NAKILAT ناقلات

2012 ANNUAL REPORT

IN THE NAME OF ALLAH
MOST MERCIFUL AND MOST BENEFICENT

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
The Emir, State of Qatar

His Highness
Sheikh Tamim Bin Hamad Al-Thani
The Heir Apparent, State of Qatar

MISSION & VISION

MISSION STATEMENT

To maximize shareholder value by:

- Optimizing investment in core businesses of transporting liquefied natural gas (LNG) and associated products through stringent cost controls, effective risk management and innovative financing.
- Establishing "centers of excellence" for the repair and maintenance of very large LNG carriers and other vessels, and for the construction of small, high value ships, thereby providing assets for the State of Qatar.
- Providing a fully integrated logistics service to vessels.
- Identifying and capturing synergies.
- Recruiting, developing and retaining the highest quality personnel in the industry.
- Complying fully with all applicable legislation, regulations and relevant marine industry standards.
- Demonstrating the highest ethical standards for integrity in all business relationships.

VISION STATEMENT

To be the world's leading owner and operator of vessels for the transportation of liquefied natural gas (LNG) and associated products, and to be the provider-of-choice for ship repair and construction services, as measured by customer satisfaction, financial profitability, growth, operational efficiency, and high standards of safety, health, environment and quality.

CONTENTS

BOARD OF DIRECTORS

Mr. Hamad Rashid Al Mohannadi
CHAIRMAN

Mr. Khalid Bin Khalifa Al Thani
VICE CHAIRMAN

Mr. Hetmi Ali Al-Hetmi
MEMBER

Mr. Ali Ahmad Al-Kuwari
MEMBER

Dr. Abdullah Bin Ali Bin Seoud Al-Thani
MEMBER

Mr. Ismail Omar Al Daffaa
MEMBER

Ms. Aysha Mohammed Al-Nuaimi
MEMBER

BOARD OF DIRECTORS' REPORT

Hamad Rashid Al Mohannadi
Chairman
Nakilat

On behalf of Nakilat's Board of Directors, I am honored to present to you the Board of Directors' Report for 2012. As you will read in this, our eighth Annual Report, 2012 has been a year of significant advancement and progress for our company and its affiliated operations.

Nakilat is the world's undisputed leader in the transportation of liquefied natural gas (LNG). It took us less than six years to build our fleet of 54 state-of-the-art LNG carriers and four very large liquefied petroleum gas (LPG) carriers, the latter owned jointly with Milaha. Measured by capacity, Nakilat is the world's largest LNG shipper. As of 31st December 2012, Nakilat's total assets, including Nakilat's share of its joint venture assets, was over 43 billion Qatari Riyals. In addition, Nakilat also has an economic interest plus full operational and management responsibilities in the 10.6 billion Qatari Riyals Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum (QP) in the Port of Ras Laffan, giving a total assets value of over 53.6 billion Qatari Riyals managed by Nakilat.

We are proud to have expanded the boundaries of Qatar's maritime sector, but we are not resting on our laurels. Now, two years on from the delivery of our last LNG carrier, our fleet has reached another important milestone: in 2012, Nakilat assumed responsibility for the technical management and operations of its four LPG vessels, taking a critical step towards being recognized as a fully-fledged shipping company, offering a full spectrum of shipping-related services.

Nakilat's financing achievements also made headlines in 2012. In August we closed a deal for Islamic financing worth US $380 million and in December, we secured US $200 million for Gulf LPG, the joint venture between Nakilat and Milaha that owns our four LPG vessels. The signing of these agreements reaffirmed Nakilat's strong position in the financial community. The major credit rating agencies Standard & Poor's and Moody's also reaffirmed our ratings with a stable outlook for 2012, which is indicative of our company's very low credit risk, its very strong capacity to meet financial commitments, and its high credit quality. Standard & Poor's and Moody's rate the Nakilat Inc. senior debt as AA- and Aa3 respectively. These ratings are just one notch below the State of Qatar itself.

Steady and consistent execution of Nakilat's business strategy continues to contribute strong returns to its shareholders, a net profit of 766 million Qatari Riyals for 2012. For its 2012 strong financial performance, Nakilat's Board of Directors is pleased to recommend to Nakilat's General Assembly a cash dividend of 1 Qatari Riyal per share, which is over 1.7 times the IPO estimate of 57 Dirhams. On a cumulative basis, total dividends for 2009-2012 is 3.10 Qatari Riyals, over 2.8 times the IPO estimate of 1.08 Qatari Riyals.

Nakilat's recommended dividend of 1 Qatari Riyal for its 2012 profit produces a dividend yield of 6.17% based on its stock closing price of 16.20 Qatari Riyals per share on 7th March 2013, among the top four in Qatar and the top among all companies outside the banking sector with dividend yields listed on Qatar Exchange.

As Nakilat continues to grow its operations, our company's commitment to sustainable development is ever more apparent. In 2012 important achievements were attained in the employment and advancement of our national workforce. The first young Qataris to sign up for Nakilat's marine cadet program began their studies at maritime college in 2012. In the same year Nakilat recruited a total of 20 Qataris. By the end of 2012, our company's Qatarization rate was 17% — a 139% increase on 2010. A total of 43 Qataris worked for Nakilat at the end of 2012, compared to 26 at the end of 2011 — a 65% increase.

Safety also continues to play a key role in all our achievements and its priority underpins our corporate culture. The lost time incident (LTI) frequency aboard Nakilat's fleet was below-industry average in 2012 and our shipbuilding joint venture's first construction project, the 140m load-out and recovery (LOR) barge, had no single LTI throughout its build.

Further, our boldest and most ground-breaking achievements of 2012 took place at Erhama Bin Jaber Al Jalahma Shipyard, a cluster of integrated marine services on Qatar's northeast coast, which Nakilat co-operates with globally renowned ship repair and construction specialists, and which Nakilat also continues to develop on behalf of QP.

In 2012 our ship repair joint venture Nakilat-Keppel Offshore and Marine (N-KOM) received both international accreditation and acclaim, including two significant industry awards at the Seatrade and Lloyd's List ceremonies. N-KOM also reached a total of over 100 completed repair projects for the offshore and marine industries by the end of 2012.

2012 was also a significant year for our shipbuilding joint venture Nakilat Damen Shipyards Qatar (NDSQ). In September NDSQ completed construction of the 140m LOR barge — both NDSQ's first project and the first vessel of its kind and scale ever built in Qatar. This milestone was quickly followed by the launch of three mooring boats built by NDSQ, the first vessels of a 19-strong order being constructed for use at Qatar's Port of Mesaieed.

Notable advances were also made in the development of the shipyard in 2012. Phase 4A for the finishing and refit of superyachts and Phase 5 for the repair of small ships both commenced operations during 2012. By the end of December, engineering had also begun on Phase 6 for the production and maintenance of fiber reinforced plastic vessels.

Upon the occasion of celebrating Nakilat's 2012 achievements in this Annual Report, the Board of Directors expresses its deepest gratitude to His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar. Through His Highness's wise leadership and through the continuous support of His Highness the Heir Apparent Sheikh Tamim Bin Hamad Al-Thani, Nakilat is able to play a part in realizing the vision of a fully-integrated marine industry offering a complete spectrum of world-class maritime services in Qatar.

The Board of Directors would also like to extend its sincerest thanks to His Excellency Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry. His continued guidance and support are invaluable to Nakilat. A special note of gratitude is also due to QP for the essential assistance that they provide us. The Board of Directors would also like to thank Nakilat's partners, shareholders, management and employees, all of whom play essential roles in our company's many successes.

MANAGING DIRECTOR'S REPORT

Muhammad Ghannam
Managing Director
Nakilat

On behalf of Nakilat, I have the pleasure to introduce our Annual Report for the financial year 2012. As Nakilat continues to play a key role in the advancement and development of Qatar's shipping and marine industries, we are proud to report on a busy year packed with ground-breaking achievements for our company and its subsidiaries.

Our core business of liquefied natural gas (LNG) transportation continues to perform in accordance with expectations, as we have achieved our objectives in terms of safety, reliability and functionality.

2012 has been an eventful year at Erhama Bin Jaber Al Jalahma Shipyard in Ras Laffan. Two new phases became operational — Phase 4A and Phase 5. Phase 4A for the finishing and refit of high-value vessels, such as superyachts, includes a 180m long x 70m wide x 50m high hall with two separate, fully climate-controlled bays, which is operated alongside Phase 4 by our shipbuilding joint venture Nakilat Damen Shipyards Qatar (NDSQ). Phase 4A is the most advanced facility of its type worldwide. Phase 5, which is dedicated to the repair of small ships, is operated alongside Phases 1 and 2 by our ship repair joint venture Nakilat-Keppel Offshore & Marine (N-KOM).

Our two joint ventures operating the yard — ship repairer N-KOM and shipbuilder NDSQ — both experienced their second full year of operation in 2012 and both celebrated important milestones along the way.

NDSQ completed its first vessels in 2012. Construction of the shipbuilder's inaugural project, the 140m-long load-out and recovery (LOR) barge, was completed in September. As a truly unique vessel, the completion of the LOR barge signified an important moment for both Erhama Bin Jaber Al Jalahma Shipyard and Qatar, which was celebrated in the presence of HE Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry, in early 2013. In November 2012, NDSQ launched its first commercial boats — three mooring boats for use at the Port of Mesaieed, which has ordered a total of 19 vessels to be built and delivered by NDSQ.

N-KOM also made significant advances in 2012, winning two prestigious marine industry awards from Seatrade and Lloyd's List and dry-docking a total of seven liquefied natural gas carriers (LNGCs) in May, achievements which were well documented in the media. N-KOM also received certification from the American Petroleum Institute and the American Society of Mechanical Engineers in 2012, and by 31st December 2012 had completed repairs on over 100 vessels for the marine and offshore industries, including over 50 LNGCs.

The completed transition of Nakilat's first four liquefied petroleum gas (LPG) ships to in-house technical management and operations was another landmark development in 2012. The switch of the four very large gas carriers (VLGCs) from technical management by Shell International Trading and Shipping Company Ltd. (STASCO) to management by Nakilat was entirely seamless. This achievement has set a precedent for future ship management transitions, which will allow Nakilat to further expand its role in the international shipping industry.

Another breakthrough in support of our record-breaking fleet was the recruitment of four Qatari marine cadets, who commenced their studies in 2012 with a view to becoming officers and engineers aboard Nakilat's ships. These young Qataris represent the future of Nakilat. The home-grown expertise of these and future cadets will bolster Nakilat's solidity, further cementing the foundations upon which we are building a bright future for our company.

Nakilat and its subsidiaries strive to provide the highest levels of service and performance possible. We also recognize that we have responsibilities beyond the day-to-day functioning of our businesses. That is why we record our achievements relating to our social obligations and the wellbeing of our stakeholders in a dedicated *Sustainable Development* section within this Annual Report. Highlights from 2012's corporate social responsibility achievements include the increase of our company's Qatarization rate by 139% compared to 2010 and excellent safety track records, notably aboard our fleet of LNG and LPG vessels and during the construction of NDSQ's LOR barge.

I would also like to bring to your attention the following financial highlights for the year 2012:

Financial Indicators

Nakilat's recommended dividend of 1 Qatari Riyal for its 2012 profit produces a dividend yield of 6.17% based on its stock closing price of 16.20 Qatari Riyals per share on 7th March 2013, among the top four in Qatar and the top among all companies outside the banking sector with dividend yields listed on Qatar Exchange.

Financial Results Highlights for the Year Ended 31st December 2012

Total 2012 profit from operations was QR 746.5 million compared with QR 810.4 million for 2011. 2012 net profit after gain on derivative instruments from a joint venture was QR 766.0 million compared with QR 833.1 million for 2011. The gain on derivative instruments of QR 19.5 million for 2012, compared with QR 22.7 million for 2011, was due to a technical disqualification (for accounting purposes) of the applicable derivatives (carried in the books of the company's overseas joint venture) as hedging instruments in accordance with International Accounting Standard 39. The change in the accounting treatment is only a non-cash accounting transaction and does not affect the economics of the derivative transactions nor the cash flows or liquidity of the company. Nakilat and its joint ventures are exposed to interest rate risks on borrowed funds. The risks are managed by the use of interest rate swap contracts, which will protect the company from increases in interest rates in the future. The majority of Nakilat and its joint ventures borrowings were obtained at the time the company's time charter party agreements were signed with our charterers.

Total Assets of Nakilat as of 31st December 2012 was QR 30.9 billion compared to QR 31.4 billion as of 31st December 2011, reflecting a reduction primarily to the depreciation of property and equipment. Current assets, including cash and bank balances stood at QR 2.5 billion as of 31st December 2012. Non-current assets, consisting mainly of investments in LNG carriers, property and equipment and other assets were QR 28.4 billion as of 31st December 2012. As of 31st December 2012, total assets of Nakilat, including Nakilat's share of its joint ventures assets was over QR 43 billion, compared with QR 28.3 billion projected in its IPO prospectus. In addition, Nakilat also has an economic interest, full operational and management responsibilities in the QR 10.6 billion Erhama Bin Jaber Al Jalahma Shipyard, with funding by Qatar Petroleum in the Port of Ras Laffan, giving a total assets value of over QR 53.6 billion managed by Nakilat.

Total borrowing as of 31st December 2012 was QR 23.9 billion compared to QR 24.8 billion as of 31st December 2011 reflecting repayments of the borrowings.

Total equity before hedging reserve and non-controlling interests as of 31st December 2012 was QR 7.6 billion compared to QR 7.3 billion as of 31st December 2011. Negative hedging reserve as of 31st December 2012 remained at QR 5.8 billion due primarily to the stability in the year end mark to market value resulting in stability of the liability that reflects stable swap rates. The negative hedging reserve represents an accounting transaction from the revaluation to fair value of interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amounts of the swaps decrease. The hedging reserve is not expected to impact either income statement or retained earnings. The negative hedging reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build ships. The Company also enters into long-term time charter agreements to lock-in the future cash inflows from ships. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

Nakilat's achievements would not have been possible without the gracious leadership and vision of His Highness Sheikh Hamad Bin Khalifa Al-Thani, the Emir of the State of Qatar, to whom on behalf of Nakilat I would like to offer our deepest gratitude. We are also sincerely thankful for the support of His Highness the Heir Apparent Sheikh Tamim Bin Hamad Al-Thani in all our endeavors.

On behalf of Nakilat I would like to express our appreciation for the oversight and supervision of His Excellency Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry, whose encouragement of our activities is vital to our success. We also remain grateful to our charterers Qatargas and RasGas and we are thankful for the support of Qatar Petroleum's management and employees, which underpins the achievements of our company.

Further I would also like to offer our thanks to all our stakeholders — shareholders, partners and employees — for making Nakilat's 2012 accomplishments possible.

Nakilat's flagship Mozah at Erhama Bin Jaber Al Jalahma Shipyard

AT A GLANCE:
NAKILAT'S 2012 ACHIEVEMENTS

FLEET

- Nakilat assumes full technical management and operations of the four LPG carriers it owns jointly with Milaha
- Four young Qataris sign up to become Nakilat's first marine cadets
- A total of 171 sea-staff are directly employed by Nakilat's wholly-owned subsidiary QGTCMI at the close of 2012

LPG carrier Bu Sidra, owned by Nakilat and Milaha

SHIPYARD DEVELOPMENT

- Phase 5 for the repair of ships of less than 120m in length becomes operational
- Phase 4A for the finishing / refit of superyachts becomes operational

LNG carrier Al Ruwais in the dry dock at N-KOM

NAKILAT-KEPPEL OFFSHORE & MARINE (N-KOM)

- N-KOM wins Shipyard of the Year at Lloyd's List Middle East and Subcontinent Awards
- N-KOM wins Ship Repair / Shipyard at Seatrade Middle East and Indian Subcontinent Awards
- Since the beginning of operations, N-KOM completes work on a total of 100+ vessels including 50+ LNG carriers by the end of 2012

N-KOM wins the Seatrade Shipyard Award

NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

- NDSQ completes construction of its first project — the 140m load-out and recovery (LOR) barge
- NDSQ launches its first commercial builds — three mooring boats for use at Qatar's Port of Mesaieed

A mooring boat built by NDSQ underway in Ras Laffan

FINANCE

- Nakilat closes US $380 million of Islamic financing with Qatar International Islamic Bank and Qatar Islamic Bank
- US $200 million of financing is secured by Nakilat for Gulf LPG, its joint venture with Milaha
- Major ratings agencies reaffirm Nakilat's ratings for 2012 with stable outlook
- Nakilat's recommended dividend of 1 Qatari Riyal for its 2012 profit produces a dividend yield of 6.17% based on its stock closing price of 16.20 Qatari Riyals per share on 7th March 2013, among the top four in Qatar and the top among all companies outside the banking sector with dividend yields listed on Qatar Exchange.

Nakilat signs US $380 million of Islamic financing

SUSTAINABLE DEVELOPMENT

- Nakilat's Qatarization rate increases by 139% compared to 2010 as 20 Qataris join the company in 2012
- Zero lost time incidents are logged during the LOR barge's construction
- Audits confirm Nakilat's ISO 9001:2008 and OHSAS 18001:2007 compliance

Nakilat's first four marine cadets sign up

COMPANY OVERVIEW

Nakilat Q-Max LNG carrier Aamira

About Nakilat

Nakilat is a Qatari-owned marine company playing a crucial role in Qatar's marine industry. We provide the critical transportation link in the State of Qatar's liquefied natural gas (LNG) supply chain, we oversee the activities of the country's world-class shipyard, and we provide services to vessels in Qatari waters.

Established in 2004 as a joint stock company — owned 50 per cent by its founding shareholders and 50 per cent by the public — Nakilat has the largest LNG shipping fleet in the world, consisting of 54 LNG vessels along with four liquefied petroleum gas (LPG) very large gas carriers (VLGCs). Nakilat's LNG fleet transports gas to global markets from Qatar's North Field, the world's largest non-associated gas field.

Erhama Bin Jaber Al Jalahma Shipyard and Joint Ventures

Since its inception, Nakilat has also diversified its activities to become a well-rounded marine industry operator. This is evidenced by the development of Qatar's rapidly expanding marine industrial sector via Erhama Bin Jaber Al Jalahma Shipyard, a world-class ship repair and shipbuilding facility in the Port of Ras Laffan.

To operate the shipyard's ship repair facility, Nakilat established a joint venture (JV) with Keppel Offshore & Marine, a global leader in ship repair and conversion. This JV, Nakilat-Keppel Offshore & Marine (N-KOM), repairs and maintains very large LNG carriers in addition to a wide range of other vessels and on- and off-shore structures.

To operate the shipyard's shipbuilding facility, Nakilat entered a JV with Damen Shipyards Group, a world-renowned shipbuilder. This JV, Nakilat Damen Shipyards Qatar (NDSQ), manages the construction of high-value ships of up to 170m in length. Ship types NDSQ is capable of building include commercial, naval and coast guard vessels and luxury yachts.

Nakilat also continues to develop Erhama Bin Jaber Al Jalahma Shipyard, overseeing the development and construction of new facilities at the yard. In 2012, new phases dedicated to the repair of small ships and the finishing and refit of high-value vessels, such as superyachts, became operational. Also, construction commenced on a further new phase, the addition of a large floating dock and 400m pier, and engineering began on facilities for the production and maintenance of fiber reinforced plastic (FRP) vessels.

Marine Services and Industrial Capabilities

Completing the spectrum of marine services offered by Nakilat, we provide port agency, warehousing, vessel support services and towage at the Port of Ras Laffan. Our JV Nakilat-SvitzerWijsmuller (NSW) owns and operates a fleet of 26 vessels including tug boats, pilot boats and other harbor craft supplying round-the-clock harbor services at the port.

The combination of these comprehensive maritime industrial capabilities and services are both strategic and key to the goal of positioning the State of Qatar as an internationally recognized center of excellence in gas and gas products shipping, ship building, repair and conversion, and marine services.

As an integrated and diversified marine company, Nakilat is helping to advance the Qatari economy and is investing for the future of the country, in line with both Nakilat's Vision and Mission as well as the Qatar National Vision 2030.

OUR STRENGTHS

Simultaneous delivery of four LNG carriers to Nakilat in 2009

Integration into the Qatari LNG Chain
Nakilat is an integral component in Qatar's LNG supply chain. The company provides a key role in one of the world's largest, most advanced energy projects under the auspices of Qatar Petroleum (QP) and through its Qatargas and RasGas operations and their JV partners. The LNG produced and sold to global customers is typically marketed via long-term contracts, providing stable revenues. The entire value chain enjoys strong sponsorship from the State of Qatar.

Upstream Advantages
Qatari upstream ventures produce gas from the North Field through long-term concessions and collectively liquefy 77 million tons of LNG per annum via onshore Qatari JV-constructed and -owned facilities located at Ras Laffan.

Midstream Advantages
Qatari upstream ventures ship LNG in state-of-the-art vessels, which are chartered through long-term time charters with reputable ship owners and operators.

LPG carrier Al Wukir

Nakilat's LNG fleet consists of 14 Q-Max, 31 Q-Flex, and nine Conventional vessels. The fleet also includes four LPG ships.

Downstream Advantages
Qatari downstream ventures have ownership interest or long-term contracted capacity in regasification terminals in selected key markets around the world. Qatar's investments in the infrastructure supporting its LNG supply chain include the following strategically located terminal facilities:

- South Hook Terminal, Europe's largest LNG terminal, located in the United Kingdom
- Adriatic LNG Terminal, the first-ever offshore gravity-based terminal, located in Italy
- Golden Pass LNG Terminal, located in the Texas 'Golden Triangle' energy area in the United States

Marketing
Qatari upstream ventures have long-term LNG sales contracts with a range of credit-worthy off-takers in multiple markets throughout the world, including Asia, Europe and the Americas.

Nakilat is a Highly Rated World-Class Carrier
The two major credit rating agencies, Standard & Poor's and Moody's, rate the Nakilat Inc. senior debt as AA- and Aa3 and the Nakilat Inc. subordinated debt as A+ and A1 respectively. Both Standard & Poor's and Moody's rate Nakilat Inc. only one notch below the State of Qatar which is rated as AA and Aa2.

Nakilat Inc. continues to be rated by the agencies as highly as any non-governmental entity in Qatar could be rated. This is indicative of the company's very low credit risk, its very strong capacity to meet financial commitments and its high credit quality. The Fitch rating agency also rates Nakilat Inc.'s senior debt as A+ and its subordinated debt as A-. All Nakilat's ratings stated above were reaffirmed with a stable outlook in 2012.

NAKILAT ناقلات

Stable Cash Flows
Nakilat's revenues are stable due to long-term (25-year) and fixed-rate time charters.

Low Risk Development Strategy
Nakilat has established a proven track record with Qatargas, RasGas and Tasweeq in successfully delivering results of ambitious projects via prudent development strategies.

Sound Operating and Management Program
A strategic alliance with Shell International Trading and Shipping Company Ltd. (STASCO), a leading international vessel operator with extensive experience in operating gas vessels, currently oversees operations and management of Nakilat's wholly-owned ships. Through continued growth and development, Nakilat transferred full ship management and operations of its four very large LPG vessels from STASCO to Nakilat in 2012.

World-Class Shipyard and Ship Repair Facility
Nakilat has developed Erhama Bin Jaber Al Jalahma Shipyard, a world-class shipbuilding and ship repair facility located in the Port of Ras Laffan. To operate the shipyard, Nakilat has formed joint ventures with Keppel Offshore & Marine — a global leader in ship conversion and repair — and with Damen Shipyards Group — a world leading shipbuilder — in support of Qatar's new marine industry sector. These joint ventures are currently positioned to provide high quality services in the repair, maintenance and conversion of vessels of all sizes, and for the construction of high value ships of up to 170m in length.

NDSQ's completed load-out and recovery (LOR) barge

COMPANY TIMELINE

2004

Nakilat established

2005

Two LNG vessels delivered to Nakilat

APRIL
Floatation of Nakilat shares on Doha Securities Market

MAY
Nakilat Agency Company (NAC) Ltd. formed

2006

Two LNG vessels delivered to Nakilat

APRIL
Nakilat awarded 25-year time charter by Qatargas 2 for six Q-Max vessels

Construction begins on the shipyard in Ras Laffan

SEPTEMBER
Nakilat awarded 25-year time charter by Qatargas 3 for 10 large LNG carriers

Towage joint venture with Svitzer incorporated

OCTOBER
Nakilat-Svitzer joint venture awarded 22-year service contract by Qatar Petroleum for the Port of Ras Laffan

NOVEMBER
Nakilat awarded additional Q-Max vessel by RasGas 3 charterer

Nakilat forms a strategic alliance with Shell Trading and Shipping Company Ltd. (STASCO) for the management of 25 wholly-owned LNG carriers

2007

Eight LNG vessels delivered to Nakilat

FEBRUARY
Nakilat awarded 25-year time charter by Qatargas 4 for eight large LNG carriers

APRIL
Steel cutting for first Q-Max

NOVEMBER
Delivery of first Q-Flex — *Al Gattara*

DECEMBER
First Q-Flex vessel at Ras Laffan carrying Qatargas cargo

2008

20 LNG vessels delivered to Nakilat

SEPTEMBER
Delivery of first Q-Max, *Mozah*

NOVEMBER
Joint venture Nakilat-Keppel Offshore & Marine (N-KOM) incorporated

2009

18 LNG vessels delivered to Nakilat

MARCH
All four LPG ships delivered

2010

Four LNG vessels delivered to Nakilat

JANUARY
Joint venture Nakilat Damen Shipyards Qatar (NDSQ) created

AUGUST
Delivery of final vessel, Q-Max *Rasheeda*

NOVEMBER
Erhama Bin Jaber Al Jalahma Shipyard inaugurated

N-KOM and NDSQ begin operations

2011

APRIL
Nakilat receives ISO 9001:2008 and OHSAS:2007 certification

N-KOM completes first LNG dry-docking project, *Simaisma*

Gulf Drilling International and N-KOM sign major contract

MAY
N-KOM receives first Qatargas vessel, *Al Wakrah*

NDSQ receives 9001:2008 certification

2012

JUNE
Nakilat assumes management of the last of its four LPG carriers

AUGUST
Nakilat closes US$380 million Islamic financing

SEPTEMBER
NDSQ completes construction of its first vessel, a 140m load-out and recovery barge

First Qatari marine cadets sign with Nakilat

NOVEMBER
NDSQ launches first three mooring boats of a 19-vessel order

DECEMBER
Nakilat secures US $200 million of financing for Gulf LPG

OUR SHAREHOLDERS

Qatar Petroleum (QP)

QP manages Qatar's interests in substantially all oil, gas, petrochemical and refining enterprises in Qatar and abroad. QP, previously known as Qatar General Petroleum Corporation, was created in 1974 by Emiri Decree and is wholly-owned by the State of Qatar. QP is engaged in all phases of the hydrocarbon business, including exploration drilling, production, refining, transportation, storage, local sales and exports.

Since 1988, the State of Qatar has entrusted QP with the responsibility of supervising hydrocarbon exploration and production activities conducted in Qatar in conjunction with foreign companies.

QP owns interests in companies engaged in crude oil, LNG, steel, aluminum, petrochemicals and fertilizer production. Additionally, QP is involved, either through joint ventures or as the agent of the State of Qatar, in all the gas-to-liquid (GTL) and pipeline gas supply projects in Qatar.

Milaha

As Qatar's oldest national shareholding company, Milaha has a rich history: as the country's first shipping agent, the company was granted the country's first ever commercial license. Milaha was incorporated in 1957 as a Qatari Shareholding Company and the shares of the company are publically traded at Qatar Exchange. The parent company along with its subsidiaries are engaged primarily in marine transportation, offering agency services to foreign shipping lines, offshore services, sale of heavy vehicles, ship repair, fabrication and installation of offshore structures, land transport, and chartering of vessels.

Qatar Pension Fund

Qatar Pension Fund is a legal entity with an independent budget set within the general budget of the State. It is directly attached to the Council of Ministers. The authority aims to secure honorable life to pensioners and their dependents in accordance with the pension and retirement law. It is responsible for managing and investing the financial resources of the retirement fund and is run by a board of directors, which is formed of a chairman, a deputy chairman and a number of members.

Qatar Foundation

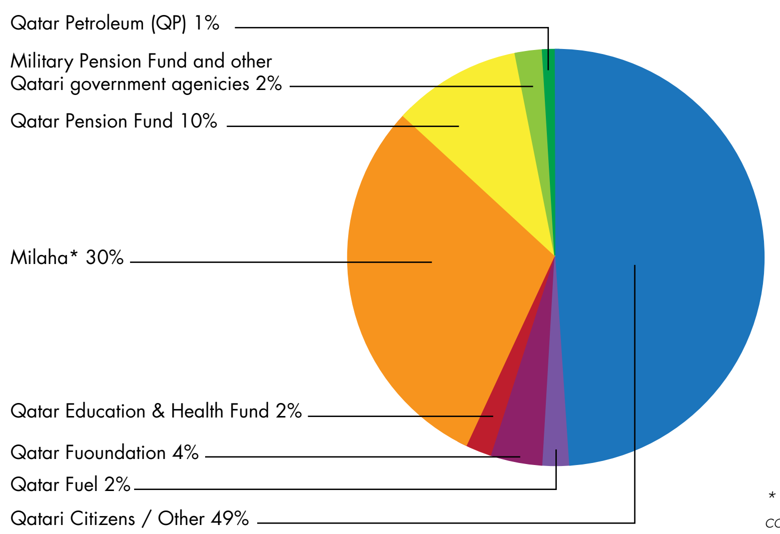
Qatar Foundation, located in Doha, Qatar, is an independent, private, non-profit, chartered organization founded in 1995 by decree of His Highness Sheikh Hamad Bin Khalifa Al-Thani, Emir of the State of Qatar, to support centers of excellence that develop people's abilities through investments in human capital, innovative technology, state of the art facilities and partnerships with elite organizations, thus raising the competency of people and the quality of life.

Qatar Fuel (Woqod)

Qatar Fuel (Woqod) is a public share company listed on the Doha Securities Market since 2002. The company is responsible for the distribution of all fuels within Qatar. This includes diesel, gasolines and aviation fuel through a fleet of more than 150 road tankers. The company trades in ship-to-ship bunkering, bitumen importation and distribution, lubricants and modern service stations. Woqod also distributes all LPG in Qatar.

Military Pension Fund and Qatar Education & Health Fund

Investment funds control the shares attributed to the Military Pension Fund and the Qatar Education & Health Fund.



** Milaha is the new identity for the two combined companies Qatar Navigation and Qatar Shipping.*

OUR CHARTERERS

Qatargas

Qatargas was established in 1984, and pioneered the LNG industry in Qatar. Today, Qatargas, under the guidance of HE Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry of the State of Qatar and Chairman of the Board of Directors at Qatargas, is the largest LNG producing company in the world, with an annual LNG production capacity of 42 million tonnes per annum (MTA) and is realizing its vision to deliver LNG to its customers around the globe, from its world-class facilities in Qatar. Qatargas' Ras Laffan Terminal Operations team operates all the oil products Tank Farms and related Marine Terminals at Ras Laffan Industrial City in Qatar. Ras Laffan is the largest LNG and oil products Export Terminal in the world.

RasGas Company Ltd. (RasGas)

RasGas Company Ltd. ("RasGas") is one of the world's premier integrated LNG enterprises and together with Qatargas makes Qatar the world's leading producer of LNG at 77 MTA. In a relatively short period of time, RasGas has achieved a reputation as a safe and reliable supplier of LNG and has transformed a regional resource into a key component of the global energy mix. Since its creation in 2001, RasGas has developed world-class facilities for the extraction, storage, processing and export of LNG, and has entered into long-term agreements to supply LNG to customers in Korea, India, Italy, Spain, Belgium, Taiwan and the Americas.

Qatar International Petroleum Marketing Company Ltd. (Tasweeq)

Qatar International Petroleum Marketing Company Ltd. (Tasweeq) was incorporated in July 2007 as an independent state-owned company and the sole marketer and seller of Regulated Products that are exported from the State of Qatar. Regulated Products include LPG, condensate, sulphur, refined products (naphtha, motor gasoline and jet fuel), and GTL naphtha and jet fuel. Tasweeq also markets Non-Regulated crude oil entitlements of QP under an agency agreement with QP.

During 2012, Nakilat and Tasweeq mutually agreed to a Shipping Services Agreement to formalize and enhance cooperation between the two companies for certain post-fixture activities. We continue to work and negotiate with Tasweeq to increase LPG, sulphur and condensate volumes that Nakilat could carry for Tasweeq, to allow Nakilat to grow and diversify its business activities.

Nakilat's fleet at the Port of Ras Laffan

2012 ACTIVITY SUMMARY

Nakilat Q-Max LNG carrier Al Dafna

FLEET

FLEET OVERVIEW

Nakilat's financial strength is largely derived from its core business of shipping Qatari liquefied natural gas (LNG) to global markets. Its fleet of 54 wholly- and jointly-owned vessels comprises one of the world's newest and largest LNG fleets, with all vessels incorporating modern technology to ensure the safe, environmentally sound and cost-effective transportation of LNG. The ships represent a total investment of approximately US $11 billion and have a combined carrying capacity of over 8.5 million cubic meters of LNG cargo space.

All Nakilat LNG ships are fully utilized in meeting the transportation requirements of Qatar's LNG industry, providing the country and the world with a strategically important 'floating pipeline' of clean energy. In addition to its 54 LNG carriers, Nakilat also jointly-owns four liquefied petroleum gas (LPG) very large gas carriers (VLGCs).

Nakilat's LNG vessels are chartered through long-term time charter agreements with Qatargas and RasGas. Our jointly-owned LNG vessels are operated by the vessel's co-owners, which include many of the world's leading ship owning and operating companies. The four jointly-owned very large LPG carriers are now operated by Nakilat Shipping Qatar Ltd. (NSQL) after NSQL took over the technical ship management roles from Shell International Trading and Shipping Company Ltd. (STASCO), while the wholly owned LNG vessels are still operated via a strategic alliance with STASCO.

A ship from Nakilat's LNG fleet

FLEET ACTIVITY 2012

LPG Ship Management Transition

Since its inception Nakilat has built upon certain aspects of its ship management activity to expand beyond an oversight and monitoring role. In the first half of 2012, Nakilat Shipping Qatar Ltd. (NSQL), a wholly owned subsidiary of Nakilat, seamlessly and successfully took over from STASCO the full technical management and operations of the four LPG carriers owned jointly by Nakilat and Milaha, *Al Wukir*, *Bu Sidra*, *Lubara* and *Umm Laqhab*.

Nakilat continues to steadily grow its ship management capacity; expertise, skills and experience in technical and operational ship management; marine personnel; IT resources; and procurement services, thus creating a strong foundation for further ship management expansion to become a fully-fledged shipping company.

Employment of Sea Staff

In December 2011, Nakilat began directly employing sea staff via its wholly-owned subsidiary, QGTC Shipping (MI) Inc. (QGTCMI). At the end of 2012, QGTCMI employed 171 sea staff as directly recruited or novated from Shell International Shipping-Singapore (SISS). At the end of 2012, another large batch of recruits was being prepared for transfer to QGTCMI.

All new sea staff aboard Nakilat's wholly-owned vessels will continue to be employed directly by QGTCMI, with the intention of ultimately having all sea staff on our wholly-owned vessels directly employed by QGTCMI.

The engagement of these sea staff comes as Nakilat consolidates its commitment to having all officers on wholly-owned vessels directly employed by QGTCMI.

Recruitment of Qatari Marine Cadets

The first four young Qataris to sign up for Nakilat's Marine Cadet Program commenced their maritime studies in 2012, with a view to becoming officers and engineers on Nakilat's gas carriers.

Nakilat will sponsor the four young men through a four- to five-year degree course at the International Maritime College of Oman (IMCO), which will include 12 months of sea time spent aboard Nakilat ships. Upon completion of the program, the cadets will be qualified deck officers or marine engineers with guaranteed jobs aboard Nakilat vessels.

From 2013 onwards, Nakilat will be looking for a minimum of ten Qatari marine cadets to join its Marine Cadet Program annually.

Nakilat will continue to dispatch its marine cadets to study in Oman and other countries and schools with high standard maritime academies until Qatar's own international maritime academy is established.

Nakilat's Fleet is Qatar's Floating Pipeline

Transportation is integral to Qatar's ability to connect massive gas reserves to market

Our LNG Shipping Routes

- LNG is critical to Qatar Petroleum (QP) and the State of Qatar
- RasGas and Qatargas ventures are vital to QP and international oil companies partners
- Qatar produces 77 million tonnes per annum (MTA) of LNG
- Nakilat was established to play a key role in shipping for Qatari LNG projects
- The Port of Ras Laffan loaded 1,009 cargoes in 2012
- Nakilat vessels represent approximately 16% of the global LNG tonnage and is the largest LNG fleet in the world
- Nakilat along with its Charterers delivered gas to 24 countries in 2012

Nakilat's LNG Fleet

Fleet Composition

LNG
14 Q-Max
31 Q-Flex
9 Conventional

LPG
4 VLGC

LNG Carriers

25 wholly-owned vessels
- 14 Q-Max (capacity: 263,000m³ - 266,000m³)
- 11 Q-Flex (capacity: 210,000m³ - 217,000m³)

29 jointly-owned vessels
- Nakilat ownership ranges from 20-60%, aggregate average 43%
- 9 Conventional (capacity: 150,000m³)
- 20 Q-Flex (capacity: 216,000m³)

Q-Max and Q-Flex

- Q-Max and Q-Flex are the world's largest and most advanced LNG vessels
- In service since 2007
- Q-Flex: approximately 50% more cargo capacity than conventional LNG carriers
- Q-Max: approximately 80% more cargo capacity than conventional LNG carriers

ERHAMA BIN JABER AL JALAHMA SHIPYARD

SHIPYARD OVERVIEW

Nakilat's state-of-the-art ship repair and shipbuilding facilities at Erhama Bin Jaber Al Jalahma Shipyard in the Port of Ras Laffan experienced their second full year of operation in 2012. During this period, the shipyard achieved several major milestones and made a crucial contribution to the growth of Qatar's marine industry.

In 2007, Qatar Petroleum (QP) appointed Nakilat to manage the design and construction of the shipyard. Nakilat created a Project Task Force (PTF) to manage this extensive program, with team members from Nakilat and QP. Nakilat subsequently identified and established alliances with world-class companies to manage the initial phases of the shipyard. The strategic partnerships that emerged were: Nakilat-Keppel Offshore & Marine (N-KOM) with Keppel, a global leader in ship repair, conversion and construction of offshore structures; and Nakilat Damen Shipyards Qatar (NDSQ) with Damen, a world renowned designer and builder of specialist vessels. Personnel from Keppel and Damen were seconded to the PTF, to assist with managing the design and construction of the shipyard.

Phases 1, 2 and 4 of the shipyard were officially inaugurated by His Highness the Emir Sheikh Hamad Bin Khalifa Al Thani, the Emir of the State of Qatar in November 2010. N-KOM and NDSQ have since made bold strides in developing and advancing Qatar's marine industry, including the simultaneous docking of seven very large gas carriers (VLGCs) and completion of the 140m load-out and recovery (LOR) barge, the first vessel to be built at Erhama Bin Jaber Al Jalahma Shipyard, and by far the largest ever built in Qatar.

These and other important shipyard developments are direct consequences of the vision of HH the Emir to create a strong and dynamic marine industry in Qatar. This report outlines the accomplishments of N-KOM, NDSQ and the PTF during 2012, which have helped realize that vision.

Erhama Bin Jaber Al Jalahma Shipyard's development phases

NAKILAT PROJECT TASK FORCE (PTF)

SHIPYARD DEVELOPMENT OVERVIEW

Phase	Principal Activities	End 2012 Status
1	Repair and conversion of large ships (e.g. LNGCs, VLCCs)	Operational
2	Repair of medium-sized ships (e.g. 20,000 dwt to 80,000 dwt)	Operational
2A	Repair of large ships (addition of 'Q-Max' sized Floating Dock)	Under Construction
3	Fabrication and maintenance of offshore structures	On Hold
4	Construction of high-value small ships (< 140m LoA)	Operational
4A	Finishing and refit of superyachts (addition of 'Superyacht Hall')	Operational
5	Repair of small ships (< 20,000 dwt)	Operational
6	Production and maintenance of FRP vessels	Engineering Stage

NAKILAT PTF ACHIEVEMENTS 2012

Phases Operated by NDSQ

In Q4 2012, PTF commenced commissioning and handover to NDSQ of Phase 4A, which is intended for the finishing and refit of high-value vessels, including superyachts. The main hall is 180m long x 70m wide x 50m high, divided into two separate bays and has adjacent support facilities, paint shop and store. Temperature and humidity of the entire facility will be controlled from an 'Energy Centre', which houses a chiller system with a 17.5MW cooling capacity. This facility is the most advanced of its type worldwide.

Simaisma *in dry dock at N-KOM*

Phases Operated by N-KOM

Also in Q4 2012, PTF completed construction and hand-over of Phase 5 to N-KOM. This phase is dedicated to the repair of small vessels of up to 120m overall length. With a floating dock of 6,250 tonnes lift capacity, as well as two mobile boat hoists, capable of lifting vessels of up to 1,100 tonnes displacement, Phase 5 will be able to cater for all types of small craft. With the addition of Phase 5, which is fully integrated with Phases 1 and 2, N-KOM is now able to undertake repair and conversion work on all sizes and types of vessels.

By late 2014, Phase 2A will also be added to N-KOM's operations, the centerpiece of which will be one of the world's largest floating docks, some 405m in length, with a lift capacity of approximately 120,000 tonnes.

Other Phases

Phase 3 is currently at the feasibility study stage – it will concentrate on fabricating structures such as jackets, modules and topsides facilities for oil and gas developments.

Currently undergoing engineering, Phase 6, for the construction and maintenance of FRP boats, will cater for smaller craft, ranging from water taxis, to pleasure craft, as well as commercial and coastal defense vessels.

N-KOM's dry docks at Erhama Bin Jaber Al Jalahma Shipyard

N-KOM's ship repair facilities in May 2012

NAKILAT-KEPPEL OFFSHORE & MARINE (N-KOM)

N-KOM OVERVIEW

Area of yard: 50.8 hectares.

Facilities (Phases 1 & 2): Two dry docks (360m x 66m and 400m x 80m); piers and quays totaling 2,550m in length, equipped with cranes of 100m outreach (for the double banking of Q-Max / very large crude carrier (VLCC) sized vessels); a complete range of support facilities, such as steel shop, machine shop, electrical shop, pipe shop, mechanical shop and large stores. The addition of a Handymax floating dock (220m x 38m) with 20,000 tonnes lift capacity is planned for 2015.

Activities: N-KOM focuses on the repair, maintenance and conversion of large / medium sized ships and offshore structures, such as jack-up drilling rigs.

N-KOM collects Lloyd's List's Shipyard of the Year Award

Accreditations: ISO 9001; OHSAS 18001; ISO 14001; ASME Certification Audit for Pressure Vessels Certification; ASME Stamps U, U2, S and PP; National Board R Stamp for Repair of Pressure Vessels; API Spec Q1, 2B, 4F, API ISO/TS 29001 and API ISO 9001.

Ownership: N-KOM is owned 79 per cent by Nakilat, 20 per cent by KS Investments Ltd., a wholly-owned subsidiary of Keppel Offshore & Marine, and one percent by QP.

N-KOM 2012 ACHIEVEMENTS

During 2012, N-KOM's achievements included the following:

- Dry-docking of seven LNG carriers, in May 2012, for works which included the overhauling of the main engine, valves, pumps and other general repairs and maintenance.
- Shipyard of the Year Award, in October 2012, at the Lloyd's List Middle East and Indian Subcontinent Awards.
- Ship Repair/Shipyard Award, in November 2012, at the Seatrade Middle East and Indian Subcontinent Awards 2012.
- Establishment of three exclusive fleet agreements, in addition to the existing nine exclusive fleet agreements with major shipping companies.
- Award of its first contract for the repair of a land rig, *Rig 803*, from Weatherford Drilling.
- Certification by the American Petroleum Institute (API) for the following: Q1, 2B, 4F, API ISO/TS 29001 and API ISO 9001.
- Certification by the American Society of Mechanical Engineers (ASME) for the following: U, U2, S, PP and National Board 'R' Stamps.
- Successful completion of its ninth LNG carrier silencer replacement.
- Steel fabrication work exceeding 14,000 tonnes.
- Establishment of partnerships with key service providers such as GazTransport & Technigaz (GTT) and Chalmers.
- Establishment of memorandums of understanding (MoUs) with key designers to enhance its offshore and onshore service offerings for land rigs and drilling packages.
- Collaboration with key partners to offer Engineering, Procurement and Construction (EPC) services to the oil and gas industry.
- To date, milestone projects include the dry-docking and repairs of Q-Max and Q-Flex LNG carriers, LPG carriers, the conversion of a drilling rig to an accommodation rig, a new-build barge, global acoustic testing for LNG carriers, servicing of the compander of reliquefaction plants onboard LNG carriers, fitting of a boil-off gas (BOG) cooler and the complete overhaul of a set of dual fuel diesel electric (DFDE) propulsion systems.
- N-KOM has now successfully completed repairs on over 100 vessels of various types for the marine and offshore industry, including more than 50 LNG carriers.

Jack-up rig Zikreet in the dry dock at N-KOM

Mooring boats built by NDSQ on sea trials

NAKILAT DAMEN SHIPYARDS QATAR (NDSQ)

NDSQ OVERVIEW

Area of yard: 18 hectares.

Facilities (Phase 4): Construction hall of 270m in length by 65m wide; assembly hall of 180m in length consisting of four bays; outfitting pier of 400m in length equipped with a 30 tonne crane; LOR barge with 10,500 tonnes lifting capacity; workshops, stores and other support facilities.

Activities: NDSQ focuses on the construction of steel, aluminum and fiber reinforced plastic (FRP) boats of up to 170m in length. Its production capability includes a wide range of commercial vessels, such as tugs, offshore supply boats and cargo vessels, naval vessels and superyachts. Refit of superyachts and naval vessels can also be undertaken by the company.

Accreditations: ISO 9001-2008

Ownership: NDSQ is owned 70 per cent by Nakilat and 30 per cent by Damen Shipyards Group of the Netherlands.

NDSQ 2012 ACHIEVEMENTS

During 2012 NDSQ achieved the following:

- Construction completed of NDSQ's first and biggest vessel — the 140m LOR barge, in September 2012, which was officially inaugurated and named by HE Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry, in January 2013. The 10,500-tonne lift capacity barge was built entirely at Erhama Bin Jaber Al Jalahma Shipyard and is, by far, the largest vessel constructed in Qatar to date. The barge now forms part of the shipyard's infrastructure. It will be used to launch further vessels built at the yard and to recover and re-launch ships visiting the shipyard for refit.
- Launch of the first three mooring boats, in November 2012, from the 19-vessel order the company is working on for Milaha and QP's Port of Mesaieed. The three 18m-long vessels were built entirely at Erhama Bin Jaber Al Jalahma Shipyard and are the first commercial vessels to be launched by NDSQ.


A vessel from NSW's fleet

MARINE SERVICES

At the Port of Ras Laffan, Nakilat offers a comprehensive range of marine services to vessels operating in Qatari waters and for those calling at the port. These services were established to provide an integrated solution for ships requiring supplies and amenities in a cost effective and timely manner.

NAKILAT AGENCY COMPANY (NAC)

NAC is the appointed agent for the Port of Ras Laffan. The company was founded in May 2005 and is owned 95 per cent by Nakilat and five per cent by Qatar Petroleum (QP). It provides full port agency services to all local and international ships calling at the port, attending to all port and regulatory matters to ensure the most effective turnaround of ships loading or offloading at Ras Laffan. Services provided by NAC include the collection of port fees, crew changeover arrangements and cargo documentation. The company deals with an average of 3,400 vessel calls per annum.

VESSEL SUPPORT SERVICES

Nakilat's Vessel Support Unit offers a complete range of support services to all ships, both local and international, operating in Qatari waters. These services include the provision of essential material supplies, liaising and coordinating repair services from third party specialists, providing warehouse capacity for short and long term storage of ship spares and a 24-hour delivery service. The Vessel Support Unit is a maritime solution provider in Qatar, meeting ships' needs to maintain operations and obtain required provisions in a timely and efficient manner to ensure minimal disruption to demanding voyage schedules.

NSW

NAKILAT SVITZERWIJSMULLER (NSW)

In September 2006, NSW was created as a joint venture company owned 70 per cent by Nakilat and 30 per cent by Svitzer Middle East Ltd., part of international towage operator Svitzer. NSW owns and operates 26 vessels including tug boats, pilot boats and other harbor crafts at the Port of Ras Laffan and Halul Island. NSW offers a range of services which include towing, escorting, berthing, pilots, line boats, emergency response, buoy and hose maintenance.

NSW 2012 ACHIEVEMENTS

Management, crewing and operations of:

- Two Port of Ras Laffan security vessels
- One Port of Ras Laffan pilot vessel
- One N-KOM crew/supply tender
- One Qatar University research vessel


A NSW mooring boat at work in the Port of Ras Laffan

A pilot boat operated by NSW

SUSTAINABLE DEVELOPMENT

From Nakilat's inception, sustainable development has been and continues to be a core value that has guided our company's success in support of Qatar's LNG value chain, and in diversifying the economy with the creation of a new marine industry at Erhama Bin Jaber Al Jalahma Shipyard.

We continue to shape our corporate culture around the concept of sustainable development, making it a priority in everything we do.

Employees at Nakilat's head office celebrate Qatar National Day

In 2012, we confirmed our commitment to our corporate social responsibility by participating for the second year running in Qatar's Sustainable Development Industry Report, published by the HSE Regulations and Enforcement Directorate (DG), which summarizes the priorities and progress of Qatar's Energy and Industry Sector.

Further, and in line with our own strategic corporate goals and the State of Qatar's development goals as defined in the Qatar National Vision 2030 (QNV 2030), in this report Nakilat has defined its contribution to Qatar's sustainable development under four development pillars: Human; Social; Economic; and Safety, Health, Environment and Quality.

Here we detail our sustainable development achievements for 2012 in accordance with these development pillars, which are based upon those outlined in the QNV 2030.

Nakilat participates in outreach programs at local schools and universities

HUMAN DEVELOPMENT

Key indicators: an educated employee population; a healthy and safe workforce — both physically and mentally; highly motivated employees

Nakilat's 2012 achievements:

- Four young Qataris became the first sea cadets to sign up for Nakilat's Marine Cadet Program, making history for Qatar's shipping industry.
- Nakilat recruited 20 Qataris. At the end of 2012, Nakilat's Qatarization rate was 17% — a 139% increase on 2010. At the close of 2012, Nakilat had 43 Qatari employees, compared to 26 at the close of 2011 — a 65% increase.
- Visits to schools and universities were conducted by representatives from Nakilat and its joint venture companies to bring awareness of Qatar's rapidly expanding marine industry and the associated opportunities for new Qatari graduates and students. This was further highlighted by Nakilat and its joint venture companies' ongoing participation at the annual Qatar Career Fair.
- Employees from Nakilat and its joint ventures took part in inter-company sporting competitions, involving both cricket and football.
- In August, Nakilat organized its first Garangao children's party, using the occasion to foster appreciation of local Qatari tradition and to encourage Nakilat staff and their families to form stronger bonds with one another.
- In September, Nakilat held a series of sessions to promote cancer awareness among its staff, inviting Qatar Cancer Society to share information about cancer prevention and detection with employees.
- In December, several days of festivities in the office involving traditional Qatari food, drinks, music and decorations marked Qatar's National Day, which was enjoyed by staff members from Qatar and around the world.

Employees' families enjoyed Nakilat's traditional garangao celebration

SOCIAL DEVELOPMENT

Key indicators: social care and protection; a sound social structure; international cooperation

Nakilat secures financing for Gulf LPG

Nakilat's 2012 achievements:

- Qatarization at Nakilat has fostered international cooperation between local and expat employees, as well as bringing social benefits to the local community.
- Nakilat encouraged awareness of its activities among local young people by promoting a competition to win a MacBook Pro during educational outreach events in 2012. The competition prize was awarded to a Qatari recently graduated from Carnegie Mellon University.
- In September 2012, NDSQ completed construction of the 140m load-out and recovery (LOR) barge with a safety record of zero lost time incidents (LTIs) throughout the project.

ECONOMIC DEVELOPMENT

Key indicators: sound economic management; responsible exploitation of oil and gas; suitable economic diversification

Nakilat's 2012 achievements:

- The second full year of operation for Nakilat joint venture companies N-KOM and NDSQ at Erhama Bin Jaber Al Jalahma Shipyard — diversifying Qatar's economy with development of an industrial marine sector.
- In June 2012 Nakilat assumed full responsibility for the technical management and operations of its four very large LPG carriers, a step towards Nakilat's long-term goal of fully managing and operating all its wholly-owned vessels through its NSQL subsidiary.
- In August 2012 Nakilat successfully closed US $380 million of Islamic Murabaha financing with Qatar International Islamic Bank (QIIB) and Qatar Islamic Bank (QIB).
- In September 2012 NDSQ completed construction of the first ever vessel to be built entirely at Erhama Bin Jaber Al Jalahma Shipyard: the 140m LOR barge. The official inauguration and naming of the barge by HE Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry, took place in January 2013. The LOR barge's completion marked a milestone for the development and diversification of Qatar's domestic industrial capabilities.
- In November 2012 NDSQ launched the first three mooring boats built at Erhama Bin Jaber Al Jalahma Shipyard for Milaha and Qatar Petroleum's (QP) Port of Mesaieed. The launch of NDSQ's first three commercial vessels marked yet another landmark in the development of Qatar's marine industry.
- In December 2012, Gulf LPG Transport Company, the LPG shipping company owned jointly by Nakilat and Milaha, secured financing amounting to US $200 million from Qatar National Bank (QNB) in a deal brokered by Nakilat.
- By the end of 2012, N-KOM had successfully completed repairs on over 100 vessels of various types for the marine and offshore industry, including more than 50 LNG carriers.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) DEVELOPMENT

Nakilat's 2012 achievements:

Fleet

- Nakilat Fleet (LNG / LPG) achieved Lost Time Injury Frequency (LTIF) of 0.48 and a Total Recordable Case Frequency (TRCF) of 1.13 during the first three quarters of 2012, which is below industry average (2011 data) LTIF of 1.03 and TRCF of 2.22.
- All Nakilat vessels comply with the latest Best Management Practices for anti-piracy. Protective measures are employed on board all Nakilat vessels to afford the best levels of security for the vessels when they transit the piracy High Risk Areas (HRAs). These measures include the provision of on board security teams, whenever permitted by the vessels' flag states. The company maintains close links with security agencies such as the US Coast Guard (USCG) Maritime Liaison office and the Royal Navy UK Maritime Trade Operations (UKMTO) to remain abreast of the latest piracy intelligence information. Vessels are briefed about the security situation prior entry into the HRA. Nakilat has employed a system to get real time intelligence updates, which allows rapid dissemination of information to the ships, thereby increasing their preparedness.
- Related to the successful transition of technical management of Nakilat's four jointly owned very large LPG vessels to Nakilat's in-house ship management company, NSQL, the company received the International Safety Management (ISM) Document of Compliance on 12th July 2012, which certifies NSQL as an operator of gas vessels. All vessels have undergone internal and external audits and received full term ISM and International Ship and Port Facility Security Code (ISPS) certification in November 2012.
- Nakilat continues to work closely with stakeholders to pursue superior safety, health and environmental performance. Nakilat has initiated a series of meetings with Nakilat

HE Dr Al-Sada visits Erhama Bin Jaber Al Jalahma Shipyard companies and identified appropriate benchmarks allowing consistent performance evaluation. Uniform reporting of safety, health and environmental performance data across Nakilat companies has been achieved.

- Nakilat continues its engagement with its charterers, Qatargas and RasGas, in a study to determine if its ships can be refitted to use LNG as fuel, which could provide operational, environmental and economic benefits to the fleet. If approved, this significant investment could yield important economic and ecological benefits to the company.

Reporting and Auditing

- Nakilat's Quality and Occupational Health and Safety management systems were certified as compliant with the ISO 9001:2008 and OHSAS 18001:2007 standards, by Lloyd's Register Quality Assurance (LRQA) in April 2011. Since then the company has conducted three internal audits, including two in 2012. The third external surveillance audit by LRQA was also carried out in 2012. The company achieved good results in both the internal and external audits, with a few minor non-conformances. The company continues its efforts to mature the management systems to ensure consistent results are achieved in the pursuit of the company's Vision and Mission statements.
- Nakilat submitted its Second Annual Sustainability Report to the QP HSE Department. Nakilat received a Certificate of Appreciation from HE Dr. Mohammed Saleh Al-Sada, Minister of Energy and Industry, for participating in the Sustainable Development Industry Reporting Initiative. Nakilat was one of only 17 companies in Qatar to receive this award.
- Nakilat has concluded a gap analysis for attaining accreditation for ISO 14001: Environmental Management Systems. ISO 14001 Accreditation for QGTC and NSQL will be initiated in 2013 for certification by the end of that year.
- Nakilat has initiated a series of audits of joint-venture vessel operating companies as part of Nakilat's quality assurance program.
- Nakilat has successfully concluded a first external management review conducted by Shell. This is essential for NSQL vessels to be continued to be employed by Shell for charter business.

The naming ceremony of three mooring vessels at NDSQ

NAKILAT ناقلات

Drills and Training

- Nakilat has continuously improved its Emergency Response capability with ongoing reviews of the Emergency Response Plan and from lessons learned following regular Emergency Response Drills involving Nakilat vessel operators, STASCO, and joint-venture owners Maran Gas, OSG and Teekay and charterers Qatargas and RasGas.
- Four full mobilization emergency response drills were conducted in 2012 involving different parts of the company to test emergency preparedness and response capabilities. Nakilat also was closely involved in the planning, coordination and execution of the nationally significant emergency exercise Sea Hawk in early 2012.
- Recognizing the risk posed on the roads, Nakilat is developing a program of defensive driving training for all staff to enhance their safety awareness on the roads.
- A training and educational software program has been purchased to provide an interactive means of delivering SHEQ training modules by the SHEQ department. A pilot training session was conducted in late 2012, with a participation of 65% of the total Nakilat employees, which received much positive feedback.

Communications

- Nakilat has established robust communication links with QP's industrial security, UKMTO, USCG Marine Liaison Officer (MARLO), International Maritime Bureau (IMB), and stakeholder company security departments. Nakilat have been closely involved in significant investigations, in order to enhance safety awareness and foster best practice sharing.
- Nakilat has employed the Q-Tel messaging service as a flexible platform to communicate important safety related messages rapidly on their mobile phones. These messages include alerts regarding weather conditions, emergencies and road traffic conditions.

Mooring boats built at Erhama Bin Jaber Al Jalahma Shipyard

NAKILAT ناقلات

Qatar Gas Transport Company Ltd. (Nakilat) (QSC)

Consolidated Financial Statements for the Year Ended December 31, 2012

Contents

Independent Auditor's Report

To
The Shareholders
Qatar Gas Transport Company Limited (Nakilat) Q.S.C.
Doha
State of Qatar

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Qatar Gas Transport Company Limited (Nakilat) Q.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the Directors for the Consolidated Financial Statements

Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanation which we considered necessary for the purpose of our audit. The Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith and the physical count of the inventories was carried out in accordance with the established principles. We reviewed the report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Group. We are not aware of any violations of the provisions of Qatar Commercial Companies Law No 5 of 2002, or the terms of the Company's Articles of Association having occurred during the year which might have had a material adverse effect on the business of the Company or its consolidated financial position as of December 31, 2012.

March 10, 2013
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditors' Registry Number 251

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Non-Current Assets:			
Property and equipment	4	**25,192,056**	25,751,167
Investment in joint venture companies	5	**2,018,819**	1,809,991
Loans to joint venture companies	6	**1,084,733**	1,118,524
Available-for-sale-investments	7	**145,036**	126,675
Total Non-Current Assets		**28,440,644**	28,806,357
Current Assets:			
Inventories		**25,052**	1,079
Trade and other receivables	8	**321,716**	342,025
Due from joint venture companies	17(b)	**9,506**	21,889
Cash and bank balances	9	**2,095,928**	2,236,538
Total Current Assets		**2,452,202**	2,601,531
Total Assets		**30,892,846**	31,407,888

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	December 31, 2012	December 31, 2011
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	**5,538,456**	5,538,449
Legal reserve	11	**331,554**	255,004
Fair value reserve		**98,568**	80,207
Translation reserve		**28,626**	28,626
Proposed cash dividend	10.1	**554,026**	470,922
Retained earnings		**1,044,219**	928,433
Equity before hedging reserve and non-controlling interests		**7,595,449**	7,301,641
Hedging reserve	12	**(5,836,454)**	(5,843,176)
Equity after hedging reserve and before non-controlling interests		**1,758,995**	1,458,465
Non-Controlling Interests		**5,836**	5,303
Non-Current Liabilities:			
Borrowings	13	**23,117,905**	23,803,146
Fair value of interest rate swaps	14	**4,814,759**	4,830,831
Provision for employees' end of service benefits		**14,665**	11,702
Total Non-Current Liabilities		**27,947,329**	28,645,679
Current Liabilities:			
Borrowings	13	**822,213**	977,546
Accounts payable and accruals	15	**356,783**	320,895
Due to joint venture companies	17(b)	**1,690**	-
Total Current Liabilities		**1,180,686**	1,298,441
Total Equity and Liabilities		**30,892,846**	31,407,888

These consolidated financial statements were approved by the Board of Directors and were signed on its behalf by the following on **March 10, 2013**.

Hamad Rashid Al Mohannadi	**Khaled Bin Khalifa Al Thani**	**Muhammad Ghannam**
Chairman	**Vice Chairman**	**Managing Director**

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Income:			
Revenue from wholly owned vessels		**3,005,870**	3,005,095
Share of profits from joint ventures	**5**	**253,654**	271,930
Income from marine and agency services		**39,440**	38,813
Interest income on loans to joint ventures	**17**	**24,344**	20,148
Interest, dividend and profit from Islamic banks		**24,016**	23,660
Vessels sub-chartering and other income		**72,931**	60,112
Total Income		**3,420,255**	3,419,758
Expenses:			
Operating costs		**(621,657)**	(571,855)
General and administrative		**(71,230)**	(49,690)
Depreciation of property and equipment	**4**	**(593,861)**	(591,600)
Finance charges		**(1,386,977)**	(1,396,194)
Total Expenses		**(2,673,725)**	(2,609,339)
Profit from operations		**746,530**	810,419
Gain on derivative instruments from a joint venture	**5**	**19,502**	22,687
Profit for the year		**766,032**	833,106
Attributable to:			
Owners of the Company		**765,499**	832,566
Non-controlling interests		**533**	540
Total		**766,032**	833,106
Basic and diluted earnings per share (expressed in QR per share)	**19**	**1.38**	1.50

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Profit for the year		**766,032**	833,106
Other comprehensive income			
Changes in fair value of available-for-sale investments	**7**	**18,361**	(3,298)
Changes in fair value of cash flow hedging derivatives		**55,005**	(2,002,861)
Group's share of joint ventures' changes in fair value of cash flow hedging derivatives		**(48,283)**	(355,407)
Total comprehensive income for the year		**791,115**	(1,528,460)
Total comprehensive income for the year attributable to:			
Owners of the Company		**790,582**	(1,529,000)
Non-controlling interests		**533**	540
Total		**791,115**	(1,528,460)

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Share Capital	Legal Reserve	Fair Value Reserve	Translation Reserve	Proposed Cash Dividend	Retained Earnings	Equity Before Hedging Reserve and Non-Controlling Interests	Hedging Reserve	Non-Controlling Interests
Balance as of January 01, 2011	5,538,003	171,747	83,505	28,626	415,520	671,239	6,908,640	(3,484,908)	4,763
Profit for the year 2011	-	-	-	-	-	832,566	832,566	-	540
Other comprehensive income for the year 2011									
-Changes in fair value of available- for- sale investments	-	-	(3,298)	-	-	-	(3,298)	-	-
-Changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(2,002,861)	-
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	-	-	-	-	-	-	-	(355,407)	-
Total comprehensive income for the year 2011	-	-	(3,298)	-	-	832,566	829,268	(2,358,268)	540
Transfer to legal reserve	-	83,257	-	-	-	(83,257)	-	-	-
Additional payment for social & sports fund contribution 2010	-	-	-	-	-	(379)	(379)	-	-
Social and sports fund contribution 2011 (note 16)	-	-	-	-	-	(20,814)	(20,814)	-	-
Dividend paid for 2010	-	-	-	-	(415,520)	-	(415,520)	-	-
Proposed cash dividend for 2011	-	-	-	-	470,922	(470,922)	-	-	-
Capital contribution	446	-	-	-	-	-	446	-	-
Balance as of December 31, 2011	5,538,449	255,004	80,207	28,626	470,922	928,433	7,301,641	(5,843,176)	5,303
Profit for the year 2012	**-**	**-**	**-**	**-**	**-**	**765,499**	**765,499**	**-**	**533**
Other comprehensive income for the year 2012									
-Changes in fair value of available- for- sale investments	**-**	**-**	**18,361**	**-**	**-**	**-**	**18,361**	**-**	**-**
-Changes in fair value of cash flow hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,005**	**-**
-Group's share of joint ventures' changes in fair value of cash flow hedging derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(48,283)**	**-**
Total comprehensive income for the year 2012	**-**	**-**	**18,361**	**-**	**-**	**765,499**	**783,860**	**6,722**	**533**
Transfer to legal reserve	**-**	**76,550**	**-**	**-**	**-**	**(76,550)**	**-**	**-**	**-**
Social and sports fund contribution 2012 **(note 16)**	**-**	**-**	**-**	**-**	**-**	**(19,137)**	**(19,137)**	**-**	**-**
Dividend paid for 2011	**-**	**-**	**-**	**-**	**(470,922)**	**-**	**(470,922)**	**-**	**-**
Proposed cash dividend for 2012	**-**	**-**	**-**	**-**	**554,026**	**(554,026)**	**-**	**-**	**-**
Capital contribution	**7**	**-**	**-**	**-**	**-**	**-**	**7**	**-**	**-**
Balance as of December 31, 2012	**5,538,456**	**331,554**	**98,568**	**28,626**	**554,026**	**1,044,219**	**7,595,449**	**(5,836,454)**	**5,836**

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

	Note	For the year ended December 31, 2012	For the year ended December 31, 2011
Cash Flows from Operating Activities:			
Profit for the year		**766,032**	833,106
Adjustments for:			
Depreciation of property and equipment	**4**	**593,861**	591,600
Finance charges		**1,386,977**	1,396,194
Loss on disposal of property and equipment		**-**	1,082
Share of profits from joint ventures	**5**	**(253,654)**	(271,930)
Gain on derivative instruments from a joint venture	**5**	**(19,502)**	(22,687)
Interest income on loans to joint ventures	**17**	**(24,344)**	(20,148)
Interest, dividend and profit from Islamic banks		**(24,016)**	(23,660)
Vessels sub-chartering and other income		**(72,931)**	(60,112)
Provision for doubtful receivables		**-**	787
Provision for employees' end of service benefits		**4,150**	3,619
		2,356,573	2,427,851
Working Capital Changes:			
Inventories		**(23,973)**	(1,079)
Trade and other receivables		**18,901**	(96,824)
Accounts payable and accruals		**(12,617)**	86,484
Due from joint venture companies		**9,119**	7,204
Due to joint venture companies		**1,690**	-
Cash generated from operations		**2,349,693**	2,423,636
Finance charges paid		**(1,386,757)**	(1,392,264)
Employees' end of service benefits paid		**(1,187)**	(656)
Net Cash From Operating Activities		**961,749**	1,030,716
Cash Flows from Investing Activities:			
Loans to joint venture companies-net		**(37,661)**	(9,077)
Refund of investment in a joint venture company		**15,964**	-
Dividend income received from joint ventures	**5**	**110,467**	174,612
Acquisition of property and equipments	**4**	**(34,750)**	(5,798)
Sale proceeds from disposal of property and equipment		**-**	25
Investment income received		**125,963**	104,923
Net Cash From Investing Activities		**179,983**	264,685
Cash Flows from Financing Activities:			
Proceeds from issue of share capital		**7**	446
Dividend paid to shareholders		**(433,397)**	(399,943)
Unpaid dividend transferred to separate bank account		**(43,474)**	(26,499)
Additional payment for social & sports fund contribution 2010		**-**	(379)
Proceeds from borrowings		**1,383,781**	112,887
Repayments of borrowings		**(2,215,666)**	(885,540)
Costs incurred for Islamic financing		**(10,619)**	-
Net Cash Used in Financing Activities		**(1,319,368)**	(1,199,028)
Net (Decrease) / Increase in Cash and Cash Equivalents		**(177,636)**	96,373
Cash and Cash Equivalents at Beginning of the Year		**2,186,672**	2,090,299
Cash and Cash Equivalents at End of the Year	**9.1**	**2,009,036**	2,186,672

The accompanying notes 1-24 form an integral part of these consolidated financial statements.

1. *Reporting Entity:*

Qatar Gas Transport Company Limited (Nakilat) (QSC) ("QGTC" or "the Company'') is a Public Shareholding Company, incorporated in the State of Qatar on June 9, 2004, under Commercial Registration Number 28566 in accordance with Article No. 68 of the Qatar Commercial Companies Law No. 5 of year 2002. The approval for the formation of the Company was made under decision No. 70 of the Ministry of Business and Trade. The Company is governed by its Memorandum and Articles of Association and Qatar Commercial Companies Law No. 5 of 2002. The shares of the Company started trading in the Qatar Exchange on April 7, 2005.

The main purpose of the Company is to work in the industry of gas transport either through direct acquisition of ocean going vessels or by investing in joint ventures with other parties.

The Company operates either directly or through its subsidiaries and joint venture companies (collectively referred to as the **"Group"**). The operations of the Group are conducted within the economic environment in the State of Qatar.

Although mostly the joint venture entities are located abroad, their trading activities are mainly derived from contracts with local companies in Qatar. The Group can be therefore viewed to provide services within the same economic environment and subject to the same economic risk.

2. *Adoption of New and Revised Standards:*

2.1 *New standards, amendments and interpretations effective from 1 January 2012*

The following standards, amendments and interpretations, which became effective as of 1 January 2012, are relevant to the Group:

a) IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.
The adoption of this amendment had no significant impact on the consolidated financial statements.

b) Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were no significant changes to the current accounting policies of the Group as a result of these amendments.

2.2 *New standards, amendments and interpretations issued but not yet effective*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below.

a) IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning after 1 July 2012 with an option of early application.

The Group is not expecting a significant impact from the adoption of this amendment.

2. *Adoption of New and Revised Standards (continued)*

2.2 *New standards, amendments and interpretations issued but not yet effective*

b) IAS 19 – Employee benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

The Group is not expecting a significant impact from the adoption of this amendment.

c) IAS 28 (2011) – Investment in Associates and Joint ventures

IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments;

- *Associates held for sale:* IFRS *5 Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the entity applies the equity method until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture, and
- On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied retrospectively.

The Group is not expecting a significant impact from the adoption of this amendment.

d) IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

2. *Adoption of New and Revised Standards (continued)*

2.2 *New standards, amendments and interpretations issued but not yet effective*

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Given the nature of the Group's operations, this standard is not expected to have a significant impact on the Group's financial statements.

e) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

f) IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The standard is effective for annual periods beginning on or after 1 January 2013.

The IASB published Investment Entities (Amendments to IFRS 10 and IFRS 12), which grants certain relief from consolidation to investment entities. It requires qualifying investment entities to account for investment in controlled investees on a fair value basis. The effective date is annual periods beginning on or after 1 January 2014, but early adoption is permitted to enable alignment with the adoption of IFRS 10.

g) IFRS 11 – Joint Arrangements

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The standard is effective for annual periods beginning on or after 1 January 2013.

The Group is not expecting a significant impact from the adoption of this standard as Investment in joint ventures is already accounted as per equity accounting.

h) IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group is currently assessing the disclosure requirements for interests in subsidiaries and joint ventures in comparison with existing disclosures.

2. *Adoption of New and Revised Standards (continued)*

2.2 *New standards, amendments and interpretations issued but not yet effective*

i) IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

2.3 Early Adoption of Standards

The Group did not early adopt new or amended standards/interpretations in 2012.

3. *Basis of Preparation and Significant Accounting Policies:*

3.1 *Basis of Preparation*

a) *Statement of compliance*

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB).

b) *Basis of measurement*

These consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and cash flow hedging derivatives which are carried at fair value.

c) *Functional and presentation currency*

The consolidated financial statements are presented in Qatari Riyals, which is the Company's functional currency. All financial information presented in Qatari Riyals has been rounded to the nearest thousands, except when otherwise indicated.

d) *Use of estimates and judgments*

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in **note 23** to these consolidated financial statements.

(Amount Expressed in Thousands of Qatari Riyals)

3 *Basis of Preparation and Significant Accounting Policies (continued)*

3.2 *Significant Accounting Policies*

The following significant accounting policies have been applied in the preparation of these consolidated financial statements.

a) *Basis of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) and its share of movements in equity of joint venture entities collectively referred to as the "Group". Refer to **notes no. 5 and 18** for details.

i) *Investment in Subsidiary Companies*

A subsidiary is an entity where the parent can exercise control. Control is achieved where the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances and any unrealized income and expenses are eliminated in preparing the consolidated financial statements.

ii) *Investment in Joint Venture Companies*

A joint venture is a contractual arrangement whereby the Group and the other parties undertake an economic activity that is subject to joint control. Joint Venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method.

Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture entity less impairment in value of individual investment.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

b) *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognized in consolidated profit or loss as the expense is incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in consolidated profit or loss in the year the asset is derecognized.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

3 *Basis of Preparation and Significant Accounting Policies (continued)*

3.2 *Significant Accounting Policies (continued)*

b) *Property and Equipment (continued)*

Depreciation is charged following the straight-line method over the estimated useful lives of the related assets as follows:

Vessels	2.5%
Building	20%
Computer equipment	33.33%
Plant equipment	20%
Office equipment	15%
Telecom equipment	20%
Furniture and fixtures	15%
Vehicles	20%
SAP	20%
Dry docking costs	20%

c) *Borrowing costs*

Borrowing costs are finance and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition and construction of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interest income earned on the temporary investment of the borrowings pending their expenditure on the qualifying assets is deducted from the borrowing costs eligible for capitalization. All the other borrowing costs are charged to profit or loss.

d) *Financial Instruments*

Financial instruments represent the Group's financial assets and liabilities. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial instruments also include commitments not recognized but adequately disclosed in the respective notes to the consolidated financial statements.

Non-derivative financial assets and liabilities

Non-derivative financial assets include available-for-sale investments, trade and other receivables, due from joint venture companies and cash and bank balances. Non derivative financial liabilities comprise accounts payable and accruals, borrowings and due to related parties.

i) *Available-for-Sale Investments*

Available-for-sale investments are non-derivative financial assets that are designated as available for sale and are not classified as an investment at fair value through profit or loss or held to maturity or loans or receivables. Available-for-sale investments are equity securities and are initially recognised at cost, being the fair value of the consideration given plus any directly attributable transaction costs. After initial recognition, they are remeasured at fair value. Unrealised gains and losses are recognized in other comprehensive income and presented as a separate component of equity until the investment is disposed of or the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated profit or loss for the year.

For investments traded in active markets, fair value is determined by reference to quoted market bid prices at the close of business on the date of the statement of financial position.

ii) *Trade and Other Receivables*

Trade receivables are stated at original invoice amount less provisions for amounts estimated to be doubtful receivables. An estimate of doubtful receivables is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant Accounting Policies (continued)

d) Financial Instruments (continued)

iii) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, current and call accounts with banks and bank deposits having maturities of less than 90 days.

iv) Accounts Payable and Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

v) Interest bearing Loans and Borrowings

Interest bearing loans and borrowings are recognized initially at fair value of the amounts borrowed, less directly attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. Installments due within one year at amortized cost are shown as a current liability.

De-recognition of financial assets

A financial asset is de-recognized where:

- the right to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and
- either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated profit or loss.

e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle. Net realisable value is based on estimated replacement cost.

f) Provisions

Provisions are recognized when the Group has an obligation either legal or constructive arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

g) Employees' End of Service Benefits and Pension Contributions

Employees' end of service benefits represent terminal gratuity and are provided for services rendered based on entitlements stipulated in the employees' contracts of employment and their length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The Group has no expectation of settling its end of service benefits obligations in near term and hence classified this as a non-current liability.

Under Law No. 24 of 2002 on Retirement and Pension, contributions by the Company to a Government Fund Scheme for Qatari employees are calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to its contributions which are expensed when due and remitted to the General Retirement and Pension Authority on a monthly basis.

3. Basis of Preparation and Significant Accounting Policies (continued)

3.2 Significant Accounting Policies (continued)

h) Revenue and other income

Revenue for time charter is recognized on the accrual method in line with agreements entered into with charter parties under the operating lease as risks and rewards relating to the ownership of the vessels have not been transferred.

Revenue from marine and agency services is recognized as and when the services are rendered.

Revenue from vessel sub-chartering is recognized on the accrual basis.

Interest income is recognized on an accrual basis, taking into account the interest rate applicable and principal outstanding.

Dividend income from investments is recognized when the shareholder's right to receive payment is established.

i) Impairment

Impairment of Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognized in consolidated profit or loss. Any cumulative loss in respect of available-for-sale investments recognized previously in equity is transferred to consolidated profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized in consolidated profit or loss, whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

j) Foreign Currencies

Foreign currency transactions are recorded in Qatari Riyals at the rate of exchange prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Qatari Riyals at the rate of exchange prevailing at the year end. The resultant exchange difference is included in the consolidated profit or loss.

The individual financial statements of subsidiaries and joint ventures in the Group are presented in the currency of the primary economic environment in which they operate (functional currency). For the purpose of these consolidated financial statements, the results and financial position of each entity are expressed in the functional currency of the parent company.

The assets and liabilities of the foreign operations are expressed in Qatari Riyals using exchange rates prevailing at the reporting date. Income and expenses are translated at the average exchange rates for the year unless exchange rates fluctuated significantly during the year in which case the exchange rates at the dates of the transactions are used.

3. *Basis of Preparation and Significant Accounting Policies (continued) :*

3.2 *Significant Accounting Policies (continued)*

j) *Foreign Currencies (continued)*

Exchange differences arising, are recognized in other comprehensive income, and presented in translation reserve in equity. Such exchange differences are reclassified to consolidated profit or loss, as part of the gain or loss on disposal, in the period in which the foreign operation is disposed of.

k) *Derivative Financial Instruments and Hedging Activities*

The Group entered into a variety of derivative financial instruments to manage its exposure against adverse movement in interest rate.

Derivatives are initially recognized at fair value on the date the derivative contracts are entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has designated its interest rate swaps as hedges of the exposure to variability in cash flows (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

In circumstances where derivative financial instruments do not qualify as effective hedges, they are marked to market at each period end and changes in fair value are recorded in consolidated profit or loss.

l) *Vessels Under Construction*

Vessels under construction which include the ship builders' costs, interest capitalized and other costs relating to the vessels are initially recorded at cost. Once vessels are placed in service, the total cost is transferred to the property and equipment and depreciated to their estimated salvage value on a straight line basis over their estimated useful lives.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

4. *Property and Equipment:*

	Vessels	*Dry Docking Costs*	*SAP*	*Building*	*Equipments*	*Furniture and Fixtures*	*Others*	*Total*
Cost:								
At January 1, 2011	26,898,132	-	44,010	1,637	5,307	948	273,884	27,223,918
Additions during the year 2011	-	-	-	-	581	302	4,915	5,798
Disposal /Transfer of assets	-	-	-	(1,637)	(230)	(267)	(30)	(2,164)
At December 31, 2011	26,898,132	-	44,010	-	5,658	983	278,769	27,227,552
Additions during the year 2012	**-**	**26,225**	**-**	**-**	**537**	**-**	**7,988**	**34,750**
At December 31, 2012	**26,898,132**	**26,225**	**44,010**	**-**	**6,195**	**983**	**286,757**	**27,262,302**
Accumulated Depreciation:								
At January 1, 2011	845,449	-	15,949	457	3,453	376	20,158	885,842
Charge for the year 2011	573,506	-	8,802	273	1,007	152	7,860	591,600
Disposal of assets	-	-	-	(730)	(222)	(87)	(18)	(1,057)
At December 31, 2011	1,418,955	-	24,751	-	4,238	441	28,000	1,476,385
Charge for the year 2012	**575,077**	**1,348**	**8,802**	**-**	**595**	**142**	**7,897**	**593,861**
At December 31, 2012	**1,994,032**	**1,348**	**33,553**	**-**	**4,833**	**583**	**35,897**	**2,070,246**
Net Carrying Amount:								
At December 31, 2012	**24,904,100**	**24,877**	**10,457**	**-**	**1,362**	**400**	**250,860**	**25,192,056**
At December 31, 2011	25,479,177	-	19,259	-	1,420	542	250,769	25,751,167

(Amount Expressed in Thousands of Qatari Riyals)

5. *Investment in Joint Ventures Companies:*

	QR
Balance – January 01, 2011	2,037,987
Share of profit for the year	271,930
Gain on derivative instruments from a joint venture	22,687
Profit adjusted against loan to joint ventures	(2,405)
Share of hedging reserve for the year *	(345,596)
Dividend received	(174,612)
Balance – December 31, 2011	1,809,991
Refund of investment in a joint venture company	**(15,964)**
Share of profit for the year	**253,654**
Gain on derivative instruments from a joint venture	**19,502**
Loss adjusted against loan to joint ventures	**70,906**
Share of hedging reserve for the year *	**(8,803)**
Dividend received	**(110,467)**
Balance – December 31, 2012	**2,018,819**

* This excludes the share of losses on the hedging reserve from joint ventures amounting to a total of **QR 0.5 million** (2011: QR 9.8 million loss) adjusted against the loan to the respective joint venture and **QR 38.9 million** (2011: QR Nil) adjusted against the fair value of interest rate swaps.

Details of the Group's joint venture companies at **December 31, 2012** are as follows:

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Maran Nakilat Company Ltd.	Cayman Islands	30%	Chartering of vessels
J5 Nakilat No. 1 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 2 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 3 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 4 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 5 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 6 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 7 Ltd.	Marshall Islands	40%	Chartering of vessels
J5 Nakilat No. 8 Ltd.	Marshall Islands	40%	Chartering of vessels
Peninsula LNG Transport No. 4 Ltd.	Marshall Islands	30%	Chartering of vessels
Teekay Nakilat Corporation	Marshall Islands	30%	Chartering of vessels
Pronav:			
- Neptana Schiffsbetriebsgesellschaft mbH & Co. TS "Alexandra" KG	Germany	45%	Chartering of vessels
- Nausola Schiffsbetriebsgesellschaft mbH & Co. TS "Britta" KG	Netherlands	45%	Chartering of vessels
-Nauranto Schiffsbetriebsgesellschaft mbH & Co. TS "Gabriela" KG	Marshall Islands	45%	Chartering of vessels
-Neptora Schiffsbetriebsgesellschaft mbH & Co. TS "Julia" KG	Liberia	45%	Chartering of vessels

5. *Investment in Joint Ventures Companies (continued):*

Name of Joint Ventures	*Place of Incorporation*	*Proportion of Ownership Interest*	*Principal Activity*
Teekay Nakilat (III) Corporation **	Marshall Islands	60%	Chartering of vessels
OSG Nakilat Corporation **	Marshall Islands	50.1%	Chartering of vessels
India LNG Transport Company No. 3 Ltd.	Malta	20%	Chartering of vessels
Nakilat Svitzerwijsmuller WLL **	Qatar	70%	Chartering of vessels
Gulf LPG Transport Company WLL	Qatar	50%	Chartering of vessels
Nakilat-Keppel Offshore & Marine Ltd**	Qatar	80%	Operate and maintain the Ship Repair Yard.
Nakilat Damen Shipyards Qatar Limited**	Qatar	70%	Design, construct & operate the Ship Building Yard.

** Although the Group holds more than half of the equity shares in these entities, it does not exercise control over the entities. Decisions need unanimous consent of both parties. Consequently, the Group accounts for these as investments in joint ventures.

5.1 Summarized financial information in respect of the Group's joint venture companies are set out below:

	December 31, 2012	December 31, 2011
Total assets	**28,374,491**	28,691,796
Total liabilities	**(23,719,047)**	(24,568,556)
Net assets	**4,655,444**	4,123,240
Group's share of joint venture's net assets	**2,018,819**	1,809,991

	For the Year Ended December 31, 2012	For the Year Ended December 31, 2011
Revenue	**3,261,460**	2,980,250
Profit for the year	**702,524**	707,936
Group's share of joint venture result for the year*	**273,156**	294,617

*After making the necessary adjustments to certain joint venture financial statements to comply with the Group accounting policies.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

6. *Loans to Joint Venture Companies:*

	December 31, 2012	December 31, 2011
India LNG Transport Company No. 3 Limited **(1)**	**30,842**	33,350
Teekay Nakilat Corporation **(1)**	**48,367**	48,367
Nakilat Svitzerwijsmuller WLL **(1)**	**69,721**	77,450
Gulf LPG Transport Company WLL **(1)**	**486,442**	522,857
Nakilat-Keppel Offshore & Marine Limited **(1, 2 & 3)**	**356,588**	391,527
Nakilat Damen Shipyards Qatar Limited **(1)**	**92,773**	44,973
Total	**1,084,733**	1,118,524

(1) These interest bearing loans have been given to the joint ventures and repayment is subject to liquidity of the joint venture companies. The weighted average interest rate at **December 31, 2012** is **2.03%** (2011: 1.62%).

(2) Includes a preplacement of funds of **QR Nil** (2011: QR 30 million) for the Company's share of the joint venture capital expenditure requirements.

(3) The joint venture has obtained loans from the JV partners up till 31 December 2012 to complete the infrastructure for its state of art ship yard in the region, which is a part of the vision of State of Qatar. The joint venture is still in the initial stage of establishing itself and there is no risk of impairment or indication of impairment on this loan.

7. *Available-for-Sale Investments:*

	December 31, 2012	December 31, 2011
Balance at January 1	**126,675**	129,973
Changes in fair value	**18,361**	(3,298)
Balance at December 31	**145,036**	126,675

Available for sale investments represent investment in listed securities in the Qatar Exchange.

8. *Trade and Other Receivables:*

	December 31, 2012	December 31, 2011
Trade receivables	**22,574**	104,276
Less: Provision for doubtful receivables	**(1,345)**	(1,816)
	21,229	102,460
Accrued income	**2,697**	4,675
Other receivables*	**297,790**	234,890
Total	**321,716**	342,025

The Group has provided fully for all receivables where collection of the amount is no longer probable.

The average credit period is approximately 60 days.

* Other receivables include an amount of **QR 11.5 million** relating to the excess of dry-dock costs over the originally estimated budgeted costs for dry-docking. The Group is currently negotiating with the Charterer to recover this amount and believed of receiving it from the Charterer.

As at **December 31, 2012** the ageing of trade receivables and movement in the provision for doubtful receivables are as follows:

	December 31, 2012	December 31, 2011
(i) ***Ageing of neither past due nor impaired***		
Less than 60 days	**18,132**	100,257

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

8. *Trade and Other Receivables (continued):*	December 31, 2012	December 31, 2011
(ii) ***Ageing of past due but not impaired***		
61-90 days	**567**	143
91-120 days	**53**	404
Over 120 days	**2,477**	1,656
Total	**3,097**	2,203
(iii) ***Ageing of impaired trade receivables***		
Over 120 days	**1,345**	1,816
(iv) ***Movement in the provision for doubtful receivables:***		
Balance at the beginning of the year	**1,816**	1,029
Additional provision during the year	**-**	787
Recovery of doubtful receivables during the year	**(471)**	-
Balance at end of the year	**1,345**	1,816

9. *Cash and Bank Balances:*

	December 31, 2012	December 31, 2011
Cash on hand	**250**	247
Cash at bank-Call and current accounts	**1,447,787**	1,197,193
Cash at bank-Time deposits **(c)**	**560,999**	989,232
Other bank balances **(a)**	**22,866**	23,367
Other bank balances **(b)**	**64,026**	26,499
Total	**2,095,928**	2,236,538

The effective interest and profit rates on the time deposits varies between **0.17%** to **2.2%**(2011: 0.5% to 3%).

Cash and bank balances does not include preplacement of funds with a joint venture of **QR Nil** (2011: QR 30 million) as mentioned in **note no. 6(2).**

9.1 *Cash and Cash Equivalents:*

	December 31, 2012	December 31, 2011
Cash and bank balances	**2,095,928**	2,236,538
Less:		
Other bank balances **(a)**	**(22,866)**	(23,367)
Other bank balances **(b)**	**(64,026)**	(26,499)
	2,009,036	2,186,672

(a) Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.

(b) Cash payable to shareholders for unclaimed dividend.

(c) All time deposits have a maturity of equal to or less than 90 days.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

10. *Share Capital:*

	December 31, 2012	December 31, 2011
	Number of Shares	Number of Shares
Authorized share capital	**560,000,000**	560,000,000
Issued share capital	**554,026,360**	554,026,360
	Amount	Amount
Issued and Paid up share capital with a par value of QR 10 each	**5,538,456**	5,538,449

At **December 31, 2012**, a total of **361,566** issued shares are 50% paid (2011: 362,951 issued shares were 50% paid).

10.1 *Proposed Cash Dividend:*

The Board of Directors has proposed a cash dividend of **QR 554 million** for the current year (2011: QR 471 million) which is subject to the approval of shareholders in the Annual General Meeting. The cash dividend for 2011 was approved by the shareholders at the Annual General Meeting held on April 18, 2012.

11. *Legal Reserve:*

The Articles of Association of the Company require the Company to provide for a legal reserve at 10% of net profit for each year until it reaches 50% of paid up share capital. This reserve is not available for distribution except for circumstances specified in the Articles of Association.

12. *Hedging Reserve:*

This represents the Group's share of the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge that was recognized by one of its subsidiaries and its share from the joint venture companies.

The negative hedging reserve represents an accounting entry from the revaluation to fair value the interest rate swaps. The hedging reserve is expected to decrease over time as loans are repaid and the notional amount of the swaps decreases. The reserve on designated hedges is not expected to impact either consolidated profit or loss or retained earnings. The negative hedge reserve arises on interest rate swaps that relate to variable interest bearing loans taken to build vessels. The Group also enters into long-term time charter agreements to lock-in the future cash inflows from vessels. This strategy is expected to result in a more stable stream of cash flows in the future and minimize uncertainties associated with shipping spot rate movements or interest rate movements.

13. *Borrowings:*

These consist of the following:	**December 31, 2012**	December 31, 2011
Loan - **note (a)**	**1,383,781**	1,529,442
Senior bank facilities - **note (b)**	**13,784,580**	14,047,076
Subordinated bank facilities - **note (c)**	**1,560,398**	1,588,646
Senior bonds – Series "A" - **note (d)**	**3,095,299**	3,095,299
Subordinated bonds Series "A" - **note (e)**	**1,036,525**	1,059,936
KEXIM Facility - **note (f)**	**1,266,619**	1,424,946
KSURE Covered Facility - **note (g)**	**1,852,430**	2,066,171
Less: Issuance costs of bonds	**(29,423)**	(30,824)
Less: Costs incurred for Islamic financing	**(10,091)**	-
Total	**23,940,118**	24,780,692

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

13. *Borrowings (Continued):*

	December 31, 2012	December 31, 2011
Classified as:		
Payable within one year	**822,213**	977,546
Payable after one year	**23,117,905**	23,803,146

Note (a):
Represents USD 380 million new Islamic finance facilities obtained during the year. The repayment will begin from March 2013 and will end in September 2018. Outstanding loan facility at prior year end amounting to USD 420 million was settled during the year.

Note (b) :
Represents USD 2,115.2 million against the senior bank facility Tranche I, USD 893.6 million against the senior bank facility Tranche II and USD 776.7 million against senior bank facility Tranche III. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche III began from June 2011 and will end in June 2019.

Note (c) :
Represents USD 166.1 million against the subordinated bank facility Tranche I, USD 120.6 million against the subordinated bank facility Tranche II and USD 141.9 million against subordinated bank facility Tranche III. The repayment of Tranche I began from December 2010 and will end in December 2025. The repayment of Tranche II began from June 2011 and will end in December 2025. The repayment of Tranche III began from June 2011 and will end in June 2019.

Note (d) :
Represents the senior bonds issued under the Tranche I financing program. The repayment will begin from June 2021 and will end in December 2033.

Note (e) :
Represents the subordinated bonds issued under the Tranche I financing program. The repayment began from December 2010 and will end in December 2033.

Note (f) :
Represents KEXIM facility Tranche I. The repayment began from December 2009 and will end in December 2020.

Note (g) :
Represents USD 156.5 million against the KSURE facility Tranche I and USD 352.2 million against the KSURE facility Tranche II. The repayment of Tranche I began from December 2009 and will end in December 2020. The repayment of Tranche II began from December 2010 and will end in December 2021.

The weighted average interest rate on short/long term facilities (excluding hedge), loans and bonds as above at **December 31, 2012** is **2.6499%** (2011: 2.2960%).

The bank facilities and bonds have been used to finance the acquisition of the vessels.

The Group's obligation under the facilities is secured by a charge over the vessels and guarantees issued by each of the Company's subsidiary who have irrevocably and unconditionally guaranteed the punctual payments of the debts.

The bank facilities and bonds are further secured against accounts and all permitted investments made from the funds received against the initial draw down, shares in each of the subsidiary, all the insurance policies entered by the Company or any of the subsidiary and insurance proceeds. These are also secured by Company's right, title and interest in any contract, intercompany loans and floating charges over the Company's other assets and any other contract in which each of the subsidiary is a party .

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

13. *Borrowings (continued):*

All these securities are subject to first priority to senior debts and bonds & second priority to subordinated debts and bonds.

14. *Fair Value of Interest Rate Swaps:*

The Group has entered into interest rate swap agreements with several financial institutions. As at **December 31, 2012** the outstanding notional amount of swap agreements is **QR 14,240 million** (2011: QR 14,813 million) and net fair value is negative **QR 4,815 million** (2011: negative QR 4,831 million).

15. *Accounts Payable and Accruals:*

	December 31, 2012	December 31, 2011
Accounts payable	**97,333**	89,101
Advances from customers	**82,709**	110,080
Payable to shareholders **(1)**	**22,866**	23,367
Other accruals	**59,605**	51,034
Deferred income **(2)**	**11,107**	-
Social and sports fund contribution **(note 16)**	**19,137**	20,814
Dividend payable	**64,026**	26,499
Total	**356,783**	320,895

(1) Cash payable to shareholders for unclaimed proceeds of their shares auctioned related to the second IPO call.
(2) This is relating to the excess of dry dock costs over the originally estimated budgeted costs for dry docking. This will be amortized over the life of the dry docking costs.

16. *Social and Sports Fund Contribution:*

Qatar Law no. 13 of 2008 requires Qatari listed shareholding companies with IPO to pay 2.5% of net profit to a social and sports fund. In pursuant to this Law and further clarifications for the Law issued in 2010, the Group has made an appropriation of **QR 19,137** thousands representing 2.5% of the net consolidated profit of the Group for the year ended **December 31, 2012** (December 31, 2011: QR 20,814 thousand). This appropriation has been presented in the statement of changes in equity.

17. *Related Party Transactions:*

		For the year ended December 31, 2012	For the year ended December 31, 2011
(a)	Transactions with related parties during the year are as follows:		
	Loans to joint ventures (net)	**37,661**	9,077
	Interest income on loans to joint ventures	**24,344**	20,148
(b)	Balances with related parties are as follows:		
	Due from joint venture companies	**9,506**	21,889
	Due to joint venture companies	**1,690**	-
(c)	Key management compensation:		
	Compensation of key management personnel	**2,711**	2,447
	Board of Directors' remuneration accrued	**1,550**	1,550

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

18. *Subsidiaries:*

Details of the Company's subsidiaries at **December 31, 2012** are as follows:

Name of Subsidiaries	***Place of Incorporation (or registration)***	***Proportion of Ownership & Voting Interest***	***Principal Activity***
Nakilat Agency Company Limited (Q.S.C)	Qatar	95%	Agency services
Nakilat Inc.	Marshall Islands	100%	Holding Company
-Nakilat Haloul Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Umm Slal Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Bu Samra Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1694 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1695 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1696 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1697 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I 1908 Inc	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I. 1909 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat H.H.I 1910 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Al Ghuwairiya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Lijmiliya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat Al Samriya Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2264 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2265 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2266 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1726 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1751 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1752 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1753 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat S.H.I. 1754 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2283 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2284 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2285 Inc.	Marshall Islands	100%	Chartering of vessels
-Nakilat DSME 2286 Inc.	Marshall Islands	100%	Chartering of vessels
QGTC Nakilat (1643-6) Holding Corporation *	Marshall Islands	100%	Holding Company
QGTC Nakilat (2245-8) Investment Limited *	Marshall Islands	100%	Holding Company
Nakilat Marine Services Limited *	Marshall Islands	100%	Holding Company
Nakilat Shipping (Qatar) Limited	Qatar	100%	Ship Management Company
QGTC Shipping (M.I.) Inc.	Marshall Islands	100%	Shipping Company

* Shares capital in these subsidiaries was issued at no par value.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

19. *Earnings Per Share:*

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

	For the year ended December 31, 2012	For the year ended December 31, 2011
Profit for the year attributable to the owners of the Company	**765,499**	832,566
Weighted average number of shares outstanding during the year	**553,845,577**	553,844,885
Basic and diluted earnings per share (expressed in QR per share)	**1.38**	1.50

There were no potentially dilutive shares outstanding at any time during the year and hence the diluted earnings per share are equal to the basic earnings per share.

20. *Financial Risk Management:*

The Group has exposure to the following risks from its use of financial instruments:

I Market risk
II Liquidity risk
III Credit risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and internal audit activities.

I *Market Risk*

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments.

(a) *Interest Rate Risk*

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. The Group's policy is to use interest rate swap instruments on certain of its borrowings. The difference between the fixed-rate interest cost (payment) and the variable-rate interest cost (receipt) is settled periodically.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge interest rate fluctuation risk exposure. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on interest rate risk, credit risk and the use of financial derivatives. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports periodically to the Group's management that monitors risks and policies implemented to mitigate risk exposures.

(i) *Interest Rate Sensitivity Analysis*

The Group is exposed to interest rate risk on its bank balances, loans to joint ventures and borrowings. The table below demonstrates the sensitivity of the Group's profit to reasonably possible changes on the Group's profit for one year, based on the floating interest rate of financial assets and liabilities held at **December 31, 2012**.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

20. *Financial Risk Management (continued):*
I *Market Risk (continued)*
(a) *Interest Rate Risk (continued)*
(i) *Interest Rate Sensitivity Analysis (continued)*

With the exception of certain term loans amounting to **QR 14,240 million** (2011 : QR 14,813 million), which are covered by interest rate swap contracts **(Note 14)**, a portion of the Group's financial assets and liabilities as of **December 31, 2012** are exposed to interest rate fluctuations. The Group's exposure to interest rate risk and the effective interest rates on its financial assets and liabilities are summarized below:

	December 31, 2012				December 31, 2011			
	Fixed interest rate	***Floating interest rate***	***Non-interest bearing***	***Total***	*Fixed interest rate*	*Floating interest rate*	*Non-interest bearing*	*Total*
Financial assets								
Bank balances and cash	**-**	**793,785**	**1,302,143**	**2,095,928**	-	1,236,383	1,000,155	2,236,538
Loans to joint ventures	**-**	**1,084,733**	**-**	**1,084,733**	-	1,118,524	-	1,118,524
	-	**1,878,518**	**1,302,143**	**3,180,661**	-	2,354,907	1,000,155	3,355,062
Financial liabilities								
Interest bearing loans and borrowings	**4,092,310**	**5,607,504**	**-**	**9,699,814**	4,124,411	5,843,365	-	9,967,776
Interest rate swap	**14,240,304**	**-**	**-**	**14,240,304**	14,812,916	-	-	14,812,916
	18,332,614	**5,607,504**	**-**	**23,940,118**	18,937,327	5,843,365	-	24,780,692
Net financial assets/ (liabilities)	**(18,332,614)**	**(3,728,986)**	**1,302,143**	**(20,759,457)**	(18,937,327)	(3,488,458)	1,000,155	(21,425,630)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the net effect on the profit for the year ended **December 31, 2012** would be an increase / decrease by **QR 18.6 million** (December 31, 2011: QR 17.4 million).

(Amount Expressed in Thousands of Qatari Riyals)

20. ***Financial Risk Management (continued):***
I ***Market Risk (continued)***
(a) ***Interest Rate Risk (continued)***

(ii) Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Cash flow hedges

Outstanding receive floating Pay fixed contracts	*Average contracted fixed interest rate*		*Notional principal amount outstanding*		*Fair value*	
	2012	2011	**2012**	2011	**2012**	2011
	%	%	**QR (million)**	QR (million)	**QR (million)**	QR (million)
Less than 1 year	**--**	--	--	--	--	--
1 to 2 years	**--**	--	--	--	--	--
2 to 5 years	**--**	--	--	--	--	--
5 years and above	**5.58**	5.58	**14,240**	14,813	**(4,815)**	(4,831)

In addition to the above, the Group has also accounted for its share of the negative fair value of interest rate swaps relating to Joint Ventures amounting to **QR 1,061 million** as of **December 31, 2012** (2011: negative fair value of QR 1,012 million).

The interest rate swap settles semi annually. The floating rate on interest rate swaps is LIBOR. The Group will settle the difference between the fixed and floating rate on a net basis.

The majority of interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously.

(b) ***Equity price risk***

The Group is subject to equity price risk in relation to available-for-sale investments. The Group evaluates the current market value and other factors including normal volatility in share price for quoted equities and other relevant factors in order to manage its market risk.

A 10% increase or decrease in market value of the Group's portfolio of available-for-sale investments at the reporting date is expected to result in an increase or decrease of **QR 14.5 million** (2011 : QR 12.67 million) in the assets and equity of the Group.

(c) ***Currency risk***

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The significant foreign currency transactions are denominated in United States Dollar ("USD") which is pegged with the functional currency of the Company. Therefore the Management is of the opinion that the Group's exposure to currency risk is minimal.

20. ***Financial Risk Management (continued):***

II ***Liquidity Risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following are the contractual maturities of non-derivative financial liabilities including finance cost payments and excluding the impact of netting agreements, if any:

Non-Derivative Financial Liabilities

31 December 2012	**Carrying Amounts**	**Less than 1 year**	**1-5 years**	**Over 5 Years**
Borrowings	**23,940,118**	**822,213**	**3,522,149**	**19,595,756**
Accounts payable and accruals	**356,783**	**356,783**	**-**	**-**
	24,296,901	**1,178,996**	**3,522,149**	**19,595,756**

31 December 2011	Carrying Amounts	Less than 1 year	1-5 years	Over 5 Years
Borrowings	24,780,692	977,546	4,202,734	19,600,412
Accounts payable and accruals	320,895	320,895	-	-
	25,101,587	1,298,441	4,202,734	19,600,412

III ***Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and receivable from joint venture companies and bank balances.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. Credit evaluations are performed on all customers requiring credit and are approved by the Group's management.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in and outside Qatar. Given these reputation management do not expect these banks to fail on their obligations.

The Group maintains a provision for doubtful accounts receivable; the estimation of such provision is reviewed periodically and established on a case by case basis. Please refer **note 8** for trade receivables ageing.

20. *Financial Risk Management (continued):*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

	Note	Carrying amount	
		December 31, 2012	December 31, 2011
Loans to joint venture companies	6	**1,084,733**	1,118,524
Due from joint venture companies		**9,506**	21,889
Trade and other receivables	8	**321,716**	342,025
Bank balances	9	**2,095,678**	2,236,291
Total		**3,511,633**	3,718,729

Fair Value of Financial Instruments

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows quoted by the respective swap counter parties. The fair value of other financial instruments approximates their carrying value.

Fair Value of Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows.

- Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	**145,036**	**-**	**-**	**145,036**
Interest rate swaps used for hedging	**-**	**4,814,759**	**-**	**4,814,759**
31 December 2011				
Available-for-sale investments	126,675	-	-	126,675
Interest rate swaps used for hedging	-	4,830,831	-	4,830,831

21. *Capital Management:*

The Group manages its capital to ensure that it will continue as a going concern while maximizing the return to stakeholders through the optimization of invested capital. The capital structure of the Group consists of debt and equity comprising issued share capital, legal reserve, fair value reserve, non-controlling interests, hedging reserve, translation reserve and retained earnings.

Gearing ratio

The Group's management reviews the capital structure on a regular basis.

The gearing ratio at the year-end was as follows:

	Note	**December 31, 2012**	December 31, 2011
Total debt (Borrowings)	13	**23,940,118**	24,780,692
Cash and cash equivalents	9.1	**(2,009,036)**	(2,186,672)
Net debt		**21,931,082**	22,594,020

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) (QSC)
DOHA – QATAR
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Amount Expressed in Thousands of Qatari Riyals)

21. *Capital Management (continued):*

	December 31, 2012	December 31, 2011
Equity before hedging reserve and non-controlling interests	**7,595,449**	7,301,641
Add: Non-controlling interests	**5,836**	5,303
Adjusted Equity (i)	**7,601,285**	7,306,944
Net debt to adjusted equity ratio	**288%**	309%

(i) Adjusted equity includes all equity except negative cash flow hedge reserve of the Group.

22. *Commitments and Contingencies:*

(A) Swap Commitments:

The Group has entered into several interest rate swap contracts in respect of interest payable on the variable interest rate bearing loans.

(B) Guarantees and Letter of Credit:

(i) *Cross Guarantees*

The Company has issued cross guarantees to the various banks with regard to loans and interest rate swaps.

(ii) Bank Guarantees at **December 31, 2012** amounted to **QR 0.7 million** (2011: QR 0.6 million).

(iii) Letter of Credit at **December 31, 2012** amounted to **QR Nil** (2011: QR 401 million).

(iv) Letter of Guarantee at **December 31, 2012** amounted to **QR 6.5 million** (2011: QR 6.5 million).

(C) Time Charter:

The Group entered into various time charter agreements with two time charterer parties for the time charter of its vessels for an initial term of approximately 25 years from delivery date of each vessel with an option to renew.

(D) Tax Contingency:

One of the joint ventures of the Company is the lessee under finance lease arrangements for its LNG carriers. The lessor to these lease arrangements has requested the joint venture to enter into negotiations for a mutually agreed upon termination of these leases as the UK taxing authority has been advising the lessor to terminate these finance lease arrangements. The joint venture believes that the matter is at a preliminary stage and taxing authority would not be successful in this matter. If the challenge were successful, the joint venture could be subject to additional costs. The Company estimates its share of the potential exposure of these additional costs to be QR 45.3 million.

(E) Other Contingencies:

(i) One of the joint ventures of the Company has received notification from the lessor relating to the credit rating downgrade of a bank that was providing the letter of credit to the joint venture's leases. As a result, the lessor has claimed an increase to the lease rentals over the remaining term of the Leases. The joint venture is at initial stage of challenging the claim. The joint venture is also considering other options to reduce the effect of the credit rating downgrade. The Company estimates its share of the potential exposure of these additional costs to be QR 17.4 million.

(ii) The Company head chartered a LNG Vessel from Head Owners for chartering business on back to back terms with Sub Charterer who entered into a further sub charter agreement on back to back terms with Sub-Sub Charterer. During the year the Vessel was rejected by Load Port authority and the Vessel was later withdrawn by Head Owners leading to disputes under the charters. Sub-Sub charterers are claiming approximately US**$17.5 million**. In turn the Sub-charter is claiming this plus loss of profit from the Company and the Company is claiming this plus their own loss of profit against Head Owner. No defence has been served yet by Head Owner. At this early stage it is too early to fully assess the position but on the present information the Company considers that the claims and potential counterclaims they may face will probably not require an outflow of resources. Although the Company recognizes that back to back contracts are not a guarantee that a party in the middle of such a chain of contracts is immune it is more likely that either the Head Owner at the top of the chain or the Sub-sub charterer at the bottom will bear the liabilities.

23. ***Critical Accounting Estimates and Judgments:***

In application of the Group's accounting policies, which are described in **note 3** management is required to make certain judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The associated assumptions are based on factors that are considered to be relevant. Actual results may differ from these estimates. The underlying assumptions are reviewed on an ongoing basis.

The following critical judgments were made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements.

(i)Useful life of vessels:

As described in **note 3.2(b)**, the Group's management reviews the estimated useful life of the property & equipment at the end of each annual reporting period.

Management estimates the useful lives for the Group's vessels based on historical experience and other factors, including the expectation of the future events that are believed to be reasonable under the circumstances.

(ii) Impairment of receivables:

An estimate of the collectible amount of trade accounts receivable and due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis.

At the reporting date, there was no allowance for impairment of due from related parties or other receivables as the Group does not have collection concern with regards to its receivables from its related parties.

(iii)Hedge effectiveness:

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The hedge was found to be highly effective. As result, the fair value of the derivative (negative **QR 4,815 million**) is recorded in equity under hedging reserve.

(iv)Impairment of available-for-sale equity investments:

The Group treats available -for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group evaluates the investments on a case by case basis taking into account normal volatility in share price for quoted equities.

24. ***Comparative numbers:***

Certain comparative numbers have been reclassified to conform to the presentation adopted in the current year. However such reclassifications did not have any effect on the consolidated profit and consolidated equity for the comparative year.