Mesaieed
Petrochemical
Holding Company

ANNUAL REPORT 2017

Mesaieed Petrochemical Holding Company

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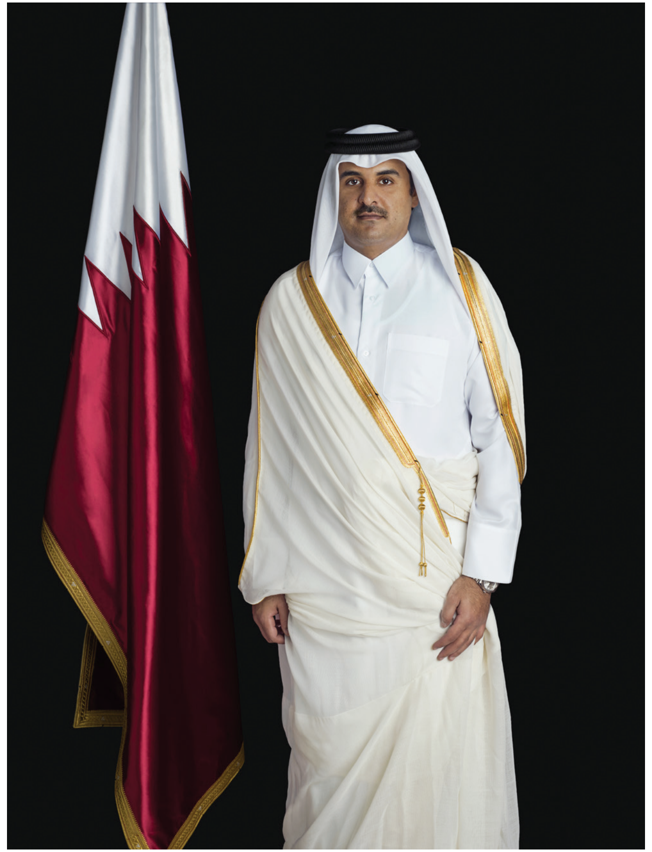
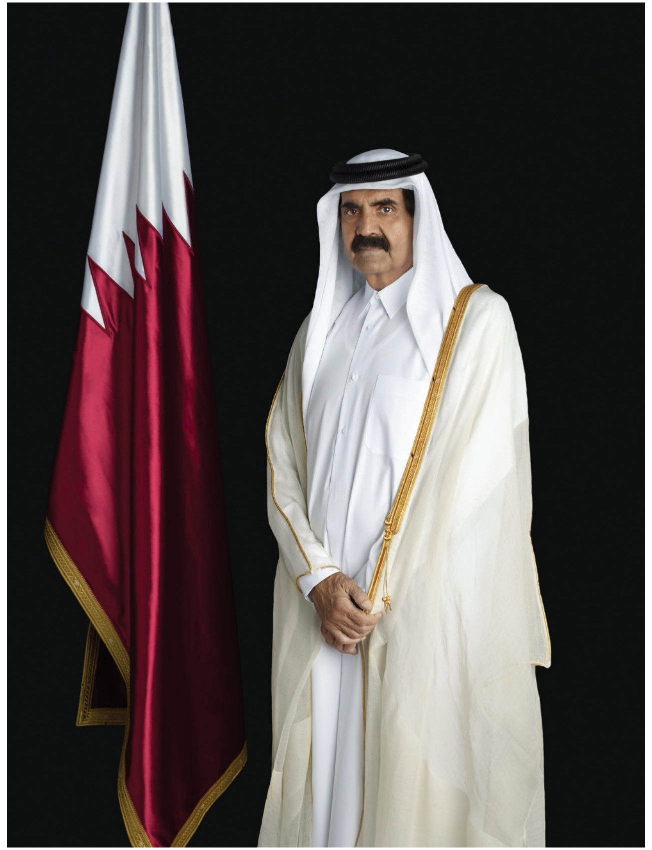


His Highness
Sheikh Tamim bin Hamad Al-Thani
The Emir of the State of Qatar



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

ABOUT MESAIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.

ABOUT MESAIEED PETROCHEMICAL HOLDING COMPANY Q.P.S.C.

Mesaieed Petrochemical Holding Company Q.P.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. 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 founder and special shareholder, provides all of the head office functions for MPHC through a comprehensive services level 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. A significant portion of ethylene produced by Q-Chem 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 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 MPHC (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. A significant portion of ethylene supplied to Q-Chem II is used for captive consumption for the production of polyolefins and normal alpha olefins.

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)

Q-Chem II produces NAO in 11 fractions, ranging from C4 to 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)

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 32% solution)

Hydrochloric Acid is a colourless to yellowish-green, clear corrosive liquid with a pungent, irritating odour. It is used in oilfield chemicals, household cleaning products, the pickling of steel, 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

Muntajat Profile

Muntajat, (Qatar Chemical and Petrochemical Marketing and Distribution Company Q.J.S.C.) is a state-owned company established in 2012 to serve as the exclusive gateway to Qatar’s exports of over 11.3 million metric tons of chemical and petrochemical products. We are rapidly driving the growth of the State of Qatar’s downstream industry, capitalising on its unique competitive advantages and economies of scale, capturing new opportunities, expanding the reach of our trusted brand globally and providing world class customer service.

Muntajat offers a diversified portfolio of premium high quality polymer, fertiliser and chemical products from renowned producers in the industry to more than 2000 customers in 135 countries efficiently and reliably. We offer the full range of polyethylene products under the Muntajat owned brand: Lotrène®, a diversified selection of chemical products produced with state of the art technology and applying the highest environmental standards and a range of fertiliser products essential in the growth of crops contributing to feed millions around the world and to produce higher-yields.

Our global marketing network, Muntajat B.V. is headquartered in The Hague, Netherlands. With 18 offices around the world, a multinational team of acknowledged experts in the markets in which they operate, we are committed to continuously monitoring local conditions and trends to better serve customers’ requirements and future needs. Muntajat B.V. has established itself as an “Only Representative” (OR) for REACh in Europe.

Our achievements and recognition are backed by more than 40 million tons of product valued at 22 billion USD marketed and distributed within almost 5 years through an advanced supply chain network, consistently delivering high quality and excellence in service, as recognized by our customers.
Muntajat has rapidly accumulated a number of key milestones on its extraordinary journey towards recognition today as a global leader within the chemical and petrochemical industry. We are strongly committed to continue delivering high quality products and excellence in customer service while expanding our reach and building on our strong partnering strategy with key players in the industry.

Muntajat’s products are enriching people’s everyday lives everywhere.

BOARD OF DIRECTORS

Mr. Ahmad Saif Al-Sulaiti
Chairman

Mohamed Salem Al-Marri
Vice Chairman

Mr. Khalid Mohammed Turki Al-Subaey
Managing Director

Mr. Abdulaziz Mohammed Al-Mannai
Member

Mr. Abdulrahman Ahmad Al-Shaibi
Member

Mr. Abdulaziz Jassim Al-Muftah
Member

Mr.Nabeel Mohammed Al-Buenain
Member

CHAIRMAN'S MESSAGE

Mr. Ahmad Saif Al-Sulaiti
Chairman

Dear Shareholders

It gives me immense pleasure to welcome you to the 5th Annual General Assembly Meeting of Mesaieed Petrochemical Holding Company (MPHC), one of the region's premier diversified petrochemical conglomerates. 2017 was a year of continued transformation towards higher earnings at Mesaieed Petrochemical Holding Company (MPHC). The company posed another year of healthy financial and operational performance with a surge in profits from the previous year in the midst of a highly volatile and competitive environment.

2017 was a year with many opportunities and challenges. Crude oil prices, which were below $ 30 per barrel in early 2016, somewhat recovered and stabilized in 2017 creating renewed optimism for the group. On the other hand; the land, sea and air blockade against the State of Qatar by its neighboring countries created new challenges for the group. The group was able to mitigate these challenges with the support of Muntajat and ensured that both the operational and financial performance were minimally impacted. Muntajat was able to react quickly and used other ports to ensure minimal impact on sales. In addition, the opening of the new Hamad Port located near the group's facilities in Mesaieed aided the group to be more efficient in their distribution operations.

Financial Results

The financial and operational performance of 2017 was robust with the group's financial performance exceeding last year by 9%. The financial performance was significantly higher versus the group's budget for 2017. Some of the key operational and financial performance of 2017 are:

• MPHC embarked on integrating Qatar Vinyl Company's support and core facilities with Qatar Petrochemical Company Limited (QAPCO), a joint venture between Industries Qatar and Total. The integration was completed seamlessly, and MPHC will be able to realize the synergies in operations and support functions, resulting in improved financial performance;

• Product prices remained robust, as overall prices increased by 6% on last year, mainly due to the crude oil price recovery, and disturbance faced by some producers in the USA;

• Sales volumes were down by 3% due to the planned maintenance in some facilities;

• Net profit surged by 9% to reach QR 1.1 billion, driven by higher revenue and improvements in the other income; and Total assets closed at QR 14.8 billion, with a solid liquidity position as cash held by the company stood at QR 1.4 billion as at 31 December, 2017.

Strategic Plan

In keeping with our goal of maximizing value to our shareholders, MPHC developed a broad strategic plan encompassing the strategic goals and the realization of targeted KPIs. This will better enable the MPHC Board of Directors to provide direction to the Senior Management towards achievement of MPHC's vision, mission and goals. The continuous measurement and monitoring of KPIs will enable MPHC to curb any inefficiencies in their activities.

Whistle blowing policy and vigil mechanism

As part of having an effective and transparent internal control, the company practices a whistle blowing policy and vigil mechanism to provide a formal mechanism to the directors, employees and its stakeholders to report any unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy.

Cost Optimization

MPHC continued to focus on optimization of costs on people, processes, operations and assets during the year. These efforts have paved the way to enhance the value of MPHC's shareholders who over the years have made a memorable journey. The recent QAPCO-QVC integration was part of the cost optimisation initiatives undertaken during 2017 and was successfully completed by year end. Although some of the synergies in operations and support functions have been realized in 2017, the benefits would be reaped in full in 2018. The group will continue to strive in further optimizing the costs, resulting in improved performance and thus adding value to the Shareholders.

Capital Expenditure and Business Development

MPHC is embarking on a selective capital expenditure program together with suitable business development opportunities. We believe that continued investments in operating assets are essential to remain competitive in the market and we will continue to invest when the right opportunity becomes available. These investments will further strengthen the group's competitive position in the region.

Competitive advantages

MPHC possesses several competitive advantages, most notably that being an excellent cost positioning largely due to competitively priced feedstock. The group benefits from access to competitively priced feedstock under long-term supply agreements. Besides some of the tangible competitive advantages such as robust liquidity position and a strong asset base; qualified and highly trained workforce and a professional senior management team are the intangible competitive advantages that MPHC has built its success around. The company also enjoys a number of synergies through integrated production and export operations. Through its marketing agent, Muntajat, MPHC has gained access to a diverse base of worldwide clients. In addition, the group companies have established themselves as premier petrochemical producers, with the companies being established between 1997 and 2005, with recognized operational track records and the proven ability to continue to generate strong operating cash flows. The group has set a primary strategy of maximizing shareholder value by capitalizing on its three group companies' numerous competitive strengths across its value chain.

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 posed by the current economic situation.

Proposed Dividend Distribution

Keeping in view the necessity of maintaining adequate liquidity for the group's working capital requirements, debt repayment and capital expenditure and the principles of financial prudence, the Board of Directors are pleased to recommend a total annual dividend distribution for the year ended 31 December, 2017 of QR 879 million, equivalent to a payout of QR 0.7 per share, representing 81% of the group's profit.

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 my fellow members of the Board of Directors, the senior management team and to the 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 takes pleasure in presenting its 5th Annual Report on the operational and financial performance of Mesaieed Petrochemical Holding Company.

2017 was characterized by a number of opportunities that have been successfully translated into stellar performance. The group successfully completed the planned maintenance shutdowns in some of its plants. Despite the shutdowns, the financial and operational results were commendable and exceeded the group's budget. The group achieved yet another milestone in successfully integrating Qatar Vinyl Company's support and core facilities with Qatar Petrochemical Company Limited ("QAPCO"), a joint venture between Industries Qatar and Total.

Financial Results

MPHC registered a robust net profit of QR 1.1 billion for the year ended 31 December, 2017 with earnings per share of QR 0.87, outperforming its previous year's net profit of QR 995 million with earnings per share of QR 0.79 by QR 93 million or 9%. The year-on-year surge in profits was due to improved selling prices by 6% and increase in other income, despite the decline in sales volumes arising from the planned maintenance shutdowns in some of the group companies' plants.

The group continued to benefit from the supply of competitively priced ethane feedstock and fuel gas under long-term supply agreements. These contractual arrangements are an important value driver for the group's profitability in the current challenging market conditions.

The closing cash position as at 31 December, 2017 after distribution of the previous years' dividends of QR 727 million, was a robust QR 1.4 billion.
The total assets as at 31 December, 2017 was QR 14.8 billion, compared to QR 14.4 billion as at 31 December, 2016. With these results, the group significantly exceeded its budget expectations.

Proposed Dividend Distribution

The Board of Directors therefore recommends a total annual dividend distribution for the year ended 31 December, 2017 of QR 879 million, equivalent to a payout of QR 0.7 per share, representing 81% of the group's profit.

Conclusion

MPHC's Board of Directors would like to express its deepest gratitude to His Highness, Sheikh Tamim bin Hamad Al-Thani, the Emir of the State of Qatar, for his wise leadership and guidance. Our gratitude is also extended to the Chairman of the Board of Directors, Mr. Ahmad Saif Al-Sulaiti, for his vision and leadership. The Board of Directors also expresses its appreciation to its esteemed shareholders for their continued confidence in MPHC, senior management and employees of the group companies for their continued dedication and support.

MANAGING DIRECTOR'S STATEMENT

Mr. Khalid Mohammed Turki Al-Subaey
Managing Director

It gives me immense pleasure to share with our esteemed shareholders a brief statement on the year gone by and the journey ahead.

2017 posed MPHC with tumultuous challenges on several fronts.

Firstly, some of the group companies' plants underwent planned maintenance shutdowns resulting in lower production and sales volumes during the year as compared to the previous year. The preventive maintenance and warranty shutdowns are an essential requirement for large industrial plants as they help minimize unplanned disruption, ensure product quality is maintained and ultimately, contribute to an extension of the plant's production life. I am delighted to inform you that the planned maintenance shutdowns were successfully completed. The group surpassed the net profit of the previous year by 9% despite the shutdowns and decline in sales volumes, primarily due to improved prices and increase in other income.

Secondly, Qatar Vinyl Company's support and core facilities were fully integrated with Qatar Petrochemical Company Limited ("QAPCO"), a joint venture between Industries Qatar and Total. MPHC added another feather in its cap as the integration was completed seamlessly. MPHC will be able to realize the synergies in operations and support functions from 2018.

While the maintenance shutdown will minimize the unplanned disruption in plants in the future, the QVC-QAPCO integration will result in the realization of better synergies for MPHC to capture.

We remain transparent to our shareholders and continue to explore opportunities that will add to their value.

Conclusion

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

Khalid Mohammed Turki Al-Subaey
Managing Director

INDEPENDENT AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Mesaieed Petrochemical Holding Company Q.S.C. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards .

What we have audited

The Company›s financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters

- Classification of interests in joint arrangements as joint ventures
- Revenue recognition

We were appointed as auditors of the Company for the year ended 31 December 2017 in February 2017. When we are engaged to audit financial statements for the first time, including where the financial statements for the prior period were audited by another firm of auditors, we will not have previously obtained audit evidence in relation to the opening balances.

Therefore, we are required by International Standards on Auditing to perform certain procedures on the opening balances in order to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements.

To fulfil this responsibility, we reviewed the working papers of the former auditors, to help familiarise ourselves with the controls on which they relied for the purposes of issuing their opinion, and to understand the evidence they obtained over key judgements.

As part of designing our current year audit, we determined materiality and assessed the risks of material misstatement in the financial statements including those at the joint ventures level. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td colspan="2">CLASSIFICATION OF INTERESTS IN JOINT ARRANGEMENTS AS JOINT VENTURES</td></tr>
<tr><td>As disclosed in Note 14 to the financial statements, the Company classifies its interests in Q-Chem, Q-Chem II and QVC as joint ventures accounted for using the equity method with a carrying amount of QR 13.16 million as at 31 December 2017 (which accounts for approximately 89% of the Company's total assets as at that date).

The classification of joint arrangements as joint ventures under IFRS 11 (as opposed to joint operations) requires the exercise of judgement to conclude that the Company has joint control over the investees. The conclusion on whether an arrangement is a joint venture or a joint operation determines the accounting treatment applicable to each of these interests in the books of the Company.

As incoming auditors, we determined it to be important to assess the judgment exercised by management in classifying its interests in these investees as joint ventures, as an incorrect classification could give rise to material errors in the financial statements.</td><td>• We obtained the documentation relating to the joint arrangements (including Joint Venture Agreements, Articles of Assocaition, and Board of Directors meeintgs minutes) and using this we evaluated the assumptions management had made in support of its classification of its interests in these investees as joint ventures under IFRS 11 "Joint arrangements".

• We assessed the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, the governance structures of each of the investee companies and, when relevant, other facts and circumstances.

• We have also assessed the parties' rights and obligations arising from the arrangements.

• We have assessed that appropriate disclosures have been made in accordance with IFRS 11.</td></tr>
</table>

Key audit matter	How our audit addressed the Key audit matter
REVENUE RECOGNITION	
As disclosed in note 3.ii, the Company's share of the combined results of the joint ventures (Q-Chem, Q-Chem II and QVC) of QR 972 million for the year ended 31 December 2017 represents 97% of total revenues of the Company. The results of operations of these joint ventures of QR 1,989 million for the year ended 31 December 2017 represent 30% of sales revenue generated by these joint ventures. Majority of the joint ventures' sales are made to one customer "Qatar Chemical and Petrochemical Marketing and Distribution Company" ("Muntajat"). According to the revenue recognition policy applied by each of the joint venture companies, revenue from sales of products is recognised when the joint venture has delivered products to Muntajat, where terms of delivery are specified in the contracts of each respective Offtake Requirements for Liquid ("ORL") and Offtake Requirements for Solid ("ORS") agreement. We focused our audit on the sales revenue of the joint ventures because of the large product volumes and consequent high values of individual shipments, as we determined that errors in revenue recognition at the joint venture company level could result in material misstatements in the financial statements of the Company when it recognised its share of each investee's net income under the equity method of accounting.	Our procedures in relation to revenue recognition from sales made by the individual joint ventures included: • Reviewing the terms of the offtake requirements agreements with Muntajat. • Evaluating the joint venture companies' accounting policies in relation to revenue recognition to determine whether or not they dealt appropriately with the sales made under offtake requirements • Understanding, evaluating and testing internal controls over revenue recognition at the joint venture level, including the timing of revenue recognition. • Inspecting, on a sample basis, the sales statements received from Muntajat. • Performance of cut-off testing of sales transactions, on a sample basis, to test whether the revenue of each entity had been recognised in the correct period.

Other information
The management is responsible for the other information. The other information comprises Board of Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, 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.

In preparing the financial statements, management is responsible for assessing the Company›s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company›s financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit 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 Company›s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company›s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Qatar Commercial Companies Law number 11 of 2015, we report that:

• We have obtained all the information we considered necessary for the purpose of our audit;

• The Company has maintained proper books of account and the financial statements are in agreement therewith;

• The financial information included in the Board of Directors› report is in agreement with the books and records of the Company; and

• Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2017.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of auditors whose report, dated 5 February 2017, expressed an unmodified opinion on those financial statements.

For and on behalf of PricewaterhouseCoopers – Qatar Branch
Qatar Financial Market Authority registration number 120155

Mohamed Elmoataz
Auditor's registration number 281
Doha, State of Qatar
14 February 2018

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

	2017	2016
ASSETS		
Non-current assets		
Investments in joint ventures	**13,162,384**	13,149,165
Current assets		
Other receivables	**12,518**	7,656
Tax receivable	**190,556**	89,760
Due from a related party	**-**	98,098
Deposits and other bank balances	**1,346,714**	964,220
Cash and cash equivalent	**50,239**	117,639
Total current assets	**1,600,027**	1,277,373
Total assets	**14,762,411**	14,426,538

STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2017

	2017	2016
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**12,563,175**	12,563,175
Legal reserve	**37,020**	25,364
Retained earnings	**1,984,611**	1,689,021
Total equity	**14,584,806**	14,277,560
LIABILITES		
Current liabilities		
Trade and other payables	**169,703**	140,812
Due to a related party	**7,902**	8,166
Total liabilities	**177,605**	148,978
Total equity and liabilities	**14,762,411**	14,426,538

The financial statements were approved and authorised for issue by the Board of Directors on February 14, 2018 and were signed on its behalf by:

Ahmad Saif Al-Sulaiti
Chairman

Mohamed Salem Al-Marri
Vice Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2017

	2017	**2016**
Share of results from joint ventures	**971,682**	901,261
Interest income	**30,483**	19,779
Other income	**1,705**	1,118
	1,003,870	922,158
General and administrative expenses	**(16,423)**	(17,270)
Profit for the year before tax refund	**987,447**	904,888
Tax refund	**100,796**	89,760
Net profit for the year	**1,088,243**	994,648
Other comprehensive income	**-**	-
Total comprehensive income for the year	**1,088,243**	994,648
Basic and diluted earnings per share (expressed in QR per share)	**0.87**	0.79

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017

	Share Capital	**Legal Reserve**	**Retained Earnings**	**Total**
Balance at 1 January 2016	12,563,175	25,364	1,598,661	14,187,200
Profit for the year	-	-	994,648	994,648
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	994,648	994,648
Social and sports fund contribution			(24,866)	(24,866)
Transaction with owners in their capacity as owners:				
Dividends declared	-	-	(879,422)	(879,422)
Balance at 31 December 2016	12,563,175	25,364	1,689,021	14,277,560
Balance at 1 January 2017	**12,563,175**	**25,364**	**1,689,021**	**14,277,560**
Profit for the year	**-**	**-**	**1,088,243**	**1,088,243**
Other comprehensive income for the year	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**1,088,243**	**1,088,243**
Social and sports fund contribution	**-**	**-**	**(27,206)**	**(27,206)**
Transfers to legal reserves	**-**	**11,656**	**(11,656)**	**-**
Transaction with owners in their capacity as owners:				
Dividends declared	**-**	**-**	**(753,791)**	**(753,791)**
Balance at 31 December 2017	**12,563,175**	**37,020**	**1,984,611**	**14,584,806**

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	2017	**2016**
Cash flows from operating activities		
Net profit for the year	**1,088,243**	994,648
Adjustments for:		
- Tax refund	**(100,796)**	(89,760)
- Interest income	**(30,483)**	(19,779)
- Share of results from joint ventures	**(971,682)**	(901,261)
	(14,718)	(16,152)
Working capital changes:		
- Due from a related party	**98,098**	57
- Due to a related party	**(264)**	985
- Trade and other payables	**(133)**	(548)
Cash generated from operations	**82,983**	(15,658)
Interest received	**25,621**	17,605
Tax refund received	**-**	99,368
Social and sports fund contribution	**(24,866)**	(27,177)
Net cash generated from operating activities	**83,738**	74,138

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2017

	2017	**2016**
Cash flows from investing activities		
Dividends received from joint ventures	**958,463**	935,618
Placement of fixed term deposits	**(3,150,220)**	(1,894,817)
Maturity of fixed term deposits	**2,794,410**	1,707,195
Net cash generated from investing activities	**602,653**	747,996
Cash flows from financing activities		
Dividends paid to shareholders	**(727,107)**	(854,120)
Movement in unclaimed dividends account	**(26,684)**	(25,302)
Cash used in financing activities	**(753,791)**	(879,422)
Net decrease in cash and cash equivalents	**(67,400)**	(57,288)
Cash and cash equivalents at beginning of year	**117,639**	174,927
Cash and cash equivalents at end of year	**50,239**	117,639

The notes to the financial statements are integral part of the financial statements. For more information, please visit MPHC's website : www.mphc.com.qa