Fertiliser Company Ltd. S.A.Q. (QAFCO)	Running	Yara International Co. (Norway)	75 (IQ)	1973 (Train 1), 1979 (Train 2), 1997 (Train 3)	Ammonia and urea (now the world's largest producer on one site)
QAFCO IV	Running	N/A	75 (IQ)	2004	
QAFCO V	Under development	N/A	75 (IQ)	2009-2010	
Qatar Vinyl Company Ltd. (QVC)	Running	QAPCO, Norsk Hydro ASA (Norway), Atofina S.A.	31.9 (QAPCO); 25.5 (QP)	May 2002	Ethylene dichloride 175,000 tpy, Vinyl chloride 220,000 tpy, caustic soda 290,000 tpy
Industries Qatar (IQ)	Running	General public	70	N.A.	Ammonia, urea, ethylene, polyethylene, sulphur, methanol, methyl tert-butyl ether
Gas-to-liquid (GTL) products					
QP and Sasol Oryx GTL Ltd.	Execution	Sasol	51	2006	GTL
QP and Sasol Chevron GTL project	Under development	Sasol Chevron	N.A.		GTL
Pearl GTL project	DPSA Signed	Shell (U.S.)	N.A.	2009/2011	GTL
Exxon Mobil GTL project	HOA signed	ExxonMobil (U.S.)	N.A.	2012	GTL
Other businesses					
Gulf Helicopters Company	Running	None	100	N.A.	Helicopters
QGPC Finance (Cayman) Limited	Running	Charitable trust	95	N.A.	(Finance)
Qatar Electricity and Water Company S.A.Q. (QEWC)	Running	QP	10	N.A.	Power and water
Qatar Shipping Company (SAQ)	Running	QP	15	N.A.	Shipping
Arab joint ventures					
Arab Petroleum Investment Corporation (APICORP)	Running	Saudi Arabia	10	N.A.	(Finance)
Arab Petroleum Services Company (APSC)	Running	Libya	10	N.A.	Specialized petroleum services
Arab Petroleum Pipelines Company (SUMED)	Running	Egypt	5	N.A.	Pipelines

Table 5

Qatar Petroleum Other Main Projects (cont.'d)

Arab Ship Building and Repair Yard Company	Running	Bahrain	18.8	N.A.	(Services)
Arab Maritime Petroleum Transport Company (AMPTC)	Running	Kuwait	14.8	N.A.	(Services)
Arab Petroleum Pipelines Company	Running	Egypt	5	N.A.	Pipelines

Source: QP and Standard & Poor's estimates. LNG—Liquefied natural gas. HOA—Heads of agreement. SPA—Sales and purchase agreement. EPC—Engineering, procurement, and construction. N.A.—Not available. N/A—Not applicable.

Partial Privatizations Strengthen QP

In 2003, QP and the government set up a new holding company, Industries of Qatar (IQ), in order to sell part of QP's shares in its remaining subsidiaries. In addition, the QASCO steel plant, which the government sold to QP in 2003, has been added to IQ's portfolio. Shares have been sold in QAPCO and the fertilizer producer Qatar Fertilizer Company (QAFCO), both of which manage and operate the petrochemical complex at Mesaieed. Overall, these partial privatizations will strengthen the management and provide additional financing for the QP group's fast-growing industries that enjoy high regional and world demand.

Published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. Executive offices: 1221 Avenue of the Americas, New York, NY 10020. Editorial offices: 55 Water Street, New York, NY 10041. Subscriber services: (1) 212-438-7280. Copyright 2005 by The McGraw-Hill Companies, Inc. Reproduction in whole or in part prohibited except by permission. All rights reserved. Information has been obtained by Standard & Poor's from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Standard & Poor's or others, Standard & Poor's does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities.

Standard & Poor's uses billing and contact data collected from subscribers for billing and order fulfillment purposes, and occasionally to inform subscribers about products or services from Standard & Poor's, our parent, The McGraw-Hill Companies, and reputable third parties that may be of interest to them. All subscriber billing and contact data collected is stored in a secure database in the U.S. and access is limited to authorized persons. If you would prefer not to have your information used as outlined in this notice, if you wish to review your information for accuracy, or for more information on our privacy practices, please call us at (1) 212-438-7280 or write us at: privacy@standardandpoors.com. For more information about The McGraw-Hill Companies Privacy Policy please visit www.mcgraw-hill.com/privacy.html.

Analytic services provided by Standard & Poor's Ratings Services ("Ratings Services") are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. Ratings are statements of opinion, not statements of fact or recommendations to buy, hold, or sell any securities. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or by the underwriters participating in the distribution thereof. The fees generally vary from US$2,000 to over US$1,500,000. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications.