

**QAPCO**

شركة قطر للبتر وكيمائيات  
QATAR PETROCHEMICAL COMPANY



# 2011

ANNUAL REPORT

**A YEAR TO REMEMBER**





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IN THE NAME OF ALLAH,  
MOST GRACIOUS, MOST MERCIFUL



**His Highness**  
**Sheikh Hamad Bin Khalifa Al-Thani**  
**Emir of the State of Qatar**





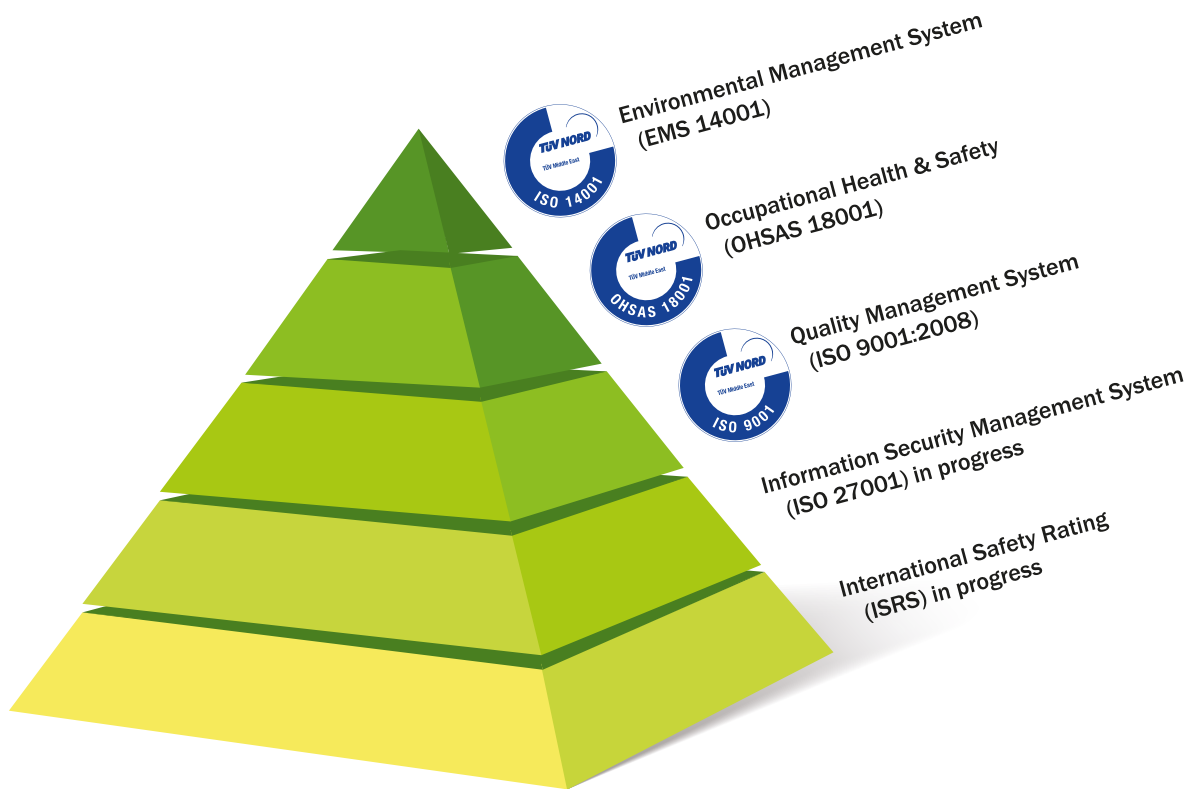
**His Highness**  
**Sheikh Tamim Bin Hamad Al-Thani**  
**Heir Apparent**





## ] OUR MANAGEMENT SYSTEMS [

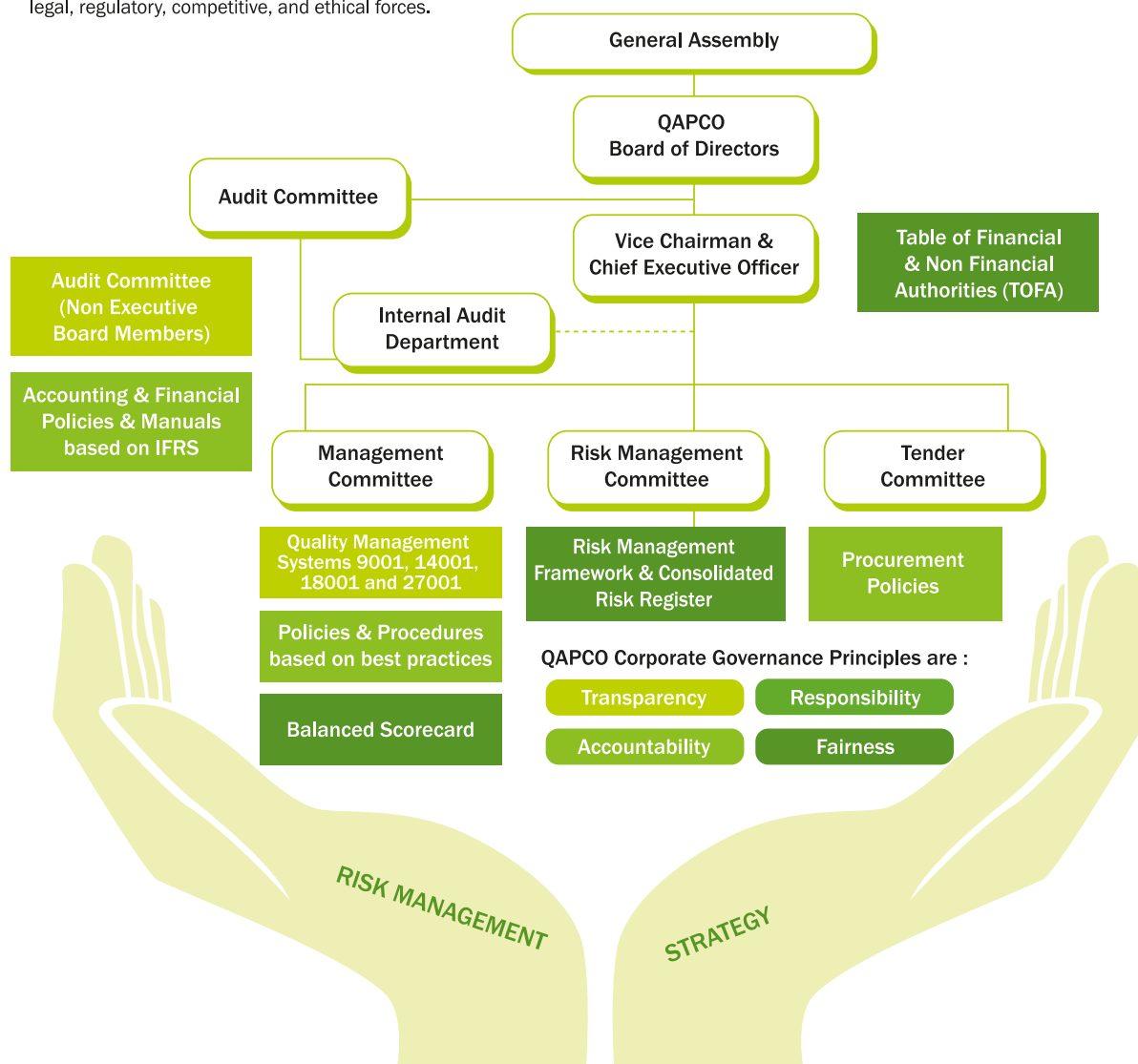
QAPCO quality system is designed to operate within the requirements of ISO, that enables QAPCO to provide consistent service quality, which meets specified customer's requirements as well as continually improving customer satisfaction through effective and efficient application of production and services processes.



QAPCO Management is committed to implement effective Health, Safety and Environment management systems, and acknowledge the responsibility towards minimizing the HSE risks related to its operations and products.

## CORPORATE GOVERNANCE FRAMEWORK

QAPCO Corporate Governance is the system by which business decisions are directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders, and other stakeholders, and spells out the the rules and procedures for making decisions on corporate affairs. In brief, it is the set of managerial responsibilities that binds a company's management, shareholders, and the board within a larger context defined by legal, regulatory, competitive, and ethical forces.



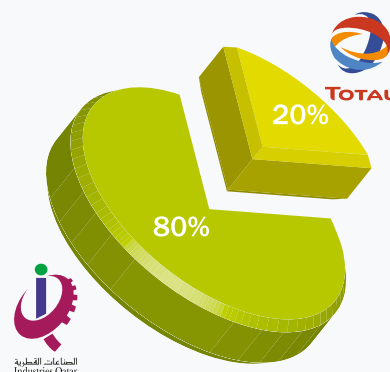
## SHAREHOLDING PATTERN

### Industries Qatar (IQ)

The majority shareholder in QAPCO, with 80% stake, is Industries Qatar (IQ), founded in 2003 with a paid-up capital of QR 5 billion, of which 70% are held by Qatar Petroleum and 30% are held by public and non-profit organizations. It is the largest listed company on the Doha Exchange Market in terms of market capitalization.

### Total Petrochemicals

One of the largest publicly-traded integrated oil and gas companies in the world and renowned chemicals manufacturer, Total Petrochemicals of France holds 20% equity in QAPCO and is present in 130 countries.





## QAPCO BOARD OF DIRECTORS



**Eng. Hamad Rashid Al-Mohannadi**  
Chairman



**Dr. Mohammed Yousef Al-Mulla**  
Vice Chairman & CEO



**Mr. Ahmad Abdulla Al-Mawlawi**  
Board Member



**Mr. Ahmed Mohd Ahmed Darwish**  
Board Member



**Mr. Sultan Khalifa Al-Binali**  
Board Member



**Mr. Mohammed Khalid Al Ghanem**  
Board Member




**Mr. Mohammed Jasem Al-Baker**  
Board Member



**Mr. Bryan Canfield**  
Board Member



**Mrs. Bernadette Spinoy**  
Board Member



**QAPCO is executing a focused growth strategy, through plant expansions by utilizing available and competitively priced feedstock, and through expansions of its global marketing network by opening new liaison offices and regional warehouses to reach customers around the globe.**





## CHAIRMAN'S MESSAGE

# ONCE AGAIN... OUTSTANDING RESULTS



**T**hree years ago in 2008, QAPCO achieved its highest ever performance in terms of sales and net profit and it was very hard to imagine at that time that QAPCO would again reach such peaks considering the financial crisis and the economic downturn that the world has been suffering from since then. But yet again, QAPCO proved its ability to do it.

QAPCO is executing a focused growth strategy, through plant expansions by utilizing available and competitively priced feedstock, and through expansions of its global marketing network by opening new liaison offices and regional warehouses to reach customers around the globe. We aim to continue building this model which is capable of maintaining sustainable growth in any complex environment.

On Safety performance, QAPCO achieved the record of 11.4 Million Man hours without LTA. On the Operations front, QAPCO achieved the highest ever production of Low Density Polyethylene (LDPE) with a figure of 426KT. Ethylene production also surpassed the budget in all respect and a record 793KT was achieved.

Above all, I believe that QAPCO's strength lies in its employees who are able to execute QAPCO's strategy in various areas of the business; we shall keep enhancing and nurturing our human capital as a first priority in QAPCO to ensure steady and sound growth in the future.

Financially, QAPCO ended the year 2011 by surprising everyone again and achieving a historical financial result. I am assuring our shareholders and stakeholders that you can confidently continue to expect the very best from QAPCO & its Management Team.

**Hamad Rashid Al Mohannadi**  
Chairman

TO OUR STAKEHOLDERS



2007-2011

FIVE YEARS REVIEW



21  
A YEAR TO REMEMBER

2017

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# STANDING THE TEST OF TIME

**Dr. Mohammed Yousef Al Mulla**  
Vice Chairman & CEO





# PREFACE

**Dr. Mohammed Yousef Al Mulla** ■ Vice Chairman & CEO

Inspired by Qatar National Vision 2030, constantly staying a step ahead, we created a new value with sustainable growth. Qatar National Vision rests on four pillars:



In all four aspects of the vision we have developed a QAPCO strategy :

## Human Development:

QAPCO has continued its support for Education since 2007 till 2011, and as the Education sector in Qatar has seen more progress during this period, we have also increased our contribution to it by bonding with Qatar University, Texas A&M at Qatar, and many other institutes. We have reached out to the technical secondary schools and provided successful graduates with lucrative employment opportunities and scholarships in and outside Qatar. Regarding our employees, we have provided them with the utmost care in all aspects, and fostered a relationship with them that is based on social justice

## Economic Development:

QAPCO actively participates in increasing the overall income of the State of Qatar, and our ambition never stops, our promise to our shareholders and stakeholders that the years to come will witness huge developments in the sector of petrochemical industry, and QAPCO shall have a big share in that. In order to show how we did so far, and how we reached our peak performance in 2011, please join me in the following quick overview:

## Social Responsibility towards the Qatari Society:

We continue to support our society through participation in many cultural and sports activities, and the support of initiatives to preserve Qatari Heritage.

## Environmental Development:

We are participating in all Environmental events in Qatar in support of our cause for protecting the Environment, this was our theme for 2009, and to crown all the efforts the year 2011 concluded with the board approval to proceed with an overall revamp and change of our Furnaces, a Multi-Million QR project, which will put QAPCO at the highest Environmental standards when it comes to emissions.

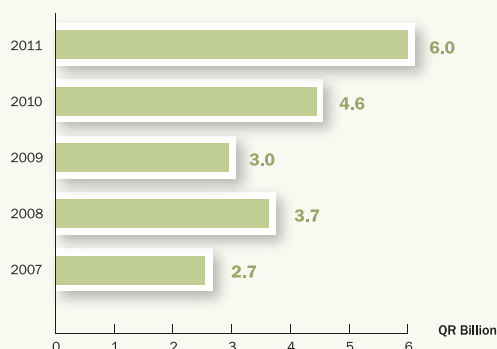


# EXECUTIVE SUMMARY

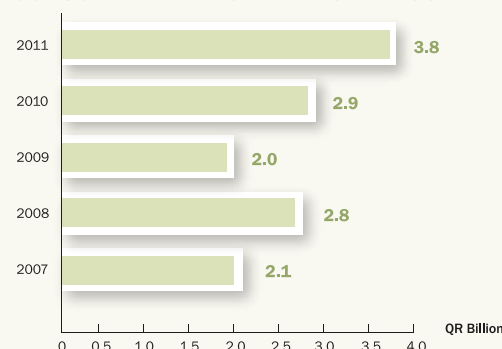
The year 2011 has been a year of enormous success for QAPCO Group. The consolidated FOB revenue increased to a level of over QR 6.0 billion with consolidated profit before tax of QR3.8 bn. These figures include the operations from QAPCO stand-alone and the share of QAPCO in its joint ventures namely, Qatofin, QVC and QPPC.

The performance of the group during the last 5 years has been very encouraging. Although, Group companies' products are exposed to market driven prices, nevertheless, the financial performances are derived from improving operations and improved sales revenues generated over the years. The startup of Qatofin commercial operations in 2010 has boosted this contribution even further. This can be witnessed in the following charts:

**CONSOLIDATED FOB SALES**

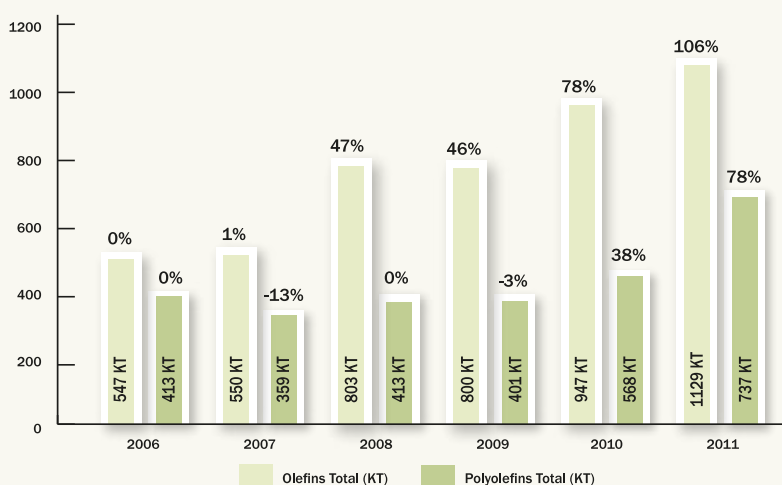


**CONSOLIDATED PROFIT BEFORE INCOME TAX**



After the commencement of commercial operation of Qatofin's LLDPE plant and RLOC Ethylene Cracker in 2010, the total exposure of QAPCO for its share in Olefins and Polyolefins business increased to approximately 1130 KT and 735 KT respectively at the close of year 2011 as shown below :

**OLEFINS / POLYOLEFINS BUSINESS VS INCREASE SINCE 2006**



QAPCO share of business in other chemical production (EDC, VCM, CSS, C3C4, Pygasoline, Sulphur) inclusive of its share in Qatofin, QPPC and QVC reached 422 KT at the close of the year 2011

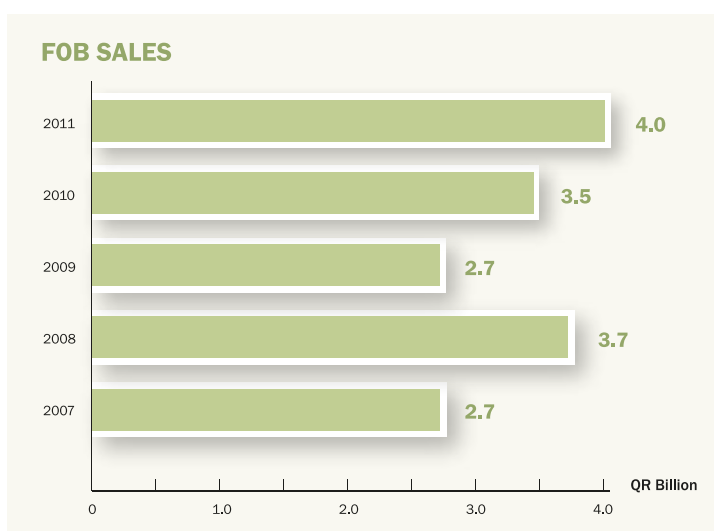


# QAPCO STAND ALONE OVERVIEW 2007-2011

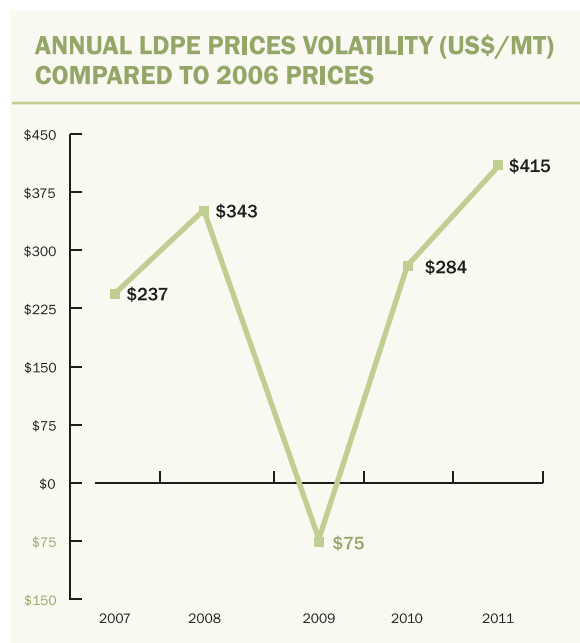
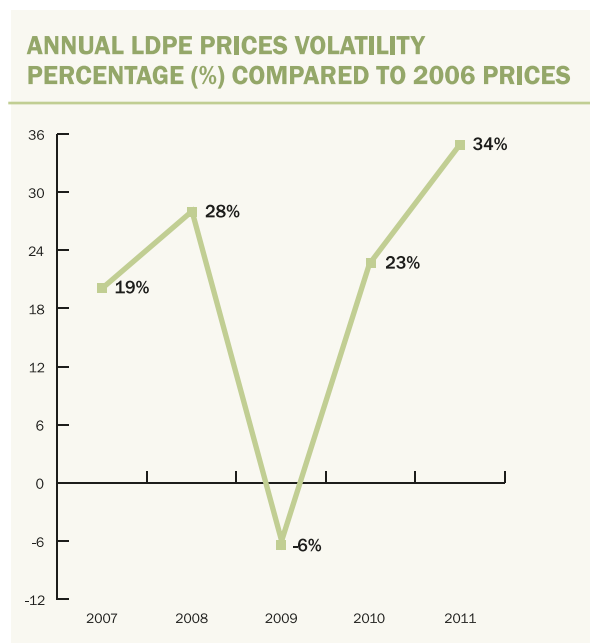
**W**ithin QAPCO Group, QAPCO stand-alone performance has been phenomenal. Here we give the evolution of QAPCO during the last 5 years :

## SALES :

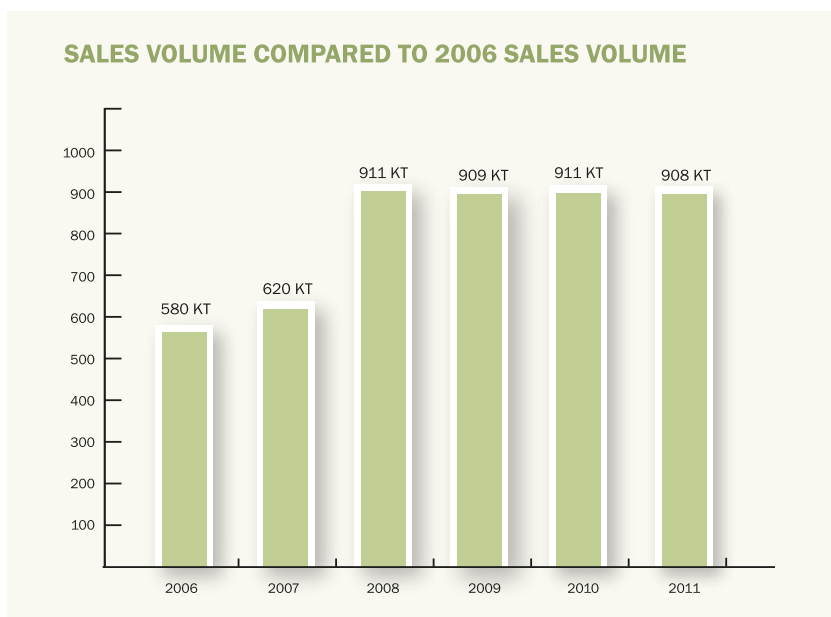
Company FOB sales over the period of last five years are presented below. This shows the increased sales revenue on account of higher volume and improved prices. The FOB sales achieved during the year 2011 has been the highest ever in the history of QAPCO.



Sales revenue represents the result of prices and the volumes. Considering 2006 as the base year, annual price volatility on our LDPE sales is shown as follows:



Considering 2006 as the base year, QAPCO annual sales volume increase of all products together that includes Ethylene, LDPE, C3C4, Pygasoline and Sulphur, is shown as follows :



The increased sales volume is mainly related to the start of commercial operations of Ethylene Plant 2 in 2007 which has the effect of increased Ethylene sales and also sales of C3C4 and Pygasoline which were not available earlier.

### PROFIT :

Revenue generated and cost management indicates the profitability of the company. The level of profit before income tax over the last five years is as follows;



# OPERATIONAL PERFORMANCE OVERVIEW 2007-2011

## OVERALL PERFORMANCE

Over the past 5 years, QAPCO Operations has been performing exceptionally well, meeting and exceeding all expectation every single year in all business aspects. This progressive performance is clearly reflected in HSE, culture, as well as business outputs. The Sustainability is the secret behind all this success. We do business, and heavily investing to preserve our future.



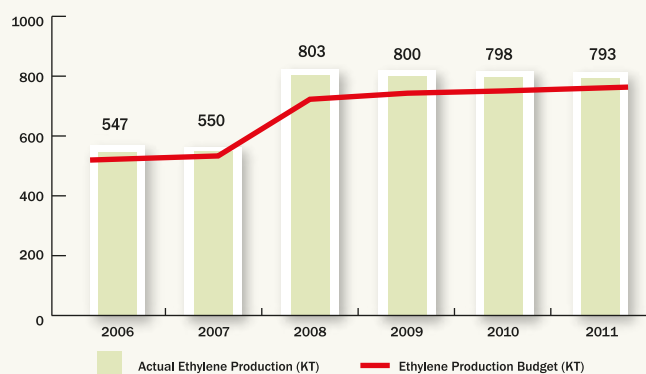
## SUSTAINABLE DEVELOPMENT OF MESAIEED SITE

As part of our commitment towards ourselves, our employees, and the community, QAPCO took the initiative to improve health, safety and environmental level of Mesaieed site by changing the old outdated technology with more eco-friendly and safe alternative solutions. The continuous hard work and education done in the past gave us the fruits that we enjoy today. The site development project, new CCR, NOx emission reduction and waste water treatment are excellent examples that reflect QAPCO's commitment to sustainability and future development.

## PRODUCTION PERFORMANCE OLEFINS:

Ethylene production stands at 793 KT in 2011 compared to 547 KT in 2006, representing an increase of about 45%. Ethylene production got a huge boost from the commissioning of the EP2 plant in 2007.

### ETHYLENE PRODUCTION - ACTUAL VS BUDGET

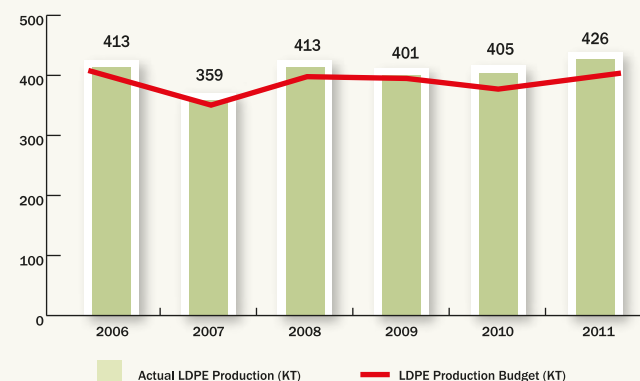


## POLYOLEFINS:

Polyolefin plants made consistent contributions to the performance of QAPCO operations over the last 5 years. The addition of Qatofin LLDPE capacity in 2010 strengthened this contribution even further.

LDPE production remained steady over the past 5 years, with the exception of 2007 which had lower production due to the General Shutdown. It is important to note here that LDPE production in 2011 was the highest ever in the history of QAPCO.

### LDPE PRODUCTION - ACTUAL VS BUDGET



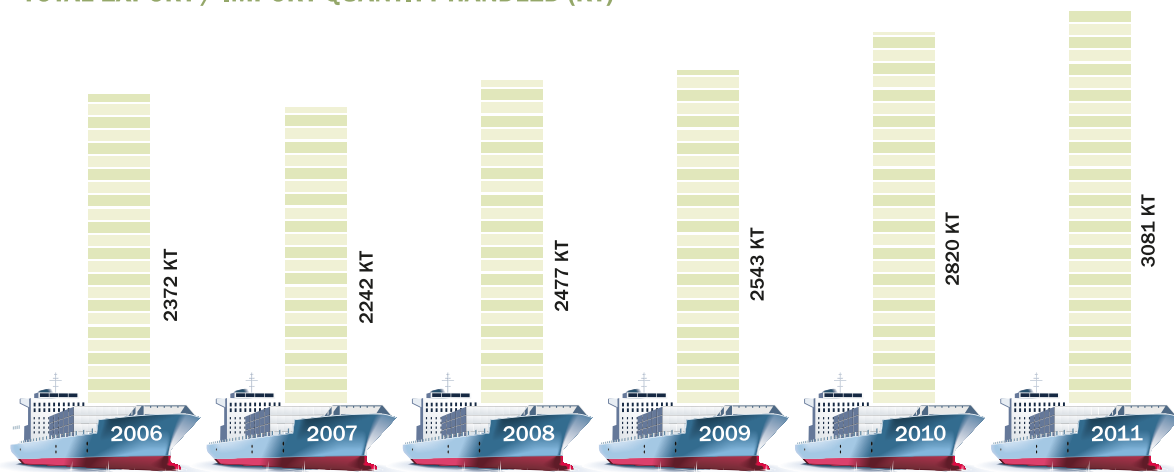
## LOGISTICS

QAPCO logistics involves the handling of various products of QAPCO, Qatofin and QVC along with its jetty operations. This covers export of Ethylene, LDPE, LLDPE, EDC, VCM, CSS and Sulphur and also handling of import of Ethylene and Salt on behalf of QVC.

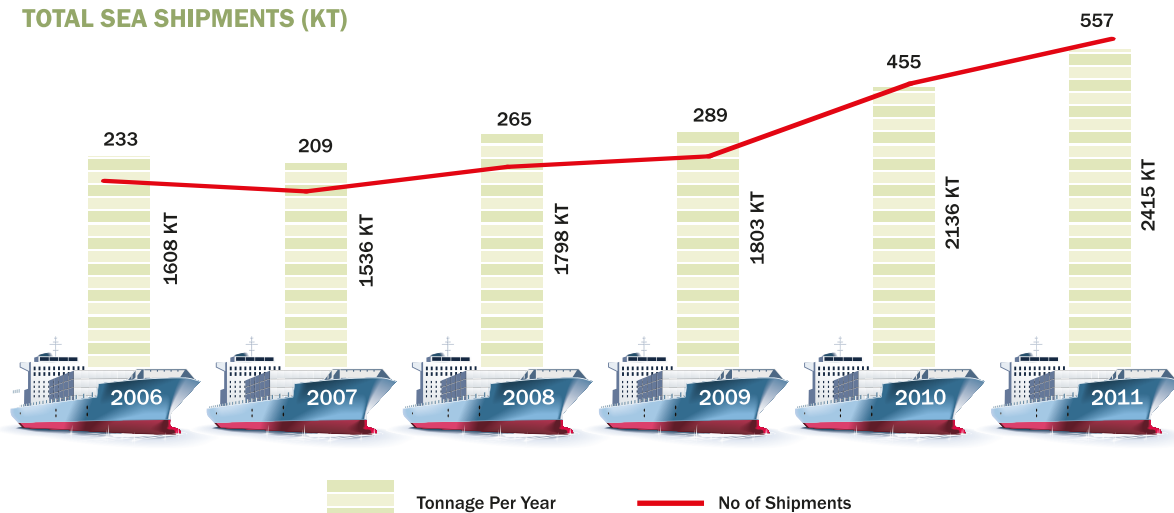
The chart below shows the crucial supporting role that QAPCO Logistics has played both in terms of total quantity handled and total tonnage shipped with number of sea shipments since 2006.

There was a steady yearly increase of tonnage shipped over the past 5 years with the exception of 2007 due to GSD.

### TOTAL EXPORT / IMPORT QUANTITY HANDLED (KT)



### TOTAL SEA SHIPMENTS (KT)



Note : Number of sea shipments are based on number of products shipped



04



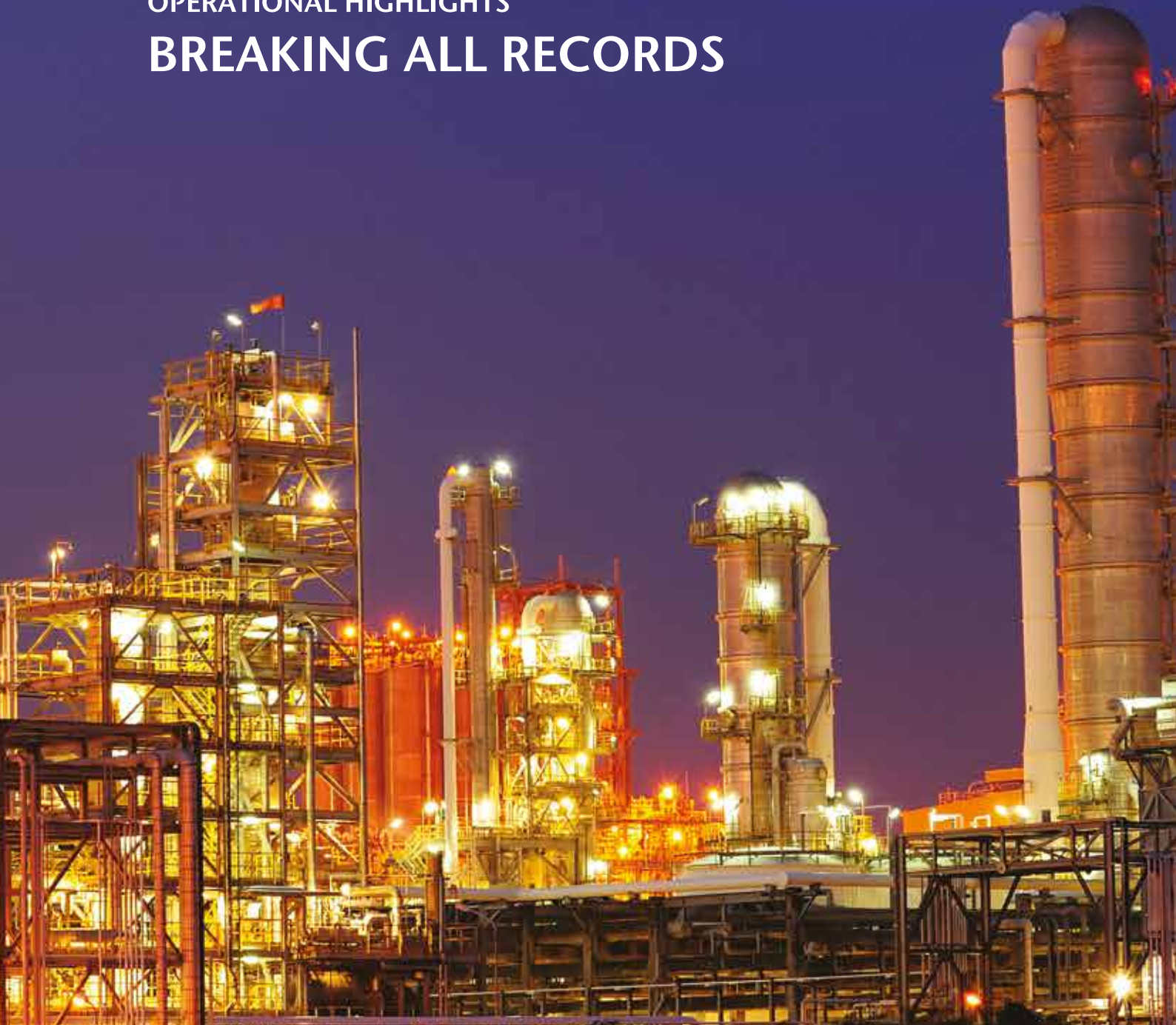


A YEAR TO REMEMBER



OPERATIONAL HIGHLIGHTS

**BREAKING ALL RECORDS**







## OPERATIONAL HIGHLIGHTS

# BREAKING ALL RECORDS

**Yousef Abdulla Rebeeh** ■ Chief Operations Officer

The year 2011 was an exceptional year for QAPCO's Operations, a year during which all previous records were met and exceeded despite many difficulties and challenges we faced. The cooperation, persistence, and the spirit of team work were strongly present mixing plant capabilities with exceptional performance of our employees into this great picture of success. The Success was global starting from our main core values related to Health, safety, and environment, ending with breaking previous production records.

### HEALTH, SAFETY & ENVIRONMENT:

The 2011 Operations performance was supported by major achievements on the HSE side. We have achieved an excellent record of Zero LTI over 11.4 million man-hours by the end of 2011. In the same year, we managed to complete recertification process of OHSAS 18001:2007 & ISO 14001:2004 with support of TUV NORD. The certificate will be valid till the end of 2014.

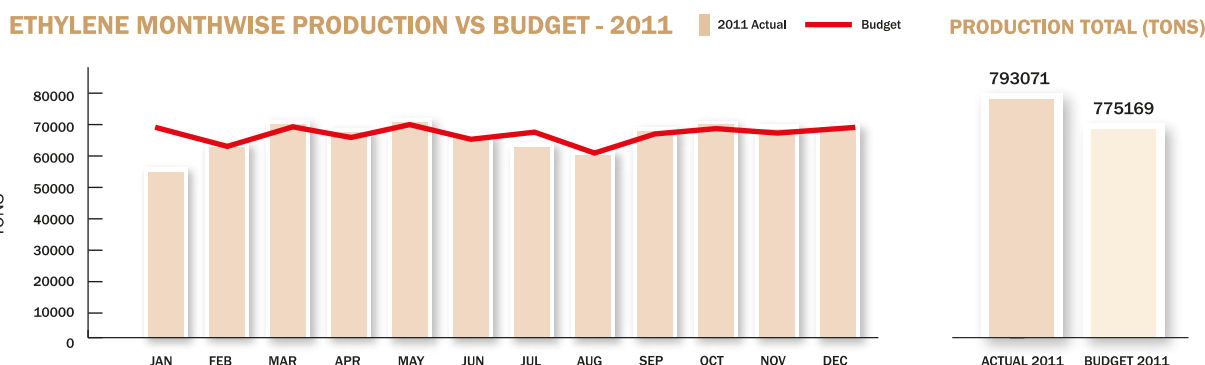
The ISRS(International Sustainability Rating System) was another milestone in HSE culture development in QAPCO which took place in 2011. QAPCO decided to implement (ISRS-Ed.8) ISRS Level – 8 which is considered as one of the unique, stringent and comprehensive sustainability systems available in Petrochemical industry. The implementation work was already established and is forecasted to continue for the coming years.

Process Safety Management System (PSM) was also another great initiative implemented through internal taskforce set to develop and implement PSM based on OSHA PSM 1910.119.

Responsible care program (GPCA RC-14001) codes and standards were developed as a first step towards implementation as part of regional initiative under GPCA (Gulf Petrochemicals & Chemicals Association).The implementation of responsible care management system was initiated and expected to have positive reflection into all aspects of the business.

### OLEFINS :

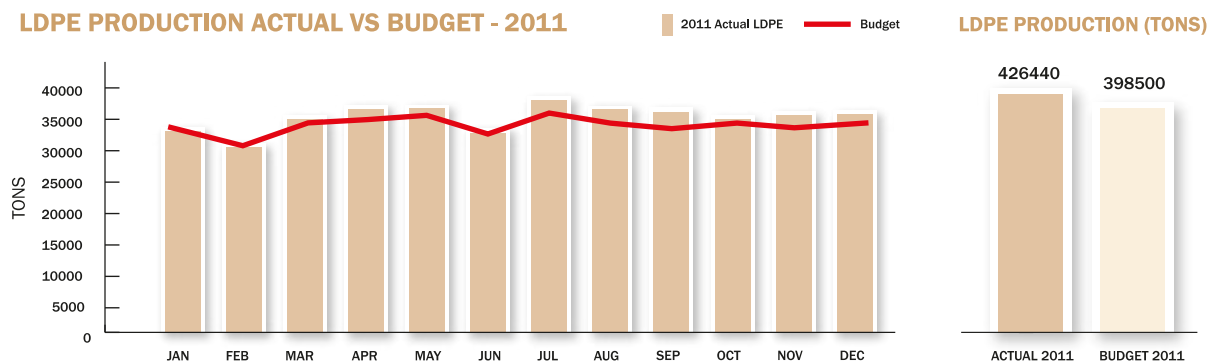
The ethylene plants are the first production facilities in the value chain in QAPCO at which Ethylene monomer is produced. Ethylene is one of our main products as well as a feed-stock for the Polyolefin plants. The plant performance in 2011 showed excellent results. Against a budget of 775.2 KT for the year, actual Ethylene production was 793.1 KT, which represents about 2.3 % over budget. This excellent performance was achieved despite the temporary shutdown of EP2 plant due to an unforeseen technical problem.



### POLYOLEFINS :

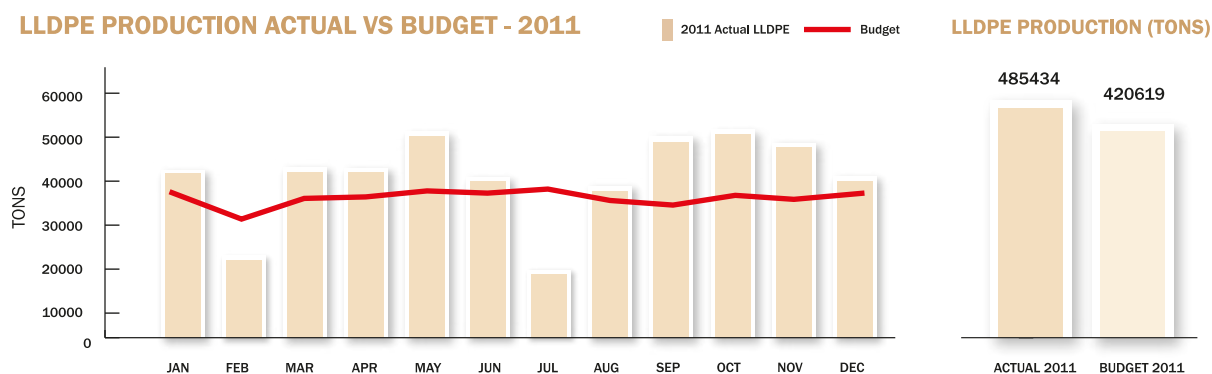
In 2011, Polyolefin plants played a key role in the record breaking performance of QAPCO operations since we started production in 1981. LDPE production was above budget for almost every month of the year, resulting in an overall production of 426.4 KT for the year 2011, about 7% above budget. LDPE production in 2011 was the highest on record, and about 5% higher than the previous year.

### LDPE PRODUCTION ACTUAL VS BUDGET - 2011



QATOFIN's LLDPE plant which is being managed and operated by QAPCO was another success story in 2011, with a total production of 485.4 KT, about 15.4 % above budget as can be seen in the charts below.

### LLDPE PRODUCTION ACTUAL VS BUDGET - 2011



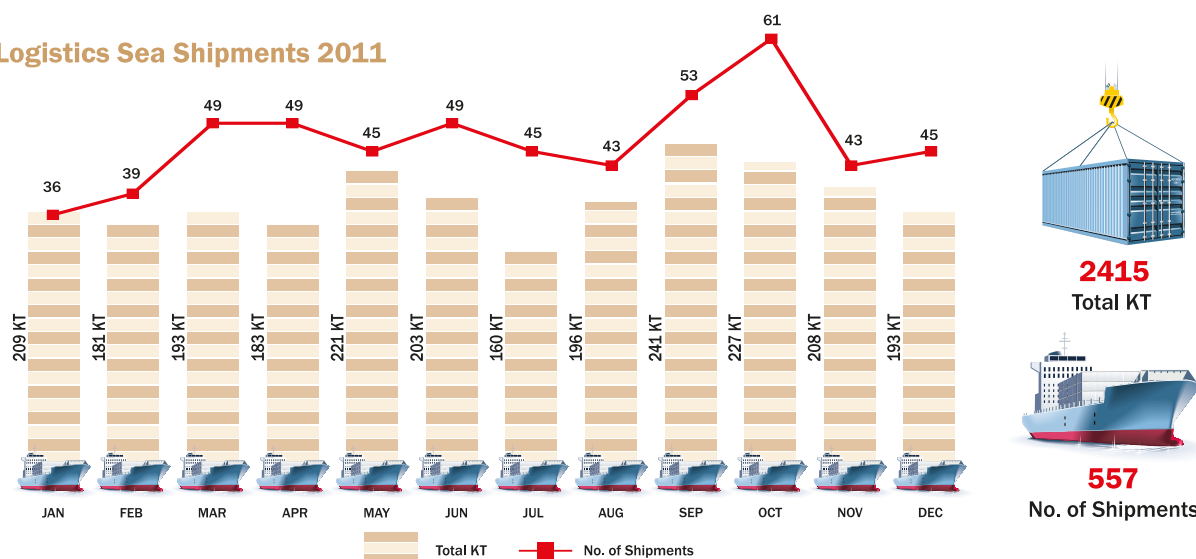
Total Polyolefins production in 2011 (LDPE and LLDPE) both for QAPCO and Qatofin peaked at 911KT, which represents a 38% increase from the previous year.

### LOGISTICS:

The Operations success story of 2011 will not be complete without an excellent performance from the Logistics Department. The chart below shows the crucial supporting role that Logistics has played both in terms of number of product-wise sea shipments handled and total tonnage shipped on behalf of QAPCO, Qatofin and QVC.

2011 was a record breaking year for both liquid and solid shipments that includes the shipment of Ethylene, LDPE, LLDPE, EDC, VCM, CSS and Sulphur. There were 557 product-wise total shipments from the site in 2011, about 22% more than the previous year. This increase is mainly due to 13% increase in the total tonnage shipped compared to the previous year.

### Logistics Sea Shipments 2011



Note : Number of sea shipments are based on number of products shipped



# 05



MARKETING HIGHLIGHTS

## BEYOND BOUNDARIES REACHING NEW TERRITORIES



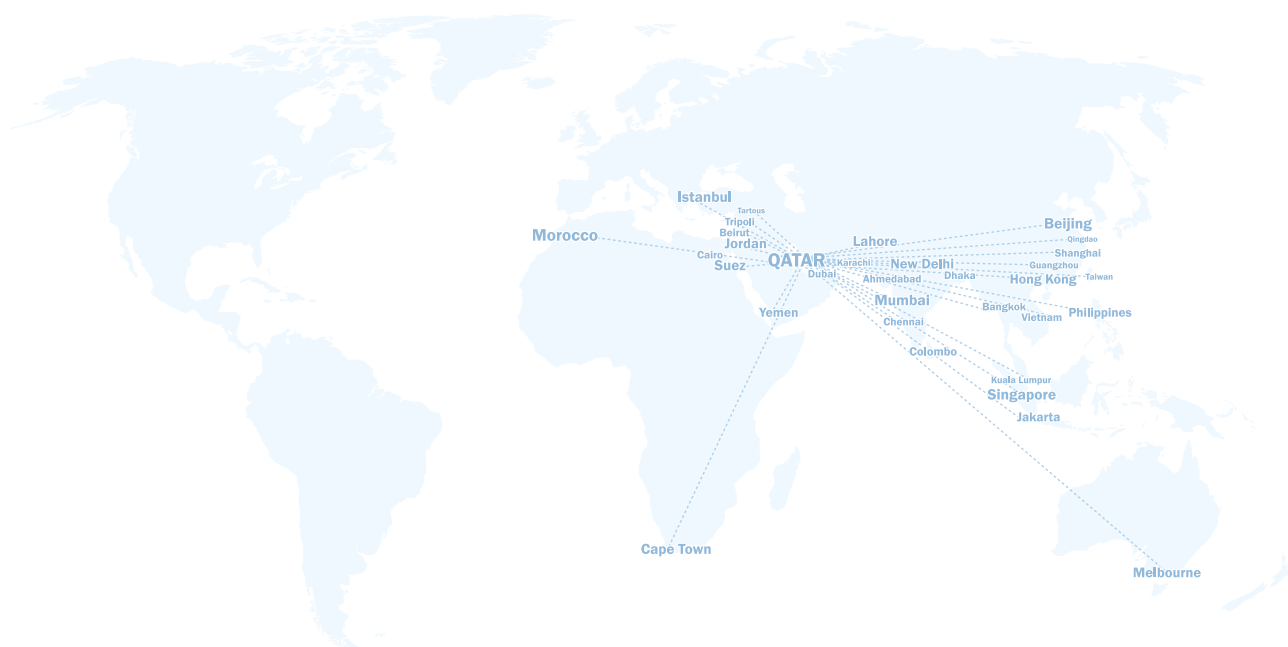
A YEAR TO REMEMBER



## MARKETING HIGHLIGHTS

# BEYOND BOUNDARIES REACHING NEW TERRITORIES

**Yousef Darwish Fakhro** ■ A/Chief Commercial & Marketing Officer



### Global Marketing Network :

- QAPCO marketing continues to emphasize becoming a local petrochemical supplier with a diversified product portfolio with a view to serve its customers at their doorsteps through the expansion of its global marketing network of Self Operated Offices, Warehouses and Agents. The marketing network now consists of 28 regional offices across the world and 6 regional warehouses at strategic locations. Besides the sale of QAPCO products (Ethylene, LDPE), QAPCO marketing also sells the products of Qatofin's Ethylene and LLDPE, QVC's EDC, VCM & CSS, QCHEM's HDPE and other chemical products under the marketing arrangements.
- Record Tonnage of petrochemicals products sold in 2011. Record volume of polyethylene sold, it was the highest ever for any given year in QAPCO's history. We sold 987 K metric tonnes of Polyethylene (LDPE & LLDPE) and 435 K metric tonnes of Ethylene and 786 K metric tonnes of other products.
- Combined tonnage of all products sold by QAPCO Marketing in the year 2011 was in excess of 2.2 million tonnes.
- Also 2011 has been a record year in terms of overall Revenues earned by QAPCO in any given year to date.
- Total revenue accrued from the Sales of all products combined is in excess of US\$ 1.69 billion.
- All-time-high performance in LDPE sales, the FOB averaged at US\$ 1,623/- PMT which is a record high in the company's history.
- QAPCO commenced selling Polyethylene directly in Europe, Latin America and all of Africa for the first time in 2011.
- In the year 2011, QAPCO established and inaugurated offices in Australia and Morocco.
- QAPCO moved into a newly owned representative office in Dubai, located in the Business Bay hub as part of the company's move to strengthen its presence in the UAE market. Apart from UAE, the Dubai office oversees business in Oman and Bahrain markets as well.



## Events 2011: In Just About Everything

Corporate Social Responsibility is an integral element of QAPCO's corporate strategy and therefore we have dedicated significant resources to fulfill our social contributions in a responsible and sustainable manner.

In 2011 initiatives covering our CSR philosophy revolved around development of nationals, environmental protection, sponsorship of students, collaboration with educational institutions and participation in local and regional events such as the annual career and environment fairs, the annual Omar bin al-Khattab School Graduation and numerous competitions for local Schools and Universities.

The aim of these initiatives is to support and develop academia within Qatar and provide a solid foundation for the next generation of Qatari leaders and engineers.

In December, QAPCO was proud to be a national sponsor of the 20th World Petroleum Congress (WPC) which attracted phenomenal global interest and was attended by all the major oil and gas companies as well as Governmental Ministers and outside stakeholders.

During the event QAPCO won a prestigious Excellence Award. Over 100 proposals were reviewed by the independent judging panel with QAPCO proudly winning the World Petroleum Council Excellence Awards for Technological Developments in the Small to Medium sized company's category.



This exclusive award is organized every three years at the World Petroleum Congress with the objective being to honor outstanding projects and initiatives within the oil and gas sector. This was one of the proudest moments for QAPCO in 2011 as were recognized by our peers in the Oil and Gas Industry for developing and implementing innovative and wide-ranging technical initiatives that have been of benefit to our citizens within the local community and will also have an impact on the environment.

QAPCO was honored at the 11th Annual Qatarization Review Meeting organized by the Energy & Industry Sector, winning two Awards - the Crystal Award for 'Support and Liaison with the Education Sector' category and the Certificate for the most improved company in the 'Support for Training and Development Sector'.

In May QAPCO was also selected as the "Most Admired Company in Human Capital Management" at the GCC HR Excellence Awards in Dubai 2011 – a truly remarkable achievement.





# 06



## MAJOR PROJECTS HIGHLIGHTS SUSTAINABILITY WITH GROWTH EXPANSIONS

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A YEAR TO REMEMBER







## MAJOR PROJECTS HIGHLIGHTS

# SUSTAINABILITY WITH GROWTH EXPANSIONS

**Saleh Mohamed Al Halki** ■ Chief Project & Engineering Officer

### 2011 EXPANSION AND PROJECT DEVELOPMENTS

2011 is a significant year for QAPCO as well as Major Projects and Engineering Group in terms of support to Operation. Besides progressing on the projects undertaken in the past years, several new projects were initiated during the year 2011 and are on the stages of implementation.



### CENTRAL CONTROL ROOM (CCR) PROJECT :

In 2011 Major Projects delivered the new CCR to Operations. The CCR occupancy by operational staff and progressive transfer of DCS-HMI and control systems started at the end of November with the Polyolefins units and was in progress by the end of the year.





### **LDPE3 PROJECT :**

QAPCO's third LDPE Plant is in the final stages of completion and expected to startup in the first half of 2012.

### **SAFETY :**

Total accrued man-hours on site were 10.63 million at the end of December 2011. 2 LTA has been recorded for the project during the year - no permanent injuries or inabilities. Current man-hours LTA free amounted to 0.97 million at the end of December 2011.

### **OTHER PROJECTS :**

Many projects which were initiated during 2011, are undergoing the pre-feasibility and feasibility studies.

Some of them are expected to be awarded and implemented during 2012 such as the replacements of the furnaces F1301-F1307 with four new furnaces, which was decided for an advance implementation, the new Ethylene tank, site development at Mesaieed, QAPCO Club etc.

Also QP appointed QAPCO to build and operate the new mega petrochemical project (mixed feed cracker in Ras Laffan Industry City ) which will significantly add value to Qatar's position in the global market.





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## HUMAN CAPITAL MANAGEMENT OUR PEOPLE, OUR STRENGTH



# 21

A YEAR TO REMEMBER







## HUMAN CAPITAL MANAGEMENT

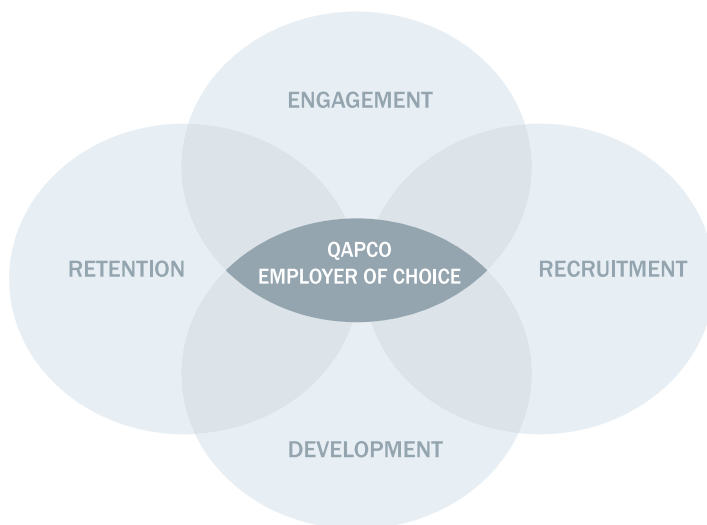
# OUR PEOPLE, OUR STRENGTH

Rashid Abdulla Al Sulaiti ■ Chief Administration Officer

During 2011, QAPCO passed many key milestones on its journey towards becoming an 'Employer of Choice' and continued to improve the leadership and management of our most valuable asset – Our People, the QAPCO Family.

**O**ur effective People Strategy ensures that we Engage our local community and stakeholders, Recruit the best people from around the world, Develop our people using high quality blended learning and Retain our people through reward & recognition, career development opportunities, employee engagement activities, talent management and strong effective leadership.

The successful implementation of our People Strategy has enabled the company to achieve a Qatarization Headcount of approx. 30% with detailed development plans in place to help all Developpees and Trainees become confirmed as jobholders in permanent positions.



### 2011 Key Achievements QATARIZATION

- Qatarization Headcount increased to approx. 30% by Dec 2011
- Qatarization Support team capability increased with recruitment of experienced new specialist staff
- Total of 53 Qatari National development programs were managed by Qatarization Support team in 2011
- Total of 17 Qatari Nationals confirmed as jobholders
- Public profile as 'Employer of Choice' supported through attendance at 41 external Qatarization events
- Memorandums of Understanding established with Qatar University and Texas A & M University – Qatar
- Talent Assessment Centres designed & piloted during 2011 to help identify career development needs
- 2nd Annual Qatarization Day held to celebrate the achievements of students, trainees & developpees
- Presented with Aggie Award for extending the greatest support to Texas A & M University – Qatar
- Signed an agreement with ICT Qatar to provide e-learning program to all Qatari National employees

## PEOPLE AT THE HEART OF EVERYTHING WE DO

Our quality-assured approach to Human Capital Management also received external recognition during 2011, when QAPCO was selected as the 'Most Admired Company in Human Capital Management' at the GCC Human Resources Excellence Awards in Dubai.

QAPCO was selected as the winner of the World Petroleum Congress (WPC) Technological Development – Excellence Award 2011 and were shortlisted as a finalist in the Corporate Social Responsibility category.

These successes have only been possible thanks to the company's progressive leadership culture which clearly recognizes that "our people are at the heart of everything we do and are vital to the company's success and future growth."

Our employee retention rates and long service levels are significantly higher than the industry average, supported by a dedicated team of Human Resources & Learning professionals.

Our systematic and best practice approach to key people issues such as Qatarization, Corporate Social Responsibility and Human Capital Management received external recognition through a number of excellence awards.

As part of the Energy & Industry Sector's (EIS) 11th Annual Qatarization Review, QAPCO was presented with 2 awards from the Minister of Energy and Industry, H.E. Dr. Mohammed Bin Saleh Al Sada, for our achievements in two of the three EIS Qatarization categories:



- Support & Liaison with the Education Sector , for which QAPCO received the highest Crystal Award
- Support for Training and Development, for which QAPCO received the coveted Certificate.

In line with the company's Mission Statement, all Human Resources & Learning Department (HRLD) services, processes and activities are governed by the QAPCO Quality Management System. HRLD performance is measured through a set of Key Performance Indicators as part of a Balanced Scorecard which is formally reviewed by management on a monthly basis.



**Nasser Mohd Al Hajri**  
HR & Learning Manager

### 2011 Key Achievements HUMAN CAPITAL MANAGEMENT

- Motivation Day attended by all staff to recognize and reward 174 employees for their achievements
- Achieved an Employee Retention Rate of 96% (for both Qatari Nationals & Expatriates)
- More than 100 new employees recruited (including experienced staff, graduates & trainees)
- Employee Handbook revised & re-issued to all staff to improve awareness of HR policies & procedures
- More than 2,000 training needs identified across all departments and 80% fulfilled by HR & Learning
- More than 80% of staff received some form of training during 2011
- More than 95% of training rated as effective based on evaluation feedback from staff and managers
- More than 80% of all training courses delivered locally within Qatar or in-house by company staff
- More than 500 employees have been certified as First Aiders

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A YEAR TO REMEMBER



FINANCIAL HIGHLIGHTS

# 2011 : REACHING HISTORICAL HEIGHTS







## FINANCIAL HIGHLIGHTS

# 2011 : REACHING HISTORICAL HEIGHTS

Hassan Saqr Al Muftah ■ Chief Financial Officer

### STATEMENT OF FINANCIAL POSITION

The statement of financial position as of 31st Dec 2011 consists the consolidated financial data for QAPCO stand-alone and its share in the joint ventures, namely Qatofin, QVC and QPPC.

#### PROPERTY, PLANT & EQUIPMENT :

Increase in property, plant & equipment at the end of current year mainly related to milestone and progress payments made for LDPE 3 Plant which was under capital work in progress at 31 December 2011.

#### EQUITY :

Except the approximate increase of QR 0.9 billion in retained earnings and legal reserves, there is no other significant movements in the total equity.

#### TERM LOANS :

Total term loan at the end of the current year is amounting to approx..QR 2.2 billion. Current year repayments amounting to approx..QR 0.4 billion have been made on the schedule.

### STATEMENT OF COMPREHENSIVE INCOME

#### SALES & PROFIT :

Improved product selling prices and increased sale volume has contributed to reach the Company's current year consolidated sales revenue to its historical highest by reaching QR 6 billion. Compared to the previous year, the increase in current year sales is approx..QR 1.46 billion (+32%).

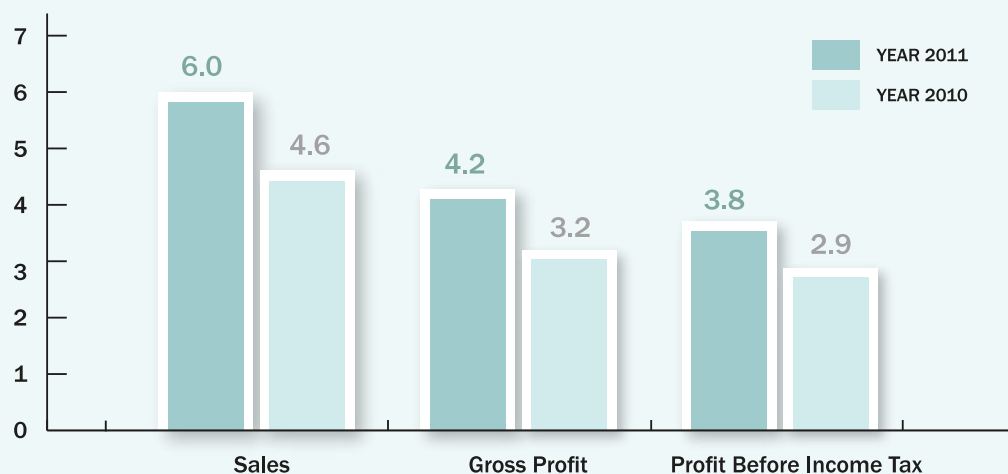
Consolidated Gross profit for the year is amounting to QR 4.2 billion reflects an increase of QR 1 billion (+31%) compared to the previous year. Current year gross profit margin is approximately 70% and it is in the same range compared to the previous year.

Consolidated Profit before income tax for the year amounting to QR. 3.8 billion also is the historical highest results achieved by the Company. This reflects an approximate increase of QR 0.9 billion (+31%) compared to the previous year. Current year net profit margin before tax is approximately 63% of the sales revenue and it is in the same range compared to the previous year.



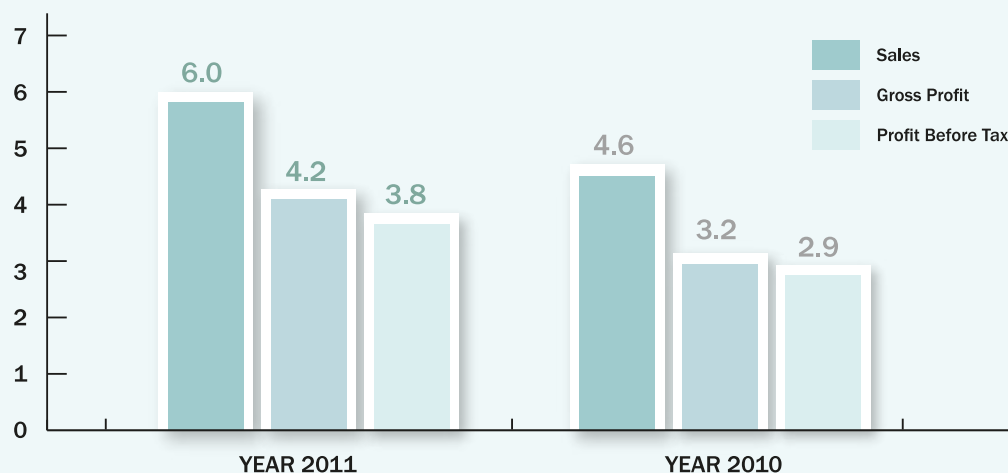
## SALES, GROSS PROFIT AND PROFIT BEFORE INCOME TAX

Amounts in QR Billion



## SALES, GROSS PROFIT AND PROFIT BEFORE INCOME TAX WITH PRIOR YEAR COMPARTIVE FIGURES

Amounts in QR Billion



## STATEMENT OF CASH FLOWS

Significant higher sales achieved during the current year have generated QR 3.7 billion net cash from operating activities. Net cash used in investing activities is amounting to QR 0.8 billion, including QR 0.3 billion deposits maturing over 90 days. Net cash used in financing activities amounted to QR 3.1 billion including the payments of QR 2.7 billion for dividend and tax.

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

## Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Petrochemical Company (QAPCO) Q.S.C. (the "Company") which comprise the statement of financial position as at 31 December 2011 and the statement of income, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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 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' judgement, 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 the 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 of 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Other matter*

The financial statements of the Company for the year ended 31 December 2010 were audited by another auditor whose report dated 17 February 2011 express an unqualified opinion on those financial statements.

## Report on Legal and Other Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, an inventory count has been conducted in accordance with established principles, 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, we are not aware of any violations of the above mentioned law or the Articles of Association having occurred during the year which might have had a material effect on the business of the Company or on its financial position.

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

Date: 5 February 2012  
Doha

# Qatar Petrochemical Company (QAPCO) Q.S.C.

## STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2011

	2011 QR'000	2010 QR'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6,319,714	6,000,462
Intangible assets	159,509	160,196
Other non-current assets	3,136	2,650
<b>Total non-current assets</b>	<b>6,482,359</b>	<b>6,163,308</b>
<b>Current assets</b>		
Inventories	405,804	365,180
Due from related parties	424,133	486,643
Accounts receivable and prepayments	1,339,563	813,250
Bank balances and cash	1,725,503	1,728,439
<b>Total current assets</b>	<b>3,895,003</b>	<b>3,393,512</b>
<b>Total assets</b>	<b>10,377,362</b>	<b>9,556,820</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	436,000	436,000
Legal reserve	253,233	160,772
Cumulative changes in fair values	(97,172)	(90,543)
Retained earnings	5,347,232	4,504,372
<b>Total equity</b>	<b>5,939,293</b>	<b>5,010,601</b>
<b>Non-current liabilities</b>		
Employees' end of service benefits	78,269	75,305
Non-current portion of long term loans	1,988,609	2,244,381
Non-current portion of interest rate swap	70,637	57,211
Deferred tax liability	159,678	102,547
<b>Total non-current liabilities</b>	<b>2,297,193</b>	<b>2,479,444</b>
<b>Current liabilities</b>		
Due to related parties	749,293	515,611
Current portion of long term loans	223,219	356,394
Accounts payable and accruals	357,884	477,899
Income tax payable	783,945	683,539
Current portion of interest rate swap	26,535	33,332
<b>Total current liabilities</b>	<b>2,140,876</b>	<b>2,066,775</b>
<b>Total liabilities</b>	<b>4,438,069</b>	<b>4,546,219</b>
<b>Total equity and liabilities</b>	<b>10,377,362</b>	<b>9,556,820</b>

Mr. Hamad Rashid Al- Mohannadi  
Chairman of the Board of Directors

Dr. Mohammad Yousef A. Al-Mulla  
Vice Chairman of the Board of  
Directors and Chief Executive Officer

Mr. Hassen Saqr Al-Muftah  
Chief Financial Officer

## Qatar Petrochemical Company (QAPCO) Q.S.C.

### INCOME STATEMENT

For the year ended 31 December 2011

	<i>2011</i> <i>QR'000</i>	<i>2010</i> <i>QR'000</i>
Revenue	6,033,314	4,569,964
Cost of goods sold	<u>(1,831,997)</u>	<u>(1,372,874)</u>
<b>Gross profit</b>	<b>4,201,317</b>	3,197,090
Other income	103,120	88,719
Selling expenses	(160,662)	(141,244)
Administration expenses	(254,802)	(209,468)
Gain on foreign exchange	<u>4,457</u>	<u>456</u>
<b>Operating profit</b>	<b>3,893,430</b>	2,935,553
Finance charges	(104,002)	(76,693)
Finance income	<u>18,473</u>	<u>42,502</u>
<b>Profit before income tax</b>	<b>3,807,901</b>	2,901,362
Income tax expense	<u>(841,076)</u>	<u>(732,242)</u>
<b>Profit for the year</b>	<b><u>2,966,825</u></b>	<b><u>2,169,120</u></b>

## Qatar Petrochemical Company (QAPCO) Q.S.C.

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Cumulative changes in fair values QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2010	436,000	126,583	(74,885)	4,863,826	5,351,524
Profit for the year	-	-	-	2,169,120	2,169,120
Other comprehensive loss	-	-	(15,658)	-	(15,658)
Total comprehensive income for the year	-	-	(15,658)	2,169,120	2,153,462
Transfer to legal reserve	-	34,189	-	(34,189)	-
Dividend paid	-	-	-	(2,494,385)	(2,494,385)
Balance at 31 December 2010	436,000	160,772	(90,543)	4,504,372	5,010,601
Profit for the year	-	-	-	2,966,825	2,966,825
Other comprehensive loss	-	-	(6,629)	-	(6,629)
Total comprehensive income for the year	-	-	(6,629)	2,966,825	2,960,196
Transfer to legal reserve	-	92,461	-	(92,461)	-
Dividend paid	-	-	-	(2,031,504)	(2,031,504)
<b>Balance at 31 December 2011</b>	<b><u>436,000</u></b>	<b><u>253,233</u></b>	<b><u>(97,172)</u></b>	<b><u>5,347,232</u></b>	<b><u>5,939,293</u></b>



# Qatar Petrochemical Company (QAPCO) Q.S.C.

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 QR'000	2010 QR'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before income tax	3,807,901	2,901,362
<i>Adjustments for:</i>		
Depreciation	258,380	221,003
Amortisation of intangible assets	5,899	2,555
Provision for employee's end of service benefits	17,297	21,086
Loss on disposal of property, plant and equipment	6,892	798
Finance income	(18,473)	(42,502)
	<u>4,077,896</u>	<u>3,104,302</u>
<i>Changes in:</i>		
Other non-current assets	(486)	590
Inventories	(37,079)	(86,641)
Due from related parties	62,510	(134,739)
Accounts receivable and prepayments	(526,313)	(333,378)
Due to related parties	233,682	236,271
Accounts payable and accruals	(120,015)	79,778
	<u>3,690,195</u>	<u>2,866,183</u>
Employee's end of service benefits paid	(5,962)	(6,648)
Advances paid against end of service benefits	(8,371)	(10,787)
<b>Net cash from operating activities</b>	<u>3,675,862</u>	<u>2,848,748</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(592,246)	(983,884)
Payments for intangible assets	(5,212)	-
Short term deposit maturing over 90 days	(255,000)	-
Proceeds from disposal of property, plant & equipment	4,177	-
Finance income received	18,473	42,502
<b>Net cash used in investing activities</b>	<u>(829,808)</u>	<u>(941,382)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(2,031,504)	(2,494,385)
Income tax paid	(683,539)	(524,391)
Net movement from term loans	(388,947)	603,817
<b>Net cash used in financing activities</b>	<u>(3,103,990)</u>	<u>(2,414,959)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(257,936)</u>	<u>(507,593)</u>
Cash and cash equivalents at 1 January	<u>1,728,439</u>	<u>2,236,032</u>
<b>Cash and cash equivalents at 31 December</b>	<u>1,470,503</u>	<u>1,728,439</u>

## ] FURTHER DOWNSTREAM [

In a quest to integrate and expand its downstream industrial base and diversify its income resources, QAPCO has taken initiatives and contributed to many of Qatar's mega projects

### Qatar Vinyl Company

Qatar Vinyl Company (QVC) is a limited shareholding company by Qatar Petroleum, QAPCO and ARKEMA, in which QAPCO holds a 31.9% stake. QVC is designed to produce 365,000 MT/y of dried caustic soda, 200,000 MT/y of ethylene dichloride (EDC), and 330,000 MT/y of vinyl chloride monomer (VCM).

### Qatar Plastic Products Co. (QPPC)

QAPCO, with the joint association of Qatar Industrial Manufacturing Company (QIMCO) and the Italian company FEBO, established Qatar plastic Products Company (QPPC). QPPC is set up to produce heavy-duty bags, plastic sheets and other plastic products for industrial purposes. The principal raw material of polyethylene is supplied by QAPCO.

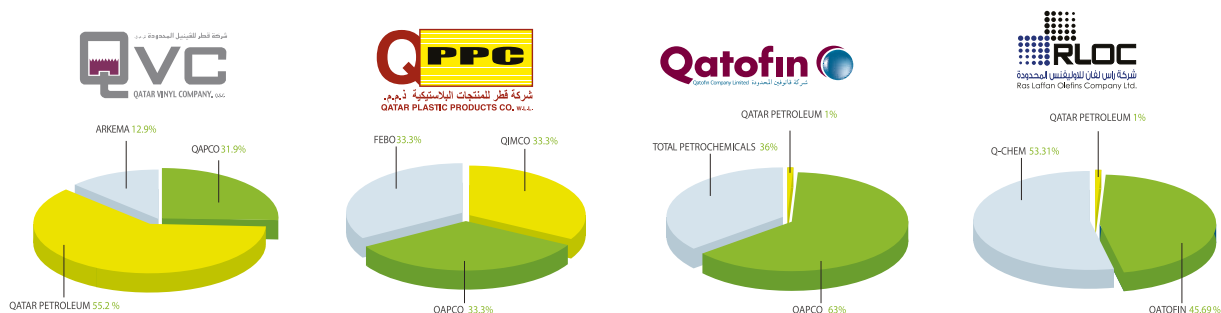
The plant is designed to produce about 8,700 MT of FFS films and 1300MT of shrinkable films. These will meet the bagging requirements of QAPCO, Qatofin and QChem to a great extent.

### Qatofin

Qatofin is a joint venture between Qatar Petrochemical Company (Qapco) (63%), Total Petrochemicals of France (36%) and Qatar Petroleum (1%), and it's designed to produce 450,000 metric tons per year of linear low density polyethylene (LLDPE). The ethylene feed stock required for the LLDPE unit is supplied from the world's largest single Ethylene Cracker of 1.3 MTA in Ras Laffan Industrial City (RLOC).

### Ras Laffan Olefins Company Ltd. (RLOC)

Ras Laffan Olefins Company (RLOC), is a joint venture between Q-Chem (II) 53.3%, Qatofin 45.7% and QP 1%. The cracker has the capacity to produce 1.3 million metric tons of ethylene each year. The derivatives polyethylene plants are located in Mesaieed within the existing facilities of Q-CHEM and QAPCO. The ethane feedstock for the cracker unit is supplied by the adjacent Enhanced Gas Utilization (EGU) project and Dolphin Project's onshore facilities. The produced ethylene is being sent through a 133 km pipeline from RLOC to Qatofin and Q Chem II.



## ] CORPORATE INFORMATION [

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**Plant :** P.O.Box 50155, Mesaieed, Qatar. Tel : (+974) 4477 7111, Fax : (+974) 4477 1346

**Website :** [www.qapco.com](http://www.qapco.com), **Email :** [information@qapco.com.qa](mailto:information@qapco.com.qa)