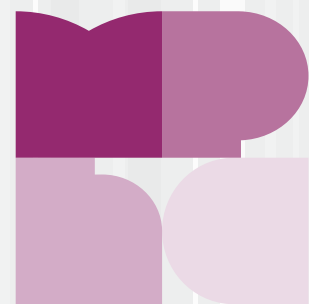




# Annual Report 2014



Mesaieed  
Petrochemical  
Holding Company



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 Q.S.C.

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”)

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.

## 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 moulding 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 as a colourless liquid with a mild hydrocarbon odour. 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")

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, and an effective ownership interest of 53.85% in a joint venture, Ras Laffan Olefins 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 moulding 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 Limited 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, 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, household cleaning products, the production of gelatine and other food additives, and water treatment.



# Board of Directors



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



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, Board of Directors

I am pleased to welcome you to the Annual General Assembly Meeting of Mesaieed Petrochemical Holding Company, one of the region's premier diversified petrochemical conglomerates. 2014 marked the first full year of operation for the group, and the continuing fulfillment of the vision of His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani, for nationals to increase their involvement in successful economic projects, and to reap the benefits from such investments.

### **Financial Results**

MPHC closed the year ended December 31, 2014 with a robust net profit of QR 1.8 billion, equivalent to an EPS of QR 1.43 per share, and strong financial and operational performance indicators across all group companies.

Total assets closed at QR 14.6 billion, with cash across all group companies of QR 2.7 billion. And, these first full year results compare favourably with the previously declared results for the four-month period ended December 31, 2013.

### **Unique Advantages**

The Board of Directors of Mesaieed Petrochemical Holding Company are confident that the group can build on these excellent financial and operational results. The group has set a primary strategy of maximising shareholder value by capitalising on its three group companies' numerous competitive strengths.

Principally, the group benefits from access to cost-advantaged feedstock, integrated plants for production and export operations, a diverse base of worldwide clients and the fact that all of the group companies' production facilities are located within the State of Qatar - a country with renowned political and economic stability.

The group companies all have well-established positions in the petrochemical segment, with the companies being established between 1997 and 2005, recognised operational track records and the proven ability to generate strong operating cash flows.

As a result, the group companies have historically achieved returns higher than average in the petrochemical industry in the region.

With these strengths, and under the wise leadership of His Highness the Emir, Sheikh Tamim bin Hamad Al-Thani, it is our firm belief that the group is well-positioned to withstand the challenging economic times ahead.

### **Cost Optimisation**

During the year, the Board of Directors established a Cost Optimisation Committee to identify and capture cost-saving opportunities throughout all group companies. This exercise is considered essential to ensure the group maximises its cost efficiency, and its progress and recommendations will be closely monitored by senior management.

### **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, 2014 of QR 1.4 billion, equivalent to a payout of QR 1.10 per share and representing 77.0% of the group's profits. This proposed dividend compares favourably to the previous distribution amount of QR 439.7 million, or QR 0.35 per share, that was paid for the four-month period ended December 31, 2013.

### **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. 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.

# Board of Directors Report

## Introduction

The Board of Directors is pleased to present its 2nd 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.

## Consolidated Financial Results

Management reporting revenue for the year ended December 31, 2014, calculated by proportionately consolidating group results as per IAS 31, was QR 4.3 billion.

The group continued to maintain strong EBITDA margins across all segments, as results were aided by resilient key product prices, supply of

competitively priced ethane feedstock and fuel gas under long-term supply agreements with Qatar Petroleum and the recognition of a tax refund from the Public Revenues and Tax Department.

The group's liquidity position remained strong during the year, on buoyant cash realisation ratios across all group companies, with cash held across the group after distributing the previous year's QR 439.7 million dividend, of approximately QR 2.7 billion. Total assets closed the year at QR 14.6 billion, an increase of QR 1.4 billion, or 10.9%, compared to the previous year.

## Segmental Financial Results Q-Chem / Q-Chem II

The segment recorded revenue of QR 3.5 billion for the year ended December 31, 2014. In line with the seg-

ment's production and sales strategy, the polyolefin / alpha-olefin sales mix was adjusted in order to take advantage of pricing and market opportunities identified during the quarter. As a result, during the year ended December 31, 2014, polyolefins constituted 71% of revenue, alpha-olefins 26% with the remainder attributable to other minor products.

Total assets of the combined Q-Chem / Q-Chem II segment as at December 31, 2014 were QR 7.0 billion, and total debt was QR 1.5 billion. The entire debt balance was due by Q-Chem II, while the combined companies' cash realisation ratio was over 100%.

## QVC

QVC registered full year revenue of QR 0.8 billion. Results for the year ended December

31, 2014 were impacted by planned shut-downs of the company's EDC, VCM and caustic soda facilities, principally during the first half of the year.

Net profit for the year ended December 31, 2014 was QR 72.1 million. Year to date profit margins were adversely affected by expenditure related to the major shut-down and weak comparative selling expenses.

QVC's total assets as at December 31, 2014 were QR 1.3 billion. The company's cash position was aided by a creditable cash realisation ratio of over 100%, minimal CAPEX of only QR 64.2 million, and having no outstanding debt during the period.

## Performance Versus Budget

Despite the planned maintenance noted in the first part of the year and the adverse trading conditions experienced in the latter part of the year, the group nevertheless was able to exceed full year budgeted profit expectations by over 20%. This commendable performance can be primarily attributed to the group's polyolefins business, where both sales volumes and product prices exceeded budgeted expectations.

## Proposed Dividend Distribution

The Board of Directors recommend a total annual dividend distribution for the year ended December 31, 2014 of QR 1.4 billion. This is equivalent to a payout of QR 1.10 per share and represents 77.0% of the group's profits.

## 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.

# Chief Coordinator's Statement



Khalid Mohammed Al-Subaey  
Chief Coordinator, MPHIC

It is with great pleasure that I present this statement to our esteemed shareholders, highlighting the major accomplishments of the head office for 2014.





### **Corporate Office Activities / Functions**

#### **Governance, Policies and Procedures**

A number of governance improvements were completed during the year primarily in areas such as procurement, financial accounting, management reporting and investor relations. The most notable policies and procedures approved include a procurement manual, group disclosure and dividend policies, authorised signatories for banking, preparation and maintenance of stand-alone accounts, preparation of consolidated

financial statements, invoice registration and payment, short term deposits, opening and maintaining bank accounts procedures, and an enhanced manual of authorities.

In addition, and as part of good governance and international best practice, a Board Audit Committee was established in the second half of the year.

#### **Planning and Performance**

The head office views senior management's oversight of the group's operational and financial performance as being of the utmost importance. As such, a comprehensive series of

management reports have been developed, including monthly and quarterly segmental presentations, and a rolling 5-year budget and business plan. Furthermore, a Cost Optimisation Committee was established during the year to identify and capture cost-saving opportunities.

#### **Investor Relations / Public Relations**

MPHC is keen on maintaining continuous contact with its shareholders and investors through the periodical disclosure of its financial results, as well as any information that may impact the financial or operational performance of the company in a timely and accurate manner.

In this regard, the group launched during the year a professionally-designed website ([www.mphc.qa](http://www.mphc.qa)) in both English and Arabic, and is utilising a dedicated email address ([mphc@qp.com.qa](mailto:mphc@qp.com.qa)) and the latest social media platforms in the form of Twitter and Instagram accounts (@mphc\_qa). The company is also facilitating direct contact for shareholders and investors through holding 1-to-1 meetings and conference calls.

#### **Liaison with Public Revenue and Tax Department (PRTD)**

Significant effort has been, and will continue to be, exerted with the PRTD in order

to agree the modalities of claiming and receiving the tax refund due to MPHC. The tax refund claimed for the period from incorporation to date totals QR 133.5 million.

#### **Conclusion**

In closing, I would like to extend my sincere gratitude to H.E. Dr. Mohammed Bin Saleh Al-Sada, Chairman of MPHC, the senior management and staff of our group companies for their support.

# 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 at December 31, 2014 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 and applicable provisions of Qatar Commercial Companies Law, 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 the Mesaieed Petrochemical Holding Company Q.S.C., as

at December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Other matters


The financial statements of Mesaieed Petrochemical Holding Company Q.S.C. for the year ended December 31, 2013 were audited by another auditor who expressed an un-modified opinion on those statements in their report dated March 16, 2014.

## Other Legal and Regulatory Requirements

We are also of the opinion that proper books of account were maintained by the Company. 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 Qatar Commercial Companies Law No. 5 of 2002 and the Company's Articles of Association were committed during the year which would materially affect the Company's activities or its financial position.

For Deloitte & Touche  
Qatar Branch  
Doha - Qatar  
February 1, 2015



Muhammad Bahemia  
License No. 103

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Year ended December 31, 2014 QR'000	May 29, 2013 to December 31, 2013* QR'000
Share of profit from joint ventures	1,668,554	612,123
Interest income	8,615	--
Other income	354	--
	<b>1,677,523</b>	<b>612,123</b>
General and administrative expenses	(15,262)	(2,547)
<b>Profit for the year/period</b>	<b>1,662,261</b>	<b>609,576</b>
Tax refund	133,470	--
<b>Net income for the year/period</b>	<b>1,795,731</b>	<b>609,576</b>
Other comprehensive income	--	--
<b>Total comprehensive income for the year/ period</b>	<b>1,795,731</b>	<b>609,576</b>
<b>Basic and diluted earnings per share</b>	<b>1.43</b>	<b>0.49</b>

\*Although the company was incorporated on May 29, 2013, however, MPHC acquired its stake on its group companies on 1st Sept. 2013

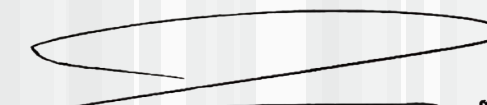
# STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	December 31, 2014 QR'000	December 31, 2013 QR'000
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investment in joint ventures	13,152,985	13,072,240
<b>Current assets</b>		
Prepayments and other debit balances	141,116	--
Due from related parties	80,414	93,058
Cash and bank balances	1,238,298	10,000
<b>Total current assets</b>	<b>1,459,828</b>	<b>103,058</b>
<b>TOTAL ASSETS</b>	<b>14,612,813</b>	<b>13,175,298</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	12,563,175	12,563,175
Legal reserve	17,444	--
Retained earnings	1,920,703	609,576
<b>Total equity</b>	<b>14,501,322</b>	<b>13,172,751</b>
<b>Current liabilities</b>		
Trade payables and accruals	77,001	726
Due to a related party	34,490	1,821
<b>Total current liabilities</b>	<b>111,491</b>	<b>2,547</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,612,813</b>	<b>13,175,298</b>



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



Abdulrahman Ahmad Al-Shaibi  
Vice-Chairman



## STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Year ended December 31, 2014 QR'000	May 29, 2013 to December 31, 2013 QR'000
<b>OPERATING ACTIVITIES</b>		
Profit for the year/period	1,795,731	609,576
Adjustments for :		
Interest income	(8,615)	--
Share of profit from joint ventures	(1,668,554)	(612,123)
	118,562	(2,547)
Working capital changes:		
Prepayments and other debit balances	(133,538)	--
Due from related parties	92,514	--
Due to a related party	6,073	1,821
Trade payables and accruals	2,217	726
<b>Cash from operations</b>	<b>85,828</b>	<b>--</b>
Interest received	1,037	--
<b>Net cash generated from operating activities</b>	<b>86,865</b>	<b>--</b>
<b>INVESTING ACTIVITIES</b>		
Dividends received	1,525,383	--
Increase in term deposits	(1,155,500)	--
<b>Net cash generated from investing activities</b>	<b>369,883</b>	<b>--</b>
<b>FINANCING ACTIVITY</b>		
Share capital introduced	--	10,000
Dividends Paid	(383,950)	--
<b>Net cash (used in)/ generated from financing activity</b>	<b>(383,950)</b>	<b>10,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>72,798</b>	<b>10,000</b>
Cash and cash equivalents at beginning of the year/period	10,000	--
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	<b>82,798</b>	<b>10,000</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Share capital QR'000	Legal Reserve 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 December 31, 2013	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
<b>Balance at December 31, 2014</b>	<b>12,563,175</b>	<b>17,444</b>	<b>1,920,703</b>	<b>14,501,322</b>