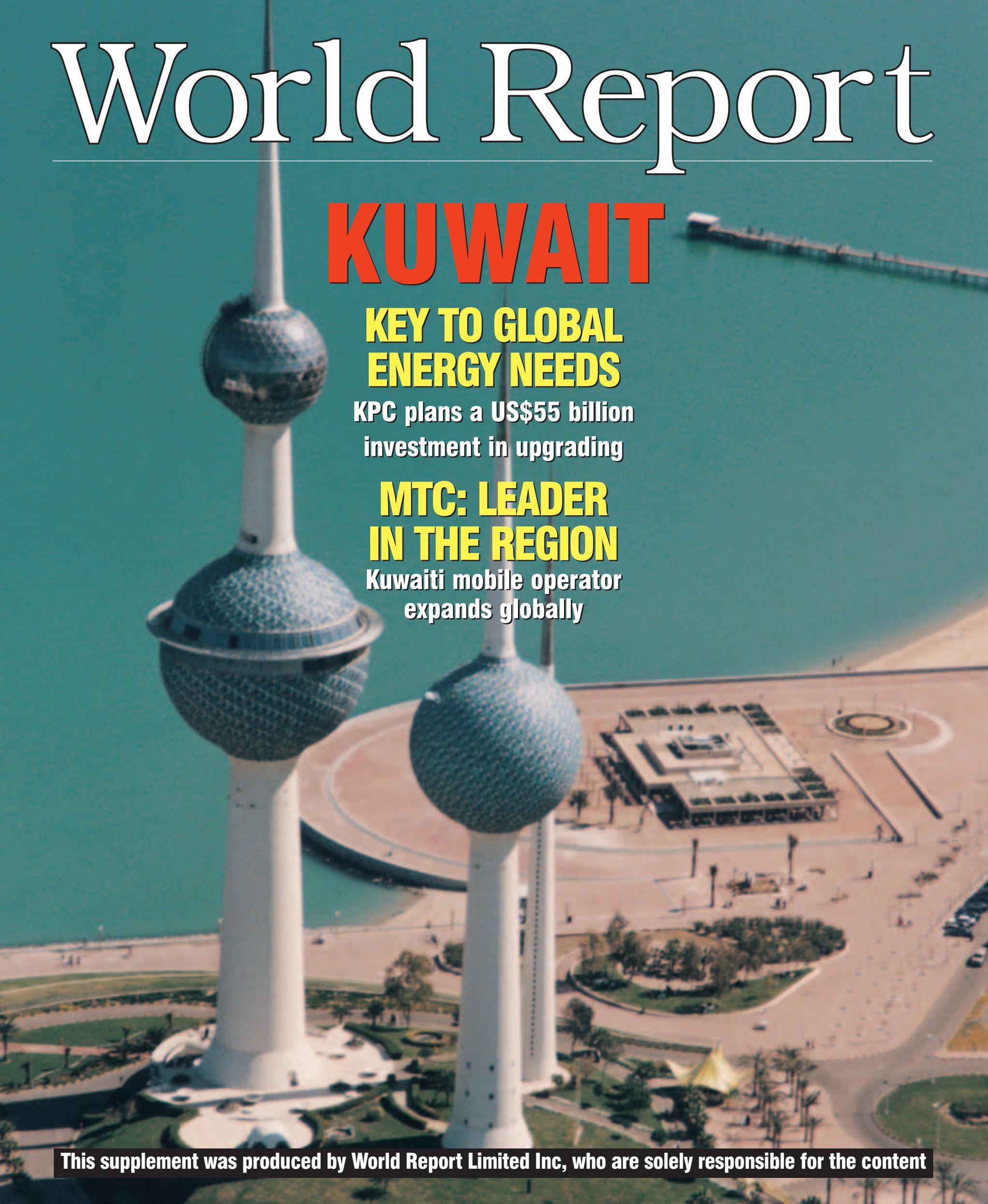


World Report

An aerial photograph of the Kuwait Towers, three tall white towers with spherical observation decks, set against a clear blue sky. The towers are situated on a coastal area with a sandy beach and some greenery. In the background, a long pier extends into the turquoise water. The overall scene is bright and clear, suggesting a sunny day.

KUWAIT

KEY TO GLOBAL ENERGY NEEDS

KPC plans a US\$55 billion investment in upgrading

MTC: LEADER IN THE REGION

Kuwaiti mobile operator expands globally

INTRODUCTION



KUWAIT PROJECT TEAM

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Under the umbrella of state-owned Kuwait Petroleum Corporation (KPC), the Mina Al-Ahmadi refinery is a part of one of the largest oil complexes in the world.



Oil wealth drives progress

The Kuwaiti economy grew by a staggering 16.4 percent in 2003 according to Sheikh Salem Abdul-Aziz Al-Saud Al-Sabah, Governor of the Central Bank of Kuwait. Over the same period, the Kuwait Stock Exchange rocketed by 101 percent. An unprecedented rise in global energy demand, which boosted Kuwait's oil export revenues by 20%, meant this trend continued in 2004. These achievements are due not only to the successful conclusion of decade-long reconstruction efforts after the catastrophic Iraqi invasion in 1990, but also to the subsequent fall of Saddam Hussein's regime, which brought an understandable sense of security to the country.

Relieved of the financial drains relating to security costs and reconstruction, Kuwait is now free to turn its attention from rebuilding to economic reform. Prime Minister Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah states, "We hope improvements will prevail so that we can direct our resources towards strengthening domestic economic development, in addition to developing economic ties among regional states, especially Iraq." Kuwait has been an important donor in Iraq reconstruction efforts, pledging US\$1.5 billion (£821.6 million) at the 2003 donors conference in Madrid.

Part and parcel of restructuring the Kuwait economy is a renewed focus on diversification, away from the country's near total dependence on oil subsidies, and the increase of private sector participation and foreign direct investment. A new privatisation law is currently awaiting parliamentary approval, while a Foreign Direct Investment Act passed in 2001 has opened up the country's banking sector and upped



Prime Minister Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

privatisation in petrochemical industries and telecommunications. For UK investors, Kuwait is ready to extend a warm welcome. "We appreciate what the UK represents to Kuwait historically: first, in its role in the creation of the country; second, thanks to its part in the liberation of Kuwait; and finally, in the excellent and longstanding relationship between the two countries. The UK is most welcome here," comments Minister of Energy Sheikh Ahmad Al-Fahed Al-Sabah.

Consequently, according to UK Ambassador Christopher Wilton, more UK companies need to consider the burgeoning opportunities in Kuwait. "I think we should try to persuade British companies to engage more here. The private sector here is strong and we can build on the close and historic relationship between the two countries," he says. ■

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Key to fulfilling global energy needs

KPC plans a US\$55 billion investment to upgrade the energy sector

All industry outlooks unanimously confirm that the Kuwait oil sector is standing on the threshold of a bright new era of progress and prosperity," states Sheikh Talal Khaled Al-Ahmad Al-Sabah, Managing Director of Petroleum Services for state-owned Kuwait Petroleum Corporation (KPC). "Kuwait is set to play a significant role in fulfilling the world's future energy needs, and with large projects already in motion and bigger ventures to start, KPC's future never looked brighter." This forecast comes while the country currently possesses roughly 10 percent of the world's proven oil reserves, and the national oil company has been rated by



SHEIKH AHMAD AL-FAHED AL-SABAH
MINISTER OF ENERGY

"The private sector will be given a larger role in Kuwait's oil sector"

Petroleum Intelligence Weekly as the fourth largest oil company in the world by reserves, which are currently estimated at 99,000 million barrels – enough to last more than 100 years. Kuwait boasts the second largest oilfield in the world at Greater Burgan, along with 12 other existing fields in the country and over 1,600 producing wells.

Today Kuwait has fully recovered from the devastation caused to its oil industry during the 1990 Iraqi invasion, when several hundred oil wells and gathering stations were destroyed and all three domestic refineries were put out of operation. Current production levels are 2.4 million barrels per day (bpd) and the country has a refining capacity of 889,200 bpd. However, the country is not resting on its laurels and, in preparation for an expected 50 percent rise in global oil demand over the next two decades, has committed US\$55 billion (£33 billion) to upgrading its

Continued on page 6

New pier will boost oil output and exports

□ In February of this year, Kuwait opened a new state-of-the-art oil pier 1.2 miles offshore from the country's largest refinery, Mina Al-Ahmadi. Touted as the largest and most advanced in the Middle East, the Mina Al-Ahmadi pier forms part of an ambitious strategy to promote the country's oil output and exports. The new facility can accommodate supertankers with a capacity up to 350,000 tons, as well as natural gas and methanol tankers. Six platforms will enable the pier to handle four tankers at once and to reduce loading time from 48 hours to 30 hours. The pier, which took three years to complete and represents an investment of £187 million, will serve the emirate throughout the next 30 years. It is also a part of the upgrading of the port, which suffered extensive damage during the 1990 Iraqi invasion. Simultaneously, Kuwait has ordered seven new tankers, with the first to be delivered in 2006, and is actively seeking new markets for the country's planned increase in production.

Vision 2020 rises to match global demand

□ Kuwait's energy sector is set to undergo an extensive expansion and reconstruction over the next 15 years. Vision 2020, the strategic plan of Kuwait Petroleum Corporation (KPC), aims to increase production from current levels of 2.2 million barrels per day (bpd) to 4 million, and refining capacity from the current 889,200 bpd to 1.3 million bpd in an effort to match the global rise in energy demand, especially from up-and-coming Asian markets such as China. The successful realization of Vision 2020 entails further exploiting the country's northern oil fields, constructing a new refinery and renovating the three existing refineries, as well as developing value-added upstream activities. The expansion of KPC's petrochemicals activities both inside and outside of Kuwait and the upgrading of Kuwait's oil transport sector are also key objectives. KPC has estimated that the plan will require a total investment of roughly US\$55 billion (£33 billion) before its completion.



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Sheikh Talal Khaled Al-Ahmad Al-Sabah, Managing Director of Petroleum Services at KPC

Continued from page 3

energy sector through the Vision 2020 plan, which will significantly boost both production and refining capacity over the next 15 years. The country has several new mega projects in the pipeline, including the £3.8 billion Project Kuwait to develop the country's northern oilfields and the construction of a fourth refinery – both open to foreign participation. "We need the help of international companies as extra production will require advanced technology," comments Minister of Energy Sheikh Ahmad Al-Fahed Al-Sabah. ■

Responding to environmental challenges

□ Kuwait Petroleum Corporation (KPC) is committed to the creation of an environmentally friendly industry. Well aware of its responsibilities in helping to provide for growing global energy demands and to meet shortfalls in future energy supply, the company is taking steps to procure new sources of petroleum. In addition, the company is set to construct a fourth refinery able to produce ultra low sulfur transportation fuels for the global market and low sulfur fuel oils for domestic power generation. The second building stage of the refinery will be dedicated to adding deep conversion facilities for natural gas. KPC has also recently signed an agreement with Dupont, a pioneer in health, safety, and environmental issues (HSE). Dupont will provide advisory services in the setting up of an integrated programme to upgrade HSE systems in all KPC subsidiaries, and provide HSE training for KPC staff.

MTC gains a leading position in the Middle East

With 3.5 million customers, the Kuwaiti mobile operator is expanding throughout the region

The Mobile Telecommunications Company (MTC), Kuwait's leading wireless services provider, is one of the country's star ventures. Driven by a startling clear vision to be global by 2011, the company managed to quadruple its customer base in Kuwait (where market penetration is as high as 80%) between 2002 and 2004, as well as launch operations in four other countries in the region, raising its number of customers to 3.5 million. This year, MTC entered Africa with the acquisition of Celtel, Sub-Saharan's leading mobile operator. This ups the company's customer base to nearly ten million from just 250,000 five years ago. Revenues topped US\$1 billion (£543 million) in 2004, up from US\$250 million (£136 million) in 2003, and term-on-term growth is consistently registering over 20%.

Not surprisingly, MTC has surpassed investors' expectations, much to the pleasant surprise of its shareholders, and has earned a solid reputation for high-level business successes. Publicly listed on the Kuwait Stock Exchange, MTC began its present expansion in 2002. In September of that year, the company signed a groundbreaking agreement with Vodafone, resulting in the launch of MTC-Vodafone in Kuwait. The Partner

Network Agreement allowed MTC access to the Vodafone brand name, as well as its range of innovative services, and provides seamless access to Vodafone's international services for Vodafone and Partner customers while in Kuwait.

A few months later, in early 2003, MTC bought Fastlink, Jordan's mobile

operator, a move that represented the company's first step towards regional expansion. In April of that year, MTC-Vodafone was awarded Bahrain's second GSM license, as well as the rights to offer third generation services in the country. In October, MTC was awarded management control of Atheer Telecoms to deploy the



MTC started its expansion strategy in 2002. Today, with revenues topping US\$1 billion (£543 million), it is a benchmark of Kuwait's entrepreneurial drive.

"To succeed, you must be first, daring"

The man behind Kuwait's Mobile Telecommunications Company (MTC) and its remarkable expansion over the past three years is Managing Director and Vice-Chairman Saad Al-Barrak. Dr Al-Barrak is a graduate of the University of London's doctoral program in IT Management. Here he speaks of Kuwait's telecommunications market and the driving factors behind MTC's growth.

The Kuwaiti market is one of the most sophisticated in the region, not only in terms of penetration, but also in technology. What is your assessment of the market?

Kuwait enjoys the highest penetration levels in the world. We also have the latest technologies, being one of the few networks on the cutting edge. Plus, through very intense competition, we have managed to secure one of the most cost-effective mobile rates in the world, even amongst Arab countries. Our prices are comparable to places like Egypt and

Jordan where the per capita income is a tenth of the Kuwaiti average. Perhaps, this is why there has been a 1000% increase in mobile users in Kuwait over the last five years.

How have you managed to bring about such a radical transformation in the country since you took over in 2002?

One of my slogans is that in order to succeed, you must be first, daring and different. And this is exactly what we have done at MTC. We were the first in the region to consider expanding our markets, and we were pioneers in talking about a global vision, not only a regional one. Our success has been, however, one of vision and implementation. It is not enough to dream. If you want to be global, you have to be world class. The agreement with Vodafone forced us to meet standards that were much higher than those I was happy with at the time. I wanted to expose MTC to this and use it as a shortcut to the future.



Saad Al-Barrak, Managing Director and Vice-Chairman of MTC

What inspired the 3X3X3 strategy?

I am the type of person who does not enjoy life unless they make quantum leaps. I find it hard to accept the status quo, and business is a good arena to use this energy. When I came onboard, MTC was starting to lose value. It was a sleeping giant that

network and mobile services for Southern Iraq and became a significant equity owner in the company. And in mid-2004, MTC signed a four-year management contract with the government of Lebanon for the country's primary mobile provider, Libancell, which is now known as MTC Touch. This placed MTC at the top of the mobile telecommunications markets in five Middle Eastern countries within the space of two years. However, in March of this year, MTC pulled off its greatest coup to date – the purchase of Celtel International BV.

One of Africa's most well-known names, Celtel covers a population area of over 250 million people in Sub-Saharan Africa and currently has more than five million managed customers. The leading operator in 13 countries – Burkina Faso, Chad, Democratic Republic of the Congo, Gabon, Kenya, Malawi, Niger, Republic of Congo, Sierra Leone, Tanzania, Uganda and Zambia, Celtel is also co-manager of Mobitel, Sudan's main mobile network.

With this astonishing track record, MTC's successful results must be surprising even to the creator of its expansion strategy, Managing Director and Vice-Chairman Saad Al-Barrak, who, back in 2002, devised the 3x3x3 master plan to transform the company into a leading global operator within nine years and the first-ever Middle-Eastern global telecommunications giant. The strategy was based on the progressive development from regional to international to global telecom player in successive three-year periods with the ultimate objective of expanding total customer base to 15 million by 2011. The acquisition of Celtel takes MTC both into the second phase of this plan and within five million customers of its target – well ahead of schedule. ■

Real estate and building reinvigorated

Foreign investors are responding to private sector-friendly invitations to take on new challenges in the economy

None of the Kuwaiti economic sectors has benefited from the recent increase in security in the country more than the construction industry. Previously hesitant to invest in domestic real estate and infrastructure, Kuwaitis are now fuelling a building boom and the government's pro-private sector stance is opening up new opportunities for private sector participation in large public housing projects and new urban development. New infrastructure projects, including the construction of a state-of-the-art container port on Bubyian island, the Subbiya bridge, and the development of Failaka Island are also underway. Consequently, a direct invitation to the private sector to become involved in a number of build-operate-transfer (BOT) projects has been issued. Although local competition



Khaled A. Al-Bisher, Vice-Chairman and Managing Director of Tijara:
"We believe in diversification."

is stiff, one way for British contractors to take advantage of burgeoning opportunities in the country is through joint ventures with local contractors, as well as through project management and subcontracting deals, all of which are being encouraged by the government.

Foreign investors are spoilt for choice when looking for strong Kuwaiti partners. The country has such world-renowned companies as the Kharafi Group, a com-

pletely integrated Grade A international contractor and a Fortune 500 company with diversified interests. Kharafi is also a major investor in construction group Costain UK. The Tijara Real Estate and Investment company, with a share capital of £232 million and a presence in regional and international markets, including the 60 million Vicarage Gate project in central London, is another good choice. Tijara

Vice-Chairman and Managing Director Khaled A. Al-Bisher says, "In real estate, we have residential, commercial, resort and industrial investments, and we have a history of designing innovative housing solutions." Mr Al-Bisher says that Tijara is now completing a large residential project in Jabriya and is set to begin another in Mahbola, while future plans include the construction of a commercial building and a new hotel. Tijara will announce new BOT projects this year. Mr Al-Bisher comments, "We consider ourselves one of the leading real estate and investment companies in Kuwait. We believe in diversification and will continue to undertake projects abroad. In the meantime, we have various projects in the pipeline here in Kuwait, including BOTs with international firms." ■



The Kharafi Group and US partners are behind the building of the world's largest wastewater treatment plant in Kuwait.

New plant treats 60 percent of wastewater

□ In March of this year Kuwait inaugurated its new wastewater treatment and reclamation plant in Sulaibiya, to the northwest of Kuwait City. The Sulaibiya Station is the first of its kind in the Middle East and the largest worldwide. Built by the Kharafi Group of Kuwait and the American company GE-Ionics, the plant will use reverse osmosis technology for wastewater reclamation. Sulaibiya, a successful example of the Kuwaiti government's new BOT projects (build, operate, transfer), was completed in 29 months and cost £240 million to construct. It will treat 60 percent of Kuwait's total domestic wastewater.



LOAY JASSIM AL-KHARAFI
VICE-CHAIRMAN OF THE
KHARAFI GROUP OF KUWAIT

"We have established ourselves as a leading party for BOT projects"

and different"

needed to be shaken, reshaped, and pushed in the right direction for the future.

What is your outlook for 2005?

I have a 20/20 vision. I want the company to grow by 20% every year and to return 20% to the shareholders each year. It is a very simple strategy.

You are considered a model leader by the press and by the regional business community. What do you consider to be good leadership qualities?

If you can provide trust, hope and direction effectively, then you are a leader. I always try to behave as a leader, and not as a manager. Leadership means freeing people from obstacles, so if you are intervening in their jobs it means you are sitting between them and their objectives. I have always insisted on not descending to any level lower than a leadership position as I have witnessed many others succumb to the devil of details and to ego, trying to impose themselves on others. ■

In the business of unparalleled hospitality services

□ Although Kuwait is not short on first-class luxury hotels and Kuwaitis are accustomed to receiving the very best in accommodation and services, the country's tourism sector has until recently remained relatively untapped and largely dedicated to catering to the business traveller. Now however, the government is intent on developing the country's potential for leisure tourism and has several large-scale projects underway to create resort areas on the Failaka and Bubyian islands in the Persian Gulf.

"Kuwait has the potential to become a tourist destination," comments Resident Manager of the

Crowne Plaza Kuwait Hassan Wanli. "It has very nice weather and beaches. Within a few years the country will begin to attract leisure tourists." In the meantime, Kuwait's hospitality industry will continue to provide its unparalleled service to the increasing number of international business travellers who are being lured by new opportunities both in Kuwait and Iraq. According to Mr Wanli, occupancy in the Crowne Plaza has risen significantly in the last two years. He explains, "At first the Crowne Plaza was a place to accommodate people on their way to Iraq but then it became a place where people settled in order to



HASSAN WANLI
RESIDENT MANAGER OF THE
KUWAIT CROWNE PLAZA

"Kuwait has the potential to become a tourist destination"

do business in Iraq." Accordingly, the Crowne Plaza offers full business support for its guests, including a business club and a business centre boasting the latest in computer technology. The hotel is also equipped with a wi-fi system and high-speed connection.



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