ANNUAL REPORT 2005

قطر للبترول
Qatar Petroleum

Qatar Petroleum (QP), formerly Qatar General Petroleum Corporation, is a state-owned corporation established, by Emiri Decree No 10, in 1974 responsible for all phases of the oil and gas industry in Qatar. The principal activities of Qatar Petroleum and its subsidiaries and joint ventures cover exploration, drilling and production operations, transport, storage, marketing and sale of crude oil, natural gas liquids, liquefied natural gas, refined products, petrochemicals and fertilizers, and providing helicopter services.

Qatar Petroleum's strategy of conducting hydrocarbon exploration and new projects is through Exploration and Production Sharing Agreements (EPSA) and Development and Production Sharing Agreements (DPSA) concluded with major international oil and gas companies.

The operations and activities of Qatar Petroleum are conducted on various onshore locations, which include Doha, Dukhan, Mesaieed and Ras Laffan Industrial Cities, as well as offshore areas including Halul Island, Offshore Production Stations, Drilling Platforms and the North Gas Field.

In addition to its operations, QP carries out its activities through the following subsidiaries, joint ventures and other investments.

A – Subsidiaries	QP Interest Percentage%
QP Qatargas (3) Limited	100.0
Gulf Helicopters Company (Gulf Helicopters)	100.0
Al Koot Insurance and Reinsurance Company	100.0
Qatar Petroleum Gas Trading (QGII) Limited	100.0
Qatar Petroleum LNG Services (QGII) Limited	100.0
Qatar Terminal Company Limited	100.0
QGPC Finance (Cayman) Limited.	95.0
Industries Qatar Q.S.C (IQ)	70.0
Qatar Nitrogen Company.(QAN)	50.0

B – Joint Ventures	
Qatar Liquefied Gas Company Ltd.Q.S.C. (Qatargas) Downstream	65.0
Qatargas Joint Venture- Upstream	65.0
Ras Laffan Liquefied Natural Gas Company Ltd.(RL)	63.0
RasGas Company Ltd. (RasGas)	70.0
Ras Laffan Liquefied Natural Gas Company Ltd (II) (RLII)	70.0
Qatar Chemical Company Ltd Q.S.C (Q-Chem)	51.0
Qatar Vinyl Company Ltd. Q.S.C (QVC)	43.4
Qatex Limited (QATEX)	51.0
Oryx GTL Ltd. (ORYX)	51.0
Gulf Drilling International Limited (Q.S.C)	60.0
Qatar Liquified Gas Company Limited (II) (Q.S.C)	70.0
SEEF Limited	80.0
Ras Laffan Liquefied Natural Gas Company Limited (3) RL3	70.0
Qatar Chemical Company II Limited (QChem II)	51.0
Qatargas Operating Company Limited	70.0

C- Other Investments	%
Qatar Fuel Company (WOQOD)	40.0
Qatar Shipping Company (Q-SHIP)	18.2
Qatar Metal Coating Company W.L.L	35.0
Qatar Real Estate Investment Company	0.8
Qatar Plastic Production Company (QPPC)	18.7
Qatar Electricity and Water Company (QEWC)	10.8
Ras Laffan Power Company Limited (RLPC)	10.0
Qatar Gas Transportation Company Limited "NAKILAT"	10.2
Arab Shipbuilding and Repair Yard Company (ASRY-Bahrain)	18.8
Arab Maritime Petroleum Transport Company (AMPTC- Kuwait)	14.8
Arab Petroleum Investment Corp. (APICORP- Saudi Arabia)	10.0
Arab Petroleum Services Company (APSC-Libya)	10.0
Arab Petroleum Pipelines Company (SUMED – Egypt)	5.0
Nakilat Agency Company Limited	5.0
Qatofin Company Limited (QAPCO also holds 63.64%)	1.0
Ras Laffan Olefins Company Limited (Also 53.31% held by QChem II and 45.69% held by Qatofin)	1.0
United Stainless Steel Company (Bahrain)	17.5
United Helicharters Private Limited (India)	36.0

D- Joint Ventures and Subsidiaries of QP Subsidiaries	
Qatar Petrochemical Company Ltd (QAPCO)	56.0
Qatar Fertilizers Company Ltd (QAFCO)	52.5
Qatar Fuel Additives Company Ltd (QAFAC)	35.0
Qatar Steel Company Ltd. (SAQ) (QASCO)	70.0
South Hook Gas Company Limited	70.0
South Hook LNG Terminal Company Limited	70.0
Qatar Liquefied Gas Company Limited (3)	68.5
Adriatic LNG Terminal Limited	45.0

QP also has established 100% subsidiaries, Qatar Petroleum International Limited and Qatar Petroleum Marketing Company Limited.

In the name of ALLAH
Most GRACIOUS
Most MERCIFUL

HH Sheikh Hamad Bin Khalifa Al-Thani

EMIR OF THE STATE OF QATAR

HH Sheikh Tamim Bin Hamad Al-Thani
HEIR APPARENT

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Board of Directors

HE Abdullah Bin Hamad Al Attiyah
Second Deputy Premier
Minister of Energy and Industry
Chairman, QP

HE Youssef Hussain Kamal
Minister of Finance
Vice Chairman

Mr. Abdullah H Salatt
Senior Advisor
Minister of Energy and Industry Office
Member

Dr. Ibrahim Al-Ibrahim
Economic Expert, HH The Emir's Office
Member

Mr. Faisal M. Al-Suwaidi
Vice Chairman &
Managing Director, Qatargas
Member

Mr. Hamad Rashid Al-Mohannadi
Vice Chairman & General Manager,
QAPCO
Member

Mr. Fahad Hamad Al-Mohannadi
General Manager, QEWC
Member

Message from the Chairman

2005: A Golden Year for QP and Qatar

By all measures, 2005 was a year of significant milestones and great achievements for Qatar Petroleum. This in turn, reflected positively on the economic performance of Qatar that has been improving rapidly in the past few years. In 2005, Qatar's GDP achieved a nominal growth rate of 33.3%. This increase stemmed mainly from oil and gas sector revenues that contributed more than 60% of Qatar's total GDP in 2005. A good part of this growth was driven by substantial oil price increases, but mostly due to well studied plans, hard work and very ambitious and diversified business strategies.

The financial and operational results of Qatar Petroleum in 2005 were a continuation of our past years of stupendous performance. At present, Qatar Petroleum, with its resources, commitment, and experience accumulated since its inception thirty years ago, is implementing large scale projects aiming to achieve the strategy set by His Highness Sheikh Hamad Bin Khalifa Al-Thani, Emir of Qatar for the optimal utilization of our natural resources. For 2005, these projects included major expansions in the oil fields, LNG trains in RasGas and Qatargas and developing GTL, petrochemicals and refining plants. Such projects will definitely bring benefits to the Qatari economy and to the well-being of its citizens. They will also contribute to the creation of jobs and training opportunities for Qatari nationals.

A major part of Qatar Petroleum's strategy for the development of the hydrocarbon resources is to establish partnerships with leading international companies in the oil and gas business. We have created a healthy and attractive investment environment and carefully selected our partners. These partnerships give us access to a wide range of world class technical, marketing and management skills. Built upon positive cooperation and trust, our joint ventures have undertaken tens of billions of dollars in investment commitments during the next few years.

In the oil sector, we aim to increase production capacity to one million barrels per day by 2009 while maintaining reasonable reserves depletion rates. The agreement between Qatar Petroleum and Maersk Oil Qatar, completed by the end of 2005, to further develop Al Shaheen offshore field, is the cornerstone of this objective. Production from this field will reach 525,000 barrels per day by 2009, which means that half of Qatar's total oil production will be coming from Al Shaheen.

In the gas sector, our achievements are truly remarkable by any standards. We have focused our attention on four main areas, which are LNG, GTL, pipeline export and feed to local industries and power plants.

With natural gas reserves of 900 trillion cubic feet, which accounts for about 15 percent of the world's total gas reserves, Qatar comes third worldwide in the size of its gas reserves. The first shipment of LNG was delivered to Japan ten years ago, at that time our production capacity was only 2.5 million tones per year. Since then, Qatar has embarked on ambitious plans to achieve the best utilization of the massive North Field gas reserves. Today, Qatar has reached a capacity of 25 million tons per year, and we are exporting LNG to customers in three continents around the world. Today, Qatar is ranked among the top LNG exporters in the world.

We are currently pursuing an expansion plan to boost LNG production capacity to 77 million tons per year by 2012, which will involve the construction of the largest LNG liquefaction trains in the world with a nameplate capacity of 7.8 million tons-per-annum each. These expansions will enable Qatar to achieve the economies of scale needed to deliver gas at competitive prices to the most distant markets in the USA, Asia and Europe. These huge investments in the LNG value chain are expected to make Qatar the biggest global exporter of LNG by the end of this decade.

To meet the transportation infrastructure needs of LNG export deals, Qatar Gas Transport Company (Nakilat) will own a huge fleet of LNG vessels, including some of the world’s largest that have a cargo capacity of 265,000 cubic meters.

In addition to our LNG business, we are developing projects that convert gas into environmentally clean liquid fuels. The Oryx GTL plant, a joint venture between Qatar Petroleum and Sasol of South Africa, is expected to be opened in June 2006. Being the first Gas-to-Liquids plant in Qatar the completion of this plant will mark a significant milestone in our gas-based projects roadmap.

Oryx is the biggest and most technically advanced gas-to-liquids plant in the world with a production capacity of 34,000 barrels per day of globally marketable and easily transportable liquid products and synthetic fuels. The worldwide demand for cleaner transportation fuels is growing strongly. We see this as a big potential opportunity for Qatar, and we hope to see in the near future the start of construction on a second GTL project which will be even bigger, with a production capacity of 140,000 barrels per day of GTL fuels and naphtha.

Besides LNG and GTL, we are utilizing North Field gas by supplying it through pipelines directly to our customers at home and regionally. Our domestic customers include many established and new projects, such as the Independent Power Producers at Ras Laffan as well as chemicals and petrochemicals producers at Mesaieed. In addition, the Dolphin Project will supply the UAE and Oman with 2 billion cubic feet per day of North Field gas after processing at Dolphin’s dedicated new plant at RasLaffan Industrial City. The resulting lean natural gas will then be transported by a 48 inch, 370 km long undersea pipeline. The Dolphin Project will meet the growing gas demand in the UAE through securing long-term competitively priced natural gas supplies.

Our diversification strategy within the hydrocarbon sector is intended to build a stronger economy and ensure prosperity for many years to come by protecting the economy from excess exposure to price volatility and the resulting market instability.

As we implement and pursue new projects in the energy sector, opportunities become available for more partnerships and collaboration with companies of all sizes and in all segments of the energy business. We know that the path to reaching our target will not be easy, and it will require us to overcome many challenges. We have come a long way but still the future is a bright horizon offering many opportunities.

Finally, on behalf of the Board of Qatar Petroleum, I would like to express our profound gratitude for the generous patronage of His Highness the Emir, Sheikh Hamad Bin Khalifa Al-Thani, and our indebtedness to His Highness, the Heir Apparent Sheikh Tamim Bin Hamad Al-Thani, for his support and the continuous cooperation of the Government of Qatar. I am grateful also for the dedication, commitment and hard work of our Board of Directors, employees, subsidiaries, and customers, whose vital efforts contributed to achieving yet another successful year.

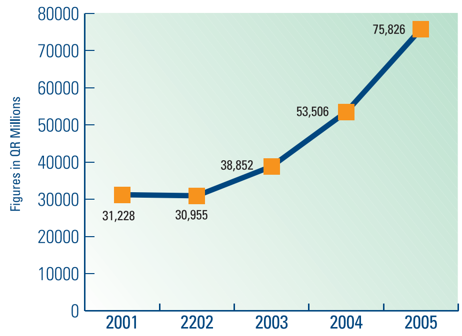
Abdullah Bin Hamad Al-Attiyah
Qatar Petroleum Chairman & Managing Director

2005 Highlights

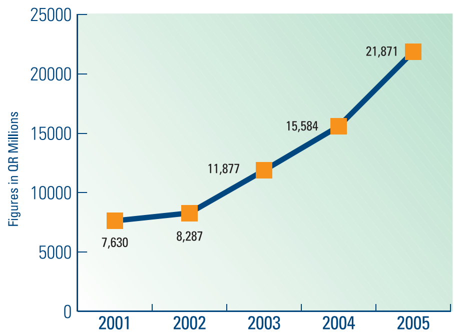
Date	Event
January	The 3rd Conference for Major New Projects Opportunities in Qatar
February	HH the Emir Inaugurates the 5th Doha Conference on Natural Gas
	HH the Heir Apparent Lays Foundation Stone for Qatargas II
	QP, Exxon Mobil Sign Agreement with Total for Stake in Qatargas II
	QP & Shell Sign HoA for Development of Qatargas 4
March	QP, Sasol Chevron Sign MoU for GTL Base Oils Project
	QP Participates in EXPO 2005 in Japan
April	HH the Heir Apparent Lays Foundation Stone for Ras Laffan B Power & Water Project
	QP Celebrates 40 Years of Qatari Offshore Crude Export
	QP Signs LoI with Technip France for Ethylene Cracker in Ras Laffan Industrial City
	QP Signs an Agreement with the French Arkoma Co.
	QP Signs LoA with Korean Contractors for Condensation Refinery in RLC.
May	HH the Heir Apparent Lays Foundation Stone for Dolphin Energy's Gas Processing Plant in Ras Laffan
	QP Holds 1st Annual Strategic Qatarization Plan Review Meeting
	QP & ExxonMobil Sign Principle of Agreement to set up the Largest Petrochemical Plant in RLC
	HE Al-Attiyah Inaugurate 1st International Middle East LNG Shipping Forum
	HE Al-Attiyah Signs EPC Contracts for Constructing Ras Laffan Refinery
July	QP Signs Joint Venture Agreement for the Creation of Qatar Industrial Gases Company
August	RasGas Multiplies LNG Production
September	QP and Mitsui sing HoA to Acquire 1.5%in Qatargas 3 to Export Condensate to Japan
	QP, ExxonMobil Sign Equity Pact with Korea
	Ras Laffan 3 Awards EPC Contracts for Trains 6 & 7
October	Setting – up of Qatar Petroleum RasGas (3)
	QP Capital Increased to QR 50 BN
November	HH The Emir Inaugurates RasGas Train 4
	QP & Shell Present first GTL Fuel Car in Qatar
	On Behalf of HH The Emir, HH Sheikh Abdullah Bin Khalifa Al-Thani, the Prime Minister, Inaugurates the International Petroleum Technology Conference (IPTC)
	HE Al-Attiyah Inaugurates 5th Annual GTLtec Conference & Exhibition
	HE Al-Attiyah Inaugurates RasGas3, the World's Largest LNG project
	HE Al-Attiyah Opens QP Environment Day - 2005
December	$4BN EPC Contracts for Two Large-Scale LNG Trains: QG3 & QG 4
	Qatofin Announces LLPDE EPC Contract for construction of an ethane contract in RLC
	HE Al-Attiyah Signs Agreement with Egyptian Firm for Consulting Services

Key Consolidated Financial Information

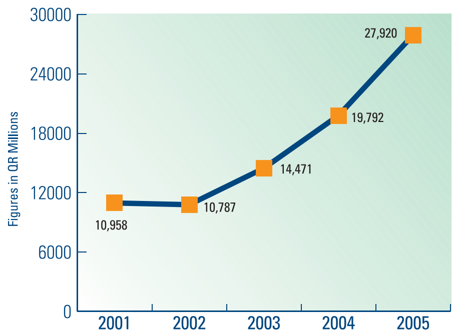
Sales Revenue



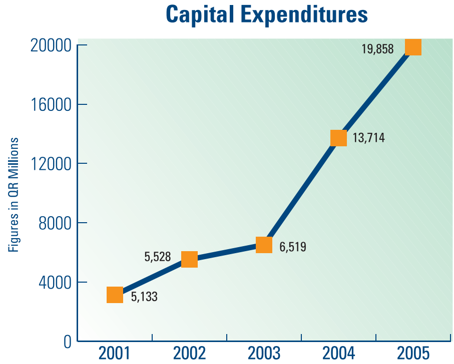
Net Income



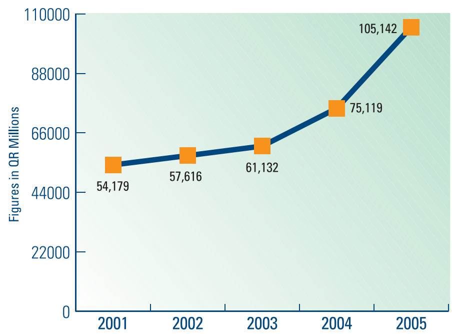
Net Cash Flow from Operations



Capital Expenditures



Total Assets



QR Millions	2005	2004	2003	2002	2001
Sales Revenue	75,826	53,506	38,852	30,955	31,228
Net Income	21,871	15,584	11,877	8,287	7,630
Net Cash Flow from Operations	27,920	19,792	14,471	10,787	10,958
Capital Expenditures	19,858	13,714	6,519	5,528	5,133
Total Assets	105,142	75,119	61,132	57,616	54,179

Administration

Introduction

Year 2005 was a time of enormous challenges for the Administration Directorate, a year in which the Directorate worked ambitiously to progress in several strategic initiatives and achieved its annual business targets in the area of recruitment, Qatarization, offices, housing, recreation, security, medical, and training.

An important accomplishment during the year was the completion of "Quality Management System" project leading to the ISO 9001:2000 certification for Administration Directorate. As part of the project, Administration Directorate Quality policy, Quality Manual, Quality Management System procedures, and Operational procedures were documented and put on Qatar Petroleum's intranet, which is accessible to all Qatar Petroleum employees.

Administration Directorate coordinated with Hamad Medical Corporation whereby QP will build Western District Hospital at Dukhan and then hand over to Hamad Medical Corporation to operate.

Qatarization

The Five-year Strategic Qatarization Plan continued to achieve progress in terms of mobilization of resources, close liaison and coordination between the Energy & Industry Sector and other ministries and education institutions. At the end of 2005, nationals accounted for 1892 of the Qatar Petroleum workforce, which is 33% of established baseline in the Strategic Qatarization Plan. A further 1675 Qataris were on development plans and in full-time education to prepare them for work in QP.

Qatar Petroleum is working closely with outside organizations such as Qatar University, College of North Atlantic, Texas A&M University, Carnegie Mellon and other organizations within Qatar Foundation, and the Ministry of Civil Service Affairs and Housing to fulfill its national human resource requirements.

Also, Qatar Petroleum is collaborating with Qatar University, the Ministry of Education and the Supreme Education Council rendering support in developing curriculum, sponsoring students, conferences, training their instructors, providing educational material (i.e. computers, lab equipments) to students, conducting seminars, and orientation for high school students. To enhance the Qatari development process a career information guide was devised to provide information on career paths in various disciplines in Qatar Petroleum. Efforts were made to plan to conduct Qatar Career Fair for the Qatar energy and industry sector in the beginning of 2006.

Recruitment

Qatari Recruitment

During the year various initiatives were started to enhance Qatari supply which includes, interactive Qatarization website, e-recruiting, and on-line applicant tracking system. To attract, national manpower, the Directorate continued to work towards building an image of Qatar Petroleum as an 'Employer of Choice' through a well-developed public awareness plan stressing on company success, leadership, competitive package and options for personal development.

For the year 2005, fresh Qatari high school graduates have been recruited for various technical and non-technical training programs in addition to Qatari direct hire staff and university graduates.

Summer Training for Qatari High School and University Graduates

Qatar Petroleum's 2005 Summer Training program has successfully attracted over 500 students, in addition to a further number of students receiving training in Qatar Petroleum subsidiaries. It was intended to encourage all Qatari students (male/female) to take full advantage of the summer holiday to properly plan for their future career, according to their qualifications and competencies and included on-the-job training in some technical fields, computer training and English language classes. This summer training program for young Qatari students will continue as an important part of its Strategic Qatarization Plan.

Expatriate Recruitment

To meet the increase in business demand, Qatar Petroleum added a number of new positions in 2004 and 2005. Despite challenges, Qatar Petroleum recruited 891 expatriate staff in the year 2005.

Training

Corporate Training Department continued to be the leading training provider for the Qatari energy and industry sector and recognized expert on the best practices and latest training methodology. It played a crucial role in implementing the energy and industry sector's Strategic Qatarization Plan through meeting the training requirements in terms of recruiting Qatari trainees, identifying, designing and providing quality training programs. To ensure quality training, Corporate Training Department embarked on initiatives such as:

- Focus on the energy and industry companies and line departments' specific training requirements.
- Outsource pre-university program to Qatar Foundation, and vocational and technical education programs to College of North Atlantic–Qatar.
- Consolidate workplace qualifications and establishing a structured building block approach in training, using internal and outsourced training services that are governed by work competencies and achieve internationally recognized certifications. This will ensure continual improvements of the training programs in line with international quality standards and also ensure their direct relevance to the requirements of the line departments and subsidiaries.
- Enhance trainees' and employee's English training programs.

- Expand e-learning technology application to complement professional training programs.
- Enhance and automate its systems of training needs identification and programs evaluation.
- Automate central library & information system.
- Collaborate with universities and professional institutions in Qatar and overseas on undergraduate and post-graduate programs, and ensure compatibility with oil and gas industry's needs.

At the end of the year 2005, there are 542 Qatari trainees at College of North Atlantic - Qatar Campus, (CNA-Q), in the programs such as: business management, business administration, office administration, computer support specialists, laboratory technician, technician diploma, technician preparation program, and security preparation program. Also, there are 660 Qatari trainees at Qatar Petroleum's Corporate Training Center in programs such as: National Certification Program, Technician Preparation Program, Artisan Preparation Programs and in preparatory programs in variety of disciplines preparing them for programs at CNA-Q.

The department also continued to expand its professional training programs and activities to develop the skills and competencies of the staff of QP and its affiliated companies. A total of 4074 employees were trained in 2005, with a total of 16488 man-days. 548 employees were trained overseas while 3526 were trained in Qatar. The training programs covered specializations such as: technical, computer, non-technical programs.

Medical

The demand for medical services at Doha clinic continued to increase during the year 2005. Several new initiatives were taken to improve the existing services such as, strengthening the appointment system, continuous medical education program to keep the staff updated with latest strategies and technologies, provision of training through Hamad International Training Center and improving pharmacy and treatment rooms to handle emergency cases. To ensure smooth functioning, additional manpower and equipment resources were provided in physiotherapy. To meet the demand, Bone Densitometry was started in radiology, as was a new ambulance station at Corporate Training center. A smoke cessation clinic was also started with continuing professional development program for all pharmacists.

At Mesaieed medical center, the clinical laboratory was established and provisions were made to provide round the clock x-ray services. Additional manpower resources were provided to ensure smooth functioning of dental and physiotherapy. Emergency services were enhanced by achieving full staffing and complementing emergency medical services at NGL and refinery clinics to be run by EMT 24 hours a day and seven days a week.

Dukhan Medical Center continued to provide medical and dental services including pharmacy, pathology, x-ray, ultrasound and physiotherapy to QP staff, their families, local residents, police, other servicemen and government officials. Satellite clinic at Dukhan Support Services Area (DSSA) provides service to 6000 contractor personnel. During 2005, patient attendance went up by 15% in comparison to the year before. This surge in attendance was due to contractor attendance at DSSA clinic and ongoing health surveillance program. During the year new dental unit was commissioned and additional equipment resources for physiotherapy were provided for effective patient treatment.

To meet increasing demand of medical services at Ras Laffan Industrial City, preparations were made in 2005 to provide additional manpower and other resources to meet the drastic increase in demand of medical services due to major industrial expansion expected in 2006 and beyond.

Services

During the year 2005, services were provided efficiently in the areas of housing, office services, office maintenance, transport, security and recreational services to Doha operations. Qatar Petroleum continued to provide support services to newly established joint venture and affiliated companies during their initial set up period.

Information Technology

The use of information technology within QP continues to expand. The challenge is to deploy information technology solutions as effectively as possible in those areas where the business and technical benefits will be greatest.

In 2005 the portfolio of electronic workflow applications continued to expand across more business areas, thus helping to realize a paperless electronic-based environment by eliminating paper forms. A project to augment the existing enterprise resource planning (SAP) application suite was initiated. This will expand the use of SAP to additional business areas across QP. The concept of converged networks was introduced by deploying internet protocol telephony (VoIP) at one site, with plans to expand its use across the corporation. Enhancements to increase the resilience and speed of the corporate-wide network were also implemented. All this was crowned by obtaining the ISO 9001:2000 certification, a further validation of the quality of corporate IT services.

IT endeavored to transform the business through the deployment of converged state-of-the-art technologies continued in 2005. In addition IT continued to pave the way for the realization of the corporate Qatarization plan by proactive recruitment and accelerated career development of Qatari nationals.

Corporate (HSE) Safety, Quality and Environment

Corporate HSE at QP encompasses Environment & Sustainable Development, Corporate Quality & Management Systems, Oil Spill & Emergency Response, Corporate HSE Support, Corporate Security and Corporate HSE Strategy. Significant achievements were made in all areas in the first full year of operations in 2005.

The Environment & Sustainable Development Department continued to act as an environmental advisor to QP operations and developmental projects and as an interface with the State regulator and regional and international organizations on environmental issues, particularly in obtaining Consent-to-Operate permits and waste disposal permits, preparing Environmental Impact Assessments, and assisting with compliance executive regulations. On behalf of QP, the department launched a national project for air quality monitoring in collaboration with Total. The study will investigate causes for the increase in surface ozone levels in Qatar and assist in developing strategies to control and mitigate them.

The Corporate Quality & Management Systems Department provides quality services in management systems and, with the implementation of ISO Standards compliance, maximizes savings in cost, time and integrity of procured equipment and materials through well defined control measures. It ensures that quality control plans are developed and implemented for every QP engineering project in the different stages of project implementation. In 2005, the Corporate Standardization Management System was established, which was duly endorsed by H. E. the Second Deputy Premier, Minister of Energy and Industry. The QP Pipeline Task Force Committee was formulated with members of QP departments to verify all QP pipeline status for offshore, onshore and joint ventures. With QA involvement and participation, QP became a permanent member of the ISO Technical Committee and Management Systems Committee which gives QP the right to edit and update ISO standards pertinent to the oil and gas industry. Ninety five percent of QP departments have now been certified to ISO 9001:2000 Standards of Certification for implementation of Quality Management Systems.

The Oil Spill & Emergency Response Department achieved a number of milestones during 2005, including signing oil spill response agreements with four joint venture companies, conducting a successful exercise with the Qatari Armed Forces and the French Navy, carrying out finger printing analysis of all oil wells in the State of Qatar, establishing a Spill Response Center, and successfully responding to a number of reported oil spills. In addition, the department developed functional relationship agreements for the Regions and Operational areas throughout Qatar Petroleum, drew up old spill response plans and tactics sheets, revised cooperation and coordination contingency plans with Qatar ministries, and concluded oil spill response training programs for 2006. The department was also involved in a number of oil spill preparedness and response initiatives, regionally and internationally, including active participation with the International Oil Pollution Compensation Fund.

Corporate HSE Support provided advice, support and resources for materials safety and integrity, technical safety and loss prevention to ensure high reliability and availability of plant equipment. Its metallurgical lab was used to analyze the root cause of equipment failure. The department helped Major Engineering Projects resolve technical problems and made recommendations for technical improvements in all operational areas. In 2005, it introduced a computerized system for incident investigation and issued new office furniture ergonomic standards. It is also developing improved radiation protection procedures and training.

Corporate Security works to improve all aspects of security throughout QP to protect QP assets and people and safeguard QP business. Major security projects are being developed under a five-year plan that will see integrated emergency control rooms and high tech systems, including electronic surveillance, implemented in all QP oil and gas areas by 2010.

Several Corporate HSE publicity and promotion projects were launched by HSE Strategy to raise awareness about HSE issues and encourage best practice throughout QP. The majority of these initiatives, which include publications, specialized events and an HSE video, will be realized in 2006.

The Qatarization plan for the department was closely monitored. By the end of 2005, the number of Qatari employees was 124 out of 255, half of all Corporate HSE staff.

Oil and Gas - Fields and Operations Areas

ONSHORE OPERATIONS

Summary of Dukhan Fields

Dukhan is a large oil field extending over an area of approximately 80 km by 8 km. and is located approximately 80 kms to the west of Doha. Dukhan Field encompasses four reservoirs from north to south - Khatiyah, Fahahil and Jaleha/Diyab, three of which are oil reservoirs, and the fourth contains non-associated gas . Oil and gas are separated in four main degassing stations which are continuously manned namely Khatiyah North, Khatiyah Main, Fahahil Main and Jaleha. Unmanned satellite stations are Fahahil North and Fahahil South, while Khatiyah South is now a manned station. The Diyab satellite station at the south end of the field has no process facilities and the total oil production is sent to Jaleha station for processing. Stabilized crude oil is transported through pipeline to Mesaieed port about 100 km east of Dukhan.

Dukhan oil field has production facilities to produce up to 335,000 barrels per day (BPD). Other production facilities are related to associated gas, non-associated gas, raw NGL production from associated gas, Arab D gas cap NGL and Arab D condensate production. In addition to this, facilities for injection of North Field gas into Khuff Reservoir, injection of lean gas into Arab D gas cap and water injection into the main oil reservoirs of Arab C and Arab D for pressure maintenance are also operated on continuous basis in Dukhan.

Arab D gas cap recycling plant to process 800 million standard cubic feet per day (MMSCFD) of Arab D Cap Gas and recover 38,000 BPD of stabilized condensate and 750 tonnes/day (TPD) of NGL was commissioned in 1998. The residue gas is re-injected back into the same reservoir. Currently a major project is in commissioning phase to upgrade the Arab D plant facilities to recover C2+ raw NGL (about 5600 TPD of NGL) and supply to NGL-4 Project in Mesaieed.

A major project of gas lift system to artificially lift the oil for enhancing production and increasing ultimate recovery from the field has been completed.

The production support activities comprise facilities of potable water distribution, power station, workshop facilities and communication network in Dukhan Field.

In addition to the above facilities, various housing and recreational facilities are available in Dukhan and clubs, catering and security services are provided to Dukhan residents.

Major Customers

The main products conditioned for export from Dukhan Fields are crude oil, condensate, NGL and stripped associated gas. These products are exported to various internal and external customers:

- Crude oil is exported through terminal operations department at Mesaieed and also supplied to QP refinery at Mesaieed.
- Condensates is exported to refinery in Mesaieed
- Arab D NGL is exported to NGL-4 at Mesaieed
- NGL is exported to NGL1 and NGL 2 in Mesaieed
- SAG is exported to QNCC, QAPCO and QAFCO via QP Gas Distribution System

Major Achievements

• Drilling of first well in Dukhan	1939/40
• Shipment of first crude oil from Dukhan	1949
• Discovery of non-associated gas in Khuff reservoir	1959/60
• Commencement of Power Water Injection in Dukhan Reservoirs for pressure maintenance	1989
• Commissioning of Arab D Gas Recycling plant to recover condensate and NGL from Arab D Reservoir Gas Cap	1998
• Commissioning of NGL4/DKADU to recover 5600 TPD NGL from Arab D Cap Gas	2003
• Commissioning of Gas Lift project	2003
• Attainment of ISO 9001-2000 Quality Certification for the entire Dukhan Operations	2004

Development and Expansion Plans

The major development/expansion plans for Dukhan are:

Dukhan Gas Lift Project: This project will help in maintaining the crude oil production and deal with increasing water cut in the oil reservoirs. Gas lift system will supply gas to approximately 300 wells in Dukhan.

PWI Phase VI: The function of Powered Water Injection (PWI) is to enhance oil recovery and maintain reservoir pressure in the Dukhan field for Arab C, Arab D and Uwainat reservoirs. The PWI phase VI will upgrade the two-train PWI stations to three-train stations as a result PWI capacities will increase from 538,000 BWPD to 708,000 Barrels of Water Per Day (BWPD).

Future facilities expansion plans in consideration are acid gas recovery plant, produced water re-injection facilities, drilling of new well and abandonment of old wells.

Oil and Gas - Fields and Operations Areas

OFFSHORE OPERATIONS

Main Activities of Offshore Fields

QP has two offshore production stations located in the north-east quadrant of Qatar's territorial waters, PS-2 and PS-3.

Both PS-2 and PS-3 platforms produce crude oil, associated gas and condensate. They are located in the Maydan Mahzam (MM) and Bul Hanine (BH) fields. Oil and condensate are piped to Halul Island for storage and export. Gas is primarily used to assist in lifting the oil from the reservoir. Some gas is taken to Halul for fuel.

OPQL (Occidental Petroleum of Qatar Ltd) operates PS-1 (Idd El-Shargi North and South Dome), and TEPQ (Total E&P Q) operates Al-Khaleej field, on a production sharing arrangement with QP. Both facilities produce crude oil and associated gas, which is taken to Halul Island by sub-sea pipelines for fuel, storage and export.

Major Customers

Major customers to QP for the purchase of crude oil, gas and condensate include Mitsubishi Corporation, Exxon Mobil, Total, Marubeni and Itochu.

MAJOR ACHIEVEMENTS (2005)

- All departments under Operations Directorate including Offshore Operations Departments were integrated into a single Operations Directorate Management System and accredited with ISO9001:2000 certification.
- Re-structuring of OM(O) departments was successfully completed during the year in line with international best practices.
- Health, Safety and Environment routine functions were fully taken over by Offshore Operations following the re-organisation of Safety and Quality Assurance Department and HSE(O) coming under the umbrella of Offshore Operations as a Division.
- Halul Services Agreement between QP and TEPQ was signed by both parties during the year subsequent to TEPQ assuming the responsibility of their operations of Al-Khaleej field and Halul plant in 2004.
- Following a gas leak incident in PS-2, Asset Integrity exercise was initiated for topside facilities on PS-2, PS-3 and Halul. Major and critical recommendations were implemented during planned PS-2 and PS-3 shutdown period. Implementation of remaining items is progressing.
- 12" PS-1 to Mesaieed NGL pipeline abandonment and rehabilitation study carried out. Decision pending further evaluation.
- 24" PS-1 to Mesaieed vapour pipeline intelligent pigging program initiated for implementation during February 2006.
- Halul Terminal Benchmarking exercise carried out in coordination with OS Department. Follow-up and further consolidation ongoing.

Production Stations

Two planned shutdowns each were successfully completed in PS-2 and PS-3 during the year for implementing living quarters upgrade projects and vessel/equipment inspection/maintenance respectively.

Multi Phase Meters were commissioned in MM and BH fields and evaluation of performance ongoing. This shall help acquisition of accurate well test data for the fields and shall help in optimising field production and further development.

Future Expansion Plans

Future expansion plans on production stations include installation of three new wellhead jackets in BH field and drilling of new wells as part of field development.

EXPLORATION/APPRAISAL ACTIVITIES

FIELDS AND OPERATIONS AREAS

QP continued to adopt the policy of developing hydrocarbon resources through Exploration and Production Sharing Agreements (EPSA) and Appraisal, Development and Production Sharing Agreement (ADPSA) with major international oil and gas companies.

EPSA EXPLORATION AREAS:

- Block-2 (EnCana International (Qatar) Ltd.)
- Block-4 (Anadarko Qatar Block 4 Company)
- Block-5 Extension (Maersk Oil Qatar AS)
- Block-10 (Talisman Energy (Qatar) Inc.)
- Block-11 (Wintershall AG)
- Block-13 (Anadarko Qatar Energy Company)

Following is summary of the 2005 activities in the EPSA Exploration Areas:

Block-2 (EnCana): 2D and 3D seismic acquisition programme was implemented as planned. A total of 409 km 2D and 500 sq. km. 3D seismic were acquired. The acquisition started in June and completed in October 2005. Processing of the new 2D & 3D is ongoing as planned.

Block-4 (Anadarko): All pre-existed 2D seismic data was reprocessed and interpreted. A Feasibility study was conducted prior to planning new seismic acquisition. 3D seismic acquisition is planned in 2006.

Block-5 Extension (Maersk): Dependent on the well results a geological review of the Shuaiba formation was conducted and new FDP was prepared and it is under evaluation by QP

Block-10 (Talisman): The new 3D seismic data was processed and interpreted. Also all pre-existed 2D and 3D seismic data was reprocessed and interpreted. Sedimentological and sequence stratigraphy studies were conducted using seismic data and available cores. TQ-1 was spudded in November 2005. The well drilled to TD in Arab D formation.

Block-11 (Wintershall): The discovery well WAQ-3 was spudded in January 2005 and reached TD in Arab D. The well successfully tested oil in Lower & Upper Sulaiy. Good oil shows were also reported in Kharaib B and Arab C formations.

Reprocessing and interpretation of more than 2000 km 2D seismic were completed, SCALs on cores taken from WAQ-3 were conducted. The appraisal program was approved and consequently 2 years extension resolution was signed. Currently preparations to drill the appraisal well WAQ-4 are ongoing.

Oil and Gas - Fields and Operations Areas

Block-13 (Anadarko): Interpretation of the 3D seismic data was finalized, and one prospect was planned to be tested by the Exploration Well FAD-1 in 2006.

Reprocessing the 3D seismic data using gridded tomography pre-stack depth migration is ongoing.

Najwat Najem ADPSA Appraisal Area:

ONGC was awarded the ADPSA for Najwat Najem structure. The agreement was signed in March 2005. HH the Emir endorsed the agreement in May 2005. Reprocessing of the 3D seismic data and the appraisal study are ongoing.

EXPLORATION OPEN AREAS:

Block-14 EPSA Bidding campaign: EPSA Bidding campaign for Block-14 was launched in May 2005. Forty (40) international companies were invited for participation. Bid documents were submitted to the interested companies.

Blocks-1, 3, 7: In-house hydrocarbon prospectivity studies continued as pre-bidding campaign phase of EPSAs.

Regional Studies:

Qatar Joint Paleozoic Exploration Study, started in November 2004 by QP/ExxonMobil Exploration Team. The study is ongoing as planned.

EPSA/DPSA – PRODUCTION FIELDS ACTIVITIES

Currently there are seven offshore fields, which are under various stages of development by the following operating companies.

FIELD	OPERATOR
Al Shaheen	Maersk Oil Qatar
Al Rayyan	Anadarko Qatar Energy Co.
Al Khalij	Total E&P Qatar Ltd.
Idd El Shargi North Dome	Occidental Petroleum of Qatar
Idd El Shargi South Dome	Occidental Petroleum of Qatar
Al Karkara / A Structure	Qatar Petroleum Development Co.
El Bunduq	Bunduq Company Ltd.

- Shaheen Field: A new field development plan (FDP2005) was agreed and approved in Dec 2005. The plan calls for drilling of about 160 wells from 6 existing and 3 new locations. Many new platforms, pipelines and cables will be installed and with the implementation of the plan, plateau production is expected to reach a level of 525,000 barrels daily. Produced associated gas will be exported to Mesaieed via NFA and produced water will be disposed into a shallow aquifer.
- Al Rayyan Field: Two horizontal sidetracks of existing wells were carried out to improve recovery. Also two standby diesel generators were installed to supplement power imported from QP's NFA facilities.
- Reprocessing of seismic data using Gridded Tomography technique was initiated to improve reservoir characterization.
- Al Khalij Field: Development of the Northern Area was launched in 2003 and completed in 2005, involving drilling of 8 producers, 2 injectors and a water source well from DP4 platform. A new offshore process platform PP1 was also installed to process produced water and re-inject into the reservoir. In addition, one infill well (ALK-202) was drilled and sidetracks of existing well were carried out.
- Idd El Shargi North Dome: A new central processing platform (PS-1K) was installed and commissioned. PS-1K is expected to double the gas compression, liquid separation and water injection capacity.
- Gas flaring is reduced by 75% through improved reservoir management without affecting the oil production from the field.
- Idd El Shargi South Dome: A six-lateral injector/producer pair was successfully drilled to cover a total horizontal length of around 100,000 ft in the tight Shuaiba formation. The wells were completed with the state of the art intelligent completion equipments.
- Al Karkara and A-Structures: Offshore facilities were successfully installed in the first 100% environmental friendly oil field development project in Qatar wherein all produced gas will be re-injected into the formation to achieve the target of zero-gas flaring from the beginning.

HALUL ISLAND

Halul Island is part of the State of Qatar located around 80 km north of the city of Doha, with an area of 1.5 square kilometers. Qatar Petroleum operated the island, which has all the facilities of a major international oil terminal.

The island is home to 11 large crude oil storage tanks, with a total capacity of 5 million barrels, crude oil pumping facilities, power generation and water desalination plants. Oil is blended and exported from Halul to customer's oil tankers moored offshore. In year 2005, 110 crude oil tankers were loaded and exported from Halul Island.

The island is provided with suitable housing accommodation and all related domestic facilities including restaurants, a club house and recreational areas to play sports such as volleyball, basketball, football and tennis.

A construction of new senior staff, ELS-2, and ELS-3 accommodation units project was completed during the year 2005.

To avoid damage to marine ecology and to control pollution, formation water disposal to sea was seized in 2005. Instead, all water is pumped to remote water disposal jacket.

To enhance the greenery and landscaping a variety of flowering plants, trees and shrubs are being planted. A project was initiated for waste water treatment and its construction is ongoing to use it to enhance the greenery on Halul.

Power generation Phase-II project is ongoing and expected complete during the first quarter of the year 2006.

Halul Terminal and Export Department is maintaining the ISO 9001 – 2000 certificate and adhering to ISO guidelines.

Project planned to execute during year 2006

- New control room equipped with the most sophisticated necessary equipment.
- New marine building looking over the jetty.
- Maintenance workshop equipped with the necessary tools for maintaining the equipment and the technical installation.
- New seawater pumps which are used in the safety operations at Halul.
- Waste water treatment facilities.
- Halul Harbor upgrade Phase-2.

During year 2005 between 750 and 900 personnel, including contractors were present on the island on a daily basis.

Safety is a priority at Halul. As the operator of Halul terminal, QP has given it considerable attention and a safety procedure is provided and strictly followed. The safety requirements set out in the checklist are based on the safety practices widely accepted by the oil tanker industry and recommendations by ISGOTT. All fire fighting and lifesaving appliances are properly placed and maintained in a state of readiness for immediate use.

Offshore Day was celebrated in 2005 to commemorate 40 years of crude oil production and export from Halul.

Oil and Gas - Fields and Operations Areas

Drilling Department

The Drilling Department carried out QP's drilling, workover and well services operations in 2005 in its offshore (Maydan Mahzam and Bul Hanine) and onshore (Dukhan) fields using best industry practices in an economical, safe and environmentally friendly manner. The rig count and major operational activities were as follows:

- Offshore fields (MM/BH) drilling rigs count remained at 2.
    - 13 new wells were drilled, 6 wells were side tracked and 3 wells were worked over.
    - The total footage drilled was 77,288 ft.
- Onshore (Dukhan Fields) drilling rig count was reduced to 2. Rig DALMA LR-5 was released in February and the contract was awarded to the newly established Gulf Drilling International Company (GDI). Operations with the new rig started in March 2005.
    - 8 new wells were drilled, 4 wells were side tracked, 6 wells were worked over.
    - The total footage drilled was 98,790 ft.

Major activities & Achievements

Offshore Operations

- Contracted and operated two jack up rigs (Gulf # 1 & 2) for drilling, workover, completion & testing operations for twelve (12) wells in the BH and MM Fields.
- Drilled and successfully completed three (3) new wells with two (2) in the Areaj and one (1) in the Arab 'D' reservoir.
- Successfully retrieved and re-ran new completions in three (3) wells including one (1) subsea dumpflooder.
- Successfully cemented two (2), 6000'+, 7" liners in two stages. These being significant achievements due to several different reservoir pressures across the interval requiring tightly controlled equipment configurations
- Reduced corrosion levels by introducing Corrosion Coupons for all drilling assemblies and adjusting drilling mud parameters.
- Operations were safely conducted with no major accidents/incidents.
- Achieved all reservoir targets as required by Field Development.

Onshore Operations

- Development of Arab 'C' and Arab 'D' reservoirs through horizontal drilling and sidetracking of wells in Dukhan Field.
- Successfully drilled & completed 4 Arab C/D horizontal producers, 4 sidetrack producers, 4 water injectors.
- DK-34A, DK-29 & DK-50: Abandoned ahead of schedule.
- DK-208B breaks the world record of DK-355A for drilling the 4-1/8" horizontal section with footage of 996ft/24 hrs.
- Successfully regained the control of DK-496 after a safe blowout.
- DK-504: Conducted fiber optical temperature sensaline survey two times - a first for QP.
- DK-361A: RIH & set down hole acoustic monitoring tools with phone up relay - a first for QP.

- As part of the well integrity investigation campaign, a total of 41 wells were completed.
- DK-34A: Regained the well control after the well blowout incident caused by the failure in the casing integrity at 63' below the ground

Natural Gas Operations

QP Gas Operations under the Operations Directorate is responsible for managing the complete value chain for non-associated gas production, associated gas and liquid processing, local transmission and distribution and export of LPG & condensates.

Assets under the Gas Operations comprise of –

- Non-associated gas production at North Field Alpha (NFA) and Khuff Gas (KG)
- Gas processing facilities at NGL complex in Mesaieed
- LPG/condensates export facilities at Mesaieed
- Transmission and distribution pipeline network for distributing various hydrocarbon gas and liquids within the State of Qatar

Key operational objectives of Gas Operations are –

- Operate the plants with highest possible levels of personnel and plant safety while meeting all QP and State HSE regulations and guidelines.
- Optimize processing of various feed streams so as to maximize plant utilization and consequently maximize State revenues and income.
- Coordinate with various upstream and downstream entities within the State of Qatar to prepare year-wise Integrated Shutdown Plan so as to minimize aggregate industries downtime and consequently maximize State revenues and income.

- Meet fuel gas demands of state power plants
- Meet export targets for LPG and NGL condensate
- Meet fuel gas/feedstock requirements for local industry

North Field Gas

Discovered in 1971, the North Gas Field lies off the north-east shore of the Qatar peninsula and covers an area of some 6,000 sq km, equivalent to about half the land area of the State of Qatar.

The North Gas Field is considered to be the largest single non-associated gas reservoir in the world with total proven reserves of 900 trillion standard cubic feet (tscf). The development of this major natural resources is a significant factor in Qatar's economic development.

North Field Alpha

Phase one in the development of this reservoir is called North Field Alpha Phase I. Two pipelines (210 km long) carry raw gas and condensate liquids to Mesaieed NGL complex via Ras Laffan for further processing into products. In addition, associated gas from Al-Shaheen offshore crude oil fields and surplus raw gas from Qatargas/RasGas LNG complexes at Ras Laffan is also transferred for processing at Mesaieed through the same pipelines. NFA supplies its surplus electrical power to Al-Morjan offshore fields.

Khuff Gas - Khuff gas is an on-shore non-associated gas produced from wells in Dukhan area and is operated as a back-up during supply shortages.

North Field Injection Station - Surplus gas from NGL-3 plant is taken to NFIS in Dukhan area for injecting into KG and Arab "D" gas reservoirs.

NGL Complex plants receive feed through long distance pipelines from various diverse streams -

- NF raw gas / liquid from NFA
- ALS raw gas from Al-Shaheen Offshore Oil Fields
- QG / RG raw gas from Qatargas / RasGas
- Offshore raw gas / liquid from PS-1/2/3 facilities
- FSP Raw NGL / Arab-D / DKADU liquid from FSP / Arab-D / DKADU plants
- Normal / Cracked LPG from QP Refinery
- LPG from Ethane Recovery Unit at QAPCO
- Mixed butane from Q-Chem
- Pentane from QAFAC plant in Mesaieed (proposed)

NGL Complex consists of the following major plants and facilities for product treatment, storage and exports –

- NGL-3 Gas plant & Gas Sweetening unit (AGR / SRU)
- NGL-3 Liquid plant
- NGL-2 Stripping plant
- NGL-1, NGL-2, NGL-4 Train 1 & 2 fractionation plants & NGL-1 / NGL-4 Merox plants
- Tank Farm for storage for propane, butane, NGL condensate, NF condensate
- NGL Jetty for export of LPG and condensates

NGL Complex Products & their distribution thereof -

- NF Lean Gas – Supplied as fuel and feedstock to state power plants and to Mesaieed based industrial units - Q-Chem, QAPCO, QAFCO, QVC, QAFAC, QASCO and QP Refinery.
- OFFSAG – Offshore Stripped Associated Gas – Supplied as feedstock to QAPCO's Ethane Recovery Unit (ERU) in Mesaieed.
- ERG - Ethane Rich Gas - Supplied as feedstock to petrochemical plants of QAPCO and Q-Chem in Mesaieed.
- Propane is exported thru NGL jetty.
- Butane is exported through NGL jetty and is also supplied as feedstock to QAFAC MTBE plant in Mesaieed.
- NGL Condensate is exported through NGL jetty
- NFC - NF Stabilised Condensate - Supplied as feedstock to QP Refinery in Mesaieed
- Liquid Sulphur - Supplied to QAPCO for export from their end.
- Pentane is presently being re-processed and mixed with NGL Condensate.

Transmission and Distribution Network transmits and distributes various raw and processed hydrocarbon gas and liquid streams within the State of Qatar through a countrywide network of over 2000km long pipelines, associated manifolds and distribution stations. Various feed streams from NFA, FSP / Arab-D / DKADU from Dukhan, QP Refinery, QAPCO and Q-Chem are carried to NGL Complex at Mesaieed. Similarly fuel and feedstock products from NGL complex are carried to various state power plants and industrial consumers across the State of Qatar.

Ras Laffan Industrial City

The State of Qatar has globally announced its intention of establishing Ras Laffan Industrial City as the world leader in the export of liquefied natural gas (LNG) and gas-to-liquids (GTL) – based on the North Field's 900 trillion standard cubic (TSCF) feet of proven non-associated gas reserves.

The RLC Business Directorate (RLC) is responsible for developing and operating the industrial city – in partnership with its resident industries (present and pending) - premised on the business philosophy of economies of scale and identification of industrial synergies. In doing so, RLC, in partnership with its industries, strives to deliver:

- Globally competitive pricing of products to their ultimate customers,
- Credible and positive relationships with surrounding communities,
- A clean, safe and secure environment meeting or surpassing international regulations and best practices.
- Regional and national economic development through quality Qatarization, and business and employment opportunities.

Geography and Facilities/Services

Ras Laffan Industrial City presently consists of approximately 250 square kilometers of approved development space. Current operational and expanding major industries include two large-scale, world leading, liquefied natural gas producers (Qatargas and RasGas) – which will eventually achieve an export capacity of 77 million metric tonnes per annum (MMTPA). The AKG 1 Gas Plant recently became operational and AKG 2 is under construction. RLPC (local power and desalinated water supplier) is operational and a second power and water plant (Qatar Power) is under construction. Additionally, Oryx GTL, Dolphin Energy (UAE-destined gas supplier) are under construction and site work has begun on the Laffan Refinery, Ras Laffan Olefins Company, and Pearl GTL plant sites. Future hydrocarbon based industries are in varying stages of feasibility and planning.

To accommodate existing and prospective industry, Ras Laffan Industrial City is in the process of implementing a completely revised Master Plan (industrial development plan) – as shown below. This includes:

- Dramatic port expansion (including a dry dock facilities with, initially, two dry docks and a floating dock and additional liquid product and LNG berths)
- Initiation of Phase 2 of the Common Cooling Water Facility (bringing the provision of cooling water capacity to approximately 825 million cubic meters/hour with additional expansions planned for the future)
- Development of a centralized kitchen facility capable of serving approximately 150,000 combined daily meals to camps and satellite locations

Ras Laffan Industrial City

Many similarly large scale projects and studies are in varying stages of planning to serve the future needs of Ras Laffan

Key services offered by the RLC Directorate in support of present and future operations include:

- Port Regulatory Authority on behalf of the State of Qatar,
- Provision of port logistical and scheduling services,
- Safety, security, environment, emergency response and fire rescue services,
- Primary medical care to on-site personnel.

2005 Achievements

- *ISO 9001:2000 certification pertaining to RLC Directorate products and services,*
- *Transition of the RLC Directorate to the updated ISO 14001:2004 certification,*
- *Completion of the RLC 20-year Master Plan for industrial infrastructure, support services and support industry development.*

A 'Single Port Operator" study is underway to determine the storage, loading, operations, infrastructure and maintenance synergies that may be achieved under this arrangement.

Ras Laffan Industrial City

Qatar Liquefied Gas Company Ltd.

Qatagas Operating Company Limited – or Qatargas 1 pioneered the LNG business in Qatar. The company was established to own and operate a world-class onshore LNG plant utilizing natural gas from the North Field, and to market and export LNG and associated condensate worldwide. QP, the state oil company, is Qatargas' major shareholder with 65%, along with joint venture participants Total (10%), ExxonMobil (10%), Mitsui (7.5%) and Marubeni (7.5%).

Due to the enormous investments necessary to put in place the entire LNG infrastructure, long-term contracts are required. In 1992 and 1994, two sales and purchase agreements were signed with Chubu Electric and seven other Japanese power and gas companies for Qatargas 1 to supply 6 MMTPA of LNG for a 25-year period.

The company's long-term commitment for LNG deliveries is primarily to eight Japanese customers. A total fleet of 10 new purpose-built LNG vessels, each with a capacity of 135,000 cubic meters, transports the LNG to these customers. In addition, Qatargas 1 has signed short and mid-term agreements to supply LNG cargo to a number of other country markets: Spain, Turkey, Italy, the US, France, Korea and the UK.

In 2000, Qatargas 1 became the world's first LNG company to achieve certification in both ISO 9002 and 14001 for its quality and environmental management programs. One year later, in 2001, Qatargas 1 became the first company in Qatar to upgrade its ISO 9002:94 certification to the new ISO 9000:2000 level. Through a series of debottleneckings, production capacity at Qatargas 1's three-train plant now stands at 9.5 MMTPA, well above its original design capacity of 6 MMTPA.

In January 2004, Qatargas 1 signed a Heads of Agreement with Spain's Gas Natural SDG for the supply of 30 million tonnes of LNG for 20 years, beginning in 2005. The gas is sourced from Qatargas' three existing trains. Qatargas and Gas Natural also agreed to extend an existing agreement for the supply of 12.6 million tonnes of LNG until 2012.

Qatargas 1, along with RasGas and RasGas II, signed an agreement to launch a US$ 115 million helium project in early 2003. The plant went on-stream in the third quarter of 2005 and will supply approximately 660 million cubic feet per year of helium.

In July of 2005 the Qatar Liquefied Gas Company Limited – now known as Qatargas- was established to operate the original Qatargas 1 project as well as future LNG expansion projects and the Laffan Refinery.

Further details on QG2-QG3-QG4 and Laffan Refinery are on pages 39-40 (Under Present and Future Projects)

RasGas Company Limited

RasGas was established in 1993 to produce and sell hydrocarbons from the world's largest non-associated gas field, Qatar's North Field.

RasGas Company Limited acts as an operating company on behalf of project owners to manage and supervise the design, construction and operation of various facilities under the terms of a "Services Agreement for Operation and Maintenance" signed in 2002. RasGas is owned by QP (70%) and ExxonMobil RasGas Inc.(30%).

At present, the Company's project owners are:

Ras Laffan Liquefied Natural Gas Company Limited (RL)

RL was established in 1993 to produce LNG and related products from its two trains: LNG 1 and 2. RL's key customer is Korean Gas Corporation (KOGAS), which on 20th September 2005 signed an equity participation agreement with Qatar Petroleum and ExxonMobil Gas Company Limited, RL's major shareholders, entitling KOGAS to pick up a 5 percent share in RL, after which the RL shares become as follows; QP 63%, ExxonMobil 25%, ITOCHU 4%, LNG Japan Corporation 3%, and KOGAS 5%.

Ras Laffan Liquefied Natural Gas Company Limited (RL II)

Established in 2001 to produce LNG and related products, RL (II) owns Trains 3 and 4 as well as Train 5. RasGas Company Limited is the operator of all trains.

Ras Laffan Liquefied Natural Gas Company Limited (RL III)

Announced on 15th November 2005 RL 3 will bring the total number of trains operated by RasGas to 7. The project is set to increase LNG production capacity by more than 40%.

OPERATIONS

Trains 1 & 2

To supply the KOGAS SPA, RasGas constructed its first two LNG trains, Train 1 and 2, having a combined production capacity of 6.6 MMTPA. The construction of RasGas' first two trains was completed ahead of schedule.

Train 3

Train 3's capacity of 4.78 MMPTA represents a per-train increase of 40 percent over Trains 1 and 2. Train 3 was officially inaugurated by HH the Emir of the State of Qatar in March 2004.

Train 4

On 22nd September 2005, Train 4, RasGas' latest production train, was officially inaugurated by HH the Emir Sheikh Hamad Bin Khalifa Al-Thani. The new train has a production capacity of 4.7 MMPTA, which makes it one of the world's largest LNG manufacturing facilities. Train 4 production will fulfill RasGas' European sales commitment.

Further details on RG5, RG6, and RG7, are on page 39 (Under Present and Future Projects)

Shipping

In the third quarter of 2005, RasGas II named three LNG vessels, chartered from two shipping consortiums. The tie-up for chartering the first two ships involved a Japanese consortium - comprising MOL, NYK, K-Line as well as Qatar Shipping - while the third ship is jointly owned by Maran Gas Maritime Inc. and Qatar Gas Transport Co.

On 28th November, 2005 RasGas III signed a major Time Charter Agreement with JC Nakilat and Teekay Nakilat Corporations for the long-term charters of twelve large Q-Flex sized LNG vessels executed earlier in 2005. The ships will be delivered to RasGas between March and August 2008. The new vessels have an LNG cargo capacity ranging between 210,000 to 217,000m^3.

Mesaieed Industrial City

Mesaieed Industrial City

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. In addition, MIC is responsible for attracting light, medium, and support industries to meet the needs of the larger businesses.

Vision Statement – Mesaieed: The City of Opportunity

Mesaieed is a city of opportunity and the major focus for development of the gateway to southern Qatar.

Mesaieed provides a vibrant, healthy, clean and safe environment, with modern facilities, a full range of services and well-maintained infrastructure offering a highly desirable place to live and invest.

Mesaieed is a sustainable city set in a desert oasis with an outstanding and high quality urban character and identity that reflects the rich cultural heritage of Qatar and caters for the needs of a diverse community.

MIC Mission

- Promote Mesaieed both locally and internationally as an excellent investment location.
- Modernize and develop utilities, services and infrastructure ensuring that the needs and requirements of all industries are met.
- Develop a cohesive community in Mesaieed including commercial, residential and recreational facilities to create a well-balanced environment.
- Coordinate with local industries to plan and develop growth within Mesaieed Industrial City and its community.
- Cooperate with businesses to develop and upgrade the heavy and light industrial areas and the adjacent community.
- Focus on environmental issues and implement MIC guidelines and waste management strategy as well as enforcing the environmental laws of the state.

Reasons to Invest in Mesaieed

- MIC hosts a variety of industries including crude oil, hydrocarbon, petrochemicals, and metallurgical.
- A well established, 24 hour serviced port handling a wide range of products.
- Proximity to both the Asian and European markets.
- Exemption from import duties and other fiscal levies on machinery, equipment and spare parts.
- Provision of energy sources at competitive prices.
- Open exchange regulations.
- Encouragement of joint venture initiatives and land leases at nominal prices.

MIC Detailed Master Plan

MIC has developed a Detailed Master Plan (DMP) to guide the development of the Community Area of MIC. This DMP is currently being used in the expansion and development of the town. The development, driven by rapid industrial growth, includes full infrastructure and a diversified, cohe-sive community. The plan has a twenty-five year horizon. Many individual projects have already been completed based on the plan, with many more either under construction or in planning. These projects include:

- The new medical center (opened in 2004)
- Gabbro import facilities
- Worker's accommodation
- Centralized office complex
- Community park
- Infrastructure development
- Housing Project Phase One (scheduled for late 2009 completion)
- Mesaieed cinema
- Al Afjah Heritage Village and Desert Park
- Hotel
- Workers recreation center
- Business park

Strategic Planning Initiative

MIC has started to develop a Strategic Planning Initiative for the industrial and port areas of MIC. This study will provide an update of the existing Master Plan for these areas based on new market studies and maximizing the utilization of Qatar's natural gas resources. Another critical component of the study is the concept design for a common seawater cooling system for the Industrial Area. The resulting plan will guide the rapid expansion and development of MIC.

Refining Directorate

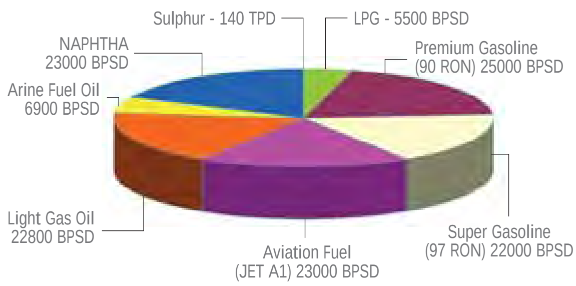
Overview

The Refinery has successfully managed the growing demand of the local market and produced surplus for export for many years. QP Refinery has grown over a period from a small capacity plant to a huge conglomerate, successfully making the State of Qatar self-sufficient and export-oriented in refined oil and petroleum by adding value to part of country's natural wealth, improving refining economics and providing citizens with the necessary expertise in the areas of management, operation, technical, maintenance and marketing. Commercial and marketing aspects for the export of the Refinery products are entirely controlled by the Qatar Petroleum Marketing Directorate. The Planning and Scheduling Division in the Refinery is responsible for working out annual, quarterly and monthly planning and product export schedule. The Marketing Directorate of Qatar Petroleum in close co-ordination with the Refinery Planning and Scheduling Division solely undertake the marketing of Refinery products in the international market.

Main Activities/Line of Production

Main activity of the Refinery is to process the crude oil and condensate into various finished petroleum products. The finished products are intended to meet domestic/local demand and for the export as well.

Refinery Finished Products



The local demand of all refined petroleum products such as LPG, premium gasoline, super gasoline, Jet A-1and LGO were met from the supply from QP Refinery. The surplus products after meeting local demand were exported during year 2005.

Marketing of Refinery Products

Marketing and commercial aspects for the export of the Refinery Products are entirely controlled by the Qatar Petroleum Marketing Directorate. Planning and Scheduling Division in the Refinery is responsible for working out Annual, Quarterly and Monthly planning and products exports schedule. Marketing of QP Refinery products in the international market is solely undertaken by the Marketing Directorate in close co-ordination with the Planning and Scheduling Division.

During the year 2005, QP Refinery exported 2,549,639 metric tonnes of refined products in 75 cargos.

Major Customers

In the international market, the major customer's are Emirates National Oil Company (ENOC), Glencore, Bakhri Trading, VITOL, Mitsui and ITOCHU. Refinery also supplies its refined products locally, mainly with WOQOD, QAFAC, QAPCO and NGL.

Mesaieed Industrial City

Qatar Fertiliser Company S.A.Q. (QAFCO)

Largest Quality Urea Producer

Qatar Fertiliser Company (QAFCO) was established in 1969. It is now jointly owned by Industries Qatar IQ (75%) and Yara International (25%).

QAFCO complex in Mesaieed City comprises four completely integrated trains; each train is made up of two units, one for production of ammonia and the other for urea, besides a urea formaldehyde unit, which makes QAFCO self-sufficient in urea formaldehyde.

QAFCO total annual production capacity now is 2.0 MMT of ammonia and 2.8 MMT of urea, making QAFCO the world's largest single site producer of urea.

Production & Exports 2005

Product	Production in MT	Exports in MT
Ammonia	2,133,800	465,000
Urea	2,978,800	2,960,260

Marketing

The fertiliser markets, especially in the ammonia and urea niche, are known for their frequent spells of sluggish trade. To counter such conditions, which have dominated the markets on several occasions over the last few years. QAFCO was careful to adopt a policy of attracting new customers while forging stronger ties with existing ones. This enabled the company to conclude new marketing deals and to renew existing ones. By the end of 2005, QAFCO was set to achieve record-breaking exports of urea. It was a buoyant year for the products in terms of prices and demand levels.

In 2005 QAFCO's main markets for ammonia were India 65%, Jordan 23%, USA 6% and South Korea 6%.

While the main markets for urea were USA 28%, Australia 17%, Thailand 9%, South Africa 8%, Philippines 5%, India 5%, Japan 4%, Vietnam 4%, New Zealand, 3%, South Korea 3%, France 2%, Sudan 2%, Pakistan 2% other countries 8%.

QAFCO-5 Expansion Project:

Looking forward to a brighter future with renewed confidence, clear vision, QAFCO realizes the need to adapt to constantly changing conditions, invest these variables to enhance our production capacity and reinforce QAFCO's position as a key player in the international fertiliser market and maximize shareholders' earnings. In this context, a letter of intent has been signed between Qatar Petroleum (QP), Yara International and Qatar Fertiliser Company (QAFCO) for construction of a fifth production train QAFCO-5. The project is set to be a quantum leap in terms of production volume as well as technology.

QAFCO-5 facilities will include an ammonia plant and a urea plant both with a daily production capacity of 3500 MT, and a number of support utilities. The project is scheduled for completion in 2010.

Qatar Petrochemical Company (QAPCO)

Introduction and Plant Production Capacity

QAPCO was established in 1974 as a joint multinational venture Shareholders are now Industries Qatar (80%) and Total Petrochemicals (20%). QAPCO's facilities consist of an ethylene plant producing 525,000 metric tons per annum (MTPA), two low density polyethylene (LDPE) plants with 360,000 MTPA and a sulphur plant with 70,000 MTPA. The company began full commercial production in 1981.

Marketing Strategy

In line with its position as a leading producer of low density polyethylene (LDPE), ethylene and sulphur in the Middle East, QAPCO is committed to providing high quality products, after-sale services and ensuring that state-of-the-art logistics are in place to get the products to market.

To expand its marketing network, QAPCO has opened representation and commercial liaison offices in many strategic markets around the world; three offices in China in March 2002 (Hong Kong, Shanghai, Beijing), one office in Egypt in May 2002, one in Syria in December 2002, three more offices in India on February 2004 (Mumbai, Delhi and Chennai), two offices in Pakistan (in Karachi in October 2003 & Lahore in July 2005), one in the UAE (Dubai December 2004), and plans for an office in Lebanon in January 2006. Two more offices are planned for Taiwan and Bangladesh and a regional warehouse in Egypt to cater to clients in Europe and North Africa. QAPCO now prides itself on marketing products to almost 4000 customers in over 75 markets around the world.

Commitment to ISO Quality and Environment Management Systems

Maintaining its high standards and following an extensive audit, QAPCO was re-awarded in June/July 2005 the ISO 9001:2000 Certificate in Quality Management System (QMS) and ISO 14001:2004 certificate in Environment Management System (EMS) by SGS (Societe Generale de Surveilance SA), which is one of the world's leading audit professionals. The new certifications reflect QAPCO's commitment to continued satisfactory operation of Quality and Environment Management Systems in accordance with the requirements of the international standards.

Another certificate (OHSAS 18001:1999) was also awarded by SGS to QAPCO in November 2005, which was in compliance with the requirements of the Occupational Health & Safety system. Thus, all QAPCO's operations are based on environment friendly policy as per the requirements of international standards.

Ethylene Expansion Project (EP2 Project): The project is now underway and the production capacity of ethylene is expected to increase from 525,000 MTPA to 720,000 MTPA (about 37% more). The project is envisaged to be completed by 2nd quarter of 2007.

Future Expansion Projects

QAPCO is also considering other LDPE expansion projects for the future by having LDPE 3 Plant and the study is under progress. The new plant capacity of LDPE will be 250,000 MTPA. By the completion of this project in the 4th Quarter of 2009, QAPCO's total LDPE production capacity will be increased up to 650,000 MTPA.

Mesaieed Industrial City

Qatar Chemical Company Ltd. (Q-Chem)

Q-Chem was established on 16th November 1997 as a joint venture between Qatar Petroleum (51%) and Chevron Phillips Chemical Company International Qatar Holdings LLC (CPChem) (49%). Q-Chem's world-class petrochemical plant produces high density polyethylene (HDPE) and 1-hexene (alpha olefin) using CPChems' proprietary technologies.

Marketing

Q-Chem enjoys a strategic location with easy access to the export markets of Europe, Asia, the Middle East and Africa.

Q-Chem marketing has come a long way since its first polyethylene (PE) shipment on 9th June 2003. To-date, products have been shipped to more than 50 countries for film and blow molding applications, including major markets in China, Pakistan, Sri Lanka, France, Italy, Turkey, Spain, Lebanon, Syria, Jordan, and other GCC and African countries.

Q-Chem produced Marlex resins have been well accepted by users. In 2005, it sold out its entire production volume. It is now being recognized as a leading PE supplier with consistent product quality and services.

Polyethylene and 1-hexene production increased by 14% (Polyethylene capacity: 453,000 metric ton per year, Hexene capacity: 47,000 metric ton per year) even though there was another QP/Q-Chem major turnaround. Design capacity was exceeded for five months. Monthly production was as high as 116% of design capacity.

QP and CPChem were recognized in October when the 1-hexene selective ethylene trimerization technology at Q-Chem took the top prize in the prestigious Kirkpatrick Chemical Engineering Achievement Award contest. This award has been bestowed every other year since the early 1930's by Chemical Engineering magazine.

Future Plans

Ras Laffan Olefins Co. (RLOC)

Two major petrochemical companies joined forces to develop a world class ethylene production facility in Qatar's Ras Laffan Industrial City.

Mesaieed Industrial City

Qatar Fuel Additives Company (QAFAC)

Qatar Fuel Additives Company (QAFAC) was established as a Qatari joint stock company to build, own and operate facilities at Mesaieed in Qatar for the production of methanol and methyl tertiary butyl ether (MTBE) for sale to customers worldwide.

QAFAC plant is designed to produce 832,500 MTPA of methanol and 610,000 TPA of MTBE.

The methanol plant design is based on ICI technology whereas MTBE design is based on UOP technology.

The site is an ‘L’ shaped block with maximum dimension of 1100 m long x 714 m, wide occupying 65.5 hectares.

QAFAC’s mission is to be a world-class operation of methanol and MTBE with commitment to excellence of quality, cost competitiveness, the environment and to safety.

QAFAC shareholders are:

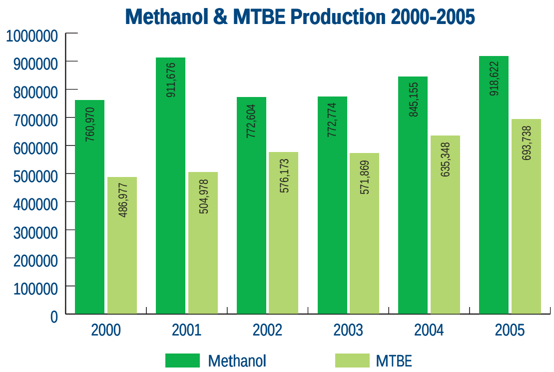
Industries Qatar	50%
Chinese Petroleum Corporation (CPC)	20%
International Octane Limited (IOL)	15%
Lee Chang Yung Chemical Industry Corporation (LCY)	15%

QAFAC History:

1990	Proposal
1997	Construction
1999	Start-UP
2000	Reliability Test

Year 2005 Production:

Methanol production for the year was 918,622 MT and MTBE production was 693,738 MT.



Marketing:

During the year 2005, the major exports of methanol were made to the Far East, India, Europe and the Arabian Gulf. The quantity was 668,406 MT. The MTBE was exported to west coast USA, Europe, Middle East and the Arabian Gulf. The quantity was 708,814 MT.

A total of 87 vessels of various parcel sizes were safely loaded and sailed out of QAFAC’s dedicated berth for MTBE and methanol during the year.

Qatar Vinyl Company (QVC)

Qatar Vinyl Company was established in 1997 as a limited Qatari shareholding company. The company was inaugurated in 2001 by H.H. the Emir.

Shareholders

Qatar Petroleum	25.5%
QAPCO	31.9%
Norsk Hydro	29.7%
Arkema	12.9%

Operations Highlights

Operations in 2005 have shown that the plant may be operated consistently at loads 18% above hourly design on the chloralkali side, while 31% above the design is possible for the VCM plant.

Annual production in metric tons (MT)

Ethylene dichloride (EDC)	225,000
Vinyl chloride monomer (VCM)	268,000
Caustic Soda (CS)	351,000

Marketing Highlights

The market conditions for QVC products in 2005 continue to be positive and compared with 2004, the price for all QVC products was not greatly affected.

The emergence of an up-cycle in the petrochemical industry and good demand from downstream sectors resulted in a tight supply situation ensuing better demand during the year.

Logistics and shipment wise, the performance was satisfactory and QVC made all the shipments meeting customers' requirement.

Most QVC products remain committed under long-term contracts to its customers in India, Pakistan, Australia and South East Asia. QVC and its shareholders expertise, is well placed to utilize maximum potential for the product sales.

Expansion Project

The expansion plans with doubling the chloralkali/EDC unit is continuing. Projects for debottlenecking of the chloralkali and the VCM units are also progressing.

Health Environment and Safety

QVC operations has now passed 2 million hours since start up, and has continued with no lost time injuries or occupational illness.

Three minor environmental incidents have been reported to the authorities.

Qatar Steel Company (Q.S.C.) (QASCO)

Qatar Steel (QASCO) is a Qatari Shareholding company originally incorporated in 1974 as a joint venture between the State of Qatar, Kobe Steel and Tokyo Boeki. In 2003, QASCO became a wholly owned subsidiary of Industries Qatar (IQ).

Over the years, QASCO has grown to be a leading supplier of high quality billets and bars in the region. In 2003, QASCO incorporated QASCO Dubai Steel FZE, U.A.E. which can currently produce about 200,000 metric tons of bars and coils.

2005 Performance

Consolidated Net Income was QR 387 million in 2005. Net cash income during 2005 was QR 468 million including interest. These figures include QDS and QCOAT results

New Development

New DRI/HBI Combo Plant Project

QASCO signed an agreement with Kobe Steel Ltd., Japan on 5 December 2005 to build a New Direct Reduced Iron (DRI) Plant which can produce 1.5 million tons of iron annually.

According to the agreement, the new plant will come on-stream in the second half of 2007.

New Bar Mill (NBM) Project

QASCO's project for installing a New Bar Mill was awarded to M/s VAI POMINI, Italy with an effective date of contract of 12 April 2005. The capacity of the plant will be 700,000 ton of bars per year bringing cumulative capacity to 1.44 Million ton per year after expansion. According to the agreement, the new plant will come on-stream in late 2006.

Steel Melt Shop Expansion (SMS) Project

QASCO's project for Expansion of Steel Melt Shop was awarded to M/s. DANIELI, Italy with an effective date of contract as 21 April 2005.

The new capacity of the plant will be 1.6 million ton of billets per year after expansion. According to the agreement, the new plant will come on-stream by the end of 2006.

GULF HELICOPTERS

Gulf Helicopters Company

Gulf Helicopters has been an active helicopter service provider, both in Qatar and abroad, since its acquisition by QP in June of 1998.

The company's overreaching policy is to provide safe and efficient helicopter service relative to standards and procedures laid down by the Qatar Civil Aviation Authority.

Established

Incorporated in UK	July 1970	Gulf Aviation 51%, BOAC 32%, BEA 15%
	March 1977	Gulf Air 100%
	June 1993	De-registered from UK (division of Gulf Air)
Shareholding QP 100%	June 1998	Qatar Petroleum purchases Assets / Business
	Dec 1998	Emiri Decree establishes Gulf Helicopters
	Jan 1999	Gulf Helicopters incorporated as Qatar Company

Historical Background

1970 to date	Provides helicopter services offshore to: QP, RasGas, Qatargas, Occidental, Total, Maersk Oil, Anadarko
July '87 to Dec '99	Operations in Oman
July 1989	Operations commence in Yemen
September 1994	Operations commence in India
September 1998	Operations commence in Iran
September 2000	Operations commence in Sudan

Marketing and Future Plans

GHC focuses on a steady growth on an opportunity basis both in the local and international market with offshore and onshore oil field support identified as our core sector for expansion. A target of 50% expansion over the next 10-year period has been set. With increased offshore activity and other developmental projects in Qatar, the role and activity for helicopter support is expected to increase.

In the international market, GHC has a long-term presence in Iran and India and expects to strengthen presence in these countries with oil field developmental projects. GHC also expects to enter the North African market especially Libya and Mauritania on a long-term basis.

With the expansion of the economy in the region and especially in Qatar, GHC has been looking into the VIP and corporate markets where services would be greatly required. GHC has now decided to enter into this market and purchase one of the most modern VIP equipped helicopters, the Sikorsky S92 and depending on market growth, will look at adding additional helicopters if required.

GHC has managed to secure a long-term lease from the Government for the Al Khor airport. GHC as part of QP and with the continuous support from the Government has decided to share in the expanding economy of Qatar and also to meet its expansion will now invest in developing an Al Khor airport for its own requirement and for Qatar Aeronautical College and in the future for any general aviation activity. GHC will be the only helicopter company in the region to operate and run an airport.

Qatarization

GHC is continuing to support the national Qatarization Program and develop the National trainees towards full post holder status. These positions presently filled include the General Manager, Aircraft Commanders, Type Rated Co-pilots, Licensed Engineers, Operations Officer and Operations Assistant. GHC is particularly proud that national females are represented within the Flight Operations Department.

The training of National Pilots has continued during this year and presently there are three pilot cadets completing the Commercial Pilots Course in Australia and expected to graduate during the third quarter of 2006. Two Avionic Trainees are attending the Qatar Aeronautical College in Doha who are expected to graduate at the end of 2006.

During the coming year GHC expects to introduce four Engineering Trainees and to continue with the Pilot Training Program. Other work areas within the company are under consideration for inclusion into the Qatarization and these programs are under development. Continuing development of existing National employees to enable them to move forward in the company and qualify for advancement and further responsibility is ongoing and will be maintained during the coming year.

Sales Gas (Local & Export)

Al- Khaleej Gas Project (AKG):

The project will develop reserves from the North Field to supply 1.75 billion standard cubic feet per Day (BSCFD) of sales gas to the domestic consumers. The project will also produce condensate, ethane, LPG and sulfur. The project will enhance the diversification policy of the North Field gas utilization and maximize the utilization of the existing gas infrastructure. It will enhance the LNG economics of Trains 1 and 2 of RasGas through production from K-1 to K-4 reservoirs. It is also designed to accommodate the fractionation requirements of LNG Train 4 as well.

The AKG Development and Production Sharing Agreement (DPSA) was signed with ExxonMobil on 2 May 2000 and ratified on 12 July 2000 by an Emiri Decree.

The EPC for AKG Phase I was awarded in March 2003, with first commercial gas delivered on 2nd November 2005. This phase will supply 744 MMSCFD of sales gas to Ras Laffan IPP, Oryx GTL and to industries in Mesaieed area. All required gas sales agreements have been concluded.

QP has installed a new 36" lean gas pipeline to supply Mesaieed industrial area with 240 MMSCFD initially. The design capacity of the pipeline is 1000 MMSCFD.

Phase 2 of the AKG project has been initiated with nominal design capacity of 1250 MMSCFD allocated to the local industries and power generation plants. FEED of AKG-2 onshore facilities has been completed by Chiyoda, target EPC award by 2nd Q 2006 and target startup by 2nd Q 2009. RasGas is the operator of the AKG facilities and also has the project management responsibility.

Dolphin Project:

The Dolphin Project entails development of reserves from the North Field for the production of wellhead gas sufficient to export lean gas at a rate of 2 BSCFD to the United Arab Emirates. It is the first gas pipeline project between the GCC countries. The project includes processing of gas at Ras Laffan to strip out condensate, ethane, LPG and sulfur. The sweet lean gas will be delivered to UAE through a sub-sea pipeline.

The Full Field Development Plan (FFDP) was signed on 11 December 2003 according to the Development and Production Sharing Agreement (DPSA) dated 23 December 2001. The main EPC contract has been awarded to JGC on 12 January 2004. First delivery of gas is scheduled for the first quarter 2007. The shareholders on UAE side are the UAE's Offset Group, Total of France and Occidental Petroleum of the USA.

LNG Projects

RasGas LNG 5:

Train LNG 5 will be commissioned in July 2007 to produce 4.78 MMTPA. The scope of this project is to produce about 1.5 BSCFD of gas for LNG export to India (Petronet) and Italy.

RasGas LNG 6 & 7:

Joint Venture Agreement has been signed with ExxonMobil on July 2005 to develop 2.9 BSCFD of North Field gas from the contract location, which was assigned to RasGas Expansion Projects. This project is targeting the US market with two trains each sized for 7.8 MMTPA.

Shareholders are QP and ExxonMobil at 70% and 30% equity respectively; design of the trains will be identical to QG II trains design, which is in the EPC stage. Since the trains will be located within RasGas' plot, synergies will be maximized to reduce the capital cost. Target commissioning of LNG Train 6 is May 2008 and LNG Train 7 will follow with a 1-year interval.

Train 6 and 7 Onshore EPC contract has been awarded to Chiyoda/Technip consortia (CTJV) and the Offshore EPC awarded to Mc Dermott on August 2005.

Qatargas II Project:

Target is to install two 7.8 MMTPA LNG trains for export to the UK market by 2008 and 2009 respectively.

The two trains, LNG 4 and 5 will be installed in the existing Qatargas plot and will benefit from the existing infrastructure. Three wellhead platforms and two 36" pipelines are designed to produce 2.8 BSCFD of gas and the associated condensate and transport the total produced fluids to Ras Laffan onshore plant in a wet scheme.

Fourteen LNG carriers will be built to support shipping of the lean LNG to a dedicated UK terminal. Onshore and offshore EPC contracts have been awarded to Chiyoda/Technip consortia and NPCC in December 2004.

Qatargas III Project:

A joint venture agreement has been signed with ConocoPhillips in December 2005 to develop 1.4 BSCFD of North Field gas and install an LNG train sized for 7.8 MMTPA within Qatargas' plot. The proposed train is a replica design of QG II with some adjustments and will have synergy, to the maximum possible extent, with Qatargas II project, including joint procurement of the shipping fleet. The project is currently in the EPC stage with a target commissioning by mid 2009.

Present and Future Projects

Qatargas IV Project:

Heads of Agreement (HoA) was signed with Shell on 27 February 2005 to develop 1.4 BSCFD of North Field gas and install an LNG train sized for 7.8 MMTPA within Qatargas plot.

Both QG 3&4 will be implemented jointly under the responsibility of an integrated Project Management Team formulated from both ConocoPhillips and Shell. The two trains will share common utilities and will have maximum synergy with QG II.

Onshore EPC contract has been awarded, jointly for the two trains, to Chiyoda/Technip Consortia (CTJV) and the Offshore EPC tendering is progressing. Target startup for QG 4 is 2Q 2010.

Gas-to-Liquids (GTL) Projects

Qatar Petroleum is actively pursuing a number of world-scale gas-to-liquids conversion projects for the production of synthetic fuels and base oil stocks. A brief summary for each project is given below:

Oryx GTL Project:

The project made excellent progress in all project tracks during 2005.

All major project agreements have been signed with the relevant parties. Oryx GTL Ltd. was established at the end of January 2003 as a JV company between Qatar Petroleum (51%) and Sasol (49%). The design capacity of the project is 34,000 BPD of gas-to-liquid fuel. The EPC contract was awarded to Technip and the 33-month contract is being executed from their Rome office. The project reached financial close on 18 March 2003 with EPC contract effective from 19 March 2003.

His Highness Sheikh Tamim Bin Hamad Al Thani, the Heir Apparent, on 7 December 2003 laid the Foundation Stone for the Middle East's first gas-to-liquids plant.

The GTL plant will be ready for start-up by 1Q 2006 and first product will enter the international market during the second quarter of 2006.

Shell GTL (Pearl Project):

Shell's GTL is an integrated project which will develop about 1.6 BSCFD of North Field Gas to produce approximately 140,000 BPD of synthetic fuels and base oils. Shell plans to implement the project in two phases; the first phase of approximately 70,000 BPD would come on stream during first quarter 2009. Shell achieved an important milestone in July 2004 with the signing of a DPSA with QP.

Technical development of the project is proceeding with the FEED work completed by JGC/KBR. Good progress is being made on all aspects of the project such as environmental planning and offshore activities that are needed to support the project. Two appraisal wells were drilled during 2004. Offshore design completed and Invitation to Tender (ITT) documents prepared. EPC tendering is progressing with a target award by 3Q 2006.

ExxonMobil GTL Project:

An important milestone has been achieved with the signing of a Heads of Agreement with Qatar Petroleum in July 2004.

ExxonMobil GTL project is an integrated project, which will develop about 1.8 BSCFD of North Field Gas to produce approximately 154,000 BPD of synthetic GTL products. The project will produce base oil stocks in addition to the synthetic diesel and naphtha.

Onshore gas treatment and NGL recovery plants will be stand alone facility. LPG, condensate and sulfur storage/loading will most likely be shared with other ongoing projects at Ras Laffan.

Negotiations are currently progressing to sign a DPSA before end of 2006. Startup is projected for 2011.

Pre-FEED work completed and drilling of the second appraisal well scheduled in 1Q 2006.

Laffan Refinery:

In June 2005 QP signed the EPC contracts with the consortium of GS Engineering & Construction Corporation and Daewoo Engineering & Construction Co. Ltd of Korea for the construction of Laffan Refinery, including associated storage and export facilities to be located at Ras Laffan Industrial City for a total cost of US$668.7 million.

The contracts cover the detailed engineering, procurement, supply, construction, and commissioning of a refinery and associated storage and export facilities to process 146,000 BPD of North Field condensate to produce LPG, naphtha, kerosene and gas oil for the export market. The major units of the refinery complex include a condensate splitter and LPG/naphtha and kerosene hydrotreaters to desulfurize the products enabling the plant to meet the most stringent product quality specifications.

The Refinery is expected to be on stream by mid 2008. Participants in the joint venture include Qatar Petroleum, ExxonMobil and Total S.A.

Ras Laffan Ethane Cracker Project:

A joint venture agreement signed by Q-CHEM (53.31%), QATOFIN (QAPCO and Total Petrochemicals will jointly own 45.69%) and QP (1%) to establish an ethane cracker plant in Ras Laffan Industrial City and a 120 km pipeline from Ras Laffan to Mesaieed to transport the ethylene produced. Ras Laffan Cracker will be one of the world's largest ethane cracker plants. It will be expected to produce 1.3 MMTPA of ethylene, expandable to 1.6 MMTPA and is anticipated to start production by 4th quarter of 2008. The derivatives of the polyethylene plants will be located in Mesaieed within the existing facilities of Q-CHEM and QAPCO. The ethane feedstock for the cracker unit will be supplied by the adjacent AKG Enhanced Gas Utilization (EGU) project and Dolphin project's onshore facilities.

QATOFIN Project:

A joint venture signed by QAPCO (63%), Total Petrochemicals, (formerly ATOFINA), (36%) and QP (1 %) to establish a linear low density polyethylene (LLDPE) plant in Mesaieed, adjacent to the existing QAPCO plant. The feedstock ethylene is to be received through a pipeline from Ras Laffan to Mesaieed. The plant is expected to produce around 450,000 MTPA of polyethylene, expandable to 600,00 MTPA which will be mainly exported to Asia and Europe. Production is expected to commence by 4th quarter of 2008.

Mesaieed Derivatives Units (Q-Chem Expansion: Q-Chem II):

The derivatives plant to be constructed in Mesaieed by Q-Chem II (51% QP and 49% CPChem) will consist of a single 350,000 MTPA train and a 350,000 MTPA normal alpha olefins (NAO) unit.

Aluminium Project:

Qatar Petroleum and Hydro signed in December 2004 a Heads of Agreement to develop one of the world's largest aluminium plants in Qatar.

The plant, which will be built in the Mesaieed Industrial Area, will serve growing markets in Asia, Europe and also North America. Planned capacity of a first phase is expected to be more than 570,000 tonnes of primary aluminium.

The project, which is expected to reach full capacity in 2009, involves the construction of an aluminium metal plant, and casthouse, in addition to a dedicated power plant. Production will be based on Hydro's reduction cell technology.

DME with ITOCHU – MGC and DME with DME-International:

These projects are still under discussion.

Legend

Abbreviations Used and Technical Terms

BPD	*Barrels per day*
BPSD	*Barrels per stream day*
TPD	*Tons per day*
MMSCFD	*Million standard cubic feet per day*
BSCFPD	*Billion standard cubic feet per day*
TPA	*Tons per annum*
MTPA	*Metric tons per annum*
MMTPA	*Million metric tons per annum*
BWPD	*Barrels of Water per day*
MMGPD	*Million gallons per day*
NGL	*Natural Gas Liquids*
LNG	*Liquefied Natural Gas*
GTL	*Gas to Liquids*
PS-2	*Production Station 2 – Maydan Mahzam*
PS-3	*Production Station 3 – Bul Hanine*
TD	*Total Depth*

قطر للبترول
Qatar Petroleum

Summarised Consolidated Financial Statements

for the year ended 31 December 2005

Together with Independent Auditors' Report

Independent Auditors' Report

To His Highness The Emir of The State of Qatar
Doha – State of Qatar

We have audited the consolidated financial statements of **Qatar Petroleum**, (The "Group"), as of December 31, 2005 in accordance with **International Standards on Auditing**, from which the summarised consolidated financial statements were derived. In our report on those consolidated financial statements, dated May 3, 2006, based on our audit and the audit of the other auditors, we issued a piecemeal opinion whereby we stated that, in our opinion, as a result of the differences between International Financial Reporting Standards ("**IFRS**") and the accounting policies adopted by Qatar Petroleum as set out in Note 2 of the accounting policies note to the consolidated financial statements and the requirements of the Council of Ministers' Decision No 6 of 1976 (as amended), the consolidated financial statements do not present fairly in conformity with **IFRS**, the financial position, results of operations and cash flows of the Group but present fairly, in all material respects the financial position of the Group as of December 31, 2005 and the results of operations and cash flows for the year then ended, in accordance with the requirements of the Council of Ministers' Decision No. 6 of 1976 (as amended) and the accounting policies as set out in Note 2 to the consolidated financial statements.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the consolidated financial statements from which they were derived.

For a better understanding of the Group's consolidated financial position as of December 31, 2005 and the consolidated results of its operations for the year, changes in the equity and cash flows for the year then ended and the scope of our audit, the summarised consolidated financial statements should be read in conjunction with the consolidated financial statements and our audit report thereon from which these summarised financial statements were derived.

Deloitte & Touche

S. J

Samer H. Jaghoub, CPA
License No. 88.

Doha - Qatar
May 3, 2006

Consolidated Balance Sheet

AT 31 DECEMBER 2005
(Amounts expressed in thousands of Qatar Riyals)

	2005	2004 Restated
NON CURRENT ASSETS:		
Property, Plant and Equipment	65,613,357	50,770,119
Deferred expenditure	606,379	652,071
Investments	1,532,138	1,166,350
Other assets	1,408,702	581,422
Total non-current assets	**69,160,576**	53,169,962
CURRENT ASSETS:		
Cash and cash equivalents	25,696,932	14,719,474
Debtors and prepayments	7,830,589	5,395,743
Inventories	2,453,414	1,833,474
Total current assets	**35,980,935**	21,948,691
CURRENT LIABILITIES:		
Creditors and accruals	(10,540,906)	(6,009,271)
Loans	(3,500,822)	(3,163,170)
Total current liabilities	**(14,041,728)**	(9,172,441)
NET CURRENT ASSETS	**21,939,207**	12,776,250
TOTAL ASSETS LESS CURRENT LIABILITIES	**91,099,783**	65,946,212
NON CURRENT LIABILITIES:		
Loans	(26,092,897)	(14,993,620)
Obligations under finance lease	(6,712,004)	(5,319,284)
Provision for employees' end of service benefits	(465,730)	(663,167)
Amounts due to Ministry of Finance	(3,612,331)	(18,151,956)
Deferred income taxes	(774,744)	(550,869)
Other liabilities	(380,788)	(383,275)
Total non-current liabilities	**(38,038,494)**	(40,062,171)
	53,061,289	25,884,041
CAPITAL AND RESERVES:		
Contributed capital	**25,000,000**	10,000,000
Other reserves	20,937,675	10,561,729
Retained earnings	4,296,636	2,976,150
	50,234,311	23,537,879
Minority interest	2,826,978	2,346,162
TOTAL CAPITAL AND RESERVES	**53,061,289**	25,884,041

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

YOUSEF HUSSAIN KAMAL
Minister of Finance
Vice Chairman

Consolidated Statement of Income

FOR THE YEAR ENDED 31 DECEMBER 2005
(Amounts expressed in thousands of Qatar Riyals)

	2005	2004 Restated
OPERATING REVENUE		
Sales	75,825,634	53,506,271
Other operating income	2,119,096	1,510,538
Total Operating Revenue	**77,944,730**	55,016,809
OPERATING EXPENSES		
Operating, selling and administrative	(7,500,031)	(6,539,676)
Depreciation and amortization	(3,924,464)	(4,027,019)
Total Operating Expenses	**(11,424,495)**	(10,566,695)
NET OPERATING INCOME	**66,520,235**	44,450,114
Dividend and interest income	537,640	191,800
Finance charges	(1,531,874)	(1,580,561)
INCOME BEFORE ROYALTIES, TAXES AND MINORITY INTEREST	**65,526,001**	43,061,353
Royalties	(11,924,901)	(7,537,949)
Taxes	(30,772,614)	(19,160,032)
INCOME BEFORE MINORITY INTEREST	**22,828,486**	16,363,372
Minority interest	(957,305)	(779,688)
NET INCOME FOR THE YEAR	**21,871,181**	15,583,684

ABDULLAH BIN HAMAD AL-ATTIYAH
Second Deputy Prime Minister
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Vice Chairman

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005
(Amounts expressed in thousands of Qatar Riyals)

			Other reserves				
	Contributed Capital	**Retained earnings**	**Hedging reserve**	**General reserve**	**Legal reserve**	**Sub-total**	**Total**
Balance at 1January 2004 – As previously stated	10,000,000	1,787,115	(264,601)	10,075,704	512,031	10,323,134	22,110,249
Effect of change in accounting policy	–	(265,043)	–	–	–	–	(265,043)
As restated 1 January 2004	10,000,000	1,522,072	(264,601)	10,075,704	512,031	10,323,134	21,845,206
Net movement – cash flow hedges	–	–	144,117	–	–	144,117	144,117
Transfer to Legal Reserve	–	(67,903)	–		67,903	67,903	–
Transfer to General Reserve	–	(26,575)	–	26,575	–	26,575	–
Net income for the year	–	15,583,684	–	–	–	–	15,583,684
Transfer to current account with Ministry of Finance	–	(14,035,128)	–	–	–	–	(14,035,128)
Balance at 31 December 2004	10,000,000	2,976,150	(120,484)	10,102,279	579,934	10,561,729	23,537,879
Net movement – cash flow hedges	–	–	66,502	–	–	66,502	66,502
Transfer to General Reserve	–	(10,268,486)	–	10,268,486	–	10,268,486	–
Transfer to Legal Reserve	–	(40,958)	–	–	40,958	40,958	–
Capital contribution	15,000,000		–	–	–	–	15,000,000
Net income for the year	–	21,871,181	–	–	–	–	21,871,181
Transfer to current account with Ministry of Finance	–	(10,241,251)	–	–	–	–	(10,241,251)
Balance at 31 December 2005	**25,000,000**	**4,296,636**	**(53,982)**	**20,370,765**	**620,892**	**20,937,675**	**50,234,311**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2005
(Amounts expressed in thousands of Qatar Riyals)

	2005	**2004** Restated
Cash flows from operating activities:		
Net income for the year before minority interest	22,828,486	16,363,372
Adjustments to reconcile net income to cash provided from operating activities:		
Depreciation and amortization	3,924,464	4,027,019
Provision for employees' end of service benefits	101,807	147,127
Deferred income taxes	215,142	50,794
Borrowing costs and capital work in progress expensed	-	297,166
Release of investment provision	(9,636)	(6,084)
Loss/Adjustment on sale/transfer of fixed assets	514,414	15,379
	27,574,677	20,894,773
Decrease (Increase) in operating assets and liabilities	644,453	(970,955)
Cash flow from operations	28,219,130	19,923,818
Payments and advances against employees' end of service benefits	(299,244)	(132,046)
Net cash provided by operating activities	27,919,886	19,791,772
Cash flows from investing activities:		
Payments for fixed assets, deferred expenditure and other assets	(19,858,055)	(13,713,863)
Proceeds from disposal of fixed assets	598,593	70,972
Deposits maturing after 90 days	78,438	62,499
Purchase of investments – net	(356,152)	(148,885)
Net cash used in investing activities	(19,537,176)	(13,729,277)
Cash flows from financing activities:		
Proceeds from borrowings	17,276,941	9,826,225
Repayment of loans and obligations under finance leases	(4,346,390)	(5,921,873)
Net change in account with Ministry of Finance	(9,780,876)	(7,271,995)
Movement in minority interest	(476,489)	(299,894)
Net cash available from (used in) financing activities	2,673,186	(3,667,537)
Net change in cash and cash equivalents	11,055,896	2,394,958
Cash and cash equivalents at the beginning of the year	14,394,156	11,999,198
Cash and cash equivalents at the end of the year	25,450,052	14,394,156