**MPHC Board of Directors Report (2016)**

**Introduction**

The Board of Directors takes pleasure in presenting its 4th Annual Report on the operational and financial performance of Mesaieed Petrochemical Holding Company, one of the region’s premier diversified petrochemical conglomerates with interests in the production of olefins, polyolefins, alpha olefins and chlor-alkali products.

**Financial Results**

MPHC reported a commendable net profit of QR 994.6 million for the year ended 31 December, 2016 with an earnings per share of QR 0.79, posting a decline in profits of QR 92.5 million or 8% compared to a net profit of QR 1,087.1 million with an earnings per share of QR 0.87 during the previous year. The year-on-year decrease was due to the decline in selling prices by 7% despite improved sales volumes in the midst of a challenging market. This reduction was partially offset by the cost savings arising from the cost optimization initiatives undertaken by the group. These initiatives have resulted in improvement in many operating areas and the achievement of an overall cost savings of 6% from 2016 budget.

The group’s profit was also aided by a tax refund of approximately QR 89.8 million booked during the year. The group continued to benefit from the supply of competitively priced ethane feedstock and fuel gas under long-term supply agreements. These contractual arrangements are an important value driver for the group’s profitability in the current challenging market conditions.

The closing cash position as at 31 December, 2016 after distribution of the previous years’ dividend of QR 854 million, was a robust QR 1,082 million. The total assets as at 31 December, 2016 was QR 14.4 billion, compared to QR 14.3 billion as at 31 December, 2015.

**Performance Versus Budget**

The group closed the year with a net profit that was 18% more than the budgeted expectations. A favorable product price variance of 8% from the budget aided the variance.

# Proposed Dividend Distribution

# The Board of Directors, in its meeting held on February 5, 2017, recommended a total annual dividend distribution for the year ended 31 December, 2016 of QR 754 million, equivalent to a payout of QR 0.6 per share representing 76% of the group’s profit.

# Conclusion

# The Board of Directors expresses its gratitude to His Highness, Sheikh Tamim bin Hamad Al-Thani, the Emir of the State of Qatar, for his wise leadership and guidance. Our gratitude is also extended to the Chairman of the Board of Directors, Mr. Ahmad Saif Al-Sulaiti, for his vision and leadership. We also extend our appreciation to the senior management and staff of the group companies.