



QATAR

DYNAMISM IN DIVERSITY

Qatar was catapulted onto the world stage several years ago by a number of government led initiatives to boost energy output, turning this small Gulf country from a second tier natural gas producer into the top Liquefied Natural Gas (LNG) exporter in the world.

Developments in the energy sector have resultantly bolstered growth in the rest of the country as the government has embarked on schemes to make Qatar an attractive location to invest, visit as well as live in.

Indeed, a decade ago Qatar registered minimal interest internationally aside from energy companies and investors looking to tap into a developing market. In the interim years Qatar has firmly placed itself on the map through the government-backed, Al Jazeera satellite channels, the creation of the Qatar Foundation, the Qatar Financial Center, hosting the 15th Asian Games, and spending some \$130 billion on infrastructure and energy projects.

To say Qatar has had a change in its fortunes would be missing the point. Qatar has had potential ever since oil and gas were discovered. What was missing was vision.

"Ever since His Highness Sheikh Hamad Bin Khalifa Al Thani took over the helm of the country in 1995 the economy has doubled every five years," says Adel Mustafawi, the CEO of Islamic Bank Al Rayan.

Qatar now tops the world rankings in GDP per capita at \$40,000, on par with Luxembourg and Switzerland, and has registered average economic growth of 25% a year over the last five years. Foreign investment has likewise spiked, the population has increased by 20% in the past two years, and real estate projects have mushroomed along the shorelines. The economy is expected to double again by 2012.

Energy projects have naturally attracted the lion's share of investment, with some \$70 billion to be invested to achieve Qatar's target of providing 77 million tones per annum (mtpa) of LNG by 2010, boost Gas-to-Liquid (GTL) output and increase oil production to one million bpd by 2009.

"If we talk about the projects in the pipeline between the government and Qatar Petroleum (QP), about \$130 billion must be raised,

and out of that around \$70-80 billion must come from financial institutions, either by issuing bonds or syndications, or Sharia compliant bonds," says Finance Minister HE Youssef Hussein Kamal.

The vision of a new Qatar goes beyond energy developments however. To build a sustainable economy away from energy, which accounts for 60% of the country's GDP, Qatar has embarked on an ambitious diversification strategy.

"We are trying to decrease the size of the energy sector through diversification, and we hope by 2015 energy will represent less than 20%" of GDP, says Kamal.

Qatar nonetheless knows that such a target, only eight years off, will present certain challenges.

"We will have to aim at sub-targets," says Dr Ibrahim B. Ibrahim, the economic advisor to the Emir of Qatar. "We definitively want to see that 60% going down, yet we have to be realistic as we have our main competitive advantage in the energy sector."

To bolster diversification, the Emir backed several schemes to develop Qatar in parallel with the energy sector.

Qatar established the non-profit Qatar Foundation for Education, Science and Community Development to train local talent to meet the challenges of such a burgeoning economy. The Education City has attracted North American and Australian universities to turn the country into the Gulf's education hub, and a Science and Technology Park was set up as a catalyst for R&D and technological innovation.

To boost its international image, Qatar spent nearly \$3 billion to host the 15th Asian Games last December, building a \$700 million Sports City and establishing the ASPIRE Sports Academy.

Healthcare is also at the top of Qatar's diversification list in a bid to become the Gulf's private healthcare hub, building the \$824 million Hamad Medical City, which will include three specialized hospitals.

To attract financial institutions the government funded the creation of the Qatar Financial Centre (QFC), which has appealed to major players such as Citi Group, in part through an autonomous Regulatory Authority that can dish out banking and insurance licences independently of the Central Bank.

Qatar is to host the Gulf's first hydrocarbon industry business center, the \$2.6 billion Energy City Qatar (ECQ), bringing together a range of industry and marketing services, as well as an energy trading platform, the International Mercantile Exchange.

"We want to transform Energy City and Qatar into the first energy business hub of its kind in the Middle East," says Hesham El Emadi, CEO of ECQ.

Infrastructure developments also abound, with work on the \$5.5 billion New Doha International Airport underway, and a \$4 billion port to be constructed to replace the antiquated Doha port.

"All this growth requires more financial institutions, more real estate development, more industry and so on," says Mustafawi.

But such massive growth in such a short space of time has

brought its own problems.

Qatar has struggled to address shortages of raw materials and human resources while a lack of accommodation saw the cost of rent surge. The government is working to address these issues however.

"Rent has already started to decline by almost 10% and we hope by the end of the year it will reach 20%," says Kamal.

Inflation also spiked as a result of rising commodities, a population surge and the Riyal pegged to an increasingly weak dollar while Qatar bought up Yen and Euro to trade with its major energy buyers. High liquidity also played its part, up 40% in 2006.

"We are growing very fast so we have bottlenecks. We were not ready for this growth in airports, ports, and roads. The real problem was that we were not ready for inflation," concedes Dr Ibrahim.

Consumer price inflation reached 11.8% last year.

Diversification was also hit by a stock market slump last year, following a promising start, with investors switching funds between real estate and stocks on the back of strong real estate growth. But after the initial set back, the stock market has grown 8% this year, with com-

continue p.4



Soon to be open: the Qatar Islamic Museum

■ Qatar Financial Centre Hitting the Ground Running

In only 2 years of since it opened for business in May 2005, the Qatar Financial Centre has emerged as a force to be reckoned with in regional and international finance. Dozens of licences have been issued to leading global financial institutions and major regional firms. Cooperative arrangements have been put in place with some of the world's top regulators. The foundations have been laid for the development of a wide range of financial services such as insurance, wealth management, Islamic finance and – of course – investment banking. All are based on real business opportunities in an economy backed by real assets.

Qatar's appetite for projects worth more than \$130 billion in the next five years – much of which will be project financed – underpinned by its role as the world's top exporter of liquid natural gas, helps explain how the QFC has hit the ground running.

But this does not tell the whole story. Much more has been needed to earn the confidence and support of discriminating institutions and prudent regulators.

Three other key factors have helped this small Gulf state to punch considerably above its weight in attracting some of the world's top financial firms: the determination of the Government to reform, which includes enhancing the country's democratic processes, and a strong commitment towards transparency, good governance and the rule of law. The confidence instilled by the firm but fair supervision of the independent Regulatory Authority. The ability of the QFC Authority to "speak the same language" as the global financial and support service institutions that will add breadth and depth to Qatar's, and the region's, financial markets

The considered planning and implementation of Qatar's finan-

cial resurgence by its Emir and its Finance Minister Yousef Hussein Kamal means that Qatar's "overnight success" is in fact built on a track record that has been carefully nurtured over the past 10 years.

As a result, Qatar is well on the way to building a technological, diversified economy, a modern infrastructure, and an educated work force and with the QFC as an engine of growth to help make this vision come true.

At the heart of the QFC's approach is an enthusiasm for partnership with financial institutions, not just licensing them. This is based on the realisation that a capital market will flourish best if it draws in global institutions with the experience and intellectual capital to create and sustain new markets such as insurance and collective investments and to support new equity and bond issues and a healthy secondary market.

Insurance is a good example of the change being brought about by the QFC in Qatar's financial community. Historically, insurance has had a low uptake throughout the Gulf, partly because conventional insurance products did not comply with Shari'a law. Life insurance in particular has been notable for its disproportionately small share of the demand for insurance, and areas such as captives and alternative risk transfer have been untapped.

All that is now work in progress, thanks to the arrival of firms skilled in designing and distributing new insurance products, including an increasing number of Shari'a compliant products, designed to meet the requirements of individual markets.

Qatar's economy is already expanding at more than 25 per cent a year – but with all this going on, the best is yet to come.





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panies listed on the Doha Securities Market posting a 28% increase in earnings for the first quarter compared to the same period in 2006.

Despite such blips, the reality of the market has resulted in a certain amount of reassessment by the government on what sectors deserve to be encouraged.

"We should focus on our industries, such as hydrocarbons and downstream industries, and not so much on real estate. I don't think we shall follow the path set by Dubai," says Dr Ibrahim.

Nevertheless huge real estate projects are underway, such as Qatari Diar's \$7 billion Lusail project, the United Development Company's \$10 billion residential project The Pearl, and the \$1 billion Al-Waab City residential and commercial development.

But rather than copy Dubai, where the real estate sector has become the backbone of the economy, the government three years ago established the Qatar Investment Authority (QIA) to diversify investments and make use of the country's estimated \$70 billion in foreign assets.

Through the QIA's Qatari Diar Real Estate Investment &

Development Company, Qatar has become an increasingly major investment player worldwide, involved in \$25 billion worth of investments, from the Chelsea Barracks in London to a potential 10% stake in the European Aeronautic Defence and Space Company (EADS), which recently opened a center at the Science and Technology Park.

Earlier in the year, the QIA's Delta Two investment fund increased its stake in British supermarket retailer Sainsbury's to 25%, while the Barwa Real Estate Company, 45% owned by Qatari Diar, bought a Paris convention center for \$542 million.

Such international activities have improved Qatar's credibility, with credit agency Moody's upgrading the sovereign long-term rating to Aa3 while Standard & Poor's upgraded its rating to AA-. Meanwhile, Qatar's external debt has dropped relative to GDP, from 58.3% in 2003 to 40.8% last year, according to World Bank estimates.

With so many projects and developments underway, Qatar is on the right track to being more than just an energy hub, but also a center for education, science and finance.

ENERGY

A RELIABLE PARTNER

With demand for energy surging across the globe, Qatar's oil and gas resources are highly sought after commodities.

Qatar is rising to the challenge, becoming the world's largest liquefied natural gas (LNG) exporter last year, boosting its gas-to-liquid (GTL) potential and raising oil exports to 800,000 bpa. By 2010 Qatar is expected to produce 30% of the world's LNG, with an estimated 77 million tons per annum (mtpa), as well as provide Britain and America with up to 40% of their domestic LNG needs.

Qatar has embarked on an aggressive LNG drive in the last five years to meet the spike in global demand, which has increased by over 30% in the five years to 2005. Rising European and North American demand has driven this surge, with global production capacity expected to double between 2005 and 2010 to 345 mtpa on the back of \$73 billion in investment in liquefaction trains. With Qatar's North field and Iran's South Pars field the largest known gas field in the world, with estimated gas reserves of approximately 1,300 trillion cubic feet, the Gulf has naturally warranted much of this investment.

With US sanctions on Iran, Qatar has been the focus for the major players working alongside the state-run LNG companies Qatargas and the Ras Laffan Company (RasGas), majority owned by Qatar Petroleum and ExxonMobil.

Qatar is investing some \$70 billion over the next five years on the energy sector. Some \$14 billion is being spent on RasGas's three LNG trains – Train 5, Train 6, and Train 7, which are expected to supply 40 mtpa by 2010. Train 4, supplying Europe with 4.7 mtpa came online in 2005, and a fifth train came online earlier this year.

"When we announce a project, we implement it," says Dr. Mohammad Saleh Al-Sada, former Managing Director of RasGas and now Deputy Minister of Energy & Industry. "For example, Train 5 started off with very challenging duration constraints for the EPC (engineering, procurement and construction) deadline of 30 months, but we finished it three months ahead of schedule."

Such developments led Qatar to overtake Indonesia last year as the biggest exporter of LNG, according to a report by Italy's Eni, exporting 31.09 billion cubic meters (bcm) or 15% of global LNG exports.

Meanwhile, Qatar Petroleum (QP) and ExxonMobil are developing a second plant that will boast the two largest liquefaction trains in the world, each with a capacity of 7.8 mtpa, which will



© RasGas

come online later this year and in 2008.

"The reason why we started Qatargas II is because the production in the North Sea has been waning," says Muhammad Ghannam, Managing Director of the Qatar Gas Transport Company (Nakilat). "If we go ahead with our plan we will be supplying the UK with 20% of their gas demands."

QP and ExxonMobil are also involved in developing a second RasGas plant with two 7.8 mtpa trains, with production expected in early 2008.

Qatar is ramping up its gas derivatives through investments in GTL and Liquefied Petroleum Gas (LPG). The Dolphin Project, a \$3.5 billion dry gas pipeline supplying the UAE and eventually Oman, is also in operation.

"Qatar will be producing around 14 million tons of LPG by 2008, requiring between 30 and 35 vessels," says Ghannam. "We have committed to build 4 ships and in the long term we aim at having our own fleet for LPG."

In addition to energy extraction and transportation projects, Qatar beat off regional competition to host the Gulf's first hydrocarbon industry business center, Energy City Qatar (ECQ).

Envisioned by Gulf Energy, a global consortium of energy experts, ECQ aims to attract the industry leaders in oil and gas production, international oil companies (IOCs), national oil companies (NOCs), support services, infrastructure and downstream activities, shipping and trading, market and resource data, and intellectual property.

"We want to transform Energy City and Qatar into the first energy business hub of its kind in the Middle East," says Hesham El Emadi, CEO of ECQ.

Located in the upcoming Lusail residential and commercial district, the 1.2 million square-meter, \$2.6 billion ECQ will be built using Energy Efficient Architecture to maximize environmental friendli-

www.qfc.com.qa

Issued by the Qatar Financial Centre Authority



Capitalising on its wealth of proven gas reserves, Qatar is building a dynamic and sustainable economy. US\$1 billion is being invested

With the careful

in the university complex of Education City and its Science & Technology Park. The Qatar Financial Centre is at the heart of this

investment of \$130bn,

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ness. The city, to provide offices for 20,000 people and accommodate a further 10,000, will also have advanced enterprise-level technological solutions through deals with Cisco and Microsoft.

"Access to technology will be a key business enabler and driver at ECQ, and our association with Microsoft is a reflection of our resolve to create a highly advanced technology infrastructure for this project," says Esam Janahi, Chairman of Gulf Energy.

To be fully operation by 2010, ECQ is currently marketing the

REAL ESTATE AND CONSTRUCTION

BIG DREAMS, BIGGER PROJECTS

Qatar is a country under construction, with \$130 billion in investment earmarked for the next five years, from residential buildings and hotels to mega projects with price tags that run into the billions of dollars.

Qatar is undertaking massive projects to redevelop the urban landscape as part of its national strategy to diversify away from energy revenues and turn the country into a business, education and tourism hub.

With Qatar's population surging by 20% in the past two years to 1 million people, and some estimating the population could grow further to 1.3 million by the year end, the real estate sector is instrumental to the country's economic development.

The government has spearheaded developments, easing planning permits, altering foreign investment and residency laws, as well as working to address raw material resources shortages that were heading growth and driving up inflation.

"The government is now pushing the public and private sectors to produce more cement and sand, so they will be soon on the market and will bring the prices down. Also, the number of units available on the market is increasing so rent has already started to decline by almost 10% and we hope, by the end of the year, it will reach 20%," says Finance Minister HE Youssef Hussein Kamal.

The government is also playing a leading role in developing real estate through the state-backed Qatar Investment Authority (QIA), which is utilizing the country's estimated \$70 billion in foreign assets to invest in projects at home and abroad. Through the QIA's Qatari Diar Real Estate Investment & Development Company, a 35-square kilometre city to the north of Doha is under construction. The \$7 billion project, a combination of commercial, residential and civic facilities to be completed in stages over the next 10 years, will be the northern expansion of the capital, housing up to 200,000 people.

"To plan a project like Lusail is to create a well planned city to accommodate most of the needs and requirements that you do not see here now, so it is being set up an example of how to reshape the existing cities of Qatar," says Nasser Al Ansari, CEO of Qatari Diar.

To give the project extra drawing power, Lusail will include a one million-square meter Entertainment City (EC) to cater to tourists as well as local residents. To cost \$3 billion, the EC will include four resorts, a traders market as well as themed housing and condominiums.

"Entertainment City has a broad appeal as it will be a fusion of traditional Arabic hospitality and contemporary leisure lifestyles. Sub-themes will revive legends surrounding the area's famous traders and seafarers, ancient Arabic castles, forts, cities and forgotten kingdoms," says Rashad Janahi, CEO of Abu Dhabi

project internationally.

"Within a month we have signed commitments to build up to 80 or 90% of the total area, and the contracts for the remaining part will be finalized in the next two to three months. We are talking about \$1.1 billion, so that is a huge success," adds El Emadi.

With the ECQ to also have an energy trading platform, the International Mercantile Exchange, Qatar is set to become the world's hydrocarbons hub.



Developed by the United Development Company (UDC), the Pearl is expected to house 35,000 to 37,000 people once completed.

© UDC

Investment House (ADIH).

With a return on investment of 60% within three years, the project is attracting investors.

"We opened with an initial fund value of \$500 million, comprising some 50 million shares of \$10 each, and today more than 50% have been placed," adds Janahi.

A further phase of the Lusail project will be the \$2.6 billion Energy City Qatar, the region's first hydrocarbons center.

Other landmark projects are also underway, such as the \$1 billion Al-Waab City residential and commercial development, and the giant \$10 billion Pearl of the Gulf.

Located 20 kilometers from Doha and connected to the mainland via a 350 meter-long causeway, the Pearl is being built on four million-square meters of reclaimed land that will bring Qatar an additional 30 kilometers of coastline. Once completed, the project will have 7,600 residences, three luxury hotels, and four marinas with berths for over 700 boats. Developed by the United Development Company (UDC), the Pearl is expected to house 35,000 to 37,000 people once completed.

UDC, a Gulf Business Top 100 company, is also involved in dredging, district cooling, water treatment, cement and overseas real estate investment. Last year, UDC inked a business partnership with Spain's Ronautica to establish Ronautica-Middle East, a Marina Operations and Management Company.

Other real estate schemes are underway in Qatar, with the Barwa Real Estate Company involved in integrated residential, commercial and investment projects – Barwa city, Al Khor City, Al Qasar Barwa, Barwa Financial area, Doha Barwa, and the Barwa housing program. One of the biggest investments is the QR25 billion Al Khor Barwa project comprising 24 residential components, a 125,000 square meter retail center and a golf course on a 5.5 million square meter plot that is slated to accommodate 62,000 people.

With Qatar rolling out real estate projects to meet the rising population as well as correcting the shortage of raw materials that had stunted developments, the country is on its way to becoming a real estate agent's dream come true.

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OUR VISION

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OUR MISSION

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OUR VALUES

Excellence in everything we do through transparency, integrity and a willingness to deliver beyond what is expected.

PROFILE

AAMAL HOLDING

A success story inked with hard work and immaculate planning

Offering a diversified portfolio of sub-companies belonging to sectors as diverse as real estate, trading, pharmaceutical, retails, industries and services and with all attributes reflecting a bright future Aamal Holding will surely be an investor's delight when it gets listed at the Doha Securities Market (DSM).

Aamal Holding has already finished all the process of evaluation for the Initial Public Offering (IPO) and is just waiting for the right time to float the company. Aamal holding is formed by several of the profit making branches under its umbrella which were once a part of Al Faisal Holding – the Qatari enterprise which is known not only in Doha but world wide.

The vibrant and ambitious company plans to reach a total capital of QR 4.5 billion in future. In the process of doing so, it's committed to banking on strong values it has imbibed into its fold over the years and on the vast pool of its talented employees whose caliber matches the best in the world.

Aamal Holding has only looked upward and forward since it was registered as a commercial enterprise in Qatar in January 2001. Having been registered with a capital of QR 3 billion (\$825 million), the company today has an annual turnover of QR 420 million (\$115 million).

While a number of financial experts who have visited Qatar in the recent months have emphasized on the need for integrating world standard of corporate governance in Qatari companies, Aamal Holding has already introduced features that makes it a 'benchmark setter' for, in fact, the entire Gulf Cooperation Council (GCC).

The organization views corporate standards as an important success factor and also a responsibility towards the board, investors and local authorities.

The company's vision and mission speak volumes of its ambitions. While the company's vision emphasizes that it wants to be "recognized as a leader and an innovator with the industry sector", its mission is "to incorporate best practice standards, systems and processes through investment in world class business resources".

These are just few of the planks that have guided the compa-

ny to the stature that it commands today from rather humble beginnings. The company chairman Sheikh Faisal Bin Qassim al Thani began his business in 1964 with a small company that traded in automobile parts.

Today, his organization has expanded to a multi-million dollar organization comprising over 60 companies employing a multi cultural and international staff

Every branch of Aamal Holding has in fact scripted a success story for itself. The branches pertaining to four diverse sectors of real estate, trading, pharmaceutical, retails, industries and services seem setting up a standard for others.

In Doha the 'tangible aspect' of Aamal Holding can be best identified with the City Center—the largest retail and shopping mall in the Middle East. The 5 floor complex of City Center offers a range of items under one roof. It has 357 shops offering almost everything – from electronic goods to quality entertainment in its 14 screen Cineplex. And not to forget an ice skating rink and the entertainment area for kids named Extreme world .

In what is in tandem with the corporate policies from across the world, Aamal Holding plans to undertake intensive research studies in areas like heavy industry, oil, and gas. It also wants to include the end products of its researches for future investments.

The company has instituted the best of corporate governance practices to ensure smooth functioning and the boost the confidence of share and equity holders. It has chosen Oracle system as the backbone IT system and also has a highly competent department that assumes annual reviews of the group.

In order to have a frank assessment of the company's operations at intervals, it has been decided that whether the company is actually adhering to its procedures and policies manual will be evaluated periodically by third parties.

Company Chairman Sheikh Faisal Bin Qassim al Thani remains deeply involved with the day to day operations of the company.

He remains committed to the principles of 'constant improvement' to tide and excel over the onslaught of constant competition. "Aided by our professional standards and thoroughly tested policies, we shall continue to move forward in step with the major developments that are rapidly taking place at home and around the globe," he says.

"Since our modest beginning in 1964, we have stayed true to our mission of delivering the finest quality services in whichever sector we have been involved with. We believe the success and growth of our business can be attributed to consistency in terms of standards and policies" he adds.

"Management is doing things right; leadership is doing the right things"
Peter F. Drucker, American Management Guru



Sheikh Faisal Bin Qassim al Thani, chairman of Aamal Holding: "Since our modest beginning in 1964, we have stayed true to our mission of delivering the finest quality services".

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