



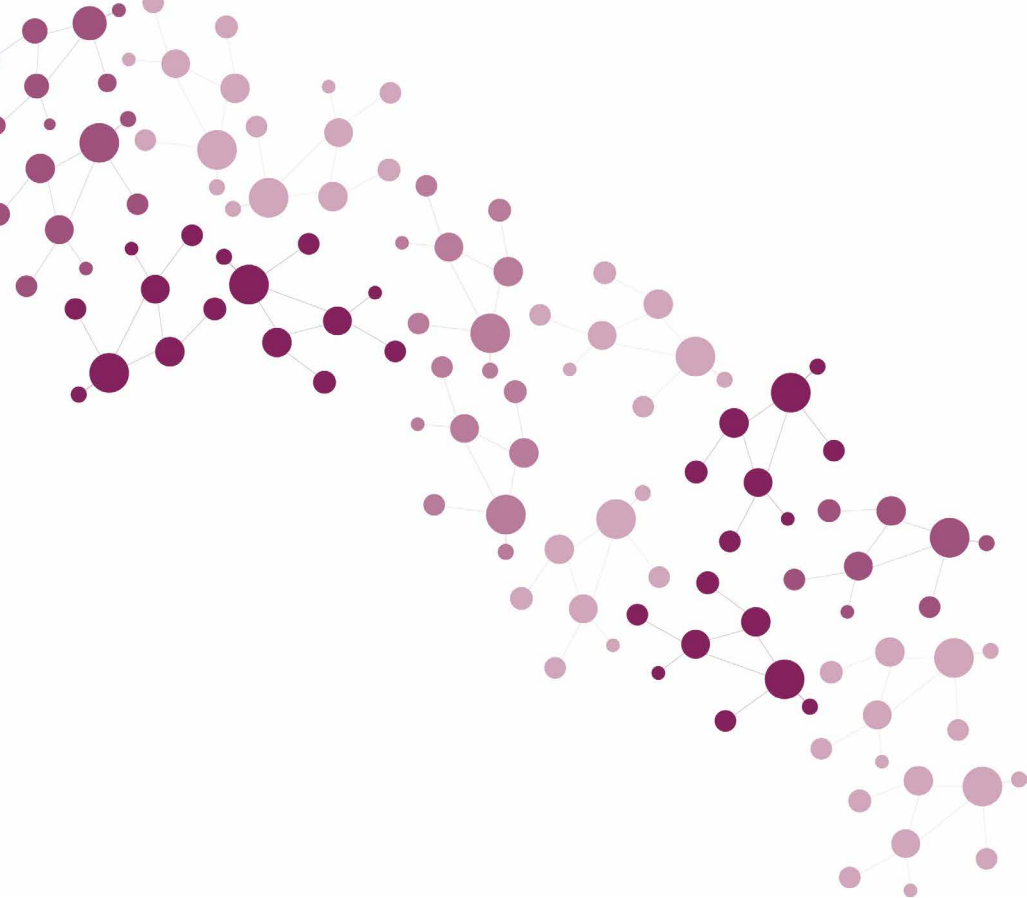
شركة مسيعة  
للبتروكيماويات  
القبضة

Mesaieed  
Petrochemical  
Holding Company

ANNUAL REPORT 2015



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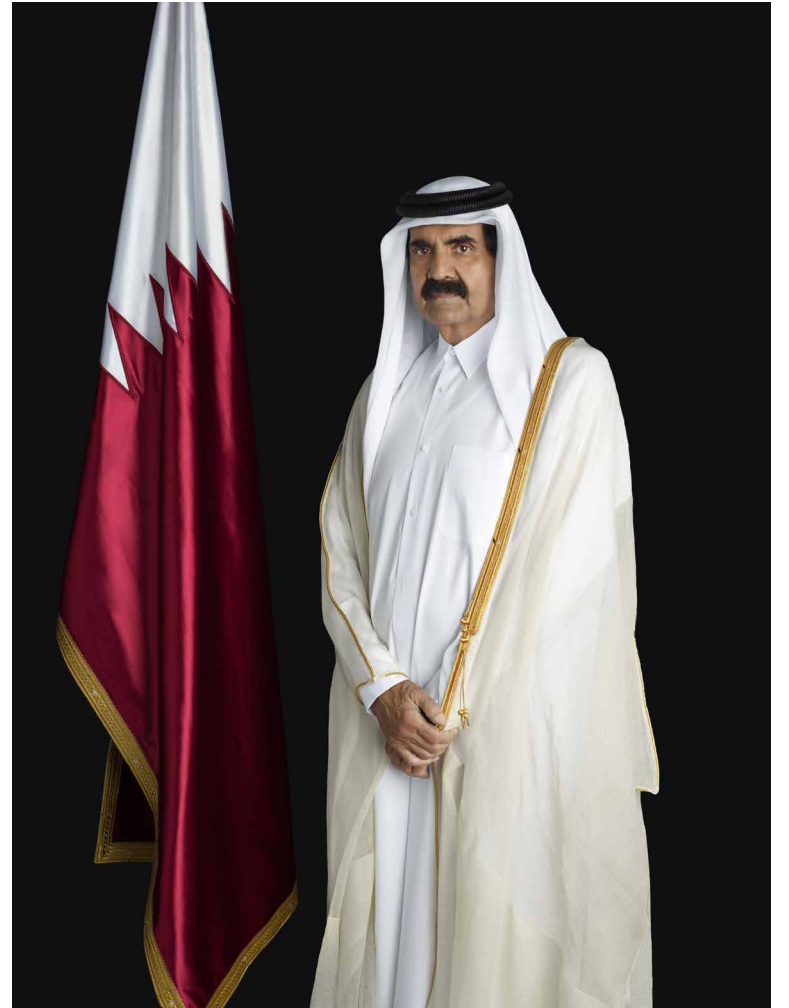
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His Highness  
Sheikh Tamim bin Hamad Al-Thani  
The Emir of the State of Qatar



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



ABOUT MESAIEED PETROCHEMICAL  
HOLDING COMPANY





## 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 Limited 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")

Established in 1998 as a joint venture company, Q-Chem is owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings L.L.C. ("CPCIQH") (49%) and Qatar Petroleum (QP) (2%).

### 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 by Q-Chem for captive consumption for the production of polyolefins.

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

MDPE and HDPE are linear polymers produced from ethylene through a catalytic production process, and are used primarily in moulding applications to produce bottles, drums, 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 produced via on-purpose technology. The primary use of 1-Hexene is as a co-monomer in the production of polyethylene.

#### Pyrolysis Gasoline

Limited quantities of pyrolysis gasoline are produced and sold locally.



## QATAR CHEMICAL COMPANY II LIMITED (“Q-CHEM II”)

Established in 2005 as a joint venture company, Q-Chem II is owned by MPHIC (49%), CPCIQH (49%) and QP (2%). Q-Chem II has an effective ownership interest of 53.85% in the capacity rights to the ethylene cracker and pipeline owned by Ras Laffan Olefins Company Limited (RLOC), a joint venture company, which supplies ethylene to Q-Chem II. RLOC is owned by Q-Chem II (53.31%), Qatofin Company Ltd. (45.69%), and QP (1%).

### Key Products

#### Olefin: Ethylene

Ethylene is used as a feedstock for a wide range of chemicals. However, a significant portion of ethylene produced for Q-Chem II 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 produced from ethylene through a catalytic production process, and are used primarily in moulding applications to produce bottles, drums, 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+. NAOs or 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 are produced and exported, while C3 / C4 are sold locally.

## QATAR VINYL COMPANY LIMITED (“QVC”) Q.S.C.

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

### Key Products

#### Caustic Soda

Caustic soda is a colourless, viscous, 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 colourless 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 and water treatment.

Our Marketing Agency :

## QATAR CHEMICAL AND PETROCHEMICAL MARKETING AND DISTRIBUTION COMPANY (MUNTAJAT)

Qatar's gateway to the exports of  
chemicals, petrochemicals, fuel  
additive and fertiliser products

## ABOUT MUNTAJAT

Muntajat, (Qatar Chemical and Petrochemical Marketing and Distribution Company) Q.J.S.C. is the gateway to the State of Qatar's exports of over 11 million metric tons of chemicals, petrochemicals, fuel additive and fertiliser products. Established in 2012, the company is driving the growth of the State of Qatar's downstream industry and increasing its footprint on the global scene.

Muntajat has the sole rights to market, sell and distribute 100% of the State of Qatar's downstream production to both local and international customers. Currently Muntajat serves customers in more than 120 countries. Expanding the reach of the "Made in Qatar" brand into new markets. The company represents, serves and promotes the State's chemical, polymer and fertiliser products and works to maximise value for its stakeholders by capturing new opportunities in sales and supply chain, capitalising on Qatar's unique competitive advantages and economies of scale.

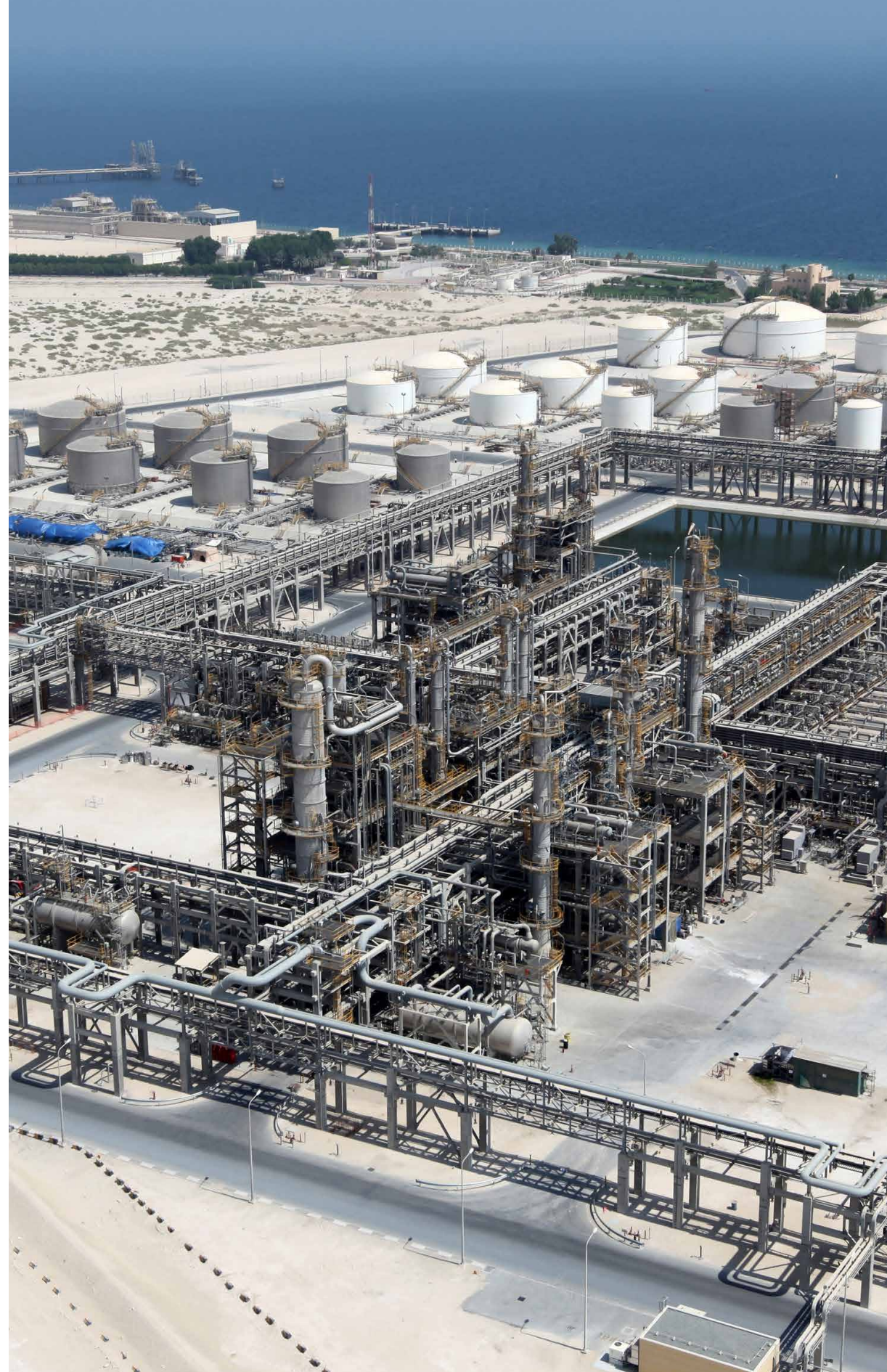
Following the successful completion of the transition of marketing, sales and distribution activities of Qatar's producing entities, Muntajat shifted its focus towards building scale and expanding its reach through its global marketing network, Muntajat B.V., that was established in 2013 and headquartered in The Hague, the Netherlands. Muntajat B.V.'s team of experts bring great value in servicing the company's customers as they continually monitor local trends and customer needs and adopt a value chain approach to better service customers around the world.

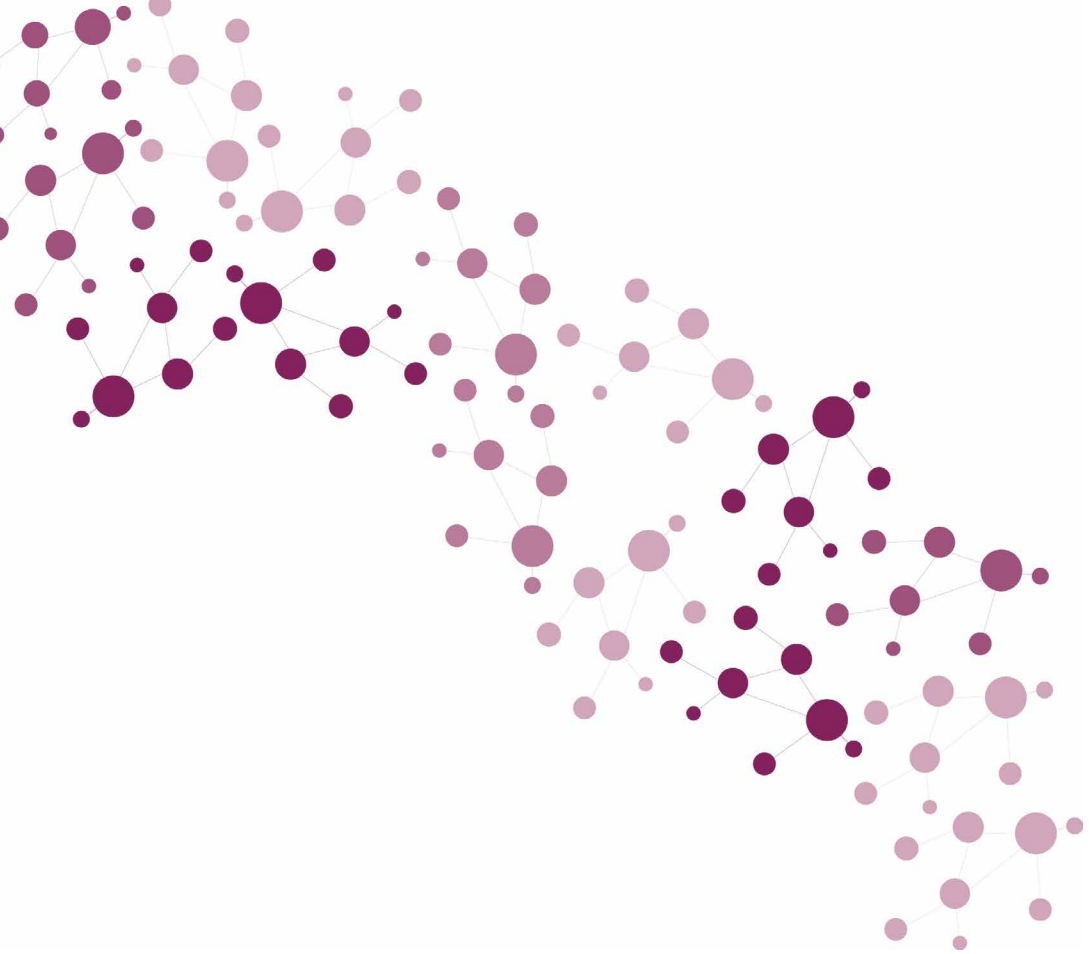
The company builds on more than 40 years of excellence by the State of Qatar's producing entities. Muntajat's marketing and sales strategy brings together the leanings and winning techniques acquired over the years from the producing entities to form a new best practice that guarantees world class customer service throughout the entire value chain.

To know more about Muntajat please visit [www.muntajat.qa](http://www.muntajat.qa).



BOARD OF DIRECTORS







Mr. Ahmad Saif Al-Sulaiti  
Chairman



Mr. Mohamed Salem Alyan Al-Marri  
Vice Chairman



Mr. Khalid Mohamed Al-Subaey  
Managing Director



Mr. Abdulaziz Mohammed Al-Mannai  
Member



Mr. Abdulrahman Ahmad Al-Shaibi  
Member



Mr. Abdulaziz Jassim Mohd Al-Muftah  
Member



Mr. Nabeel Mohammed Al-Buenain  
Member



CHAIRMAN'S MESSAGE



Mr. Ahmad Saif Al-Sulaiti

Chairman



## Introduction

I am pleased to welcome you to the 3rd Annual General Assembly Meeting of Mesaieed Petrochemical Holding Company (MPHC), one of the region's premier diversified petrochemical conglomerates. While 2015 posed a number of challenges on the group primarily due to the unfavourable market conditions on the product price front coupled with lower production and sales volumes on account of the first major periodic turnaround in Q-Chem II plants during the year, your company was able to withstand these pressures and post commendable financial and operational results for the year under review. We continue to fulfil the vision of His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani.

## Financial Results

As I stated at the outset, the group's financial performance was significantly affected by factors those were mostly not within the group's control. Product prices were significantly affected due to the oil price decrease that began almost a year ago and continue to remain low throughout the year and reached the record low over the last eleven years, during the latter part of December 2015.

Despite this, MPHC closed the year ended December 31, 2015 with a robust net profit of QR 1.1 billion, equivalent to an EPS of QR 0.87 per share, and strong financial and operational performance across all group companies. Total assets closed at QR 14.3 billion, with cash held by the company at QR 926 million.

## Key strengths

MPHC group possess a number of strengths that could well be guarded against the unfavorable economic conditions. The group has set a primary strategy of maximizing shareholder value by capitalising on its three group companies' numerous competitive strengths across its value chain. Firstly, the group benefits from access to competitively priced feedstock under long-term supply agreement. Secondly it enjoys a number of synergies through integrated production and export operations. MPHC through its marketing agent, Muntajat has access to a diverse base of worldwide clients, and most importantly the group's all production facilities are located within the State of Qatar - a country with renowned political and economic stability. In addition to this the group companies all have well-established positions in the petrochemical segment, with the companies being established between 1997 and 2005, recognized operational track records and the proven ability to continue to generate strong operating cash flows.

The Board of Directors of Mesaieed Petrochemical Holding Company are confident that the group can build on these core strengths to mitigate the risks and challenges thrown away by the current economic meltdown.

With these strengths, the Board of Directors of MPHC are confident that the group is well-positioned to withstand the challenging economic times ahead.

## Cost Optimisation

Realizing the expected impact of falling oil prices on the group's product prices and its profitability in particular, a committee was established in the previous year to review the cost across all MPHC group companies with an objective of identifying potential cost savings and optimization across entire value chain including review of operational assets and processes without compromising the quality, health, safety and environment. These efforts have resulted in approximate savings in

costs of QR 132 million during the year. The group companies have plans to optimize the costs further in the forthcoming year.

I believe all these measures are essential to ensure that the group maximizes its cost efficiency and deliver value to its shareholders.

## Proposed Dividend Distribution

After ensuring sufficient cash is maintained for working capital, debt repayment and capital expenditure, and keeping in view the latest economic forecasts, the Board of Directors recommends a total annual dividend distribution for the year ended December 31, 2015 of QR 879.4 million, equivalent to a payout of QR 0.7 per share representing 80.9% of earnings per share

## Conclusion

In conclusion, I would like to express my gratitude to His Highness Sheikh Tamim Bin Hamad Al-Thani, the Emir of the State of Qatar, for his vision and wise leadership, and His Highness the Father Emir, Sheikh Hamad Bin Khalifa Al-Thani. Gratitude is also extended to our shareholders for their tremendous confidence and support, and the Board of Directors, senior management and to all staff of our group companies for their hard work and commitment.

## Ahmad Saif Al-Sulaiti

Chairman, Board of Directors

BOARD OF DIRECTORS' REPORT











### **Introduction**

The Board of Directors is pleased to present its 3rd 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**

Total income reported for the year ended December 31, 2015 including the tax refund was QR 1.1 billion, a decrease of QR 707 million, or 39%, versus the same period of 2014 (2014: QR 1.8 billion) primarily due to planned facility maintenance in the current year, which has been successfully completed, and weaker product prices following the significant fall in the global oil prices in Q4, 2014 that started to affect product prices.

MPHC closed the year ended December 31, 2015 with a net profit of QR 1.1 billion, a decrease of QR 0.7 billion, or 39.5 % over the same period in 2014, while the fourth quarter earnings of QR 300.8 million were down by 21.5%, over the third quarter of 2015. The year-on-year reduction was driven by planned major maintenance shutdowns and due to weak product prices. The preventive maintenance and warranty shutdowns are an essential requirement for large, industrial plants as they can help minimize unplanned disruption, ensure product quality is maintained and ultimately, contribute to an extension of plant's production life. The quarter-on-quarter decrease was due to decrease in selling prices and sales volumes. The groups' profit was also aided by recognition of a tax refund of QR 100.1 million for the year. The group continued to benefit from the supply of competitively priced ethane feedstock and fuel gas under long-term supply agreements. This contracting arrangement is an important value driver for the group profitability in a challenging market condition.

The company's liquidity position remained strong during the year on buoyant cash realization ratios across all group companies, with cash held by the company after distribution of previous years dividend of QR 1.3 billion, was at QR 926 million. The total assets at December 31, 2015 was QR 14.3 billion, compared to the December 31, 2014 total assets of QR 14.6 billion.

### **Performance Versus Budget**

Due to unfavorable conditions experienced during the year, the group closed the year with 9.6% less than the budgeted profit.

### **Proposed Dividend Distribution**

The Board of Directors recommend a total annual dividend distribution for the year ended December 31, 2015 of QR 879.4 million. This is equivalent to a payout of QR 0.7 per share representing 80.9% of earnings per share.

### **Conclusion**

On behalf of the Board of Directors, I would like to thank His Highness Sheikh Tamim Bin Hamad Al-Thani, the Emir of the State of Qatar and His Highness the Father Emir, Sheikh Hamad Bin Khalifa Al-Thani. A word of appreciation is also extended to the senior management and staff of the group companies.

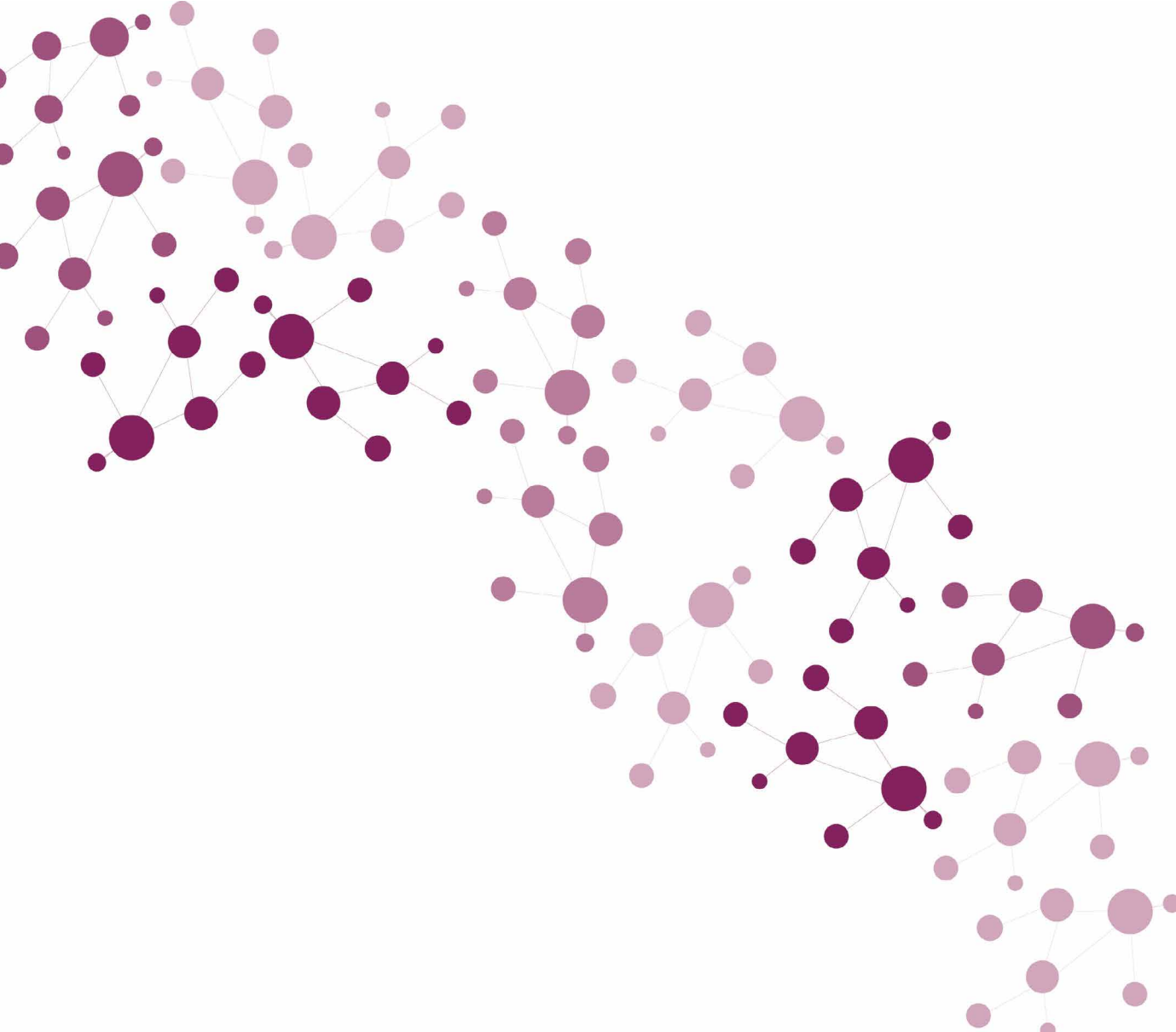
MANAGING DIRECTOR'S MESSAGE



Mr. Khalid Mohamed Al-Subaey

Managing Director





### **Introduction**

It is with great pleasure that I present this statement to our esteemed shareholders.

As you are aware, 2015 posed certain challenges on the product price front. Following the decline in crude oil prices during 2015, the product prices of the company declined during the year. This affected not only MPHC but many companies around the globe. We worked shoulder to shoulder with the group companies to ensure that the results for the year is not significantly affected on factors within our control. In this regard, we initiated cost-optimisation measures amongst the group companies. With the continuous co-ordination with and co-operation from the group companies, we were able to optimize costs and pose good results for 2015. I am pleased to announce that the cyclical turnaround in Q-Chem II was successfully completed during the 1st Quarter of 2015.

While we are aware that these challenges will continue in the years ahead, we are geared to face those challenges due to the initiatives undertaken by MPHC.

We remain transparent to our shareholders and would continually explore opportunities to add value to our esteemed shareholders.

### **Conclusion**

In closing, I would like to extend my sincere gratitude to Mr. Ahmad Saif Al-Sulaiti, Chairman of MPHC, the senior management and staff of our group companies for their support.

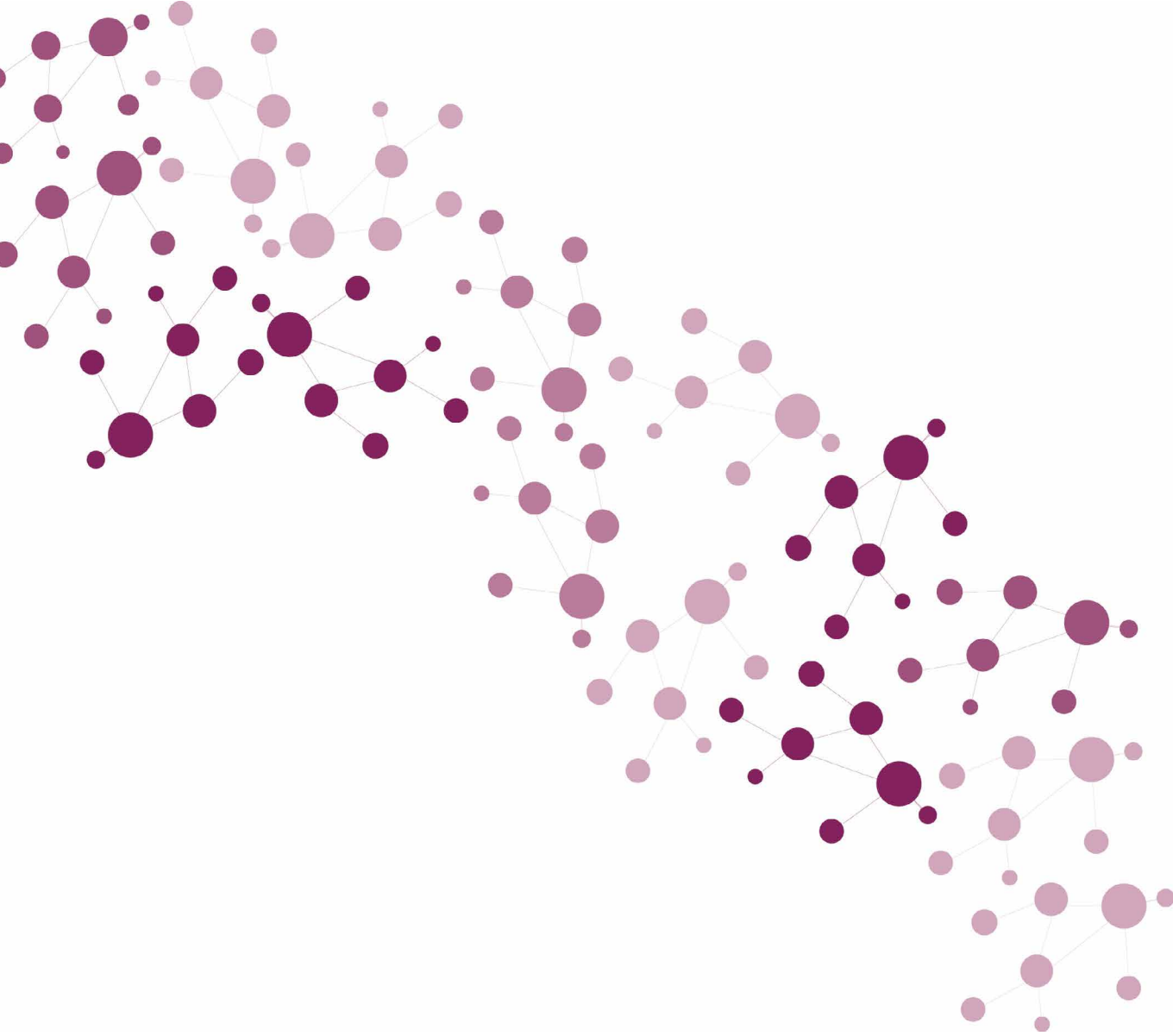
**Khalid Mohammed Al-Subaey**

Managing Director

INDEPENDENT AUDITOR'S REPORT







# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MESAIEED PETROCHEMICAL HOLDING COMPANY

## 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 at December 31, 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's 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, the applicable provisions of Qatar Commercial Companies Law, Articles of Association, 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.

### *Auditor's 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 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 auditor's 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 auditor considers 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 accompanying financial statements present fairly, in all material respects, the financial position of Mesaieed Petrochemical Holding Company Q.S.C., as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## **Other Legal and Regulatory Requirements**

We are also of the opinion that proper books of account were maintained by the Company and the contents of the directors' report are in agreement with the Company's financial statements. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

## *Emphasis of Matter*

As mentioned in Note 3 to the financial statements, a new commercial companies law was issued in 2015. The Company's management is in the process of assessing the impact of the new law on their Articles of Association and financial statements.

**Doha – Qatar  
February 7, 2016**

**For Deloitte & Touche  
Qatar Branch**



**Muhammad Bahemia  
License No. 103**



FINANCIAL STATEMENTS







## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

	2015 QR'000	2014 QR'000
Share of profit from joint ventures	994,198	1,668,554
Interest income	9,188	8,615
Other income	308	354
	<b>1,003,694</b>	1,677,523
General and administrative expenses	<b>(16,789)</b>	(15,262)
<b>Profit for the year</b>	<b>986,905</b>	1,662,261
Tax refund	<b>100,179</b>	133,470
<b>Net income for the year</b>	<b>1,087,084</b>	1,795,731
Other comprehensive income	--	--
<b>Total comprehensive income for the year</b>	<b>1,087,084</b>	1,795,731
<b>Basic and diluted earnings per share (expressed in QR per share)</b>	<b>0.87</b>	1.43

## STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	2015 QR'000	2014 QR'000
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in joint ventures	<b>13,138,932</b>	13,152,985
<b>Current assets</b>		
Prepayments and other debit balances	<b>104,907</b>	141,116
Due from related parties	<b>142,688</b>	80,414
Bank balances	<b>926,223</b>	1,238,298
<b>Total current assets</b>	<b>1,173,818</b>	1,459,828
<b>TOTAL ASSETS</b>	<b>14,312,750</b>	14,612,813
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	<b>12,563,175</b>	12,563,175
Legal reserve	<b>25,364</b>	17,444
Retained earnings	<b>1,598,661</b>	1,920,703
<b>Total equity</b>	<b>14,187,200</b>	14,501,322
<b>Current liabilities</b>		
Trade payables and accruals	<b>118,369</b>	77,001
Due to a related party	<b>7,181</b>	34,490
<b>Total current liabilities</b>	<b>125,550</b>	111,491
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,312,750</b>	14,612,813



Ahmad Saif Al-Sulaiti  
Chairman



Mohamed Salem Al-Marri  
Vice-Chairman



# STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

	2015	2014
	QR'000	QR'000
<b>OPERATING ACTIVITIES</b>		
Profit for the year	1,087,084	1,795,731
Adjustments for :		
Interest income	(9,188)	(8,615)
Share of profit from joint ventures	(994,198)	(1,668,554)
	<b>83,698</b>	118,562
Working capital changes:		
Prepayments and other debit balances	41,689	(133,538)
Due from related parties	(54,354)	92,514
Due to a related party	25,883	6,073
Trade payables and accruals	(81,537)	(26,949)
<b>Cash from operations</b>	<b>15,379</b>	56,662
Interest received	3,708	1,037
<b>Net cash generated from operating activities</b>	<b>19,087</b>	57,699
<b>INVESTING ACTIVITIES</b>		
Dividends received	1,008,251	1,525,383
Net increase in term deposits	490,382	(1,155,500)
<b>Cash generated from investing activities</b>	<b>1,498,633</b>	369,883
<b>FINANCING ACTIVITY</b>		
Dividends Paid	(1,351,532)	(383,950)
Social fund contribution	(44,893)	--
<b>Cash used in from financing activity</b>	<b>(1,396,425)</b>	(383,950)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>121,295</b>	43,632
Cash and cash equivalents at beginning of the year	53,632	10,000
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	<b>174,927</b>	53,632

#### Non-cash transactions:

During the current year, the Company entered into the following non-cash operating activity which is not reflected in the statement of cash flows:

- The Company netted QR. 7.9 million of receivable from QP against payable to QP relating to the collection of IPO cost to legal reserve.

# STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

	Share capital	Legal Reserve	Retained earnings	Total
	QR'000	QR'000	QR'000	QR'000
Balance at January 1, 2014	12,563,175	--	609,576	13,172,751
Dividends declared	--	--	(439,711)	(439,711)
Excess funds over IPO costs	--	17,444	--	17,444
Social fund contribution	--	--	(44,893)	(44,893)
Total comprehensive income for the year	--	--	1,795,731	1,795,731
Balance at December 31, 2014	12,563,175	17,444	1,920,703	14,501,322
Dividends declared	--	--	(1,381,949)	(1,381,949)
Excess funds over IPO costs	--	7,920	--	7,920
Social fund contribution	--	--	(27,177)	(27,177)
Total comprehensive income for the year	--	--	1,087,084	1,087,084
<b>Balance at December 31, 2015</b>	<b>12,563,175</b>	<b>25,364</b>	<b>1,598,661</b>	<b>14,187,200</b>

**Note :** For complete financial statements with notes please visit MPHc website [www.mphc.com.qa](http://www.mphc.com.qa)



