

QATAR GAS TRANSPORT COMPANY LIMITED
(NAKILAT) Q.S.C.
DOHA - QATAR

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2006
TOGETHER WITH REVIEW REPORT

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006

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REVIEW REPORT

**TO THE SHAREHOLDERS
QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR**

We have reviewed the accompanying interim consolidated balance sheet of **Qatar Gas Transport Company Limited (Nakilat) Q.S.C.** as of June 30, 2006 and the related interim consolidated statements of income, changes in shareholders' equity and cash flows for the six month then ended. These interim condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review. The financial statements of the joint venture companies are reviewed by other auditors. These review reports were furnished to us and our report in so far as it relates to the amounts included for the joint venture companies, is based on the reports of the other auditors.

We conducted our review in accordance with **International Standard on Review Engagements 2400**. This standard requires that we plan and perform the review to obtain moderate assurance as to whether these financial statements are free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review and the review of the joint venture auditors, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with **International Accounting Standard 34**.

For **Deloitte & Touche**

**Doha - Qatar
August 14, 2006**

**Muhammad Bahemia
License No. 103**

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
DOHA – QATAR

INTERIM CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2006
(Amounts expressed in thousands of Qatari Riyals)

<u>ASSETS</u>	<u>Note</u>	<u>June 30, 2006 (Reviewed)</u>	<u>December 31, 2005 (Audited) (Restated)</u>
Current Assets:			
Bank balances and cash	5	427,384	966,891
Accounts receivable and other debit balances		43,356	16,934
Inventory		97	--
Total Current Assets		<u>470,837</u>	<u>983,825</u>
Non-Current Assets:			
Loans to joint ventures		147,117	96,968
Available-for-Sale Investments		82,468	124,774
Investments in joint ventures	6	2,152,076	1,677,000
Property and equipment	7	554	619
Capital work-in-progress	8	3,128,536	2,528
Total Non-Current Assets		<u>5,510,751</u>	<u>1,901,889</u>
Total Assets		<u>5,981,588</u>	<u>2,885,714</u>
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities:			
Loans	9	1,638,688	--
Due to related party		18	--
Accounts payable and accruals		51,569	17,098
Total Current Liabilities		<u>1,690,275</u>	<u>17,098</u>
Non-Current Liabilities :			
Loans	9	1,249,345	--
Provision for employees' end of service benefits and pension contributions		451	115
Total Non-Current Liabilities		<u>1,249,796</u>	<u>115</u>
Equity and Reserves			
Share capital		2,770,131	2,770,131
Legal reserve	10	18,589	18,589
Fair value reserve		35,624	77,930
Retained earnings		72,941	44,733
Hedging reserve		141,688	(45,177)
Equity Attributable to Equity Holders of the Parent		<u>3,038,973</u>	<u>2,866,206</u>
Minority interest		2,544	2,295
Total Equity		<u>3,041,517</u>	<u>2,868,501</u>
Total Liabilities and Equity		<u>5,981,588</u>	<u>2,885,714</u>

ABDULLAH BIN HAMAD AL-ATTIYAH
Chairman

FAISAL AL-SUWAIDI
Vice-Chairman

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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INTERIM CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts expressed in thousands of Qatari Riyals)

	<u>Six Month Period Ended June 30, 2006 (Reviewed)</u>	<u>Period from June 9, 2004 (Inception Date) to June 30, 2005 (Reviewed)</u>
Income from marine and agency services	5,800	--
Interest income	15,006	33,477
Other income	1,133	2,732
Share of income (loss) from joint ventures	14,275	(928)
General and administrative expenses	<u>(7,837)</u>	<u>(6,430)</u>
Net Profit for the Period	<u>28,377</u>	<u>28,851</u>
Attributable to:		
Equity Holders of Parent	<u>28,208</u>	<u>28,851</u>
Minority Interest	<u>169</u>	<u>--</u>
Earnings per share (Basic & Diluted)	<u>QR 0.051</u>	<u>QR 0.052</u>
Number of shares	<u>554,026,140</u>	<u>554,019,628</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts expressed in thousands of Qatari Riyals)

	<u>Share Capital</u>	<u>Legal Reserve</u>	<u>General Reserve</u>	<u>Fair Value Reserve</u>	<u>Retained Earnings</u>	<u>Hedging Reserve</u>	<u>Attributable to Equity Holders of Parent</u>	<u>Minority Interest</u>	<u>Total</u>
Capital contribution	2,770,098	--	--	--	--	--	2,770,098	--	2,770,098
Increase in fair value of available for sale investments	--	--	--	107,353	--	--	107,353	--	107,353
Excess of establishment and issuance fees over costs	--	--	13,581	--	--	--	13,581	--	13,581
Net profit for the period	--	--	--	--	28,851	--	28,851	--	28,851
Balance at June 30, 2005 – Reviewed	<u>2,770,098</u>	<u>--</u>	<u>13,581</u>	<u>107,353</u>	<u>28,851</u>	<u>--</u>	<u>2,919,883</u>	<u>--</u>	<u>2,919,883</u>
Balance at January 1, 2006 (as previously stated)	<u>2,770,131</u>	<u>18,952</u>	<u>--</u>	<u>77,930</u>	<u>47,998</u>	<u>(19,445)</u>	<u>2,895,566</u>	<u>2,295</u>	<u>2,897,861</u>
Prior Period Adjustments	--	(363)	--	--	(3,265)	(25,732)	(29,360)	--	(29,360)
Balance as on January 1, 2006 – Restated	<u>2,770,131</u>	<u>18,589</u>	<u>--</u>	<u>77,930</u>	<u>44,733</u>	<u>(45,177)</u>	<u>2,866,206</u>	<u>2,295</u>	<u>2,868,501</u>
Change in fair value of investments	--	--	--	(42,306)	--	--	(42,306)	--	(42,306)
Net movements in fair value of cash flow hedging derivatives	--	--	--	--	--	186,865	186,865	--	186,865
Net profit for the period	--	--	--	--	28,208	--	28,208	169	28,377
Increase in minority interest stake	--	--	--	--	--	--	--	80	80
Balance at June 30, 2006 - Reviewed	<u>2,770,131</u>	<u>18,589</u>	<u>--</u>	<u>35,624</u>	<u>72,941</u>	<u>141,688</u>	<u>3,038,973</u>	<u>2,544</u>	<u>3,041,517</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts expressed in thousands of Qatari Riyals)

	<u>Six Month</u> <u>Period Ended</u> <u>June 30, 2006</u> <u>(Reviewed)</u>	<u>Period from</u> <u>June 9, 2004</u> <u>(Inception Date)</u> <u>to June 30,</u> <u>2005</u> <u>(Reviewed)</u>
Cash Flows from Operating Activities:		
Net profit for the period	28,377	28,851
Adjustments for:		
Depreciation of property and equipment	85	--
Share of (profit) loss from joint venture entities	(14,275)	928
Interest and other income	(16,138)	(36,209)
Group gain on disposal of shares to minority interest	(20)	--
Increase in accounts receivable and other debit balances	(26,422)	(15,163)
Increase in inventory	(97)	--
Increase in due from unconsolidated subsidiary	--	(4,835)
Increase in accounts payable and accruals	34,807	1,019
Increase in due to related party	18	--
Net Cash from (Used in) Operating Activities	<u>6,335</u>	<u>(25,409)</u>
Cash Flows from Investing Activities:		
Net movement in joint venture entities	(277,436)	(478,181)
Acquisitions of investments – available-for-sale	--	(46,843)
Increase in investments in unconsolidated subsidiary	--	(28,500)
Acquisition of property and equipment	(20)	(4,615)
Interest and other income received	16,138	36,209
Increase in other assets and capital work-in-progress	(3,126,008)	(1,296)
Net Cash Used in Investing Activities	<u>(3,387,326)</u>	<u>(523,226)</u>
Cash Flows from Financing Activities:		
Proceeds from issue of shares	--	2,770,098
Proceeds from disposals of shares to minority interest	100	--
Loans received	2,888,033	--
Loans to joint ventures	(46,649)	--
Proceeds from issuance fees – net	--	13,581
Net Cash from Financing Activities	<u>2,841,484</u>	<u>2,783,679</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(539,507)</u>	<u>2,235,044</u>
Cash and Cash Equivalents at Beginning of Period	<u>966,891</u>	<u>--</u>
Cash and Cash Equivalents at End of Period	<u>427,384</u>	<u>2,235,044</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts in table expressed in thousands of Qatari Riyals)

1. **Legal Status and Activities:**

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 Minister of Economy and Commerce. The Company is governed by its Memorandum and Articles of Association and Law No. 5 of 2002 concerning commercial companies. The shares of the Company started trading on the Doha Securities Market on April 7, 2005.

The purpose of the Company is to work in the industry of transport of gas and its various derivatives, dry docking, and other related activities.

The Company operates either directly or through its subsidiaries and joint venture companies in the State of Qatar and abroad.

2. **Subsidiaries and Joint Venture Companies:**

The following are the details of the subsidiaries and joint venture entities of QGTC:

- **Nakilat Agency Company Ltd., (“Nakilat Agency”)** is a Qatari Shareholding Company incorporated in the State of Qatar on May 15, 2005 under Commercial Registration Number 30587. QGTC owns 95% of Nakilat Agency. The Company is engaged in the provision of agency services for ships berthing at the Ras Laffan Industrial City. The Company started its operations during May 2005.
- **Nakilat Fuji LLC, (“Nakilat Fuji”)** is a Joint Stock Qatari Company incorporated in the State of Qatar on June 28, 2005 under Commercial Registration Number 30968. QGTC owns 60% (December 2005: 65%) of Nakilat Fuji. The Company operates in the marine services industry and other related services in the State of Qatar. The Company started its operations from July 2005.
- **Nakilat Marine Services Ltd, (“Nakilat Marine”)** is a Company incorporated and existing under the laws of the Marshall Islands under registration Number 12559. Nakilat Marine is a wholly owned subsidiary of QGTC. Nakilat Marine entered into a Joint Venture agreement to create an entity known as OSG Nakilat Shipping Corporation (OSG Nakilat) which is incorporated under the laws of the Marshall Islands. Nakilat Marine owns 50.1% of OSG Nakilat.

The purpose of OSG Nakilat is to participate in the acquisition of four vessels through special purpose vehicles known as vessel owning companies.

- **Nakilat Incorporation (“Nakilat Inc.”)** is a company incorporated on April 05, 2006 and existing under the laws of the Marshall Islands. Nakilat Inc. is a wholly owned subsidiary of QGTC.

The purpose of Nakilat Incorporation is to invest in LNG vessels.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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(Amounts in table expressed in thousands of Qatari Riyals)

- **QGTC Nakilat (1643-6) Holding Corporation** is a Company incorporated and existing under the laws of Marshall Islands under registration number 16634. QGTC Nakilat (1643-6) Holding Corporation is a wholly owned subsidiary of QGTC. QGTC Nakilat (1643-6) Holding Corporation entered in to a joint venture with Teekay Nakilat (III) Holding Corporation to create an entity known as Teekay Nakilat (III) Corporation which is incorporated under the laws of Marshall Island. QGTC Nakilat (1643-6) Holding Corporation owns 60% of the joint venture entity.

- **Maran Nakilat Company Limited**
Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Maran Ventures Inc on July 29, 2005 to form Maran Nakilat Company Limited. The joint venture was incorporated under the laws of the Cayman Islands with registration number HL 140425. QGTC owns a 30% of the joint venture entity.

- **Teekay II Nakilat Corporation**
Qatar Gas Transport Company (QGTC) entered into a joint venture agreement with Teekay Nakilat Holding Corporation to form Teekay II Nakilat Corporation. The joint venture was incorporated on June 1, 2004 under the laws of Marshall Island. QGTC holds a 30% stake in the Teekay II Nakilat Corporation.

- **J5 Nakilat No.1 to No.8 Limited Companies** (“the Joint Venture Companies”) are incorporated under the laws of the Marshall Islands with registration numbers 15150-15157 respectively. The Joint Venture Companies were formed following the Shareholders’ agreement between Japanese shareholders Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd., IINO Kaiun Kaisha, Ltd. and QGTC dated July 31, 2005. QGTC owns 40% in each of the joint venture companies.

- **Peninsula LNG Transport No.4 Ltd.-J4** (“the Joint Venture Company”) is a company incorporated under the laws of the Marshall Islands with registration number HK 0712-980. The Joint Venture Company was formed following the Shareholders’ agreement between Mitsui O.S.K Lines Ltd., Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kisha Ltd., Mitsui & Company Ltd. and QGTC dated August 03, 2005. QGTC owns 30% interest in the company.

- **Nakilat Shipping Ltd, (“Nakilat Shipping”)** is a Company incorporated and existing under the laws of Marshall Islands under registration number 12463. Nakilat Shipping is a wholly owned subsidiary of QGTC. The Company participates up to 45% in partnerships organised with Neptana, Rana, (General partners) and Pronav (Limited partner) for vessels companies namely Alexandra, Britta, Gabriela and Julia formed under German Companies Law. Nakilat Shipping has a limited liability status in the partnership.

- **Qatar Gas Transport Company (QGTC)** entered into a Memorandum of Understanding (MOU) with Qatar Shipping Company (Q-Ship) on February 19, 2006 and agreed to form a joint venture company (JVC). Both partners will own 50% in the joint venture company.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006 (Amounts in table expressed in thousands of Qatari Riyals)

- **India LNG Transport Company (No. 3) S.A.** (“the joint venture”) is a company incorporated in the Republic of Panama. The joint venture was formed following the Shareholders’ Agreement between Mitsui O.S.K. Lines Ltd., The Shipping Corporation of India Ltd., Nippon Yusen Kabushiki Kaisha and Kawasaki Kisen Kaisha Ltd. On March 15 2006, the Shareholders’ Agreement between the above parties was amended and restated to reflect Qatar Gas Transport Company as a party who now owns 20% interest in joint venture.

3. Prior Period Adjustments:

- (i) Some joint venture entities were previously accounted for at cost due to unavailability of their financial statements. During the period under review, the figures of the previous period were made available and accordingly, certain investments have been restated using the equity method of accounting.
- (ii) Management changed its accounting policy with regard to certain expenses associated with investments in joint ventures. These costs were previously expensed and effective this period management has decided to capitalize them. The prior period audited figures have therefore been restated.

4. Summary of Significant Accounting Policies:

These interim condensed consolidated financial statements of the Company have been prepared in accordance with IAS 34 “Interim Financial Reporting” and the historical cost convention except for certain investments which are marked to market. The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended December 31, 2005 with the exception of the change in accounting policy raised in Note 3(ii) above.

These interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be appropriate to do so, and therefore not necessarily indicative of the results that may be expected for the financial year ending December 31, 2006.

Basis of Consolidation

These interim condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the company (its subsidiaries) and its joint venture entities referred to as the “Group”.

Subsidiary

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

Where necessary, adjustments are made to the financial statements of the subsidiary company to bring its accounting policies used in line with those used by the Group. All intercompany transactions and balances between the subsidiary and Group companies are eliminated.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts in table expressed in thousands of Qatari Riyals)

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 interim consolidated balance sheet 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.

Foreign Currencies

For the purpose of presenting consolidated financials statements, the assets and liabilities of the Group's foreign operations are expressed in Qatari Riyals using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of transactions are used.

5. **Bank Balances and Cash:**

	<u>June 30,</u> <u>2006</u> <u>(Reviewed)</u>	<u>December 31,</u> <u>2005</u> <u>(Audited)</u> <u>(Restated)</u>
Cash at bank and in hand	73,181	48,111
Time deposits	354,203	918,780
Total	<u>427,384</u>	<u>966,891</u>

The effective interest rate on time deposits varies between 4.25% to 5.10%.

QATAR GAS TRANSPORT COMPANY LIMITED (NAKILAT) Q.S.C.
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts in table expressed in thousands of Qatari Riyals)

6. **Investments in Joint Ventures:**

	<u>QR.</u>
Balance – January 1, 2006 (as previously stated)	1,805,856
Prior year adjustments	(6,865)
Reclassifications	<u>(121,991)</u>
Balance – January 1, 2006 (restated)	1,677,000
Increase in investments during the period	272,758
Result for the period *	16,818
Share of hedging reserve	<u>185,500</u>
Balance at June 30, 2006 (reviewed)	<u>2,152,076</u>

* A portion of the loss of a joint venture amounting to QR.2,543,779 was charged against the loan to the same joint venture company.

7. **Property and Equipment:**

	<u>June 30,</u> <u>2006</u> <u>(Reviewed)</u>	<u>December 31,</u> <u>2005</u> <u>(Audited)</u> <u>(Restated)</u>
Opening net book value	619	--
Additions	20	694
Depreciation	<u>(85)</u>	<u>(75)</u>
Closing net book value	<u>554</u>	<u>619</u>

8. **Capital Work-in-Progress:**

Included in capital work-in-progress is an amount of QR. 3,125.4 million representing payments made by one of the subsidiaries to finance the acquisition of 16 vessels under construction.

9. **Loans:**

	<u>June 30,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Loan (1)	1,638,688	--
Loan (2)	1,249,345	--
Total	<u>2,888,033</u>	<u>--</u>
Current	<u>1,638,688</u>	<u>--</u>
Non Current	<u>1,249,345</u>	<u>--</u>

Loan (1) represents a facility from a consortium of bankers for a total amount of US\$500 million. Qatar Gas Transport Company Limited (Nakilat) Q.S.C has irrevocably and unconditionally guaranteed the punctual payment of all sums due on the loan. The loan is also secured by the second instalment proceeds of the Initial Public offering for Qatar Gas Transport Company Limited (Nakilat). The amount drawn down amounted to QR.1.6 million, bearing interest at Libor + .25%

Loan (2) represents a facility of US\$500 million comprising of a revolving loan up to December 31, 2009 and eventually to be converted to a term loan. The amount drawn down amounted to QR.1.2 million bearing interest of at Libor + 1.15%.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2006
(Amounts in table expressed in thousands of Qatari Riyals)

10. **Legal Reserve:**

The Articles of Association of the Company provides for legal reserve to the extent of 10% of net profit for the year until it reaches 50% of paid up share capital. This reserve is not available for distribution except in circumstances specified in the articles. No legal reserve has been computed for the purpose of these interim financial statements.

11. **Approval of Interim Condensed Consolidated Financial Statements:**

These interim condensed consolidated financial statements were approved on August 14, 2006.