

**Mesaieed
Petrochemical
Holding Company**

Annual Report 2013



Mesaieed Petrochemical Holding Company Q.S.C.

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His Highness
Sheikh Tamim Bin Hamad Al-Thani
The Emir of the State of Qatar



His Highness
Sheikh Hamad Bin Khalifa Al-Thani
The Father Emir

About Mesaieed Petrochemical Holding Company

Mesaieed Petrochemical Holding Company Q.S.C. ("MPHC") was incorporated as a Qatari joint stock company on May 29, 2013. The registered address is P.O. Box 3212, Doha, State of Qatar. The main activity of MPHC is to act as a holding company. MPHC holds 49% of the issued share capital of each of Qatar Chemical Company Limited ("Q-Chem") and Qatar Chemical Company II Limited ("Q-Chem II"), and 55.2% of the issued share capital of Qatar Vinyl Company Q.S.C. ("QVC").

Head Office Functions & Management Structure

Qatar Petroleum, the largest shareholder, provides all of the head office functions for MPHC through a comprehensive services agreement. The operations of the joint ventures remain independently managed by their respective Boards of Directors and senior management teams.

Qatar Chemical Company Limited (“Q-Chem”)

Incorporated in 1998 as a joint venture, Q-Chem is currently owned by MPHIC (49%), Chevron Phillips Chemical International Qatar Holdings L.L.C. (“CPCIQH”) (49%) and Qatar Petroleum (2%). Q-Chem has one wholly-owned subsidiary, Q-Chem Distribution Company Limited, which engages in the sale and distribution of all of Q-Chem’s products through agency agreements with Qatar Petrochemical Company Limited Q.S.C. (“Qapco”) and Chevron Phillips Chemical International Sales, Incorporated (“CPCIS”).

Key Products

Olefin: Ethylene

Ethylene is used as a feedstock for a wide range of chemicals. However, a significant portion of ethylene produced is used for captive consumption for the production of polyolefins.

Polyolefins: Medium Density Polyethylene (“MDPE”), High Density Polyethylene (“HDPE”)

MDPE and HDPE are linear polymers prepared from ethylene through a catalytic production process, and are used primarily in molding applications to produce bottles, crates, toys and containers. MDPE and HDPE can also be extruded into pipes and films.

Normal Alpha Olefin (“NAO”): 1-Hexene

1-Hexene is an NAO and is extremely flammable. It is produced into a colourless liquid with a mild hydrocarbon odor. The primary use of 1-Hexene is as a co-monomer in the production of polyethylene.

Pyrolysis Gasoline

Limited quantities of pyrolysis gasoline is produced and sold locally.

Qatar Chemical Company II Limited ("Q-Chem II")

Incorporated in 2005 as a joint venture, Q-Chem II is currently owned by MPHC (49%), CPCIQH (49%) and Qatar Petroleum (2%). Q-Chem II has one wholly-owned subsidiary, Q-Chem II Distribution Company Limited, which is engaged in the sale and distribution of all of Q-Chem II's products through agency agreements with Qapco and CPCIS, and an effective interest of 53.81% in a joint venture, Ras Laffan Olefins Cracker Company Limited, which supplies ethylene to Q-Chem II.

Key Products

Olefin: Ethylene

Ethylene is used as a feedstock for a wide range of chemicals. However, a significant portion of ethylene produced is used for captive consumption for the production of polyolefins, with

the remainder sold to QVC for the production of a range of chlor-alkali products.

Polyolefins: Medium Density Polyethylene ("MDPE"), High Density Polyethylene ("HDPE")

MDPE and HDPE are linear polymers prepared from ethylene through a catalytic production process, and are used primarily in molding applications to produce bottles, crates, toys and containers. MDPE and HDPE can also be extruded into pipes and films.

Normal Alpha Olefins ("NAO"): 11 Fractions

Q-Chem II produces NAO in 11 fractions, ranging from C4, C6 ("1-Hexene"), C8, C10, C12, C14, C16, C18, C20 to 24, C24 to 28, and C30+. NAO and their derivatives are used extensively as polyethylene co-monomers,

plasticisers, synthetic motor oils, lubricants, automotive additives, surfactants, paper sizing and in a wide range of specialty applications.

Pyrolysis Gasoline, C3 / C4
Limited quantities of pyrolysis gasoline is produced and exported, while C3 / C4 is sold locally.

Qatar Vinyl Company Q.S.C. ("QVC")

Incorporated in 1997 as a joint venture, it is currently owned by MPHC (55.2%), Qapco (31.9%) and Qatar Petroleum (12.9%).

Key Products

Caustic Soda

Caustic soda is a colourless, cloudy, corrosive liquid with a neutral odour. It is used in numerous industries including paper making, water treatment, soaps and detergents, textiles and in the production of alumina.

Ethylene Dichloride ("EDC")

EDC is a colorless to yellowish liquid with a faint chloroform-type odour. It is used primarily in the production of vinyl chloride monomer ("VCM"). The majority of EDC produced is used for captive consumption for the production of VCM, with the remainder exported.

Vinyl Chloride Monomer ("VCM")

VCM is a colourless gas with a faint odour. VCM is used primarily in the production of polyvinyl chloride ("PVC") - a versatile plastic with a wide range of end-uses. Over 80% of global demand for PVC is in long-term durable applications for infrastructure development, such as pipes for water and sewer distribution to wire and cable, home siding, windows, doors and flooring.

Hydrochloric Acid ("HCl")

HCl is a colourless to yellowish-green, clear corrosive liquid with a pungent, irritating odour. It is used in oilfield chemicals, household cleaning products, the production of gelatine and other food additives, and water descaling.

Board of Directors



H.E. Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy and Industry
Chairman, MPHIC



Mr. Abdulrahman Ahmad Al-Shaibi
Vice-Chairman, Board of Directors



Mr. Mohammed Nasser Al-Hajri
Member, Board of Directors

Chairman's Message



Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy and Industry
Chairman, MPHC

It is my pleasure to welcome you to the 1st Annual General Assembly Meeting of Mesaieed Petrochemical Holding Company, one of the region's premier diversified petrochemical. The IPO of MPHC marked the beginning of a new era in the chemical and petrochemical industry in Qatar when we take into consideration its competitive advantages.

In addition to this IPO being only the second IPO of a major industrial holding group, following Industries Qatar in 2003, it is the first of a series of initiatives under evaluation which aim to increase the nationals' involvement in successful economic projects, and to gain the benefits from their investments in these projects.

Initial Public Offering (IPO)

At the outset, I would like to thank His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani, for the noble and benevolent gesture of the IPO of Mesaieed Petrochemical Holding Company, which represents the implementation of the National Vision and works towards achieving economic diversification in the country, and increasing the involvement of the private sector in the development process. This IPO has provided a distinct opportunity for all Qatari nationals to directly benefit from the economic growth of the country and the prosperity that the hydrocarbon sector is witnessing in Qatar. The IPO was offered with a number of attractive benefits

to encourage a wide breadth of Qatari individual investors to participate:

Subscription was limited to Qatari individuals only, with only two selected government institutions allowed to also participate, namely the General Retirement and Social Insurance Authority, and Qatar Foundation.

As for the subscription price, the offered price was QR 10.20 per share, which provided the shareholders with an opportunity to receive the company's shares at a price lower than its true value. This is in addition to following a special allocation policy to ensure the largest shareholder base possible and to enable the maximum fairness in distribution.

At the end of the IPO, the maximum number of shares allocated to individual investors in accordance with the allocation policy was 1,633 if individual investors subscribed for this number or more. As for successful individual investors who subscribed for less than maximum allotted amount were allocated in full.

To encourage shareholders to keep their shares, incentive shares will be offered to shareholders that have saved their shares for 5 or 10 years, which will increase the investment value of the portfolio and encourage long-term holdings.

Subscribers were confident in this IPO and the successful future of this company, and this was reflected as the IPO was over-subscribed by 5 times with almost 200,000 individual nationals subscribing. With that, the large success of this IPO has paved the way for developing a long-term savings culture within its population, and has set a new benchmark for government-backed IPOs in the region.

Unique Advantages

Mesaieed Petrochemical Holding Company's primary strategy is to maximise shareholder value by capitalising on its three group companies' numerous competitive strengths and positions in the petrochemical segment. Additionally, it gains its strength from being the umbrella for three of the most successful companies

established by Qatar Petroleum in the petrochemical industry, which have achieved returns higher than average in the petrochemical industry in the region, namely Q-Chem, Q-Chem II and QVC. These companies are well established, profitable entities with recognised operational track records and the proven ability to generate strong operating cash flows. The group companies also have access to cost-advantaged feedstock and integrated plans for production and export operations, and a diverse base of worldwide clients. Furthermore, all of the group companies' production facilities are located within the State of Qatar, a country with renowned political and economical stability.

Financial Results

I would like to note that even though the company was incorporated on May 29th, 2013, and the effective date of transfer of shares was on September 1st, 2013, the financial results reflect the four month period.

Accordingly, the group registered a net profit of QR 600 million for the four-month period

ended December 31, 2013, and closed with total assets of QR 13.2 billion. And, cash across all group companies increased by QR 200 million during the same period to a total of QR 1.5 billion.

Proposed Dividend Distribution

With regards to the dividend distribution, even though the company's IPO commenced on December 31st, 2013, and the company was listed on February 26th, 2014, and in line with the continuous support and directions from His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani, it has been recommended to distribute a total annual dividend for the four months ended December 31, 2013 of QR 400 million, equivalent to a payout of QR 0.35 per share. This proposed dividend

distribution represents 72.1% of the group's profits, clearly indicating the group's goal in pursuing a progressive and balanced dividend distribution policy - one that aims to maximise cash returns to shareholders.

Conclusion

On behalf of the members of the Board, I would like to express our gratitude to His Highness the Emir, Sheikh Tamim Bin Hamad Al-Thani, for his farsighted leadership and wise vision. We would also like to express our gratitude to Qatar Petroleum for their support of the MPHIC group companies, and to all shareholders for their tremendous confidence and support, and the associated companies for their usual dedication and hard work.

Board of Directors Report

The Board of Directors is pleased to present its 1st 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, distribution and sale of olefins, polyolefins, alpha olefins and chlor-alkali products.

Financial Results

Net profit for the four-month period to December 31, 2013 was QR 0.6 billion. This period was marked by relatively stable market conditions and operations - utilisation rates remained strong and no major shut-downs were noted. Profits were also aided by the supply of competitively-priced ethane feedstock and fuel gas under long-term supply agreements with Qatar Petroleum. And, cash across all group companies increased by QR 0.2 billion

during the four-month period to a total of QR 1.5 billion.

Q-Chem / Q-Chem II

The combined Q-Chem / Q-Chem II business unit recorded revenue of QR 1.2 billion for the four-month period ended December 31, 2013, with polyolefins constituting 62% of revenue, alpha olefins almost 26% and the remainder attributable to ethylene and other minor products. During the period, circa 148,000 MT of polyolefins and 65,000 MT of alpha olefins were produced at utilisation rates of 112% and 99% respectively, broadly in line with historical averages.

Combined EBITDA for the period was QR 0.7 billion with an EBITDA margin of 61.2%. The creditable margin can be largely attributed to a low operating cost base due to the supply of competitively-priced ethane feedstock by Qatar Petroleum.

Net profit for the period was QR 0.6 billion and net profit margin was 46.7%, with the difference between net profit and EBITDA primarily due to current and deferred taxes and depreciation.

Total assets of the combined Q-Chem / Q-Chem II business unit as at December 31, 2013 were QR 7.1 billion, and cash and cash equivalents before dividends to MPHIC was QR 1.2 billion. Total debt was QR 1.9 billion, with the entire balance due by Q-Chem II, while the combined companies' cash realisation ratio was well-over 100%.

QVC

Revenue from the sale of chlor-alkali products for the four-month period was QR 0.3 billion. Production of the company's chlor-alkali products - caustic soda, ethylene dichloride, vinyl chloride monomer

and hydrochloric acid, was supported by the supply of competitively-priced ethylene from Qapco and market-priced imported ethylene, in line with the joint venture's production requirements. The average production utilisation for the period was 95%, 93% and 99% for the EDC, VCM and caustic soda facilities respectively, within the historical 90% to 100% range.

Net profit recorded during the period was QR 0.04 billion, with a net profit margin of 12.3%, while EBITDA was QR 0.07 billion and EBITDA margin 21.6%. During the period, QVC wrote off a total of QR 0.02 billion attributable to certain capitalised costs, and continued to benefit from competitively-priced fuel gas for electricity generation supplied by Qatar Petroleum.

QVC's total assets as at December 31, 2013 was QR 1.4 billion, with cash and cash equivalents before dividends to MPHIC accounting for QR 0.3 billion. The company's cash position was aided by a creditable cash realisation ratio of over 100%, minimal CAPEX of only QR 0.01 billion, and having no outstanding debt during the period.

Proposed Dividend Distribution

With regards to the dividend distribution, even though the company's IPO commenced on December 31st, 2013, and the company was listed on February 26th, 2014, and in line with the continuous support and directions from His Highness the Emire, Sheikh Tamim bin Hamad Al-Thani, it has been recommended to distribute a total annual dividend for the four months ended December 31, 2013 of QR 0.4 billion, equivalent to a payout of

QR 0.35 per share. This proposed dividend distribution represents 72.1% of the group's profits, clearly indicating the group's goal in pursuing a progressive and balanced dividend distribution policy - one that aims to maximise cash returns to shareholders.

Conclusion

The close of this first financial period marks the beginning of a new era for MPHIC and the State of Qatar. The Board of Directors and senior management look forward to the future with confidence in the sound competitive advantages of the group and strong government support.

On behalf of the Board of Directors, I would like to once again to thank His Highness the Emir, Sheikh Tamim Bin Hamad Al-Thani. A word of appreciation is also extended to the senior management and staff of the group companies for their hard work and dedication.

Chief Coordinator's Statement



Khalid Mohammed Al-Subaey
Chief Coordinator, MPHC

I am very much delighted to present this brief message of MPHC, one of the State of Qatar's leading petrochemical entities. The IPO is considered unique not only with respect to being the first IPO of its kind for Qatar Exchange since 2010, but also to the various distinguishable characteristics including, but not limited to, the pricing and allotment mechanism. The successful conclusion of the IPO of MPHC shall be used as a benchmark for any future offerings.

Furthermore, in the few months since the company's incorporation, the activities during the period were not limited only to the company's IPO, but the Executive Management of the company contributed to a number of significant achievements which generally focused on establishing the correct corporate governance structure, management reporting framework and enhancement of public relations profile for the group.

Initial Public Offering

Qatar Petroleum, the founder of the company, which provides the head office services of MPHIC, was instrumental in ensuring that the IPO was executed in a swift and sophisticated manner, whereby its aims were communicated widely and effectively, resulting in a timely listing of the company. This was achieved primarily following the pivotal support of His Highness the Emir, Sheikh

Tamim bin Hamad Al-Thani, and the concerned regulatory and authoritative bodies, as well as the senior management of Qatar Petroleum, chaired by His Excellency, Dr. Mohammed Bin Saleh Al-Sada, Minister of Energy and Industry, Managing Director of Qatar Petroleum.

The IPO was a great success as it was over-subscribed by 5 times with around 199,000 individual nationals subscribing. The State has set itself firmly on the path to developing a long-term savings culture within its population. Additionally, the IPO was a landmark for the State of Qatar for other reasons. Firstly, it marked the first of a series of offers to be consecutively floated by the State and through Qatar Petroleum, targeting the fair distribution of wealth and keenness of vital participation of the citizens in the economically successful projects. Secondly, it is the first IPO of its kind in the GCC with innovative terms, such as non-dilutive incentive

shares, specifically designed to encourage long-term share ownership. And, thirdly, subscribers and shareholders were further incentivised following the announcement that shareholders would be entitled to dividends declared for the four-month period ending December 31, 2013 even though the IPO process only began on December 31, 2013.

Post-IPO Shareholder Services

Dividend Distribution

Commercial Bank has been appointed to facilitate the distribution of dividends to shareholders based on the information provided by Qatar Central Securities Depository, as on the closing day prior to the date of holding the general assembly meeting of the company. The distribution process will provide shareholders with a number of ways to receive their dividends, including electronic transfer, cash payment and cheque. A

dedicated call centre manned by trained specialists will also be established for handling any queries.

Investor Relations and Public Relations

MPHC is keen on maintaining continuous contact with its shareholders and investors through the periodical disclosure of the financial results to the regulatory authorities, namely Qatar Exchange and the Qatar Financial Markets Authority, as well as any information that may impact the financial or operational performance of the company in a timely and accurate manner through its website, (www.mphc.qa) and social media (@mphc_qa). The company is also utilising all platforms to communicate with its shareholders and investors for direct contacts through holding pro-active meetings and arrangement of site visits to the group utilities at Mesaieed Industrial City. A direct email address (mphc@qp.com.qa) is

dedicated for receiving queries and for communication with the company's shareholders.

Other Corporate Office Activities / Functions

Corporate Governance and Compliance

In line with the best corporate governance practices, and recognizing the importance of applying the guidance of Qatar Financial Markets Authority in this respect, as it has a positive yield to shareholders and stakeholders with the company, a comprehensive corporate governance framework is in progress. The framework is intended to ensure wise leadership and protect the rights of minorities and enhance control procedures and entrench transparency, disclosure and equality, which shall reflect on the protection of shareholders rights and reduce risks.

Conclusion

In closing, and on behalf of the company, I would like to express my gratitude to His Highness Sheikh Tamim Bin Hamad, the Emir of the State of Qatar, for his wise guidance and strategic vision and to His Excellency, Dr. Mohammed Bin Saleh Al Sada, Chairman of MPHIC, and the senior management and dedicated staff of our group companies.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MESAIEED PETROCHEMICAL HOLDING COMPANY Q.S.C.

Report on the financial statements

We have audited the accompanying financial statements of Mesaieed Petrochemical Holding Company Q.S.C. ("the Company") which comprise the statement of financial position as of 31 December 2013, and statement of comprehensive income, statement of cash flows and statement of changes in equity for the period from 29 May 2013 to 31 December 2013 and a summary of significant accounting policies and other explanatory information.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting

Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts

and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statements.

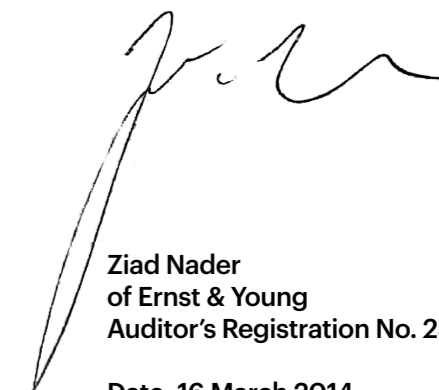
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and its cash flows for the period from 29 May 2013 to 31 December 2013 in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, and the financial statements comply with the Qatar Commercial Companies' Law No. 5 of 2002 and the Company's Articles of Association. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the period which might have had a material effect on the business of the Company or its financial position. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Company.



Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 16 March 2014
Doha

STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2013

	29 May 2013 to 31 December 2013 QR'000
General and administrative expenses	(2,547)
Share of profit from joint ventures	612,123
PROFIT FOR THE PERIOD	609,576
Other comprehensive income	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	609,576
Attributable to:	
Equity holders of the parent	609,576
BASIC AND DILUTED EARNINGS PER SHARE	
(Expressed as QR per share)	0.49

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	2013 QR'000
ASSETS	
Non-current asset	
Investment in joint ventures	13,072,240
Current assets	
Amounts due from a related party	93,058
Bank balance	10,000
	103,058
TOTAL ASSETS	13,175,298
EQUITY AND LIABILITIES	
Equity	
Share capital	12,563,175
Retained earnings	609,576
Total equity	13,172,751
Current liabilities	
Trade payables and accruals	726
Amounts due to a related party	1,821
	2,547
TOTAL EQUITY AND LIABILITIES	13,175,298


Dr. Mohamed Bin Saleh Al-Sada
Minister of Energy & Industry
Chairman


Abdulrahman Ahmad Al-Shaibi
Vice-Chairman

STATEMENT OF CASH FLOWS

For the period ended 31 December 2013

	2013 QR'000
OPERATING ACTIVITIES	
Profit for the period	609,576
Adjustments for :	
Share of profit in joint ventures	(612,123)
Operating cash flows before working capital changes	(2,547)
Due to a related party	1,821
Trade payable and accruals	726
Net cash flows from operating activities	-
FINANCING ACTIVITY	
Share capital introduced	10,000
Cash flows from financing activity	10,000
INCREASE IN CASH AND CASH EQUIVALENTS	10,000
Cash and cash equivalents at 29 May	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10,000

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2013

	Share capital QR'000	Retained earnings QR'000	Total QR'000
Share capital introduced	10,000	-	10,000
Allotment and issuance of additional shares	12,553,175	-	12,553,175
Total comprehensive income for the period	-	609,576	609,576
Balance at 31 December 2013	12,563,175	609,576	13,172,751