

Qatar Global Sukuk QSC

(incorporated in Qatar with limited liability)

US\$700,000,000 Trust Certificates due 2010

Issue Price: 100 per cent.

The US\$700,000,000 Trust Certificates due 2010 (the “**Certificates**” or the “**Sukuk**”) of Qatar Global Sukuk QSC (the “**Issuer**”) will be constituted by a declaration of trust (the “**Declaration of Trust**”) dated on or about 9 October 2003 (the “**Closing Date**”) made by the Issuer. Pursuant to the Declaration of Trust, the Issuer will declare that it will hold certain assets, primarily consisting of a certain land parcel and rights under the related Master Ijara Agreement (as defined herein), upon trust absolutely for the holders of the Certificates pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the “**Conditions**”).

On the ninth day of each April and October, or if any such day is not a Business Day (as defined herein), the following Business Day, commencing in April 2004 (each, a “**Periodic Distribution Date**”), the Issuer will make a Periodic Distribution (as defined herein) to Certificateholders (as defined herein) an amount which is calculated on the basis of (i) LIBOR (as defined herein) plus 0.40 per cent. per annum, calculated on the outstanding principal amount of the Certificates as at the beginning of the relevant Return Accumulation Period (as defined herein) on an actual/360 basis plus (ii) beginning with the Periodic Distribution Date falling in April 2006, an Amortisation Payment (as defined herein) of one-tenth of the initial principal amount of the Certificates.

The Issuer will make such Periodic Distributions solely from the proceeds received in respect of the Trust Assets (as defined herein) which include rental payments under the Master Ijara Agreement, which rental payments will be calculated based on LIBOR plus a margin, and will equal the Periodic Distribution Amounts payable to Certificateholders on the Periodic Distribution Date coinciding with the payment date for such rental.

Unless previously redeemed in the circumstances described in Condition 8, the Certificates will be redeemed on the Periodic Distribution Date falling in October 2010 (the “**Scheduled Dissolution Date**”) at the Dissolution Distribution Amount (as defined herein).

Application will be made for the listing of the Certificates on the Luxembourg Stock Exchange and the Labuan International Financial Exchange (“**Labuan Financial Exchange**”) but there can be no assurance that such listings will occur on or prior to the Closing Date or at all.

Investing in the Certificates involves risks. See “Investment Considerations” on page 9.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered, sold or delivered solely to non-U.S. Persons (as defined in Regulation S) outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”). Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

Delivery of the Certificates in book-entry form will be made on the Closing Date. The Certificates will be issued in registered form in minimum denominations of US\$10,000 and integral multiples of US\$1,000 in excess thereof. Certificates will be represented at all times by interests in a global registered certificate without coupons attached (the “**Global Certificate**”), deposited on or about the Closing Date with HSBC Bank plc as common depository for Euroclear Bank S.A/N.V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificate will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

Joint Lead Managers

HSBC

QIIB

Co-Managers

**Abu Dhabi Islamic Bank
Gulf International Bank B.S.C.
Kuwait Finance House K.S.C.**

**CIMB
Islamic Development Bank
Qatar Islamic Bank S.A.Q.**

The date of this Offering Circular is 8 October 2003

It is a condition of the issuance of the Certificates that they be rated “A+” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”). This rating will relate to the timely payment of Periodic Distribution Amounts (as defined herein) on the Certificates. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. A suspension, reduction or withdrawal of the rating assigned to the Certificates may adversely affect the market price of the Certificates.

The Government is responsible for the information included in this Offering Circular under the heading “Qatar” (the “**Qatar Information**”). The Government, having made all reasonable inquiries, confirms that the Qatar Information is true and correct in all respects material in the context of the issue and offering of the Certificates and, in light of the circumstances under which it is provided, is not misleading, that there is no omission of a material fact necessary to make the Qatar Information, in light of the circumstances under which it is provided, not misleading, and that the opinions and intentions expressed in the Qatar Information are honestly held. The Government accepts responsibility accordingly. Save for the Qatar Information, the Government has not verified any other information contained in this Offering Circular, makes no representation or warranty as to the accuracy, adequacy or completeness of the information contained herein, and nothing herein shall be deemed to constitute such a representation or warranty.

The Issuer accepts responsibility for the information contained in this Offering Circular other than the Qatar Information (collectively the “**Issuer Information**”). To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Joint Lead Managers, the Agents, the Payment Administrator (each as defined herein) or any other person. Neither the delivery of this document nor any sale of the Certificates pursuant to this offering shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful. Save as mentioned under “*Subscription and Sale*”, no action has been or will be taken to permit a public offering of the Certificates in any jurisdiction where action would be required for that purpose. The Certificates may not be offered or sold, directly or indirectly, and this Offering Circular may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

None of the Joint Lead Managers, the Agents or the Payment Administrator have verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any thereof as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Certificates, their distribution or their future performance.

Neither this Offering Circular nor any other information supplied in connection with the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Joint Lead Managers, the Agents or the Payment Administrator that any recipient of this Offering Circular should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Government.

In connection with the offering of the Certificates, HSBC Bank plc or any persons acting for it may over-allot or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on HSBC Bank plc to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

Prospective investors should rely only on the information contained in this document or to which reference is made herein. The Issuer has not authorised anyone to provide prospective investors with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

CERTAIN DEFINED TERMS AND CONVENTIONS

Statistical information included in the Qatar Information of this Offering Circular is official data publicly available at the date of this Offering Circular, and in most cases the latest official data publicly available. Financial data provided in the Qatar Information of this Offering Circular may be subsequently revised in accordance with Qatar's ongoing maintenance of its economic data, and such revised data will not be distributed by the Issuer to any holder of the Certificates.

References to **"Qatar"** herein are to the State of Qatar.

References to the **"Government"** herein are to the Government of Qatar.

References to **"QCB"** herein are to Qatar Central Bank.

The fiscal year of Qatar ends on 31 March of each year. The fiscal year ended 31 March 2002 is referred to in this Offering Circular as "2002", and other fiscal years are referred to in a similar manner.

Totals in certain tables in the Qatar Information of this Offering Circular may differ from the sum of the individual items in such tables due to rounding. In addition, certain figures contained in the Qatar Information of this Offering Circular are estimates prepared in accordance with procedures customarily used by Qatar for the reporting of data. Certain other figures are preliminary in nature. In each case, the actual figures may vary from the estimated or preliminary figures set forth in this Offering Circular.

FORWARD LOOKING STATEMENTS

This Offering Circular includes, and any accompanying offering circular supplement may include, forward-looking statements. All statements other than statements of historical facts included in this Offering Circular and any offering circular supplement regarding, among other things, Qatar's economy, fiscal condition, debt or prospects may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

EXCHANGE RATES

References herein to **"US\$"**, **"\$"** or **"U.S. dollars"** are to United States dollars and references to **"QR"** or **"Riyal"** are to Qatari Riyal. Since 1980 the Riyal has been pegged to the U.S. dollar at an exchange rate of QR3.64 to US\$1.00.

This Offering Circular contains conversions of certain Riyal amounts into U.S. dollars for the convenience of the reader. No representation is made that the Riyal amounts actually represent the U.S. dollar amounts or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate, or at all.

TABLE OF CONTENTS

	<u>Page</u>
Summary of the Offering.....	1
Investment Considerations	9
Terms and Conditions of the Certificates.....	10
Global Certificate	24
Use of Proceeds.....	26
Ratings	26
The Issuer	27
The Trust Assets.....	29
Qatar.....	32
Tax Considerations	51
Clearance and Settlement.....	53
Subscription and Sale.....	55
General Information	58
Legal Matters.....	58

SUMMARY OF THE OFFERING

The following summary does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Offering Circular and related documents referred to herein.

Reference to a “Condition” is to a numbered condition of the “Terms and Conditions of the Certificates”.

Parties

Issuer	Qatar Global Sukuk QSC, a joint stock company incorporated in Qatar under Article 68 of the Commercial Companies Law, Law No. 5 of the year 2002 (the “ Issuer ”). The Issuer has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below).
Ownership of the Issuer	The authorised and issued share capital of the Issuer is 30 Riyals divided into three ordinary shares of par value 10 Riyals each. The Issuer’s ordinary shares are owned by the Government and HSBC Bank Middle East Limited (in the latter case, solely as agent for the Certificateholders). Pursuant to a Share Agency Declaration dated the Closing Date (the “ Share Agency Declaration ”) made by HSBC Bank Middle East Limited (in such capacity, the “ Share Agent ”), the Share Agent holds its share in the Issuer (the “ Golden Share ”) as agent for and on behalf of Certificateholders. See “ <i>The Issuer</i> ”.
Seller	The Government (in such capacity, the “ Seller ”) will convey to the Issuer (as trustee and agent for and on behalf of Certificateholders) title to a certain Land Parcel (as defined below) pursuant to the Purchase Agreement (as defined below).
Lessee	The Government will lease from the Issuer the Land Parcel on the terms set out in the Master Ijara Agreement (as defined below) for a period of seven years commencing on the Closing Date and terminating on the Periodic Distribution Date falling in October 2010. The lease is subject to earlier termination if the Trust is dissolved early, as described under “— <i>Early Dissolution of the Trust</i> ”.
Joint Lead Managers	HSBC Bank plc (“ HSBC ”) and Qatar International Islamic Bank (“ QIIB ”) (together, the “ Joint Lead Managers ”).
Trustee and Agent	<p>The Issuer will act as trustee in respect of the Trust Assets (as defined below) (the “Trustee”) for the benefit of Certificateholders in accordance with the Declaration of Trust and the Conditions.</p> <p>Pursuant to an Agency Declaration dated the Closing Date made by the Issuer (the “Agency Declaration”), the Issuer will also act as agent for and on behalf of Certificateholders with respect to the Trust Assets.</p>
Payment Administrator	HSBC, as Payment Administrator (the “ Payment Administrator ”) under the Agency Agreement (as defined in the Conditions). Among other things, the Payment Administrator will operate the Transaction Account, collect and receive payments from the Government under the Master Ijara Agreement and make certain payments in respect of the Certificates.

Principal Paying Agent,
Transfer Agent, Reference
Agent and Registrar

HSBC.

Summary of the Certificates

Certificates US\$700,000,000 Trust Certificates due 2010 (the “**Certificates**” or the “**Sukuk**”).

Closing Date 9 October 2003.

Issue Price 100 per cent. of the aggregate principal amount of the Certificates.

Periodic Distribution Dates The ninth day of each April and October, or if any such day is not a Business Day, the following Business Day, commencing in April 2004.

“**Business Day**” means a day on which commercial banks in London, New York and Doha are open for general business.

Periodic Distributions On each Periodic Distribution Date, Certificateholders will receive, from moneys received in respect of the Trust Assets, a “**Periodic Distribution Amount**” equalling:

- (i) for each of the first four Periodic Distribution Dates, an amount equal to the product of (a) LIBOR for such Return Accumulation Period (as defined below) plus the Margin, (b) US\$700,000,000 and (c) the number of days in such Return Accumulation Period divided by 360, and
- (ii) for each subsequent Periodic Distribution Date, an amount equal to
 - (a) an Amortisation Payment plus
 - (b) the product of (a) LIBOR for such Return Accumulation Period plus the Margin, (b) US\$700,000,000 less the aggregate of all Amortisation Payments previously paid by the Issuer and (c) the number of days in such Return Accumulation Period divided by 360.

See Condition 6.

“**Amortisation Payment**” means one-tenth of the initial principal amount of the Certificates.

Return Accumulation Period The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a “**Return Accumulation Period**”.

Purchase and Sale Undertakings The Government will enter into a Purchase Undertaking (the “**Purchase Undertaking**”), pursuant to which the Government will undertake irrevocably to purchase from the Issuer title to the Land Parcel at the Exercise Price (as defined below) on the date specified by the Trustee to Certificateholders in accordance with Condition 11 for dissolution of the Trust following a Dissolution Event.

The Issuer will enter into a Sale Undertaking (the “**Sale Undertaking**”), pursuant to which the Issuer will undertake irrevocably to sell to the Government, at the Government’s option,

title to the Land Parcel at the Exercise Price on the Periodic Distribution Date falling in October 2008.

“Exercise Price” means an amount equal to (i) US\$700,000,000 less the aggregate of all Amortisation Payments paid under the Master Ijara Agreement, plus (ii) where payment thereof cannot be made without withholding or deduction for or on account of any Taxes required by the laws of Qatar, such additional amounts so that, upon payment by the Issuer to the holders of the Certificates (after any deduction or withholding by the Issuer on account of Taxes, if applicable), the net amount received by such holders will be the full amount due to such holders under the Conditions as if no such deduction or withholding had been made.

Dissolution of the Trust

Upon a sale of the Land Parcel to the Government pursuant to the Purchase Undertaking or Sale Undertaking, and in accordance therewith, the Government will be required to deposit the Exercise Price into the Transaction Account (as defined in the Conditions) on or before the relevant date for the redemption of the Certificates and dissolution of the Trust.

Upon receipt of the Exercise Price from the Government in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, such amount, together with Rentals (as defined in the Master Ijara Agreement) received until the date of the termination of the lease under the Master Ijara Agreement, will be applied to redeem the Certificates in accordance with Condition 4.2 at the Dissolution Distribution Amount.

“Dissolution Distribution Amount” means, as of any date, the aggregate principal amount of the Certificates then outstanding plus accrued and unpaid Periodic Distribution Amounts as of such date.

Unless earlier dissolved as a result of the occurrence of an event described in *“Early Dissolution of the Trust”* below, the Trust will be dissolved on the Scheduled Dissolution Date and the Trustee will redeem the Certificates on such date at the Dissolution Distribution Amount.

Early Dissolution of the Trust

Other than as a result of (i) the occurrence of a Dissolution Event or (ii) the Government’s exercise of its right to require the Issuer to sell the Land Parcel to the Government pursuant to the Sale Undertaking on the Periodic Distribution Date falling in October 2008, the Trust will not be subject to dissolution, and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.

Dissolution Events

The **“Dissolution Events”** are set forth in Condition 11.

If any Dissolution Event shall occur, the Trustee will give notice of the occurrence of such Dissolution Event to the holders of the Certificates (including by publishing such notice in a daily newspaper published in Luxembourg) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution (as defined in the Conditions) of the holders of the Certificates, the Trustee shall (subject in each case to being indemnified to its satisfaction), or, if the Trustee so decides in

	<p>its discretion, may give notice to all the holders of the Certificates that the Trust is to be dissolved and the Certificates are, and they shall accordingly forthwith become, due and repayable at the Dissolution Distribution Amount on the date specified in accordance with Condition 11.</p>
Form and Delivery of the Certificates	<p>The Certificates will be issued in registered global form only, without coupons attached.</p> <p>The Certificates will be represented by interests in the Global Certificate deposited with a common depository for Euroclear and Clearstream, Luxembourg.</p> <p>Definitive certificates evidencing holdings of Certificates will only be issued in exchange for interests in the Global Certificate in certain limited circumstances.</p> <p>See “<i>Global Certificate</i>” and “<i>Clearance and Settlement</i>”.</p>
Clearance and Settlement	<p>Holders of the Certificates may elect to hold their interest in the Global Certificate in book-entry form through each of Euroclear or Clearstream, Luxembourg. Transfers within Clearstream, Luxembourg or Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearance system. See “<i>Clearance and Settlement</i>”.</p>
Denominations	<p>The Certificates will be issued in minimum denominations of US\$10,000 and integral multiples of US\$1,000 in excess thereof.</p>
Status	<p>Each Certificate represents an undivided beneficial ownership in the Trust Assets and will rank <i>pari passu</i>, without any preference, with the other Certificates.</p>
The Trust Assets	<p>The “Trust” is the trust created by the Issuer under the Declaration of Trust.</p> <p>The “Trust Assets” are the Land Parcel, all of the Issuer’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents to which it is a party, all monies standing to the credit of the Transaction Account, and all proceeds of the foregoing.</p>
The Purchase Agreement	<p>Pursuant to the Purchase Agreement, the Seller will sell to the Issuer the Land Parcel (free from all claims and encumbrances and with all attached or accrued rights as of the date of the Purchase Agreement). The gross proceeds received by the Issuer from the issuance and sale of the Certificates will be used to pay the aggregate purchase price payable by the Issuer to the Seller for the Land Parcel.</p>
Land Parcel	<p>The “Land Parcel” is the plot of land designated for the proposed development of Hamad Medical City in Doha, Qatar as described under “<i>Trust Assets – Land Parcel</i>”.</p>
The Master Ijara Agreement	<p>Under the terms of a Master Ijara Agreement dated the Closing Date between the Issuer as lessor and the Government as lessee (the “Master Ijara Agreement”), the Issuer will agree to lease to the Government, and the Government will agree to lease from the Issuer, the Land Parcel during the term commencing on the Closing Date and extending to the Scheduled Dissolution Date.</p>

The rental payments under the Master Ijara Agreement (the “**Rentals**”) will be calculated by reference to LIBOR plus the Margin, and will equal the Periodic Distribution Amounts payable on the Periodic Distribution Date coinciding with the Rental Payment Date for such Rental. Rentals will be re-calculated semi-annually by reference to LIBOR two London Business Days (as defined in the Conditions) before the commencement of each Rental Period.

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

The Government will be obligated to pay Rentals on the ninth day of each April and October, commencing in April 2004 up to and including October 2010, or if any such day is not a Business Day then the following Business Day, or any other date on which the Master Ijara Agreement is earlier terminated by agreement of the parties (each, a “**Rental Payment Date**”).

Transaction Account

The Payment Administrator will maintain and operate the Transaction Account on behalf of the Trust. Distributions of monies deriving from the Trust Assets will be made to holders of the Certificates from funds standing to the credit of the Transaction Account.

Rentals

The Rentals will be paid by the Government on each Periodic Distribution Date directly to the Transaction Account. Upon receipt of each Rental on the relevant Periodic Distribution Date, the Payment Administrator will withdraw such monies from the Transaction Account and use such amounts to make payments on, among other things, the Certificates in the order of priority set out below.

Priority of Distributions

On each Periodic Distribution Date, or on the date specified in accordance with the Conditions for redemption of the Certificates, the Payment Administrator shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid; and
- (b) *second*, only if such payment is made on a Redemption Date (as defined in the Conditions), to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount.

Costs Undertaking

Pursuant to a costs undertaking (the “**Costs Undertaking**”) given by the Government, the Government will pay certain fees and expenses of, and indemnify against certain losses of, among others, the Trustee, Payment Administrator and Agents.

Limited Recourse

Each Certificate represents solely an undivided beneficial ownership interest in the Trust Assets. Holders of the Certificates will have no recourse to any assets of the Issuer other than the Trust Assets. Any creditor of the Issuer (other than Certificateholders) will have no

recourse to the Trust Assets. Proceeds of the Trust Assets are the sole source of payments on the Certificates. The Certificates do not represent an interest in or obligation of any of the Issuer, the Government (to the extent it fulfils all of its obligations under the relevant Transaction Documents), the Joint Lead Managers, the Agents or the Payment Administrator or any affiliate of any of the foregoing entities. Accordingly, Certificateholders will have no recourse to any assets of the Issuer (other than the Trust Assets), the Government (to the extent it fulfils all of its obligations under the Transaction Documents to which it is a party), the Joint Lead Managers, the Agents or the Payment Administrator or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts from the Trust Assets. However, the Government is obliged to make the payments under the Transaction Documents to which it is a party directly to the Issuer, and the Issuer, as trustee for the benefit of the Certificateholders and any other Trustee, will have direct recourse against the Government to recover payments due to the Issuer from the Government pursuant to the Transaction Documents to which the Government is a party.

Negative Pledge

So long as any of the Certificates remains outstanding, the Issuer and the Government (to the extent provided in the Master Ijara Agreement) have undertaken that neither will secure any of its present or future indebtedness for borrowed money by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law).

Enforcement

Following the distribution of the Trust Assets to the Certificateholders to the extent permitted under the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums or assets, and accordingly such Certificateholders may not take any action against the Trustee or any other person to recover any such sum or asset in respect of the Certificates or the Trust Assets.

The Trustee shall not in any circumstances be obliged to take any action to enforce or to realise such Trust Assets or take any action against Qatar under the Transaction Documents unless directed to do so by the Certificateholders in accordance with the Conditions following the occurrence of a Dissolution Event, and then only to the extent indemnified to its satisfaction.

No Certificateholder shall be entitled to proceed directly against Qatar unless (i) the Trustee, having become bound so to proceed, fails to do so within two months of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against Qatar) holds at least 25 per cent. of the aggregate principal amount of the Certificates then outstanding.

The foregoing is subject to the following. After enforcing or realising such Trust Assets and distributing the net proceeds in accordance with Condition 4.2, the obligations of the Trustee in respect of such Certificates shall be satisfied and no holder of such

	<p>Certificates may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Under no circumstances shall the Trustee or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking or Sale Undertaking, and the sole right of the Trustee and the Certificateholders against Qatar shall be to enforce the obligation of Qatar to pay the Exercise Price.</p>
Withholding Tax	<p>All payments by the Government under the Master Ijara Agreement, the Sale Undertaking and the Purchase Undertaking are to be made without withholding or deduction for or on account of Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, or in the event that a withholding or deduction for or on account of Taxes becomes applicable to payments to Certificateholders, the Government will be required, pursuant to the Master Ijara Agreement, the Sale Undertaking or the Purchase Undertaking, as the case may be, to pay to the Issuer such additional amounts so that (i) the Issuer will receive the full amount which otherwise would have been due and payable under the relevant agreement or undertaking and (ii) the Certificateholders will receive the full amount which otherwise would have been due and payable under the Certificates. See Condition 9.</p>
Use of Proceeds	<p>The gross proceeds of the issue of the Certificates will be used by the Issuer to purchase the Land Parcel from the Seller pursuant to the Purchase Agreement.</p>
Listing	<p>Application will be made to list the Certificates on the Luxembourg Stock Exchange and the Labuan International Financial Exchange. See <i>“General Information”</i>.</p>
Rating	<p>The Certificates have been rated “A+” by S&P. See <i>“Ratings”</i>.</p>
Certificateholder Meetings	<p>A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such are set forth under Condition 15.</p>
Tax Considerations	<p>See <i>“Tax Considerations”</i> for a description of certain Qatari, United Kingdom, and European Union tax considerations applicable to the Certificates.</p>
Transfer Restrictions	<p>Certain purchase and transfer restrictions applicable to the Certificates are set forth under <i>“Subscription and Sale”</i>.</p>
Transaction Documents	<p>The “Transaction Documents” are the Purchase Agreement, the Master Ijara Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Declaration, the Agency Agreement, the Costs Undertaking, the Certificate Purchase Agreement, the Certificates and any other agreements and documents delivered or executed in connection therewith (each as defined in the Conditions).</p>
Governing Law	<p>The Declaration of Trust, the Agency Agreement, the Certificate Purchase Agreement and the Certificates will be governed by English law.</p>

The Purchase Agreement, the Master Ijara Agreement, the Purchase Undertaking, the Sale Undertaking, the Agency Declaration, the Share Agency Declaration and the Costs Undertaking will be governed by Qatari law.

INVESTMENT CONSIDERATIONS

An investment in the Certificates involves certain risks. Prospective investors should carefully consider the following factors, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Certificates.

There is currently no secondary market for the Certificates and there may be limited liquidity for Certificateholders. There can be no assurances that a secondary market for the Certificates will develop, or if a secondary market does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. The market value of Certificates may fluctuate. Consequently, any sale of Certificates by Certificateholders in any secondary market which may develop may be at a discount from the original purchase price of such Certificates. Consequently, an investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity. Application will be made for the listing of the Certificates on the Luxembourg Stock Exchange and the Labuan Financial Exchange but there can be no assurance that such listings will occur on or prior to the Closing Date or at all.

The Issuer has no operating history. The Issuer is a newly formed entity and has no significant operating history. The Issuer will have no material assets other than the Land Parcel, which will be leased to Qatar pursuant to the Master Ijara Agreement. The Issuer will not engage in any business activity other than the issuance of the Certificates and the acquisition and lease of the Land Parcel as described herein and other activities incidental or related to the foregoing. Payments by Qatar under the Master Ijara Agreement, the Purchase Undertaking and the Sale Undertaking, which payments are direct obligations of Qatar to the Issuer, will be the Issuer's principal source of funds.

The Certificates are limited recourse, unsecured obligations of the Trust. Recourse to the Issuer is limited to the Trust Assets and proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon occurrence of a Dissolution Event, the only remedy available to Certificateholders will be to exercise the option under the Purchase Undertaking to require Qatar to purchase the Land Parcel at the Exercise Price. Certificateholders will otherwise have no recourse to any assets of Qatar (to the extent it fulfils all of its obligations under the Transaction Documents to which it is a party), the Joint Lead Managers, the Agents or the Payment Administrator or any affiliate of any of the foregoing entities in respect of any shortfall in the expected amounts from the Trust Assets. Qatar is obliged to make its payments under the Transaction Documents to which it is a party directly to the Issuer, and the Issuer, as trustee for the benefit of the Certificateholders, will have direct recourse against Qatar to recover payments due to the Issuer from Qatar pursuant to the Transaction Documents to which Qatar is a party. There can be no assurance that the net proceeds of the realisation of, or the enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates.

The ratings on the Certificates may be changed at any time and may adversely affect the fair market value of the Certificates. It is a condition to the issuance of the Certificates that the Certificates be rated "A+" by S&P upon issuance. The rating addresses the likelihood of full and timely payment to the Certificateholders of all payments of Periodic Distribution Amounts on the Certificates on each Periodic Distribution Date. The ratings of the Certificates will be based primarily on the credit rating of Qatar. If S&P lower their ratings of Qatar, the rating of the Certificates may be lowered by S&P. A rating is not a recommendation to purchase, hold or sell the Certificates. There is no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. If the ratings initially assigned to the Certificates are subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Certificates. Any reduction or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Certificates. Any reduction or withdrawal of a rating will not constitute an event of default with respect to the Certificates or an event requiring the Issuer to redeem any Certificates.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification) will be endorsed on each Certificate in definitive form (if issued):

Each of the US\$700,000,000 Trust Certificates (Sukuk al-Ijara) due 2010 (the “**Certificates**”) represents an undivided beneficial ownership of the Trust Assets (defined in Condition 4.1) held on trust (the “**Trust**”) for the holders of such Certificates pursuant to a declaration of trust (the “**Declaration**”) dated the Closing Date made by the Issuer (as defined in Condition 4.1).

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

Pursuant to a Share Agency Declaration dated the Closing Date (the “**Share Agency Declaration**”) made by HSBC Bank Middle East Limited (in such capacity, the “**Share Agent**”), the Share Agent holds a share in the Issuer as agent for and on behalf of Certificateholders and agrees to exercise on behalf of Certificateholders all of its rights as holder of such share. The share held by the Share Agent in the Issuer (the “**Golden Share**”) carries certain decision-making rights with respect to matters that relate to, or arise from, any breach on the part of the Government of any of the Transaction Documents entered into between it and the Issuer or arising out of, or in connection with, any Dissolution Event under the Certificates.

In these Conditions, references to “**Certificates**” shall be references to the Certificates as represented by a global Certificate or definitive Certificates, as described in Condition 1.

Payments relating to the Certificates will be made pursuant to an Agency and Administration Agreement dated the Closing Date (the “**Agency Agreement**”) made among the Issuer, HSBC Bank plc as principal paying agent (in such capacity, the “**Principal Paying Agent**” and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the “**Paying Agents**”), as transfer agent (in such capacity, the “**Transfer Agent**” and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the “**Transfer Agents**”), as replacement agent (in such capacity, the “**Replacement Agent**” and, together with any further or other replacement agents appointed from time to time in respect of the Certificates, the “**Replacement Agents**”) as reference agent (the “**Reference Agent**”), as payment administrator (the “**Payment Administrator**”) and as registrar (in such capacity, the “**Registrar**”) and Dexia Banque Internationale à Luxembourg S.A. as a Paying Agent, Transfer Agent and Replacement Agent.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Declaration, the Agency Agreement, the Sale Undertaking and the Purchase Undertaking. In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration shall, unless defined herein or the context otherwise requires, have the same meanings herein. Copies of the Transaction Documents are available for inspection by Certificateholders during normal business hours at the specified offices of the Paying Agents. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Declaration and the Agency Agreement applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee to apply the sums paid by it in respect of its Certificates to purchase the Trust Assets, and to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration and these Conditions.

1. Form, Denomination and Title

1.1 Form and Denomination

The Certificates are issued in registered form in principal amounts of US\$10,000 and integral multiples of US\$1,000 in excess thereof. A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying

number which will be recorded on the relevant Certificate and in the register of Certificateholders which the Issuer will cause to be kept by the Registrar.

1.2 Title

Title to the Certificates passes only by registration in the register of Certificateholders kept by the Registrar. The registered holder of any Certificate will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder of any Certificate. In these Conditions, “**Certificateholder**” and (in relation to a Certificate) “**holder**” have the definitions given thereto in the Declaration.

2. Transfers of Certificates and Issue of Certificates

2.1 Transfers

Subject to Conditions 2.4 and 2.5, a Certificate may be transferred by depositing the certificate issued in respect of that Certificate, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents. The Issuer will at all times maintain a Transfer Agent having its specified office in Luxembourg so long as the Certificates are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

2.2 Delivery of New Certificates

Each new Certificate to be issued upon transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the register of Certificateholders or as specified in the form of transfer.

2.3 Formalities Free of Charge

Registration of transfer of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or any Transfer Agent may reasonably require) by the transferee in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven days ending on the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 8.2) or any Periodic Distribution Amount (as defined in Condition 6.1) on that Certificate.

2.5 Regulations

All transfers of Certificates and entries on the register of Certificateholders will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Declaration. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one.

Among other things, such regulations require the following: The Issuer shall ensure that the Registrar maintains a register showing the amount of the outstanding Certificates (with each Certificate bearing an identifying serial number), the issue dates and the names and addresses of the holders of the

Certificates. The Trustee and the holders of Certificates may inspect the register. The Certificates are transferable (in whole or in part) and the Certificates to be transferred must be delivered for registration to the specified office of any Transfer Agent (including the Transfer Agent in Luxembourg) with the form of transfer, which may be obtained from any Transfer Agent (including, so long as the Certificates are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Transfer Agent in Luxembourg), endorsed and accompanied by such other evidence as the Issuer may require to prove the title of the transferor or his right to transfer the Certificates. The holder of Certificates shall be entitled to receive in accordance with Condition 2.2 only one Certificate in respect of his entire holding of such Certificates. In the case of a transfer of a portion of the principal amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 2.2. The holder of a Certificate may (to the fullest extent permitted by applicable laws) be treated at all times as the absolute owner of such Certificate notwithstanding any right, title, interest or claim of any other person. The holder of a Certificate will be recognised by the Issuer as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Certificate.

3. Status; Limited Recourse

3.1 Status

Each Certificate evidences an undivided beneficial ownership of the Trust Assets and will rank *pari passu*, without any preference, with the other Certificates.

3.2 Limited Recourse

Proceeds of the Trust Assets are the sole source of payments on the Certificates. The Certificates do not represent an interest in or obligation of any of the Issuer, the Trustee, the Government (to the extent it fulfils all of its obligations under the relevant Transaction Documents) or any of their affiliates. Accordingly, Certificateholders will have no recourse to any assets of the Issuer, the Trustee (including, in particular other assets comprised in other trusts, if any), the Government (to the extent it fulfils all of its obligations under the relevant Transaction Documents) or any of their affiliates in respect of any shortfall in the expected amounts from the Trust Assets. However, the Government is obliged to make the payments under the relevant Transaction Documents directly to the Issuer, and the Issuer, as trustee and/or agent for and on behalf of Certificateholders, will have direct recourse against the Government to recover payments due to the Issuer from the Government pursuant to such Transaction Documents.

If, following distribution of the proceeds of the Trust Assets, there remains a shortfall in payments due under the Certificates, subject to Condition 12, no holder of Certificates will have any claim against the Issuer, the Trustee, the Government (to the extent it fulfils all of its obligations under the relevant Transaction Documents) or any of their affiliates or other assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer or the Trustee or any of their affiliates as a consequence of such shortfall or otherwise.

3.3 Agreement

By purchasing Certificates, each Certificateholder agrees that:

- (a) Notwithstanding anything to the contrary contained herein or in any other Transaction Document, no payment of any amount whatsoever shall be made by any of the Issuer, the Trustee or the Trust or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any other Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Declaration or any other Transaction Document, against any of the Issuer, the Trustee or the Trust to the extent the Trust Assets

have been exhausted following which all obligations of the Issuer, the Trustee and the Trust shall be extinguished.

- (b) Notwithstanding anything to the contrary contained herein or in any other Transaction Document, prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other Person in instituting against the Issuer, the Trustee or the Trust, any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law.

4. Trust

4.1 Summary of the Trust

Qatar Global Sukuk QSC, a joint stock company incorporated in Qatar under Article 68 of the Commercial Companies Law, Law No. 5 of 2002 (the “**Issuer**”), will act as agent for and on behalf of Certificateholders pursuant to the Agency Declaration.

The Issuer will enter into a purchase agreement (the “**Purchase Agreement**”) with the Government (the “**Seller**”). Pursuant to the Purchase Agreement, the Seller will convey all of its rights, title and interest in, to and under the parcel of land (excluding all buildings and all other fixtures at any time forming part thereof at any time, in respect of which the acquisition, construction or completion costs are paid for by the Government) owned by it and identified therein (the “**Land Parcel**”) to the Issuer. The Issuer will lease the Land Parcel to the Government pursuant to a master ijara agreement (the “**Master Ijara Agreement**”) dated the Closing Date between the Issuer and the Government.

Pursuant to the Declaration, the Issuer will declare a trust over its title to the Land Parcel and all of its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents, all monies standing to the credit of the Transaction Account (as defined below), and all proceeds of the foregoing (together, the “**Trust Assets**”). All payments by the Government under the Master Ijara Agreement, the Purchase Undertaking and the Sale Undertaking will be deposited into an account of the Trustee maintained for such purpose (the “**Transaction Account**”).

The Purchase Agreement, the Master Ijara Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration, the Agency Declaration, the Agency Agreement, the Costs Undertaking, the Certificate Purchase Agreement, the Certificates and any other agreements and documents delivered or executed in connection therewith are collectively referred to as the “**Transaction Documents**”.

4.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration, the Trustee holds the Trust Assets for and on behalf of the holders of the Certificates. On each Periodic Distribution Date (as defined in Condition 6.1 below), or on the date specified in accordance with these Conditions for redemption of the Certificates (the “**Redemption Date**”), the Payment Administrator shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) first, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid; and
- (b) second, only if such payment is made on the Redemption Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount.

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

By subscribing for or acquiring the Certificates, Certificateholders acknowledge that their sole recourse will be to the Trust Assets and access to those assets is limited as set forth in Condition 8 and Condition 12. Certificateholders acknowledge that, in certain circumstances, the Trust Assets may be insufficient to fund expected distributions to Certificateholders and, taken as a whole, may have a value less than that of the face amount of the Certificates. The Certificateholders

acknowledge that no recourse may be had for the payment of any amount owing in respect of the Certificates against the Trustee (other than the Trust Assets) or the Trust in respect of any shortfall. In addition, subject to Condition 8 and Condition 12, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the winding up of the Trust or directly against the Government as a consequence of such shortfall or otherwise.

5. Covenants

The Issuer has covenanted in the Declaration that, among other things, for so long as any Certificate is outstanding, it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) other than those in issue as at the Closing Date;
- (b) secure any of its present or future indebtedness for borrowed money by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of (i) its title to the Land Parcel or any interest therein except pursuant to the Master Ijara Agreement, the Sale Undertaking or the Purchase Undertaking or (ii) its interests in any of the other Trust Assets except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Certificates for any purpose other than as set out in the Offering Circular;
- (e) amend or agree to any amendment of any Transaction Document to which it is a party or its Memorandum and Articles of Association, or enter into any other agreement, letter or document, without prior written confirmation from Standard & Poor's Rating Services, a division of The McGraw-Hill Company Inc., that its then current ratings of the Certificates will not be adversely affected; provided that if in the opinion of the Trustee any such amendment may introduce into any Transaction Document or the Issuer's Memorandum and Articles of Association an element incompatible with Sharia principles, the Issuer may only agree to such amendment with the prior consent of at least 51 per cent. by outstanding amount of Certificateholders;
- (f) exercise its option under the Purchase Undertaking except in its capacity as Trustee;
- (g) act as trustee in respect of any trust other than the Trust or as in respect of any parties other than the Certificateholders;
- (h) have any subsidiaries or employees;
- (i) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (j) put to its directors or shareholders any resolution for or appoint any liquidator for its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or

- (k) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

6. Periodic Distributions

6.1 Periodic Distribution Dates

Subject to Condition 4.2 and Condition 8, the Principal Paying Agent shall distribute to holders of the Certificates *pro rata*, out of amounts transferred to it from the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount.

An Amortisation Payment distributed as part of a Periodic Distribution Amount shall be a payment in partial redemption of Certificates in the amount of such Amortisation Payment.

“**Amortisation Payment**” means one-tenth of the initial principal amount of the Certificates.

“**LIBOR**” means, for each Return Accumulation Period, the London inter-bank offered rate for six-month U.S. dollar deposits determined in accordance with Condition 6.2.

“**Margin**” means 0.40 per cent. per annum.

“**Periodic Distribution Amount**” means:

- (a) for each of the first 4 Periodic Distribution Dates, an amount equal to the product of
 - (i) LIBOR for such Return Accumulation Period plus the Margin, (ii) US\$700,000,000 and
 - (iii) the number of days in such Return Accumulation Period divided by 360, and
- (b) for each subsequent Periodic Distribution Date, an amount equal to
 - (i) an Amortisation Payment plus
 - (ii) the product of (A) LIBOR for such Return Accumulation Period plus the Margin, (B) US\$700,000,000 less the aggregate of all Amortisation Payments previously paid by the Issuer and (C) the number of days in such Return Accumulation Period divided by 360.

“**Periodic Distribution Date**” means the ninth day of April and October or if any such day is not a Business Day the following Business Day, commencing in April 2004 and through and including October 2010.

The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a “**Return Accumulation Period**”.

In these Conditions, except where otherwise defined, “**Business Day**” means a day on which commercial banks in London, New York and Doha are open for general business.

6.2 LIBOR Determination

LIBOR for each Return Accumulation Period shall be determined by or on behalf of the Issuer in accordance with the following provisions:

- (a) On each LIBOR Determination Date, the Issuer or its duly appointed representative will determine the Screen Rate at approximately 11.00 am (London time) on such LIBOR Determination Date and such Screen Rate shall be the value of LIBOR for the forthcoming Return Accumulation Period.

- (b) If the Screen Rate is unavailable, the Issuer or its duly appointed representative shall request the principal London office of each Reference Bank to provide it with the rate at which deposits in U.S. dollars are offered by it to prime banks in the London inter-bank market for six months at approximately 11.00 am (London time) on such LIBOR Determination Date and for a Representative Amount and, so long as at least two of the Reference Banks provide such rates, the arithmetic mean of such rates (rounded if necessary to the fifth decimal place, with 0.000005 rounded upwards) as calculated by the Issuer or its duly appointed representative shall be the value of LIBOR for the forthcoming Return Accumulation Period.
- (c) If fewer than two rates are provided by the Reference Banks, the value of LIBOR for the forthcoming Return Accumulation Period shall be the arithmetic mean of the rates quoted by such major banks in London as selected by the Issuer or its duly appointed representative, at approximately 11.00 am (London time) on the first day of such Return Accumulation Period for loans in U.S. dollars to leading European banks for a period of six months commencing on the first day of such Return Accumulation Period and for a Representative Amount.
- (d) If LIBOR cannot be determined in accordance with the above provisions, the value of LIBOR for the forthcoming Return Accumulation Period shall be as determined on the preceding LIBOR Determination Date.
- (e) The following terms used above have the meanings set forth below:

“LIBOR Determination Date” means the second London business day preceding the first day of each Return Accumulation Period.

“Reference Banks” means the principal London office of each of four major banks engaged in the London inter-bank market subsequently selected by or on behalf of the Issuer; provided that once a Reference Bank has first been selected by the Issuer or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such.

“Representative Amount” means an amount comparable to US\$700,000,000 less the aggregate of all Amortisation Payments previously paid by the Government at the relevant time.

“Screen Rate” means the rate for six-month deposits in U.S. dollars which appears on Moneyline Telerate page 3750 (or such replacement page on that service which displays the same information).

6.3 Cessation of Accrual

No further amounts will be payable on any Certificate from and including its due date for redemption unless, upon due presentation, payment in respect of the Certificate is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event such amounts payable on the Certificate shall continue to be due and payable.

7. Payment

7.1 Payments in Respect of Certificates

Payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent by wire transfer in same day funds to the registered account of each Certificateholder or by U.S. dollar cheque drawn on a bank that processes payments in US\$ mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of the Dissolution Distribution Amount and any Periodic Distribution Amount due otherwise than on a Periodic Distribution Date will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Periodic Distribution Amount on Certificates due on a Periodic Distribution Date will be paid to the holder shown on the register of Certificateholders at the close of business on the date (the **“record date”**) being the seventh day before the relevant Periodic Distribution Date.

For the purposes of this Condition, a Certificateholder's registered account means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in US\$, details of which appear on the register of Certificateholders at the close of business, in the case of the Dissolution Distribution Amount and the Periodic Distribution Amount due otherwise than on a Periodic Distribution Date, on the second Business Day before the due date for payment and, in the case of the Dissolution Distribution Amount and the Periodic Distribution Amount due on a Periodic Distribution Date, on the relevant record date, and a Certificateholder's registered address means its address appearing on the register of Certificateholders at that time.

7.2 Payments Subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 9.

7.3 Payment only on a Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed in each case by the Principal Paying Agent, on the Business Day preceding the due date for payment or, in the case of a payment of the Dissolution Distribution Amount or a payment of Periodic Distribution Amounts due otherwise than on a Periodic Distribution Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Certificateholders will not be entitled to any Periodic Distribution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition, "**Business Day**" means a day on which commercial banks in Doha, London and New York are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

7.4 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that (i) it will at all times maintain a Paying Agent and a Transfer Agent each having its specified office in Luxembourg for so long as the Certificates are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require and (ii) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 14.

8. Dissolution of Trust

8.1 Scheduled Dissolution

Unless the Certificates are previously redeemed (and the Trust is dissolved after such redemption) following (a) the occurrence of a Dissolution Event or (b) the Government's exercise of its right to require the Issuer to sell the Land Parcel to the Government pursuant to the Sale Undertaking on the Periodic Distribution Date falling in October 2008, the Certificates will be redeemed on the Scheduled Dissolution Date at the Dissolution Distribution Amount and the Trust will thereafter be dissolved.

The "**Scheduled Dissolution Date**" is the Periodic Distribution Date falling in October 2010.

8.2 Summary of Dissolution

The Issuer has the option under the Purchase Undertaking made by the Government on the Closing Date (the “**Purchase Undertaking**”), for the benefit of the holders of the Certificates, to terminate the Master Ijara Agreement (if still in force) and by a written notice require the Government to purchase the Land Parcel at the Exercise Price on the date specified by the Trustee to Certificateholders in accordance with Condition 11 for redemption of the Certificates following a Dissolution Event.

Upon the occurrence of a Dissolution Event (as defined in Condition 11), the Trustee may, or if so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of Certificates, the Trustee shall, exercise the Issuer’s rights under the Purchase Undertaking by giving notice thereunder to the Government.

The Government has the option under the Sale Undertaking made by the Issuer on the Closing Date (the “**Sale Undertaking**”) to terminate the Master Ijara Agreement (if still in force) and require the Issuer by a written notice to sell the Land Parcel to the Government at the Exercise Price on the Periodic Distribution Date falling in October 2008.

“**Exercise Price**” means an amount equal to (a) US\$700,000,000 less the aggregate of all Amortisation Payments paid under the Master Ijara Agreement, plus (b) where payment thereof cannot be made without withholding or deduction for or on account of any Taxes required by the laws of Qatar, such additional amounts so that, upon payment by the Issuer to the holders of the Certificates (after any deduction or withholding by the Issuer on account of Taxes, if applicable), the net amount received by such holders will be the full amount due to such holders under the Conditions as if no such deduction or withholding had been made.

“**Dissolution Distribution Amount**” means, as of any date, the aggregate principal amount of the Certificates then outstanding plus accrued and unpaid Periodic Distribution Amounts as of such date.

Upon receipt of the Exercise Price from the Government in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, such amount, together with Rentals (as defined in the Master Ijara Agreement) payable through the date of the termination of the lease under the Master Ijara Agreement, will be applied to redeem the Certificates in accordance with Condition 4.2 at the Dissolution Distribution Amount.

8.3 Dissolution Following a Dissolution Event

Upon the occurrence of a Dissolution Event, in accordance with Condition 11 the Certificates may be redeemed at the Dissolution Distribution Amount and the Trust dissolved by the Trustee on the dates specified in Condition 11.

8.4 Cancellations

All Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

9. Taxation

All payments in respect of the Master Ijara Agreement, the Sale Undertaking, the Purchase Undertaking and the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction, and all interest, penalties or similar liabilities with respect thereto (“**Taxes**”), unless the withholding or deduction of the Taxes is required by law. In such event, the Government will be required, pursuant to the Master Ijara Agreement, the Sale Undertaking or the Purchase Undertaking, as the case may be, to pay to the Issuer additional amounts (which amounts will be applied towards payments in respect of the Certificates), and if applicable the Issuer will pay such additional amounts as may be necessary, so that the full amount which otherwise would have been due and payable under the Certificates is received by parties entitled

thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate, or
- (b) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority, or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Business Day, or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive, or
- (e) presented for payment by or on behalf of a Certificateholder who would be able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union.

In these Conditions:

“Relevant Jurisdiction” means the State of Qatar or any political subdivision or any authority thereof or therein having power to tax.

“Relevant Date” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Trustee in accordance with Condition 14.

10. Prescription

Certificates will become void unless presented for payment within periods of 10 years (in the case of Dissolution Distribution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect of the Certificates, subject to the provisions of Condition 7.

11. Dissolution Events

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

- (a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount, and such default continues for a period of seven days; or
- (b) the Government shall default in performance or observance of or compliance with any of its other obligations or undertakings under the Transaction Documents to which it is a party and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 60 days after written notice of such default shall have been given to the Government by the Trustee; or
- (c) a Lease Event of Default or Change in Circumstances occurs under and as defined in the Master Ijara Agreement; or
- (d) the option under the Purchase Undertaking or the Sale Undertaking is exercised in respect of the Land Parcel and the Government fails to deliver the Exercise Price and complete its purchase of the Land Parcel in accordance with the Purchase Undertaking or the Sale Undertaking, as the case may be; or

- (e) the Government repudiates any Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (f) at any time it is or will become unlawful for the Government to perform or comply with any or all of its obligations under the Transaction Documents or any of the obligations of the Government under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (g) at any time it is or will become unlawful for the Issuer to perform or comply with any of its obligations under the Transaction Documents or any of the obligations of the Issuer under the Transaction Documents are not or cease to be legal, valid, binding and enforceable,

the Trustee shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 14 with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of such Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of Certificates, the Trustee shall (subject in each case to being indemnified to its satisfaction), or if the Trustee so decides in its discretion the Trustee may, give notice to all the holders of such Certificates in accordance with Condition 14 that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice and that the Trust is to be dissolved on the day after the last outstanding Certificate has been redeemed, provided, however, that in the case of any of the events described in (b) or (c) above, such notice may only be given if the Trustee has certified in writing to the Issuer that such event, in the opinion of the Trustee, is materially prejudicial to the interests of Certificateholders.

12. Enforcement and Exercise of Rights

- (a) Following the distribution of the proceeds of the Trust Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Declaration, the Trustee shall not be liable for any further sums, and accordingly Certificateholders may not take any action against the Trustee or any other person to recover any such sum in respect of the Certificates or Trust Assets.
- (b) The Trustee shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Government under any Transaction Document to which the Government is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 25 per cent. in aggregate principal amount of the Certificates then outstanding and in either case then only if it shall be indemnified to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (c) No Certificateholder shall be entitled to proceed directly against the Government unless (i) the Trustee, having become bound so to proceed, fails to do so within sixty days of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Government) holds at least 25 per cent. of the aggregate principal amount of the Certificates then outstanding. Under no circumstances shall the Trustee or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking or the Sale Undertaking, and the sole right of the Trustee and Certificateholders against the Government shall be to enforce the obligation of the Government to pay the Exercise Price thereunder.
- (d) The foregoing paragraphs in Condition 12 are subject to this paragraph. After distributing the net proceeds of the Trust Assets in accordance with Condition 4.2, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates

shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer or the Trustee nor shall any of them have any claim in respect of the trust assets of any other trust established by the Trustee.

13. Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified offices of the Replacement Agents upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued. The Issuer will at all times maintain a Replacement Agent having its specified office in Luxembourg for so long as the Certificates are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require.

14. Notices

All notices to Certificateholders will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the register of Certificateholders maintained by the Registrar and, so long as the Certificates are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, published in a daily newspaper in Luxembourg approved by the Trustee. It is expected that such publication will normally be made in the *Luxemburger Wort* or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange on which the Certificates are for the time being listed. Any notice shall be deemed to have been given on the seventh day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

15. Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination

- (a) The Declaration contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than two-thirds in aggregate principal amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Certificates held or represented by him or them. An Extraordinary Resolution passed at any meeting of Certificateholders will be binding on all holders of the Certificates, whether or not they are present at the meeting.
- (b) The Trustee may agree, without the consent of Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration, or determine, without any such consent as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of Certificateholders or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.
- (c) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of Certificateholders as a class but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Certificateholder be

entitled to claim, from the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

- (d) Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on Certificateholders and any modification, abrogation, waiver, authorisation, determination or substitution shall be notified by the Trustee to Certificateholders as soon as practicable thereafter in accordance with Condition 14.

“Potential Dissolution Event” means an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event.

16. Indemnification and Liability of the Trustee

- (a) The Declaration contains provisions for the indemnification of the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets, the Trustee shall in no circumstances take any action unless directed to do so in accordance with Condition 12(b), and then only if it shall have been indemnified to its satisfaction. Subject thereto, the Trustee waives any right to be indemnified by Certificateholders in circumstances where the Trust Assets are insufficient therefor.
- (b) The Trustee makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Government under the Master Ijara Agreement and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any Rentals which should have been made by the Government, but is not so made, and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration.
- (c) The Trustee is excepted from any liability in respect of any loss or theft of the Trust Assets or any cash from any obligation to insure the Trust Assets or any cash and from any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of default or misconduct of the Trustee.

17. Currency Indemnity

The Issuer agrees to indemnify each Certificateholder against any loss incurred by such holder as a result of any judgement or order being given or made for any amount due under such Certificate and such judgement or order is expressed and paid in a currency (the **“Judgement Currency”**) other than US\$ and as a result of any variation as between (a) the rate of exchange at which the US\$ is converted into the Judgement Currency for the purpose of such judgement or order and (b) the spot rate of exchange in Qatar at which the holder on the date of payment of such judgement or order is able to purchase US\$ with the amount of the Judgement Currency actually received by the holder. This indemnification will constitute a separate and independent obligation of the Issuer and will continue in full force and effect notwithstanding any such judgement or order as aforesaid. The term **“spot rate of exchange”** includes any premiums and costs of exchange payable in connection with the purchase of, or conversion into, US\$.

18. Contracts (Rights of Third Parties) Act 1999

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

19. Governing Law and Submission to Jurisdiction

- (a) The Declaration, the Agency Agreement and the Certificates are governed by, and will be construed in accordance with, English law.

- (b) The Issuer has in the Declaration irrevocably and unconditionally agreed for the benefit of the Trustee and Certificateholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Declaration or the Certificates and that accordingly any suit, action or proceedings arising therefrom or in connection therewith (together referred to as “**Proceedings**”) may be brought in the courts of England.
- (c) The Issuer has in the Declaration irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgement in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.
- (d) The Issuer has in the Declaration irrevocably and unconditionally appointed an agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose. In the event that no such replacement agent for service of process in England has been appointed by the Issuer within 14 days, the Trustee shall have the power to appoint, on behalf of and at the expense of the Issuer, a replacement agent for service of process in England.

**PRINCIPAL PAYING AGENT, REGISTRAR,
REPLACEMENT AGENT AND TRANSFER AGENT**

HSBC Bank plc
Mariner House, Pepys Street
London EC3N 4DA

**OTHER PAYING AGENT, REPLACEMENT AGENT
AND TRANSFER AGENT**

Dexia Banque Internationale à Luxembourg S.A.
69 route d’Esch
L-2953 Luxembourg

and/or such other or further Principal Paying Agent, Paying Agents, Registrar, Replacement Agents or Transfer Agents and/or specified offices as may from time to time be appointed by the Trustee and notice of which has been given to Certificateholders.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates in respect of which they are issued whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 7 below.

1. Holders

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

2. Cancellation

Cancellation of any Certificate following its redemption by the Issuer will be effected by reduction in the aggregate principal amount of the Certificates in the register of Certificateholders and by the annotation of the appropriate schedule to the Global Certificate.

3. Payments

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

Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Registrar, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system’s rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the Global Certificate by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

4. Notices

So long as all the Certificates are represented by one or both of the Global Certificate and the Global Certificate is held on behalf of a clearing system, notices to Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Holders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Certificateholders on the third day after the day on which such notice is delivered to the relevant clearing systems.

5. Registration of Title

Registration of title to Certificates in a name other than that of the Common Depository will not be permitted unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Issuer that it is

unwilling or unable to continue as a clearing system in connection with the Global Certificate, and in each case a successor clearing system approved by the Trustee is not appointed by the Issuer within 90 days after receiving such notice from Euroclear or Clearstream, Luxembourg. In these circumstances title to a Certificate may be transferred into the names of holders notified by the Common Depository in accordance with the Conditions, except that Certificates in respect of Certificates so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Certificates in a name other than that of the Common Depository for a period of seven calendar days preceding the due date for any payment of the Dissolution Distribution Amount or Periodic Distribution Amount in respect of the Certificates.

6. Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants, as more fully described under “*Clearance and Settlement*”.

7. Definitive Certificates

Interests in the Global Certificate will be exchangeable or transferable, as the case may be, for Certificates in definitive form (“**Definitive Certificates**”) upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that (i) a Dissolution Event has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. In any such event, the Issuer will issue Definitive Certificates (in exchange for the whole of the Global Certificate) within 45 days of the occurrence of the relevant Exchange Event upon presentation of the Global Certificate by the person in whose name the Global Certificate is registered in the register kept by the Registrar in respect of the Certificates on any day (other than a Saturday or Sunday) on which banks are open for business in the city in which the Registrar has its office.

USE OF PROCEEDS

All of the proceeds of the issue of the Certificates, being US\$700,000,000, will be used by the Issuer to purchase the Land Parcel from the Seller pursuant to the Purchase Agreement.

RATINGS

It is a condition of the issuance of the Certificates that the Certificates are assigned a rating of “A+” by S&P.

A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to suspension, revision or withdrawal at any time by the assigning rating organisation. A suspension, reduction or withdrawal of the ratings assigned to the Certificates may adversely affect the market price of the Certificates.

THE ISSUER

Qatar Global Sukuk QSC was incorporated as a joint stock company in Qatar on 8 October 2003 under Article 68 of the Commercial Companies Law, Law No. 5 of 2002 with its registered office at PO Box 83, Doha, Qatar. The Issuer has been formed solely for the purpose of participating in the transactions contemplated by the Transaction Documents.

The authorised and issued share capital of the Issuer is 30 Riyals divided into three ordinary shares of par value 10 Riyals each and is fully paid up. The Issuer's ordinary shares are owned by the Government and HSBC Bank Middle East Limited (in the latter's case, solely as agent for the Certificateholders).

Pursuant to a Share Agency Declaration dated the Closing Date (the "**Share Agency Declaration**") made by HSBC Bank Middle East Limited (in such capacity, the "**Share Agent**"), the Share Agent will hold its share in the Issuer (the "**Golden Share**") as agent for and on behalf of Certificateholders and agrees to exercise on behalf of Certificateholders all of its rights as holder of such share. Pursuant to the Share Agency Declaration, in the event that the Issuer fails to perform any of its obligations under any Transaction Document to which it is a party, the Share Agent is required, to the extent practicable, to cause such obligations to be performed in accordance with the Transaction Documents.

The Golden Share carries the right to approve, object to and overturn any resolution to be passed by the Issuer concerning, inter alia, any matter that relates to, or arises from, any breach on the part of the Government of any of the Transaction Documents entered into between it and the Issuer or arising out of, or in connection with, any Dissolution Event under the Certificates.

The directors of the Issuer and their principal occupations are as follows:

<u>Director</u>	<u>Principal Occupation</u>
Khalaf Ahmed Al Mannai	Assistant Undersecretary, Ministry of Finance, Qatar
Dr. Hussain Al Abdulla	Deputy Secretary General, Government of Qatar Supreme Council for Economic Affairs & Investment
Abdul Hakeem Mostafawi	Manager, HSBC Bank Middle East Limited, Doha

The Issuer has no employees and will have no employees as at the Closing Date.

The Issuer's board of directors may appoint a service provider to manage certain of the affairs of the Issuer (including the preparation of the necessary books of accounts and records and certain other corporate, secretarial and administrative services).

The objects of the Issuer as set out in its Memorandum of Association will be to issue the Certificates, enter into the Transaction Documents to which it is a party and other agreements necessary for the performance of its obligations under the transactions contemplated thereby and undertake activities pursuant to or that are not inconsistent with the transactions and documents referred to in this Offering Circular.

The Issuer will not engage in any material activities other than those relating or incidental to the issue of the Certificates and the matters contemplated in this Offering Circular and the Transaction Documents and the authorisation of its entry into the other transactions and documents referred to in this Offering Circular to which it is or will be a party.

As of the Closing Date, after giving effect to the transactions contemplated by the Transaction Documents, the total equity of the Issuer will be 30 Riyals, consisting of three issued and paid shares. Pursuant to the terms of its Memorandum of Association and the Transaction Documents, the Issuer may not issue any securities other than the Certificates or otherwise incur indebtedness.

The fiscal years of the Issuer will end on 31 December of each year, beginning in 2003. The Issuer will prepare quarterly management accounts but will not prepare audited accounts.

Other than as described above, there has been no material change in the capitalisation of the Issuer as at the date hereof.

THE TRUST ASSETS

Pursuant to the Declaration of Trust, the Issuer will declare that it will hold the Trust Assets upon trust absolutely for the holders of the Certificates pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the Conditions.

The Trust Assets are comprised of the Land Parcel, all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents, all monies standing to the credit of the Transaction Account, and all proceeds of the foregoing.

Land Parcel

The "**Land Parcel**" is the plot of land intended for the proposed development of Hamad Medical City measuring approximately 337,540 square meters located in Doha, Qatar, bordered by the following streets:

North, Mohammed Bin Thani Street;
East, Al-Istiqlal Street;
South, Asiad 2006 Street; and
West, Ahmad Bin Ali Street,

with title number 99679 registered in the Department of Real Estate Registration in Doha. The Land Parcel excludes all buildings and all other fixtures forming part thereof at any time, in respect of which the acquisition, construction or completion costs are paid for by the Lessee.

Purchase Agreement

Pursuant to the Purchase Agreement, the Seller will sell to the Issuer the Land Parcel (free from all claims and encumbrances and with all attached or accrued rights as of the date of the Purchase Agreement). The gross proceeds received by the Issuer from the issuance and sale of the Certificates will be used to pay the purchase price for the Land Parcel.

Master Ijara Agreement

Under the terms of a Master Ijara Agreement dated the Closing Date between the Issuer as lessor and the Government as lessee, the Issuer will agree to lease to the Government, and the Government will agree to lease from the Issuer, the Land Parcel during the term commencing on the Closing Date and extending to the Scheduled Dissolution Date.

Under the terms of the Master Ijara Agreement, the Government will agree that the Issuer shall not under any circumstances be liable to the Government or to any third party for any cost, claim, demand, loss, damage or expense of any kind or nature caused directly or indirectly by, or out of, the use of any part or the whole of the Land Parcel. The Government will agree to indemnify and keep indemnified and save harmless the Issuer against all and any such costs, claims, demands, losses, damages and expenses.

Under the terms of the Master Ijara Agreement, the Government shall, at its own cost and expense, be responsible for the performance of all General Maintenance required for the Land Parcel. "**General Maintenance**" means all repairs, replacements, acts, and maintenance and upkeep works required for the general usage and operation of the Land Parcel and to keep, repair, maintain and preserve the Land Parcel in good order and condition, and in compliance with such maintenance, repair and upkeep standards and procedures generally expected in the ordinary course of business.

The rental payments under the Master Ijara Agreement (the "**Rentals**") will be calculated by reference to (i) LIBOR plus the Margin plus (ii) beginning with the Rental Payment Date falling in April 2006, an Amortisation Payment, and will equal the Periodic Distribution Amounts payable on the Periodic Distribution Date coinciding with the Rental Payment Date for such Rental. Rentals will be recalculated semi-annually based on LIBOR two London Business Days (as defined in the Conditions) before the commencement of each Rental Period.

The Government will be obligated to pay Rentals on the ninth day of each April and October, commencing in April 2004 up to and including October 2010, or if any such day is not a Business Day then the following Business Day, or any other date on which the Master Ijara Agreement is earlier terminated by agreement of the parties (each, a “**Rental Payment Date**”).

Under the Master Ijara Agreement, if payment of a Rental is not made to the Issuer in full on its due date for payment, the Government irrevocably undertakes to donate directly, in accordance with Sharia principles, a late payment amount to be paid to a charity of the Issuer’s choice in respect of the period from and including the due date for payment to but excluding the date of full payment, equalling, for the number of days during such period, the Rental (less an amount equal to the Amortisation Payment, if part of such Rental) applicable to the Rental Period in respect of which the payment delay occurred, divided by the number of actual days in such Rental Period.

Under the Master Ijara Agreement, the Government will bear the entire risk of loss of or damage to the Land Parcel or any part thereof arising from the negligent or improper usage or operation thereof by the Government, and will indemnify the Issuer against the same.

In the Master Ijara Agreement, the Government will covenant that from the Closing Date and for so long as its liabilities under the Master Ijara Agreement have not been discharged, the Government will not without the prior written consent of the Issuer create or permit to subsist any encumbrance over all or any of its present or future revenues or assets other than those permitted encumbrances specified therein.

Under the Master Ijara Agreement, if:

- (i) the Government in its capacity as lessee shall default for a period of seven days or more, in the payment of any sum payable under the Master Ijara Agreement or any of the Related Documents to which it is a party; or
- (ii) the Government in its capacity as lessee shall default in performance or observance of or compliance with any of its other obligations, covenants or undertakings under the Master Ijara Agreement or any of the Related Documents to which it is a party and either such default is not capable of remedy or such default (if capable of remedy) is not remedied within 60 days after written notice of such default shall have been given to the Government by the Issuer; or
- (iii) any representation or warranty made or given by the Government in its capacity as lessee under the Master Ijara Agreement or any of the Related Documents to which it is a party or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of the Master Ijara Agreement or any of the Related Documents proves to have been incorrect in any material respect on or as of the date made; or
- (iv) (i) any Government Indebtedness is accelerated or declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof or (ii) the Government fails to pay in full any principal of, or interest on, any Government Indebtedness when due (after expiration of any applicable grace period) or any guarantee of any Government Indebtedness given by the Government shall not be honoured when due and called upon; provided that the aggregate amount of the relevant Government Indebtedness or guarantee in respect of which one or more of the events mentioned above in this paragraph (iv) shall have occurred equals or exceeds US\$30,000,000 (or its equivalent in any other currency or currencies); or
- (v) the Government shall enter into an arrangement with its creditors generally for the rescheduling or postponement of its debt or a moratorium on the payment of principal of or interest on, all or any part of any Government Indebtedness shall be declared; or

- (vi) any licence, authorisation, approval, consent, order or exemption of or from any governmental authority of Qatar with respect to the Master Ijara Agreement or the Related Documents ceases to remain in full force and effect and such default continues for at least 45 days; or
- (vii) the validity of the Master Ijara Agreement is contested by the Government or any Person acting on its behalf or the Government or any Person acting on its behalf shall deny any of the Government's obligations under the Master Ijara Agreement or any of the Related Documents to which it is a party or as a result of any change in, or amendment to, the laws or regulations in Qatar, which change or amendment takes place after 30 September 2003, (i) it becomes unlawful for the Government to perform or comply with any of its obligations under or in respect of the Master Ijara Agreement or (ii) any of such obligations becomes unenforceable or invalid; or
- (viii) the Government ceases to be a member of the IMF or eligible to use the general resources of the IMF pursuant to Article 26 of the IMF Articles of Agreement; or
- (ix) there is, or there will be, a compulsory acquisition, confiscation or expropriation of the Land Parcel by a governmental authority,

then, in any such event, the Issuer may, without prejudice to any other right or remedy the Issuer may have under the Master Ijara Agreement, the Related Documents or the law, by written notice, terminate the Master Ijara Agreement and the lease thereunder.

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

Tax Gross-up

All payments by the Government under the Master Ijara Agreement, the Sale Undertaking and the Purchase Undertaking are to be made without withholding or deduction for or on account of Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, or in the event that a withholding or deduction for or on account of Taxes becomes applicable to payments to Certificateholders, the Government will be required, pursuant to the Master Ijara Agreement, the Sale Undertaking or the Purchase Undertaking, as the case may be, to pay to the Issuer such additional amounts so that (i) the Issuer will receive the full amount which otherwise would have been due and payable under the relevant agreement or deed and (ii) the Certificateholders will receive the full amount which otherwise would have been due and payable under the Certificates.

QATAR

OVERVIEW OF QATAR

Location, Area and Historical Background

Qatar is an independent state in the Southern Arabian Gulf having a land border with Saudi Arabia and maritime boundaries with Saudi Arabia, Bahrain, the United Arab Emirates and Iran. The country extends over a peninsula approximately 185 kilometres long and between 55 to 100 kilometres wide and covers a total area of 11,521 square kilometres, including a number of islands. Doha is Qatar's capital city, the seat of the Government and the country's cultural, commercial and financial centre. It is also the location of Qatar's main port and the international airport.

Qatar has an arid desert climate with low annual rainfall and little vegetation or surface water. The highest geographical point in Qatar is Dukhan, in the north west of the country, with a maximum elevation of about 40 metres above sea level. Qatar relies almost exclusively upon two water desalination plants and one combined water and power project for domestic water supply.

Qatar has vast hydrocarbons resources within its territory with both onshore and offshore oil fields and the third largest proven natural gas reserves in the world, including the North Field, the world's largest single non-associated gas deposit in the world.

Historically, the peninsula was inhabited by nomadic tribes, coming under the influence of several major Middle Eastern civilisations, including the Dilmun civilisation, in 4,000-2,000 B.C., the Umayyad and Abbasid caliphates (8th-13th centuries) and the Ottoman empire. In the 16th century, the Qatari peninsula came under the influence of, first, the Portuguese, and then the British. In 1916, the British concluded a treaty with the ruling al-Thani family under which Qatar became a British protectorate. It remained so until September 1971 when the country declared independence. Qatar's petroleum resources have led to rapid development and the construction of a modern infrastructure.

Population

According to the 1997 census, the population of Qatar was approximately 522,000 of whom approximately 30 per cent. were Qatari citizens and the remainder expatriate workers, mainly from India and Pakistan. Approximately 90 per cent. of Qatar's population lives in urban areas, with this figure increasing in the recent past on average by 2 per cent. per annum. Doha is home to approximately 48 per cent. of Qatar's total population. Qatar's GDP per capita in 2002 was US\$30,445, amongst the highest in the world.

The official language of Qatar is Arabic, and English is widely spoken. Nearly all Qatari citizens are Muslims. Among Qatari residents, Hindus and Christians are the principal religious minorities.

Qatar's annual population growth rate was estimated to be 3.7 per cent between 1986 and 1997. There is a high proportion of single male expatriate workers in Qatar, and consequently women represent only 34.4 per cent. of the total population. Qatar has a young population, with 28 per cent. under 15 years of age. As at 31 December 1997 (the latest date on which such statistics are available) the average life expectancy in Qatar for men was approximately 71 years and for women was approximately 76 years.

Qatar has an extensive welfare system. The quality of healthcare is high and substantial investment has been made in new hospitals and medical training facilities. Healthcare was previously provided free of charge to all nationals and to expatriates although from 1999 Qatari, and to a greater degree, expatriate residents have been required to contribute towards their own health care. Education is offered free to all Qatari nationals through a 12-year, non-compulsory public school system. According to most recently available information, in 1997 literacy stood at 84.7 per cent.

Government Organisation and Political Background

Qatar is an absolute monarchy and has been ruled by the al-Thani family since the nineteenth century. In 1916, the al-Thanis entered into a treaty with the British pursuant to which Qatar became a British protectorate. Qatar declared independence on 3 September 1971. The current Emir, His Highness

Sheikh Hamad bin Khalifa al-Thani, replaced his father as Emir and assumed his position on 27 June 1995. The Emir is the principal executive officer in Qatar, although the cabinet, appointed by the Emir, carries out the day-to-day administration of the country's affairs. The Prime Minister is Sheikh Abdullah Bin Khalifa al-Thani. The son of the Emir, H.E. Sheikh Tamim bin Hamad bin Khalifa al-Thani, was designated the crown prince in 2003, replacing his brother, H.E. Sheikh Jassem bin Hamad bin Khalifa al-Thani, who had been designated crown prince in 1996.

On 29 April 2003 a referendum was held in Qatar on the adoption of a permanent constitution to replace the provisional constitution which had been in place since 19 April 1972. Approximately 84 per cent. of the eligible population voted at the referendum, with 96.6 per cent. voting in favour of the new constitution. The Constitution will take effect on a future date, to be decided, following its publication in the Official Gazette.

The new constitution provides for a 45-member parliament, the 'Consultative Council', as the legislative branch of government. Two thirds of the Consultative Council will be elected by a public vote in 2004 and the Emir will appoint the remaining one-third. The new constitution provides women the right to vote and hold office and freedoms of the press, association and religion. Under the new constitution, leadership will pass to the descendants of the incumbent Emir who will designate one of his sons as crown prince.

Under the new constitution, the Consultative Council will propose legislation, which is then to be reviewed by committee and ratified by the Emir. This will replace the current system whereby the Council of Ministers is responsible for proposing draft laws and decrees which are then approved by the Consultative Council and ratified by the Emir. As before, laws only come into effect one month after their publication in the Official Gazette, unless another date for effectiveness is stipulated in the law itself. The Emir will retain certain powers including the power to suspend the progress of proposed legislation in the national interest and to dissolve the Consultative Council.

The Emir appoints the Prime Minister, the Deputy Prime Minister and the members of the Council of Ministers (together, the cabinet) and one-third of the Consultative Council. The Emir is advised by the Emiri Diwan, the office of the Emir, an executive staff that assists both the Emir and the Council of Ministers in the performance of their respective duties. The Council of Ministers assists the Emir in the discharge of his duties and the exercise of his powers and is responsible for the administration of all the internal and external affairs which fall within its competence. The executive branch of government has been separated from the royal court and state finances have been separated from the private finances of the al-Thani family.

Legal System and Enforceability of Judgements

The judiciary in Qatar is divided into two separate systems. The Civil and Commercial courts and the Sharia courts. Each system has its own Court of Appeal, which is the highest court for each system. Judges are appointed by a decree of the Emir on the recommendation of the Minister of Justice or Minister for Endowments and Religious Affairs. Pursuant to Law No. (6) of 1999 Concerning Judicial Powers, it is proposed that the civil and commercial courts and the Sharia courts be unified into a single judicial body. The Law has not yet been published in the Official Gazette and therefore is not in force.

Any dispute relating to the Certificates adjudicated in Qatar would be initiated in the civil and commercial courts which, according to present Qatari law, have jurisdiction over commercial disputes. The Government is subject to suit under the civil and commercial code of Qatar with respect to commercial transactions entered into by the Government, its ministries and departments. Under the civil and commercial code, contractual provisions for the charging and payment of interest are permissible and enforceable in accordance with their terms, although a court applying Qatari law may not enforce such a provision to the extent that such provision provided for the payment of compound interest. Due to the fact that there is no doctrine of binding precedent in Qatar, the future attitude of the Qatari courts and Qatari law regarding interest and other matters cannot be predicted.

Foreign Relations and International Organisations

Qatar's profile on the international stage has grown substantially in the last two years. Qatar successfully hosted the ministerial conference of the World Trade Organisation in Doha in November 2001, which was followed by the launch of the Doha Development Round of international trade liberalisation talks. Qatar is expected to host the Asian Games in 2006.

Qatar pursues an independent and pro-active foreign policy and aims to increase and diversify its energy exports and normalise relations with its neighbours in the Arabian Gulf. Qatar has developed a number of important trading partners for the supply of liquified natural gas ("LNG"), in particular with Japan, Korea, Italy, India, Bahrain, Kuwait, Oman and Pakistan. See *"The Economy of Qatar – Oil and Gas Sector"*. Qatar has defence treaties with, among others, the United States, Great Britain and France.

Qatar also has a bilateral security agreement with the United States permitting United States military equipment to be pre-positioned in Qatar. During the Iraq conflict in 2003, Qatar was the base for the United States Central Command, which commanded US forces in the conflict. Qatar supports Iraq's territorial integrity and the establishment of a legitimate national government in Iraq.

Qatar pursues a policy of fostering good relations with all countries in the region, including Iran, Saudi Arabia and Syria. A portion of the country's principal gas field, the North Field, extends into Iranian territorial waters. Qatar and Iran concluded a maritime border agreement in 1969, and the boundary between the two countries is not disputed.

Relations with Bahrain have improved substantially since the judgment on 16 March 2001 of the International Court of Justice at The Hague, awarding Bahrain the Hawar islands and Qatar the coastal strip of Zubarah in deciding a territorial dispute. Travel restrictions have been relaxed and the two governments are negotiating the building of a bridge between the countries. In January 2002 Bahrain and Qatar signed an agreement for the supply of natural gas to Bahrain.

Qatar supports the Middle East peace process between Israel and its Arab neighbours. In November 2000, Qatar closed the Israeli trade office in Doha and has paused relations between the two countries until resolution of the peace process. Although the lack of progress in the Middle East peace process has limited further development in relations with Israel, the foreign ministers of the two countries met in Paris in May 2003 and Qatar's bilateral trade treaty with Israel signed in 1996 remains in force.

Qatar is a member of the Gulf Cooperation Council ("GCC"), whose other members are Bahrain, Kuwait, Oman, Saudi Arabia and the United Arab Emirates. The foreign minister of Qatar chaired the June 2003 meeting of the GCC and stressed the importance of rebuilding Iraq, of supporting Palestine through the Middle East peace process and condemning acts of violence suffered by Saudi Arabia and Morocco. Negotiations for a free trade agreement between the European Community ("EC") and the GCC have been ongoing since 1988. In March 2003 a customs union among the countries of the GCC took effect. In September 2002 plans were unveiled to boost tourism by establishing a unified visa for foreign visitors to GCC states.

Qatar is a member of the Organisation of Petroleum Exporting Countries ("OPEC"). Qatar's relations with the other members of OPEC and GCC are cordial.

Qatar is a member of various other international and multilateral organisations, including the Arab Monetary Fund, the League of Arab States, the United Nations, UNESCO, the International Monetary Fund, the International Bank for Reconstruction and Development, the World Trade Organisation and the Multinational International Guarantee Agency.

THE ECONOMY OF QATAR

General

Qatar has a strong economy dominated by oil and gas export revenues. Since the discovery of oil in Qatar in 1939, the country's economic performance has largely mirrored the fluctuations in oil prices in the international market. In the years of low oil prices, Qatar has witnessed significant budget deficits, and when international oil prices have boomed, there have been marked budget surpluses.

In 2002 the contribution of the oil and gas sector to nominal GDP was 59 per cent. Due to the economy's vulnerability to oil price movements as well as the finite nature of oil reserves, the Government has pursued a policy of economic diversification in promoting the development of energy-intensive heavy industries using natural gas as fuel and encouraging the participation of private enterprises in the industry. At the same time, the Government has privatised a number of services to reduce pressure on the budget. Qatar is also developing a modern infrastructure to facilitate and provide a framework for future development.

Qatar's natural gas resources, estimated to be 900 trillion cubic feet, rank in size behind only those of Russia. Qatar's extensive North Field natural gas reserves contain the majority of these reserves and account for an estimated 5 per cent. of total proven worldwide natural gas reserves. The Government predicts that by 2008 the revenues of the export of LNG will exceed those of the export of oil without any cut in crude oil production levels.

Qatar's current economic stability was reflected in the upgrade by Standard & Poor's to Qatar in July 2003 of Qatar's credit rating to A+.

Gross Domestic Product

The principal component of GDP over the past five years has been the oil and gas sector, the estimated value of which amounted to US\$10.3 billion in 2002, representing approximately 59 per cent. of nominal GDP for that year. In the non-oil sector, the finance, insurance and real estate sector is estimated to have accounted for US\$1.3 billion in 2002, representing approximately 7.5 per cent. of nominal GDP in that year. Revenues from the manufacturing sector are estimated to have reached US\$989 million in 2002, representing approximately 5.7 per cent. of nominal GDP in that year.

Qatar's GDP has grown over the past five years in a pattern that largely follows the fluctuations of international oil prices and the increased sales of Liquefied Natural Gas (LNG), with growth averaging 13.9 per cent. between 2000 and 2002. The significant reductions in world oil prices and levels of crude oil production in 1998 resulted in a contraction in Qatar's economy in that year, while a substantial increase in the price of oil contributed to an improved GDP in 1999. In 2000, as oil prices reached a ten-year high and almost doubled in terms of value, nominal GDP grew by 45.5 per cent. to US\$17.6 billion. In 2001, when oil prices and production levels fell, nominal GDP saw a fall of 3.6 per cent. In 2002 there was a modest rebound of 2 per cent. to US\$17.4 billion. According to QCB estimates, nominal GDP grew by 5.3 per cent. to US\$4.9 billion at the end of the first quarter of 2003, compared to US\$4.7 billion at the end of the last quarter of 2002. This increase largely reflected the rise in world oil prices due to the war in Iraq and disruption of South American oil industries.

The following table sets out details of Qatar's GDP at current prices by economic activity and as a percentage share for each of the five years ended 31 December 2002.

	Year Ended 31 December									
	1998		1999		2000		2001		2002	
	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)
Oil and gas sector	3,573	34.8	5,481	44.9	10,732	60.4	10,060	58.7	10,302	59.0
Non-oil and gas sector										
Agriculture and fisheries...	70	0.7	71	0.6	66	0.4	69	0.4	70	0.4
Manufacturing.....	807	7.9	893	7.3	966	5.4	967	5.6	989	5.7
Electricity and water	168	1.6	176	1.5	214	1.2	216	1.3	218	1.3
Building and construction	748	7.3	590	4.9	640	3.6	643	3.8	657	3.6
Trade, restaurants and hotels.....	869	8.5	882	7.2	1,030	5.8	1,035	6.1	1,043	6.0
Transport and communications.....	513	5.0	536	4.4	551	3.1	555	3.2	582	3.3
Finance, insurance and real estate.....	1,238	13.5	1,269	10.4	1,292	7.3	1,297	7.6	1,317	7.5
Other services.....	2,270	22.1	2,290	18.8	2,268	12.8	2,284	13.3	2,288	13.1
Total non-oil and gas sector	6,683	65.2	6,716	55.1	7,028	39.6	7,066	41.3	7,164	41.0
Total GDP	10,255	100	12,197	100	17,760	100	17,127	100	17,466	100

Source: Supreme Council for Economic Affairs & Investment

The following table sets forth the expenditure components and as a percentage share of GDP at current prices for each of the five years ended 31 December 2002.

	Year Ended 31 December									
	1998		1999		2000		2001		2002	
	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)	(US\$ millions)	(%)
Final consumption:										
Government.....	3,239	31.6	3,179	26.6	3,547	19.9	3,547	2.0	3,562	20.4
Private.....	2,596	25.3	2,617	21.4	2,704	16.1	2,796	19.0	2,807	16.1
Increase in Stocks.....	108	1.1	67	1.0	122	0.4	151	1.0	123	0.7
Gross Fixed Capital Formation	3,170	1.0	2,273	20.5	3,457	16.9	3,874	20.0	3,805	21.8
Net exports:										
Export of goods and services.....	5,240	1.0	7,441	59.4	11,949	71.9	11,232	68.0	11,497	65.8
Import of goods and services.....	(4,098)	(40.0)	(3,184)	(29.3)	(3,966)	(25.2)	(4,472)	(31.0)	(4,336)	(24.8)
Total GDP	10,255	100	12,197	100	17,760	100	17,127	100	17,466	100

Source: Supreme Council for Economic Affairs & Investment

Oil and Gas Sector

General

The oil and gas sector, which consists of the production and export of crude oil and other hydrocarbons such as condensate, propane, butane and other natural gas liquids, is the principal sector of the Qatari economy, with revenues from this sector accounting for approximately 60.4 per cent., 58.7 per cent. and 59 per cent of nominal GDP in 2000, 2001 and 2002 respectively.

The sharp decline and continuing weakness in world oil prices experienced in 1998 and early 1999 resulted in OPEC members, including Qatar, agreeing to reduce their production of oil in an effort to

support the price of oil. In compliance with this agreement, Qatar reduced its oil production levels in 1999 and early 2000. In 2001, production of crude oil averaged 682,000 barrels per day, slightly down from 687,000 bpd in 2000. Qatar's production in 2002 was 694,300 bpd. Current plans indicate that the capacity of certain of Qatar's oil fields will be expanded, whilst the production capacity of other oil fields is in decline.

Qatar conducts its principal oil and gas operations through Qatar Petroleum (“QP”), which controls Qatar's interests in all oil, gas, petrochemicals and refining enterprises in Qatar and abroad. Based on its estimates of Qatar's oil reserves of 4.6 billion barrels as at January 2003 (excluding North Field non-associated condensate) and the rate of production anticipated for 2003, QP estimates that Qatar's expected oil reserves to production ratio is approximately 18 years. As a result of the activities of QP which has entered into development and production sharing agreements or exploration and production sharing agreements (“**production sharing agreements**” or “**PSAs**”) with external contractors, significant additions to Qatar's reserves of crude oil have been achieved and Qatar retains the capacity to increase its levels of oil production significantly.

Gas constitutes Qatar's principal hydrocarbon resource. The North Field is one of the world's largest non-associated (i.e., not part of an oil reservoir) gas deposits and currently accounts for approximately 5 per cent. of worldwide gas reserves. As at 31 March 2003, the North Field's proven reserves of gas were estimated by QP to be in excess of 900 trillion cubic feet. Development of the North Field gas reserves for export and as feedstock for the domestic refining and petrochemicals industry is the Government's economic and strategic priority. Earnings from exports of LNG and other products based on gas, either as feedstock or a fuel source, are expected to represent an increasingly important source of revenue for the Government for the next several decades, particularly as Qatar's oil reserves begin to decline.

Qatar Petroleum

QP is wholly-owned by the State of Qatar and is managed by a Board of Directors appointed by the Emir. S&P has given QP a foreign currency rating of A+.

QP generates the bulk of Qatar's budget revenues through its oil and gas activities. Oil related activities currently account for the bulk of QP's revenues and net cash flows, and QP expects that they will continue to do so for the next seven to ten years. Accordingly, oil prices are the single most important determinant of QP's actual and projected revenues. However, QP also expects that the contribution of non-oil revenues to its net cash flow relative to other sources of income will steadily increase from approximately 30 per cent. to over 50 per cent. over the next seven to ten years, depending when certain individual capital projects come on-stream.

QP also owns a majority of the shares of several companies engaged in the oil and gas business in Qatar, including the recently floated Industries of Qatar. It also has stakes in a number of Arab joint ventures active in dry-docks, shipping, pipelines and finance.

Oil Operations

In recent years, QP has utilised secondary recovery programmes such as water injection to extend the productive life of, and improve the recovery of oil from, the existing fields. It has also sought to increase the level of Qatar's oil reserves through the exploration and development activities of the international oil companies which are parties to PSAs with QP. Such activities have significantly increased the level of Qatar's oil reserves.

QP is involved in both onshore and offshore oil production, either on its own behalf or in conjunction with major international oil companies pursuant to various PSAs. Onshore crude oil is produced from the Dukhan field in the west of Qatar. Production capacity of the Dukhan field was approximately 340,000 barrels per day as at October 2002. QP also produces offshore crude oil from two of its own oilfields and from five fields that are operated under PSAs. As at 31 December 2002, Qatar's total onshore oil reserves amounted to 2.4 billion barrels and its total offshore reserves amounted to 2.2 billion barrels off-shore.

Natural Gas Operations

Exports of LNG from Qatar began in early 1997 with exports from the Qatargas project to Japan. The Qatargas LNG plant is a joint venture between QP (65 per cent.), TotalFinaElf and ExxonMobil (10 per cent. each) and Mitsui and Marubeni of Japan (7.5 per cent. each). The plant is supplied by an upstream venture between QP (65 per cent.), Total (20 per cent.), Exxon Mobil (10 per cent.) and Mitsui and Marubeni (2.5 per cent. each). This plant is contracted to supply 6 million tonnes per year of LNG to Japanese utilities companies until 2022. This initial project has been expanded by Qatargas II, a joint venture between QP (70 per cent.) and ExxonMobil (30 per cent.). Qatargas II is currently at the front end engineering and design (FEED) stage, with contracts awarded to Chiyoda of Japan for the onshore facilities and MW Kellogg for the receiving terminal. The project will include the offshore development of new blocks in the North Field and the construction of two of the world's largest onshore liquefaction trains (each carrying 7.8 million tonnes per annum of LNG). A heads of agreement has also been signed with ConocoPhillips to set up a joint venture to supply LNG to the USA. This project is currently known as Qatargas III and is still in its study phase.

The existing Qatargas plant produces 7.7 million tonnes of LNG per annum, and is currently being de-bottlenecked to increase production to 10 million tonnes per annum.

The second LNG project for the development of North Field Gas, RasGas, was established as a joint venture between QP and ExxonMobil, who currently hold an interest of 63 per cent. and 25 per cent. respectively (with Korean Gas Company (Kogas), Itochu Corporation and Nissho Iwai Corporation holding 5 per cent., 4 per cent. and 3 per cent. stakes respectively). The project consists of two LNG trains with capacity to produce a total of 6.6 million tonnes per annum. Kogas entered into a 25 year product-sharing agreement with RasGas commencing in 1999 for the purchase of 4.8 million tonnes of LNG per annum. RasGas II, an affiliate project of RasGas, is currently constructing two further trains on the RasGas site. The expansion is to provide for the supply of 7.5 million tonnes per annum to Petronet LNG (a consortium of large Indian energy companies), and to supply 3.5 million tonnes a year to Edison of Italy.

LNG exports amounted to 3.6 million tonnes in 1998, generating US\$837 million in export revenues. With the commencement of production of LNG at the RasGas project in 1999, LNG exports from Qatar amounted to approximately 6.5 million tonnes in that year, generating approximately US\$1.353 billion in export revenues, increasing to 13.7 million tonnes in 2002, generating US\$2.6 billion in export revenues. Based on the sales and purchase agreements currently in place, QP currently expects the volume of LNG exported by Qatar to reach approximately 20 million tonnes per annum in 2004.

In 2003 Qatar signed a 25 year agreement with Dolphin Energy Ltd of the United Arab Emirates for the supply of 2 billion cubic feet per day of natural gas through a pipeline, starting in late 2005 to early 2006. QP is currently in negotiations over arrangements for the supply of natural gas to other member states of the GCC and believes that there is a substantial market among neighbouring countries for supplies of natural gas from Qatar.

Natural Gas Liquids and Condensate Operations

QP currently produces condensate from three sources. The principal source, the North Field, produced approximately 115,000 barrels per day in 2002. Of this amount, about 27,000 barrels per day were processed in QP's condensate splitter and the remainder was exported. Condensate from the Arab D gas cap is also recovered, with approximately 30,000 barrels per day processed in QP's condensate splitter in 2002. In addition, approximately 5,500 tonnes per day of condensate is recovered from NGL plants for export. Such amounts will increase substantially when these plants are fully commissioned in 2003. As at 31 December 2002 condensate reserves in Qatar are estimated to be in excess of 17 billion barrels.

QP currently has four natural gas liquids (NGL) plants at Mesaieed which process raw natural gas liquids, associated and non-associated gas produced from onshore and offshore fields and gas from the North Fields to produce propane, butane and plant condensate for export or for use as feedstock by

the Qatar Petrochemicals Company (QAPCO). Together, the four NGL plants have a capacity of 4,400 barrels per day of propane, 3,850 barrels per day of butane, and 6,300 barrels per day of condensate. In addition, approximately 5,600 tonnes per day of ethane is produced by downstream petrochemical industries.

Gas-to-liquids

Qatar is seeking to increase exports of high-value fuels produced through the gas-to-liquids (GTL) process. The first GTL plant, known as ORYX, is a US\$900 million project which is 51 per cent. owned by QP and 49 per cent. owned by Sasol of South Africa. Production of diesel, naphtha and liquefied petroleum gas is expected to commence in 2005, with a planned capacity of 33.5 million barrels per day. QP has commenced studies and negotiations with several international companies, and it is QP's belief that such negotiations will lead to the establishment of further GTL plants in Qatar.

Refinery Operations

QP operates a refinery at Mesaieed. The refinery, which processes crude oil of QP, now has a capacity of 80,000 barrels per day. The refinery also houses two condensate units with total capacity of 57,000 barrels per day.

Non-Oil and Gas Sector

Other Services

The "other services" sector, which includes government services, social services, domestic services and import tariffs subsectors, makes the largest contribution to GDP of the non-oil and gas sectors, and represented 13.3 per cent. of nominal GDP in 2001 and 13.1 per cent. of nominal GDP in 2002. At current prices, this sector grew by 0.7 per cent. in 2001 and by 0.2 per cent. in 2002.

Finance, Insurance and Real Estate

The finance, insurance and real estate sector is comprised of five sub-sectors: banks, insurance, money exchange, real estate and business services. This sector was the second most important sector among the non-oil and gas sectors growing by 1.5 per cent. in 2002 at current prices and representing 7.5 per cent. of Qatar's total GDP in 2002.

Manufacturing Industry

In 2002 the manufacturing industries sector made the third largest contribution to GDP among non-oil and gas sectors and contributing 5.7 per cent. of total GDP. This sector is strongly supported by the Government as a part of a general policy to diversify income sources and to maximise the utilisation of Qatar's natural resources. The major subsectors of the manufacturing sector are petroleum refining, industrial chemicals, fertilisers and iron and steel, which utilise natural gas as feedstock and/or fuel.

Inflation

Inflation rates in Qatar are low relative to those experienced by other oil-exporting developing countries, due, in part, to monetary and exchange rate policies such as pegging the riyal to the U.S. dollar, with an average of 1.8 per cent. over the past five years. Qatar's inflation rates are relative to its import prices. The following table shows the consumer price index and inflation for each of the five years ended 31 December 2002.

	Year Ended 31 December				
	1998	1999	2000	2001	2002
Consumer price index (1988 = 100).....	134.1	137.0	139.2	140.9	142.3
Inflation (%).....	2.9	2.2	1.7	1.4	1.0

Source: Planning Council, Statistical Department

Employment and Wages

There is little unemployment in Qatar. Owing to a shortage of indigenous labour, the Qatari economy is dependent on immigrant workers. There is no minimum wage in Qatar, nor are there any unions. Wages are believed to be competitive with those offered elsewhere in the region.

As at 31 December 2002, 67,232 persons were employed in the government and public sector companies, of whom 46 per cent. were Qatari nationals.

As noted under “*Overview of Qatar – Population*” above, Qatar has a high proportion of non-Qataris amongst its working population. The Government of Qatar has the strategic goal of increasing the proportion of Qataris in both the public and the private sector. This policy, known as “Qatarisation”, is effected by giving preference in employment to suitably qualified Qataris. The Government’s aim is to increase the proportion of Qataris in the manufacturing sector from 23 per cent. in 1995 to 50 per cent. in 2020. The Government is also seeking to improve the education and technical skills of the Qatari population to assist with the development of Qatar’s industrial sector.

BALANCE OF PAYMENTS

Foreign Trade

Foreign trade plays an important role in Qatar’s economy, with exports and imports of goods estimated to amount to approximately 63.2 per cent. and 24.8 per cent. of GDP, at current prices, respectively, in 2002. Qatar’s principal trading partners are the countries of the European Union, Asia (particularly Japan) and other Arab countries.

Exports

Qatar’s principal export is crude oil, which accounted for approximately 53 per cent. of total exports in 2001. Qatar’s trade balance is largely a function of the oil price: between 1998 and 2002, exports have varied between a low of just over US\$5 billion in 1998 to a high of approximately US\$11.5 billion in 2000, and for the year ended 31 December 2001 total exports amounted to approximately US\$11 billion. The majority of Qatar’s oil exports are to Asia, in particular to Japan, South Korea and Singapore which accounted for approximately 63 per cent., 12 per cent. and 10 per cent. respectively of Qatar’s crude oil exports in 2001.

The importance of crude oil to Qatar’s export revenues has been diluted by the emergence of LNG, natural gas liquids and condensates, the exports of which together amounted to approximately US\$5.8 billion in 2001 (approximately 53 per cent. of export revenues in 2001). The principal destinations for the export of LNG are Japan and South Korea.

Other exports, such as iron and steel, fertilisers and cement, had a value of US\$976 million in 2001 (approximately 9 per cent. of export revenues in 2001).

Imports

In recent years, Qatar’s imports have been dominated by the import of machinery and transport equipment related to the construction of LNG projects. Such imports had an aggregate value of over US\$1 billion in 1998 when construction of the RasGas project was at its peak but this figure had fallen to US\$372 million in 1999 when construction of both the RasGas and QatarGas projects were largely complete. The import of machinery and transport equipment amounted to approximately 57 per cent. of total imports in 2000.

Due to renewed LNG project activity the value of imports increased between 2000 and 2002, reaching US\$3.4 billion in 2001 and US\$4.3 billion in 2002, amounting to approximately 19.8 per cent. and 24.8 per cent. of nominal GDP in 2001 and 2002 respectively.

Other principal categories of imports include manufactured goods, food and live animals and chemicals and related products.

In terms of geographical sources of imports, the U.S.A. is the most important country, contributing 13.7 per cent. of imports in 2001, with Italy and Japan providing 9.8 per cent. and 9.5 per cent. respectively of Qatar's imports in the same year.

The following table sets forth the percentage of total recorded imports by region and country of origin for the five years ended 31 December 2001.

	Year Ended 31 December				
	1997	1998	1999	2000	2001
Arab countries:					
United Arab Emirates	5.2	8.1	8.0	6.9	5.2
Saudi Arabia.....	6.1	5.5	7.0	5.6	5.3
Bahrain	1.1	1.0	1.4	1.2	0.6
Others	2.3	2.2	3.4	3.0	2.6
Total Arab countries	14.7	16.8	19.8	16.7	13.7
Europe:					
United Kingdom.....	10.4	11.2	11.5	7.8	8.0
Germany	7.6	5.8	6.2	8.2	9.1
Italy.....	6.5	6.0	4.7	6.7	9.8
France	8.1	5.7	4.7	5.5	4.4
Netherlands.....	1.7	2.0	2.6	2.4	2.3
Other.....	8.1	7.0	6.7	7.3	6.4
Total Europe.....	42.4	37.7	36.9	37.9	40.0
Americas:					
United States	14.2	14.0	11.4	10.3	13.7
Other.....	3.4	3.5	2.7	2.4	2.5
Total Americas	17.6	17.5	14.1	12.7	16.2
Asia:					
Japan.....	11.9	12.8	10.3	11.0	9.5
India.....	1.8	1.9	2.6	2.8	2.3
South Korea.....	1.9	1.8	2.2	5.4	4.4
People's Republic of China.....	1.7	1.7	3.0	3.0	2.9
Other.....	6.3	7.7	8.9	8.2	7.7
Total Asia	23.6	25.9	27.0	30.4	26.8
Australia	1.4	1.6	2.2	2.0	1.9
Other.....	0.3	0.5	0.5	0.3	1.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Qatar Central Bank

Trade Policy

Qatar places great emphasis on foreign trade, as it depends on trade to satisfy domestic demand for consumer and capital goods. Moreover, as seen above, a substantial proportion of the Government's revenue is obtained from the export of crude oil. In 2002 the new GCC Unified Customs Treaty was promulgated. The general ad valorem duty on imported goods is 5 per cent.

Current Account

Qatar's current account balance has seen a decrease in recent years, from US\$4.5 billion in 2000 to US\$4.1 billion in 2001 and to US\$3.1 billion in 2002, amounting to approximately 18 per cent. of GDP in 2002. This fall was largely due to the decrease in export revenues and increase in import costs. However, the current account balance for the first quarter of 2003 was approximately US\$1.5 billion, an increase of almost 57 per cent. against the previous quarter, mainly due to an increase in oil prices.

From 1999 to 2002, Qatar's significant oil and gas related exports resulted in substantial trade surpluses. With the increase in worldwide oil prices in 1999, the trade surplus increased substantially, reaching approximately US\$2.7 billion in 2000, before narrowing to US\$2.6 billion in 2001. Qatar's trade surplus amounted to approximately US\$1.1 billion in 2002, a decrease of 58 per cent. against the previous year. This was due to a sharp fall in average crude oil prices and a surge in import spending. However, Qatar recorded a trade surplus of approximately US\$814 million in the first quarter of 2003 as global oil prices rose sharply and LNG exports continued to increase.

Qatar's services balance has been heavily in deficit for each of the years from 1998 to 2002. This has been due to the ongoing increase in import spending and payments made in respect of foreign engineering contractors for continued work on LNG projects.

Capital and Financial Account

In 1998 and 1999, Qatar recorded capital and financial account surpluses. However, in each of 2000, 2001 and 2002, there has been a significant capital and financial account deficit, amounting to approximately US\$1.9 billion in 2000, US\$1.5 billion in 2001 and US\$2 billion in 2002.

The following table provides an overview of Qatar's balance of payments for the five years ended 31 December 2002.

	Year Ended 31 December				
	1998	1999	2000	2001	2002
	(in millions of US\$)				
Current Account.....	(455.5)	2,171	4,576	4,152	3,129
Goods.....	1,960	4,962	8,664	7,485	6,707
Exports (fob)	5,030	7,214	11,594	10,871	11,032
Imports (fob)	(3,071)	(2,252)	(2,930)	(3,386)	(4,325)
Services.....	(1,068)	(1,374)	(1,276)	(1,028)	(1,163)
Income	(80.8)	(119.0)	(1,399)	(704.7)	(897.3)
Current Transfers.....	(1,267)	(1,298)	(1,413)	(1,601)	(1,517)
Capital and Financial Account	407.4	286.5	(1,884)	(1,527)	(2,035)
Overall Balance	(48.1)	2,458	2,691	2,625	1,094

Source: Qatar Central Bank.

Stabilisation Fund

Qatar established a Stabilisation Fund in 2000 in order to reduce the fluctuation of the government budget through its dependence on crude oil export revenues. As at 31 December 2002, the fund stood at approximately US\$1 billion. The main principle is that the fund would provide short-term loans to the budget in the case of a severe decrease in global oil prices.

Foreign Investment and Privatisation

The Government welcomes foreign participation in joint ventures in Qatar through technology supply and marketing arrangements and equity participation. Qatar has taken steps to increase the attractiveness of foreign direct investment, including through the implementation of a new law in 2000 that allows foreign companies to hold more than 49 per cent. of equity in all projects, subject to the approval of the Ministry of Economy and Commerce. In addition, exemptions from Qatari tax on the corporate profits of entities which carry on business in Qatar and which are not wholly owned by Qatari nationals may be granted for certain periods by the Ministry of Finance. Qatar has historically experienced net short-term outflows of capital as workers' remittances and private capital outflows have more than offset foreign direct investment and repatriation of capital.

In order to diversify further the economy, the government has encouraged privatisation of certain services. As at 31 December 2002, the government had overseen privatisation of the Ras Abu Fontas B power complex, the Qatar Public Telecommunications Corporations and Qatar's port services. In May 2003, QP sold 15 per cent. of the share capital of Industries of Qatar Q.S.C by way of an initial public offering. Industries of Qatar comprises Qatar Petrochemical Company Limited (QAPCO), Qatar

Fertilizer Company (QAFCO), Qatar Fuel Additives Company (QAFAC) and Qatar Steel Company Limited (QASCO).

MONETARY AND FINANCIAL SYSTEM

Monetary and Exchange Rate Policy

Monetary policy is implemented by the Qatar Central Bank (QCB), and, as in other GCC countries which also have a fixed U.S. dollar exchange rate, the scope of monetary policy is limited. The effect of the exchange rate of the riyal being fixed to the U.S. dollar, combined with the absence of any exchange restrictions for international current and capital transactions, has been to restrict the QCB's ability to conduct an independent monetary policy. In view of this restriction, the main objective of QCB's monetary policy is the regulation of bank liquidity with a view to ensuring price stability.

QCB utilises certain instruments to regulate bank liquidity:

- A reserve requirement ratio, whereby banks in Qatar are committed to maintain a compulsory cash reserve amount with QCB equivalent to 2.75 per cent. of their customers' deposits.
- Repurchase agreement transactions of government bonds (Repos), with two weeks maturity and interest rates determined by QCB.
- Qatar Money Market Rate operations (QMR), allowing banks to make overnight loans and deposits transactions with QCB at interest rates predetermined by QCB.
- The loans-to-deposits ratio limit applied to commercial banks, set at 95 per cent. of the total deposits base.

Liquidity and Money Supply

The following table sets out an analysis of Qatari domestic liquidity as at the dates indicated:

	As at 31 December				
	1998	1999	2000	2001	2002
	(US\$ millions)				
Currency in Circulation.....	411.9	470.9	459.6	478.2	527.8
Demand Deposits.....	746.4	677.1	762.6	955.6	1,199.9
Money Supply (M1)	1,158.3	1,148.0	1,222.2	1,433.8	1,727.7
Time Deposits	3,665.8	4,105.9	4,917.1	5,052.1	5,220.4
Deposits in Foreign Currencies.....	1,586.0	1,884.0	1,760.7	1,413.6	1,883.5
Quasi Money	5,251.9	5,990.0	6,677.8	6,465.8	7,103.8
Money Supply (M2)	6,410.2	7,137.9	7,900.0	7,899.6	8,831.6

Source: Qatar Central Bank

The narrow measure of money (M1) comprises local currency held by the public and local currency demand deposits. M1 remained steady from 1998 to 2000, but then increased by 17 per cent. in 2001 and by a further 20 per cent. in 2002 as demand deposits increased by 25 per cent. in each of 2001 and 2002. In the first quarter of 2003 M1 increased by 45 per cent. as against the previous quarter. The broader measure of money (M2), which comprises M1 plus savings, riyal time deposits and foreign currency deposits, increased steadily between 1998 and 2001, but recorded a negligible decrease in 2001 due to the decline in international oil prices having a negative effect on government revenues and expenditures and not foreign assets. In 2002 there was an increase from US\$7,899.5 million to US\$8,831.5 million, a rise of approximately 12 per cent. In the first quarter of 2003 there was a rise of 6.8 per cent. against the previous quarter. This was largely due to an increase in net foreign assets and government deposits.

Foreign Reserves

The following table presents the level of official international reserves of the Government and the QCB (excluding certain assets contained in the State of Qatar's foreign investment portfolio managed by the Supreme Council for Economic Affairs and Investment) for each of the five years ended 31 December 2002.

	Year Ended 31 December				
	1998	1999	2000	2001	2002
	(in US\$ millions)				
Official Foreign Reserves	1,010.5	1,223.2	1,066.8	1,201.8	1,398.3

Source: Qatar Central Bank.

Banking System

Commercial Banks

The Qatari banking system consists of the QCB, four locally owned commercial banks (the Qatar National Bank, which is 50 per cent. Government owned, the Doha Bank, the Commercial Bank of Qatar and the Al-Ahli Bank of Qatar), the Qatar Islamic Bank and the Qatar International Islamic Bank, both of which operate according to Islamic (Sharia) principles and eight foreign banks which have established branches in Qatar.

Commercial banks are the primary financial institutions in Qatar's banking system. They function as universal banks providing deposit taking, credit and investment services as well as foreign exchange and clearance services. The QCB is the primary supervisory authority for commercial banks in Qatar and issues licences and consents with respect to bank operations. The QCB requires commercial banks to maintain a capital adequacy ratio of 10 per cent., which is above the capital adequacy requirements of the Basle Accord, and supervises compliance with this ratio through monthly reports from commercial banks.

Total consolidated assets of commercial banks increased by approximately 9 per cent. from US\$15.7 billion as at 31 December 2001 to US\$17.2 billion as at 31 December 2002. This increase is largely accounted for by an increase in credit facilities and balances with overseas banks. As at 31 December 2002, claims on the public sector represented approximately 37 per cent. of the consolidated total assets of commercial banks in Qatar, while claims on the private sector represented approximately 32 per cent. of such assets.

The following table sets out the consolidated balance sheet for commercial banks operating in Qatar for the five years ended 31 December 2002.

	As at 31 December				
	1998	1999	2000	2001	2002
	(in millions of US\$)				
Reserves:					
Cash.....	63.1	132.3	84.1	84.5	94.8
Balances	229.1	188.8	291.7	376.6	473.3
Total reserves	292.2	321.1	375.8	461.1	568.1
Foreign assets.....	2,324.2	2,455.5	3,191.0	3,161.4	4,102.9
Claims on private sector.....	4,056.7	4,403.1	4,854.0	4,991.5	5,553.6
Claims on public sector.....	4,517.8	5,284.8	4,811.8	6,625.8	6,392.1
Unclassified assets	484.1	625.9	570.8	510.8	593.7
Total assets	11,675.0	13,090.4	13,803.4	15,750.6	17,210.4
Private sector deposits:					
Time deposits:					
Saving and time	3,665.8	4,105.9	4,917.1	5,052.1	5,520.4
Foreign currency	1,586.1	1,884.0	1,760.7	1,413.6	1,883.5
Total time deposits.....	5,251.9	5,990.0	6,677.8	6,465.7	7,103.9
Demand deposits.....	746.4	677.1	762.6	955.6	1,199.6
Total private sector deposits ⁽¹⁾	5,998.3	6,667.1	7,440.4	7,421.3	8,305.65
Government deposits:					
Demand and time.....	457.1	571.9	882.2	1,240.9	1,535.6
Foreign currency	984.7	1,224.9	1,662.3	3,018.5	2,734.8
Total government deposits.....	1,441.8	1,796.8	2,544.5	4,259.4	4,270.4
Foreign liabilities	1,497.6	1,605.5	611.3	586.9	655.0
Capital and reserves.....	1,302.3	1,480.6	1,739.0	1,836.9	2,028.6
Due to QCB	19.7	26.0	38.4	21.6	6.1
Unclassified liabilities.....	1,415.4	1,514.6	1,429.8	1,624.5	1,946.8
Total liabilities	11,675.1	13,090.5	13,803.4	15,750.6	17,210.4

Source: Qatar Central Bank

Note:

(1) Includes deposits of quasi-government institutions.

Doha Securities Market

The Doha Securities Market (the “**DSM**”) was established in 1997 with a view to the promotion of foreign and domestic investment in Qatar and the encouragement of the diversification of the economy. As at 31 July 2003, there were 26 companies listed on the DSM and the overall market capitalisation of the DSM stood at approximately US\$16.2 billion.

Currently, only equity securities are traded on the DSM, although the management of the DSM anticipates that debt securities will be traded in the future. Only Qatari nationals and citizens of GCC member states are currently permitted to trade on the DSM, provided that citizens of other GCC member states are prohibited from holding shares in banks and insurance companies traded on the DSM, and may not own more than 25 per cent. of the shares in other companies traded on the DSM.

An exception applies to the shares of Qatar Telecommunications Company, whose shares may be traded on the DSM by foreign nationals.

There is currently one official index for companies listed on the DSM, which is composed of all companies listed thereon (the “**DSM Index**”). The DSM Index closed at 3,558 on 7 August 2003, this figure being the historic high of the DSM Index.

Banking Supervision

The Qatari banking sector is supervised by QCB under article 4 of QCB law No. 15 of 1993. QCB has introduced major international standards applicable to banking supervision and regulations based on the Basle Accord. QCB conducts on-site and off-site inspections, and requires that banks must obtain a banking licence prior to commencement of operations. Such licence is reviewed annually. All Qatari banks must submit their monthly and annual asset and liability statements to the QCB. QCB has set the minimum capital adequacy regulations applicable to Qatari banks at 10 per cent., compared to the Basle rate of 8 per cent.

In 1998 Qatar implemented a law that allows QCB to issue treasury bills and bonds with the intent of widening the scope of participants at a later date to include non-bank and foreign investors. This has armed QCB with one additional tool to influence the level of money supply and interest rates.

Anti-Money Laundering Regime

QCB has established anti-money laundering rules applicable to all banks and financial institutions under its supervision. Since 1994 it has issued circulars requiring banks and financial institutions to implement anti-money laundering measures in accordance with the 1988 Vienna Convention and the forty recommendations of the FATF, and to identify customers or those who represent them based on official documents as defined by law. Further, QCB has formed a financial investigations unit which is responsible for collecting suspicious transactions reports from banks and financial institutions and conducting any necessary investigations and subsequent actions. On 10 September 2002 anti-Money Laundering law No 8 was issued, formalising fundamental anti-money laundering obligations of banks and financial institutions and the forty recommendations of the FATF.

PUBLIC FINANCE

The state budget plays an important role in the Qatari economy, as public expenditure represents a large share of the total effective demand, which is the main factor in achieving the Government's economic development goals. Fiscal policy is considered the core of the general economy policy, which aims to achieve full utilisation of economic resources and to raise the standard of living in Qatar, and government expenditure is the main provider of domestic liquidity and thus is the engine of economic growth in Qatar.

The Government's primary source of budget revenue is oil and gas-related revenues which are generated by QP's activities. The Ministry of Finance receives royalties and tax revenue on export sales of crude oil, refined products and gas products. In addition to such export receipts, the Government obtains revenues primarily from dividend income from QP and the other industrial enterprises in which it has a direct or indirect ownership interest. In 1999 revenues from the oil and gas industry accounted for approximately 50 per cent. of total revenues, with this figure rising to about 73 per cent. in 2000. Oil and gas revenues peaked in 2001 at over 80 per cent. of total revenues in that year, with this percentage falling to 68 per cent. in 2002, and, according to preliminary figures, to 64 per cent. of total revenues in 2003. Currently, income from the production of LNG is not included in budget revenues, rather it is deposited in a separate account. However, the Government has said that the 2004 budget revenues will include LNG earnings.

The principal items of Government expenditure are the wages and salaries of Government employees, interest payments on Government indebtedness (both internal and external) and the development of Qatar's infrastructure. Other items of Government expenditure include spending on the provision of social services such as healthcare, education and pensions for former Government employees and costs associated with subsidising charges for utilities such as water, electricity and telephone services. The Government is considering various proposals for rationalising its current expenditure, including decreasing expenditure by contracting out public services such as education and making public services more efficient.

The following table sets forth the revenues and expenditure of the Government of Qatar for the periods indicated.

	Year Ended 31 March					
	2000 (Actual)	2001 (Actual)	2002 (Actual)	2003 (Budget)	2003 (Preliminary)	2004 (Budget)
	(in US\$ millions except %)					
Total revenue	4,323	6,855	6,251	5,002	7,834	5,930
Oil & Related.....	3,117	5,521	4,274	2,848	4,989	3,327
Non-oil Revenue	1,206	1,335	1,977	2,154	2,845	2,603
Custom Duties.....	82	93	103	102	148	132
Business/Corporate Income...	41	25	364	27	56	275
Public Utilities Fees	168	262	54	44	38	40
Other non-oil revenue	182	206	290	231	236	274
Investment income	733	748	1,166	1,750	2,368	1,882
Total expenditure.....	4,821	5,575	5,633	5,502	6,264	6,404
Current expenditure.....	4,282	5,014	4,776	4,295	5,040	4,714
Defence and security.....	1,021	982	885	984	913	1,030
General administration.....	2,189	2,783	2,645	2,018	2,856	2,314
Education.....	427	442	482	509	504	547
Health	212	230	265	327	301	357
Other	434	577	499	462	466	285
Development expenditure.....	545	561	858	1,206	1,224	1,691
Housing and construction	75	113	202	271	197	588
Utilities	395	309	282	432	443	306
Other	69	139	374	503	584	796
Surplus/Deficit	(498)	1,280	618	(500)	1,570	(474)
Surplus/Deficit of GDP as % of GDP (at current prices)	(2.8)	7.5	3.3	—	—	—

Source: Supreme Council for Economic Affairs & Investment

The fiscal deficit of US\$498 million in 2000 was 2.8 per cent. of nominal GDP in that year. Notwithstanding a decrease of 6.9 per cent. in total revenue as against 1999, there was a 47.4 per cent. increase in oil and gas revenue in 2000 from 1999, principally due to the significant increase in worldwide oil prices that year.

The 2001 budget predicted a deficit of US\$765 million. However, the actual budget of that year recorded a budget surplus of US\$1,280 million, largely as a result of an increase in total revenue from US\$4.32 billion in 2000 to US\$6.85 billion in 2001, an increase of 59 per cent. In the same year, current expenditure only saw an increase of 16.0 per cent. to US\$5.58 billion. The government was able to limit expenditure by (among other things) contracting out public services.

In 2002 the budget was for a deficit of US\$136 million, whereas a US\$618 million surplus was recorded, representing a fall of 52 per cent. compared to the previous year. This amounted to 3.5 per cent. of nominal GDP for that year. This decline was principally due to fall in trade revenues because of falling oil prices.

The budget for 2003 forecasts a deficit of US\$500 million, principally due to a conservative prediction of US\$16 per barrel of oil for that year, whereas preliminary figures from the Ministry of Finance suggest a budget surplus of over US\$1.5 billion for 2003. This is principally due to the fact that as at 31 March 2003 crude oil was trading in excess of US\$25 per barrel, thereby boosting revenues much higher than budget figures.

The 2004 state budget reveals a continuing emphasis on allocations for major public projects, such as road building, drainage, sewerage works and power and water projects, with an increase of 40 per cent. in budgeted development expenditure as against the 2003 Budget. The 2004 budget is again predicting a deficit on the basis of a conservative estimate of oil prices of US\$17 per barrel.

Budget Process

The General Financial Affairs Department of the Ministry of Finance supervises the preparation of ministerial and agency budgets for the following fiscal year. After approval by the Minister of Finance, the consolidated budget is submitted to the Council of Ministers for its approval (normally by 1 March in advance of the fiscal year, which commences on 1 April). The budget for capital projects is sent to the Consultative Council for discussion. The Consultative Council submits its recommendations to the Council of Ministers for approval. Thereafter, the budget is submitted to the Emir for his decision and decree implementing the budget, if approved by him.

INDEBTEDNESS

The Government is permitted to incur indebtedness and provide guarantees in respect of indebtedness by virtue of Decree Law No. (19) of 1996. The Ministry of Finance has responsibility for Qatar's debt management. Under Qatari Law any undertaking or guarantee of Qatar requiring expenditure from Qatar's Exchequer must be approved by Emiri Decree. The Government's borrowing strategy includes borrowing when conditions are appropriate to build up a cushion of reserves and to create a yield curve with long maturities to act as a benchmark for project borrowing. The Government's direct debt, both internal and external, totalled over US\$9.7 billion as at fiscal year end 2002, amounting to approximately 56 per cent. of GDP in that year, falling slightly to US\$8.9 billion in fiscal year end 2003.

Qatar has never defaulted on, or attempted to reschedule, any payment of principal of, or premium or interest on, any of its internal or external debt.

The following table sets forth the direct debt of the Government each of the five years ended 31 March 2003:

	Year Ended 31 March				
	1999	2000	2001	2002	2003
	(in US\$ million, except %)				
Internal debt ⁽¹⁾ :					
Short term debt ⁽²⁾	2,767	2,057	511	611	—
Medium term debt ⁽³⁾	715	1,374	1,482	4,826	4,817
Total internal debt.....	3,482	3,431	1,994	5,437	5,428
% of GDP (at current prices) ⁽⁴⁾	28.5	19.3	11.6	31.1	—
Total external debt ⁽⁵⁾	3,035	4,039	4,397	4,285	3,578
% of GDP (at current prices) ⁽⁴⁾	25.0	23.4	25.7	24.5	—
Total debt	6,517	7,470	6,391	9,722	8,882
% of GDP (at current prices) ⁽⁴⁾	53.4	42.1	37.3	55.7	—
Total GDP (at current prices).....	12,197	17,760	17,127	17,466	—

Source: Supreme Council for Economic Affairs & Investment

Notes:

- (1) Means short and medium term credit from commercial banks in Qatar to the Government and short and medium term debt securities issued in Qatar by the Qatar Central Bank on behalf of the Government, regardless of the currency of denomination.
- (2) Means internal debt with a maturity of less than twelve months.
- (3) Means internal debt with a maturity between twelve months and seven years.
- (4) Indebtedness as a % of GDP is calculated using GDP figures (at current prices) on a calendar year basis and indebtedness for the fiscal year ended 31 March.
- (5) Means direct indebtedness of the Government incurred by the Government outside Qatar, regardless of the currency of denomination.

Internal Debt

The internal indebtedness of the Government for the fiscal years ended 31 March 1999 and 2000 was US\$3,482 million and US\$3,431 million respectively. This figure fell to US\$1,994 million in the year ended 31 March 2001 as Qatar paid back much of its short-term commercial debt. Internal debt increased by over 270 per cent. in fiscal year 2002 to approximately US\$5,437 million, amounting to 31.1 per cent. of GDP in that year at current prices, and as at 31 March 2003 internal debt was

estimated to be US\$5,428 million. The increase in 2002 was due to the creation of US\$3,453 million of medium term commercial bank debt.

The following table sets forth a breakdown of the Government's internal debt by creditor type for each of the five years ended 31 March 2003:

	Year Ended 31 March				
	1999	2000	2001	2002	2003
	(in millions of US\$)				
Short term commercial debt.....	2,767	1,676	280	330	281
Short term treasury bills ⁽¹⁾	—	381	231	281	330
Medium term commercial bank debt.....	715	—	—	3,453	3,453
8.0% bonds due 2004 ⁽²⁾	—	549	1,373	1,373	1,373
Total debt	3,482	3,431	1,994	5,437	5,428

Source: Supreme Council for Economic Affairs & Investment

Notes:

- (1) These treasury bills are issued by the Qatar Central Bank on behalf of the Government and are denominated in Qatari riyals. They carry interest at a rate of 7.25% and have an original maturity of three months.
- (2) These bonds were issued by the Qatar Central Bank on behalf of the Government on 26 December 1999 and mature on 26 December 2004. Interest on these bonds (which are denominated in Qatari riyals) is payable annually.

External Debt

The total direct external debt of the Government for the fiscal year ended 31 March 2002 was US\$4.3 billion, approximately 25 per cent. of GDP in that year, falling to US\$3.6 billion in fiscal year 2003 as the Government refinanced certain of its loan facilities. The Government's direct external debt includes a US\$1 billion 10-year international bond launched in 1999 and a US\$1.4 billion 30-year bond launched in 2001, with the rest mainly in the form of medium-term syndicated loans.

The following table sets forth a breakdown of the Government's external debt by creditor type for each of the five years ended 31 March 2003.

	Year Ended 31 March				
	1999	2000	2001	2002	2003
	(in millions of US\$)				
Banks and financial institutions ⁽¹⁾	2,546	2,546	1,605	1,493	950
Export Import Bank of Japan ⁽²⁾	177	181	158	158	124
US\$312,400,000 Amortising Floating Rate Notes due 2004 ⁽³⁾	312	312	234	234	104
US\$1,000,000,000 9.50% Bonds due 2009 ⁽⁴⁾	—	1,000	1,000	1,000	1,000
US\$1,400,000,000 9.75% Bonds due 2030 ⁽⁵⁾	—	—	1,400	1,400	1,400
Total	3,035	4,039	4,397	4,285	3,578

Source: Supreme Council for Economic Affairs & Investment

Notes:

- (1) These figures relate to loan facilities which the Government has obtained from a number of foreign commercial banks. The US\$950 million for 2003 was raised through two facilities: US\$400 million in November 2000, maturing in November 2007 and US\$550 million in May 2002, maturing in June 2007. These facilities carry interest at floating rates based on LIBOR plus margins of 62.5bp and 52.5bp, respectively.
- (2) This loan was arranged by the Government to provide financing for the construction of the infrastructure at Ras Laffan port. This loan is administered and controlled by Qatar Petroleum on behalf of the Government. Drawings on the loan and payments of interest and principal made by Qatar Petroleum on behalf of the Government are reflected in an account maintained by Qatar Petroleum with the Ministry of Finance. This loan carries interest at a rate equivalent to LIBOR and is scheduled to mature in 2007.
- (3) These Notes carry interest at a rate equal to LIBOR plus a margin of 1.20 per cent. and are scheduled to amortise in equal quarterly instalments commencing in May 2001 and ending in February 2004.
- (4) The principal amount of these Bonds is scheduled to be redeemed on 21 May 2009.
- (5) The principal amount of these Bonds is scheduled to be redeemed on 15 June 2030.

The Government has used a limited number of interest rate and oil-price linked derivative products to manage its interest rate exposure. As is the case with its internal indebtedness, the Government is seeking to increase the maturity profile of its external indebtedness in order to align the timing of its debt service obligations more closely with the anticipated receipts of revenues from Qatar's development projects, particularly those related to LNG.

The majority of the Government's external debt has been incurred to finance the budget deficit in previous fiscal years and to finance the construction of elements of Qatar's infrastructure.

In May 2002, Standard & Poor's raised Qatar's long-term foreign currency credit rating to A-/A-1 and its long-term local currency rating to A/A-1. The principal strengths noted by Standard & Poor's are Qatar's declining debt burden, its increased revenues from the sale of LNG and the Government's prudent fiscal policy. On the other hand, economic constraints noted by Standard & Poor's include a relatively high, albeit declining, public sector external debt, and emerging political and economic institutions.

In addition to the public sector indebtedness which is guaranteed by the Government as described above, QP has incurred direct indebtedness which is not guaranteed by the Government and also has certain contingent liabilities in respect of the Qatargas and RasGas projects.

The following table sets forth the total external debt of Qatar, which includes Government guaranteed debt, for each of the five years ended 31 December 2002.

	Year Ended 31 December				
	1998	1999	2000	2001	2002
	(in millions of US\$)				
Total direct government debt.....	2,738	3,751	4,026	4,769	4,285
Total government guaranteed debt	1,755	1,654	1,909	1,829	1,433
Total government and government guaranteed debt....	4,493	5,405	5,935	6,598	5,718
QP and QP subsidiaries debt.....	4,192	4,868	6,266	6,934	5,504
Other debt.....	1,110	683	539	365	268
Total external debt outstanding	<u>9,026</u>	<u>9,796</u>	<u>12,740</u>	<u>13,897</u>	<u>11,490</u>

Source: Qatar Central Bank and Supreme Council for Economic Affairs & Investment

TAX CONSIDERATIONS

United Kingdom Taxation

The following applies to persons who are the beneficial owners of the Certificates and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Certificateholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. Payment of the Periodic Distribution Amounts on the Certificates

Periodic Distribution Amounts will be payable without withholding or deduction on account of United Kingdom tax.

B. United Kingdom Corporation Tax Payers

1. Income

In general, Certificateholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on the proportion of the Rental received by the Trustee and accruing for the Certificateholders' benefit under the trust.

2. Chargeable gains

A disposal of a Certificate by holders within the charge to United Kingdom corporation tax may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom corporation tax on chargeable gains, subject to the usual reliefs and allowances (including indexation allowance) which may then be available.

A disposal of the Trust Assets by the Trustee may give rise to a chargeable gain or an allowable loss for Certificateholders within the charge to United Kingdom corporation tax, subject to the usual reliefs and allowances (including indexation allowance) which may then be available.

C. Other United Kingdom Tax Payers

1. Income tax

In general, Certificateholders who are individuals resident or ordinarily resident in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Certificates are attributable, will be charged to income tax on the proportion of the Rental received by the Trustee and accruing for the Certificateholders' benefit under the trust.

2. Capital gains tax

A disposal of a Certificate by individuals resident or ordinarily resident in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Certificates are attributable may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom capital gains tax, subject to the usual reliefs (including taper relief) which may then be available.

A disposal of the Trust Assets by the Trustee may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom capital gains tax for individual Certificateholders resident or ordinarily resident in the United Kingdom or who carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Certificates are attributable, subject to the usual reliefs (including taper relief) which may then be available.

3. Inheritance tax

Individuals domiciled, or deemed to be domiciled, in the UK for inheritance tax purposes are liable to UK inheritance tax on their assets, regardless of where they are situated. A non-UK domiciliary is

liable only on assets situated in the UK and, therefore, any asset with a non-UK situs will be outside the scope of an inheritance tax charge for such persons.

The interests in the Certificates (or the definitive certificates if exchanged), representing the interests in the Trust Assets, do not constitute UK situs assets. For Certificateholders within the charge to UK inheritance tax, a gift of the Certificates by, or the death of, a Certificateholder may (subject to certain exemptions and reliefs) give rise to a liability to inheritance tax. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and special rules apply to gifts where the donor reserves some benefit.

D. Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No United Kingdom stamp duty is payable on the issue or redemption of a Certificate or on the transfer of a Certificate executed outside of the United Kingdom. No United Kingdom SDRT is payable on the issue, redemption or transfer of a Certificate.

European Union Taxation

On 3 June 2003, the European Council of Economics and Finance Ministers agreed on proposals under which Member States will be required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, except that, for a transitional period, Belgium, Luxembourg and Austria will instead be required to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The proposals are anticipated to take effect from 1 January 2005.

Qatari Taxation

The following is a general description of certain Qatari tax laws relating to the Certificates and the Issuer and does not purport to be a comprehensive discussion of the tax treatment of the Certificates or the Issuer. Prospective Certificateholders should consult their tax advisers as to applicable tax laws and specific tax consequences of acquiring, owning and disposing of the Certificates.

This general description of taxation in Qatar is based upon the tax law of Qatar and the regulations thereunder, each as in effect on the date of this Offering Circular. This general description is subject to any subsequent change in Qatari law and regulations that may come into effect as of such date.

The Transaction Documents contain an exemption of the Issuer from Qatari income tax in respect of Rentals received and an exemption of Certificateholders from Qatari income tax in respect of payments of Periodic Distribution Amounts received. Such exemptions will be given legal effect in Qatar pursuant to an Emiri Decree. Accordingly both the Issuer and Certificateholders will not be subject to Qatari income taxes in respect of such payments. There is no withholding tax in Qatar. Non-Qatari Certificateholders will not be subject to Qatari tax on any capital gains derived from a sale or exchange of Certificates outside Qatar. No Qatari stamp duty will be imposed on non-Qatari Certificateholders either upon the issuance of the Certificates or upon a subsequent transfer of Certificates.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect. The information in this section concerning such clearing systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor the Joint Lead Managers takes any responsibility for the accuracy of this section. The Issuer only takes responsibility for the correct extraction and reproduction of the information in this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other. Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Book-entry interests in the Certificates will be represented by the Global Certificate registered in the name of a common depository for Euroclear and Clearstream, Luxembourg. Beneficial ownership of book-entry interests in the Global Certificate will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Global Certificate in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear or Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Global Certificate will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Global Certificate. The Registrar will be responsible for maintaining a record of the aggregate holdings of the Global Certificate registered in the name of a nominee for Euroclear and Clearstream, Luxembourg and/or, if individual Certificates are issued in the limited circumstances described under “*The Global Certificate*”, holders of Certificates represented by those individual Certificates. The Principal Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Global Certificate holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect of holding the Global Certificate; however, holders of book-entry interests in the Global Certificate may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg.

Clearance and Settlement Procedures

Initial Settlement

Upon their original issue, the Certificates will be in global form represented by the Global Certificate. Interests in the Global Certificate will be in uncertified book-entry form. Purchasers holding book-entry interests in the Global Certificate through Euroclear and Clearstream, Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Global Certificate will be credited to Euroclear and Clearstream, Luxembourg participants' securities clearance accounts on the business day following the Closing Date against payment (value the Closing Date).

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Certificates where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

General

Neither of Euroclear and Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Issuer, the Trustee or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a Certificate Purchase Agreement dated 30 September 2003, among the Joint Lead Managers and Qatar (the “**Certificate Purchase Agreement**”), the Issuer has agreed to issue and sell to the Joint Lead Managers US\$700,000,000 principal amount of the Certificates. Subject to certain conditions, each of the Joint Lead Managers has severally agreed to purchase the principal amount of Certificates indicated in the following table:

<u>Joint Lead Manager</u>	<u>Principal Amount of Certificates</u>
HSBC Bank plc.....	US\$600,000,000
Qatar International Islamic Bank.....	US\$100,000,000
Total	<u>US\$700,000,000</u>

The Certificate Purchase Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. Pursuant to the Certificate Purchase Agreement, Qatar will pay certain arrangement fees and selling commissions in respect of the issue and sale of the Certificates.

The Joint Lead Managers propose to offer the Certificates initially at the offering price on the cover page of this Offering Circular. After the initial offering, the offering price may be changed.

United States of America

The Certificates have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons except to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the Joint Lead Managers has agreed that they will offer, sell or deliver the Certificates (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S and it will have sent to each broker/dealer to which it sells Certificates in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of the offering, an offer or sale of Certificates within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not offer or sell any Certificates to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

Qatar

Each of the Joint Lead Managers has acknowledged and agreed that no general offering of the Certificates will be made in Qatar, and any Certificates may only be placed in Qatar with a limited number of targeted investors.

Saudi Arabia

Each of the Joint Lead Managers has acknowledged that the offer of the Certificates is aimed at professional and sophisticated offerees only. This Offering Circular is being sent to potential investors solely at their request. No public offering of the Certificates is being made in Saudi Arabia, potential investors are not being targeted through mass-media and the purchase and issue of the Certificates will be concluded outside Saudi Arabia.

Malaysia

Each of the Joint Lead Managers has represented and agreed that the Certificates may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia. Each of the Joint Lead Managers has acknowledged that:

- (a) residents of Malaysia are not permitted to purchase the Certificates without first having had and obtained all the necessary approvals from all relevant regulatory authorities, including but not limited to all the necessary approvals from Bank Negara Malaysia;
- (b) the onus of obtaining such approvals is on the residents concerned and none of the Trustee, the Joint Lead Managers, the Government or the Issuer accepts any responsibility for the purchase of any Certificate by the residents as aforesaid without the necessary approvals being in place; and
- (c) the Certificates may be sold to banks licensed under the Offshore Banking Act 1990 of Malaysia and other non-residents of Malaysia.

Malaysian residents are advised to seek independent professional advice as may be necessary before making any purchase of Certificates.

Japan

Each of the Joint Lead Managers has represented and agreed that none of the Certificates have been nor will be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”). Each of the Joint Lead Managers has further agreed that it will not offer or sell any Certificates, directly or indirectly, in Japan to, or for the benefit of, any resident of Japan (which term as used herein means any persons resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, the Certificates other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong (the “**Companies Ordinance**”); and
- (b) unless it is a person permitted to do so under the securities laws of Hong Kong, it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in Hong Kong, any advertisement, invitation or document relating to the Certificates, other than with respect to Certificates intended to be

disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holdings of securities, whether as principal or agent.

Singapore

Each of the Joint Lead Managers has represented and agreed that this Offering Circular has not been and will not be registered as a prospectus with the Registrar of Companies and Businesses in Singapore and the Certificates will be offered in Singapore pursuant to exemptions invoked under Section 106C and 106D of the Companies Act, Chapter 50 of Singapore (the “**Singapore Companies Act**”). Accordingly, each of the Joint Lead Managers has represented and agreed that this Offering Circular and any other document or materials relating to the Certificates will not be issued, circulated or distributed in Singapore nor may any of the Certificates be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for any Certificates be made, directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 106C of the Singapore Companies Act; (b) to a sophisticated investor, and in accordance with the conditions specified in Section 106D of the Singapore Companies Act; or; (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Singapore Companies Act.

General

No action has been taken by the Issuer or Joint Lead Managers that would, or is intended to, permit a public offer of the Certificates in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Certificates or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Certificates by it will be made on the same terms.

Purchasers of the Certificates sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this Offering Circular.

Qatar has agreed to indemnify each of the Joint Lead Managers against liabilities incurred in respect of the Certificates.

The Certificates are a new issue of securities for which there currently is no market. Each of the Joint Lead Managers has advised the Issuer that it intends to make a market in the Certificates as permitted by applicable law. It is not obligated, however, to make a market in the Certificates and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Certificates.

GENERAL INFORMATION

Authorisation

1. The issue of the Certificates has been duly authorised by a resolution of the board of directors of the Issuer on 8 October 2003. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issuance of the Certificates.

Listing

2. Application has been made to list the Certificates on the Luxembourg Stock Exchange and the Labuan Financial Exchange. A legal notice relating to the issue of the Certificates and the constitutional documents of the Issuer are being lodged with the *Registre de Commerce et des Sociétés à Luxembourg* where such documents may be examined and copies obtained.

Clearing Systems

3. The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Certificates is XS0177746384. The Common Code for the Certificates is 17774638.

No Significant Change and No Litigation

4. There has been no significant change in the financial or trading position or results of operations of the Issuer since its date of incorporation. The Issuer is not, and has not been, involved in any litigation, arbitration or administrative proceedings which may have, or have had since the date of its incorporation, a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.

Accounts

5. The first financial year of the Issuer will end on 31 December 2003. The Issuer will prepare unaudited quarterly management accounts. The Issuer has no subsidiaries.

Documents

6. So long as any of the Certificates remains outstanding, copies of the following documents will be available in English for inspection and obtainable free of charge, during normal business hours on any weekday (excluding public holidays) from the registered office of the Issuer and from the specified offices of the Trustee and the Paying Agent for the time being in Luxembourg:
 - (a) the constitutional documents of the Issuer;
 - (b) the most recently prepared annual statistical bulletin of the Department of Economic Policies, Qatar Central Bank;
 - (c) the most recently prepared quarterly management accounts of the Issuer; and
 - (d) the Transaction Documents.

LEGAL MATTERS

Certain matters relating to Qatari law will be passed upon for the Joint Lead Managers by Hassan Al Khater Law Offices and certain matters relating to English law will be passed upon for the Joint Lead Managers by Allen & Overy, Shook Lin & Bok, Joint Law Venture. Certain matters relating to Qatari law will be passed upon for Qatar by the Legal Department of the Ministry of Justice, Qatar.

THE ISSUER

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QATAR

Ministry of Finance
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REFERENCE AGENT AND REGISTRAR**

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