

# MPHC DECLARES 6 MONTHS PROFIT OF QR 899.4 MILLION

## Results exceed budget

*Total cash of QR 894.8 million generated from operations across all group companies reflecting group's enhanced cash position*

**DOHA, QATAR** - Mesaieed Petrochemical Holding Company ("MPHC" or "the group"; QE: MPHC), a subsidiary of Qatar Petroleum and 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, announced its financial results for the half year ended June 30, 2014 with a net profit of QR 899.4 million.

In comments issued to the Qatar Exchange, H.E. Dr. Mohammed Bin Saleh Al-Sada, Minister of Energy and Industry, Chairman of Mesaieed Petrochemical Holding Company, stated, "MPHC closed the half year ended June 30, 2014 with strong earnings of QR 899.4 million clearly indicating the group's ability to generate strong profits and cash flows. All group companies exceeded their budgeted expectations. In addition, cash generation remained strong, with a total of QR 894.8 million of cash from operations across all group companies for the half year. These results bode well for the balance of year outlook."

### Consolidated Financial Results

Commenting on the financial results for the half year, Mr. Khalid Al-Subaey, Chief Coordinator, Mesaieed Petrochemical Holding Company, stated, "The group maintained strong EBITDA margins for the half year ended June 30, 2014 which was 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. Cash across all group companies as at June 30, 2014 remained at QR 1.6 billion indicating the group's strong cash position. The utilisation rates remained strong except during general shutdown of QVC plants."

### Segmental Financial Results

The main activity of MPHC is to act as a holding company. The group consists of six companies, with three of them directly held: MPHC holds 49.0% of the issued share capital of each of Qatar Chemical Company Limited Q.S.C ("Q-Chem") and Qatar Chemical Company II Limited Q.S.C ("Q-Chem II"), and 55.2% of the issued share capital of Qatar Vinyl Company Limited Q.S.C. ("QVC"). Both Q-Chem and Q-Chem II each have a single, wholly-owned subsidiary, while Q-Chem II also has an effective ownership of 53.85% of Ras Laffan Olefins Cracker Company Limited. The group's facilities are all based within the State of Qatar, and are primarily engaged in the production of olefins, polyolefins, alpha olefins, and chlor-alkali products.

### Q-Chem / Q-Chem II

Speaking on the combined performance of Q-Chem / Q-Chem II, Mr. Al-Subaey stated, “The business unit for the half year ended June 30, 2014 recorded revenue of QR 1.8 billion with Polyolefins constituting 71% of revenue, alpha-olefins 26% with the remainder attributable to other minor products. The revenue exceeded budget expectations, and was primarily based on strong overall utilisation rates. During the period, circa 216,000 MT of Polyolefins and 88,000 MT of Alpha-Olefins were produced with a combined overall utilization rate of 103% broadly in line with the historical average. In line with the business unit’s production and sales strategy, the polyolefin / alpha-olefin production mix was adjusted versus the previous quarter of 2014 in order to take advantage of pricing and market opportunities identified during the quarter.

“Overall, during the second quarter prices of key polyolefin and alpha-olefin products were largely flat across the industry in comparison to the previous quarter of 2014,” elaborated Mr. Al-Subaey.

Combined EBITDA for the half year ended June 30, 2014 was QR 1.1 billion, with EBITDA margin of 63.3%. The creditable margin was attributed to a low operating cost base due to the supply of competitively-priced ethane feedstock by Qatar Petroleum. Net profit for the period was QR 836.4 million and net profit margin was 47.1%, with the difference between net profit and EBITDA primarily due to current and deferred taxes (QR 170.7 million) and depreciation (QR 110.5 million).

Total assets of the combined Q-Chem / Q-Chem II business unit as at June 30, 2014 were QR 6.6 billion, with cash and cash equivalents before dividends increasing by QR 493.3 million versus the previous year-end, to close at QR 956.7 million. Total debt was QR 1.6 billion, with the entire balance due by Q-Chem II, while the combined companies’ cash realisation ratio was over 95%.

## QVC

“QVC revenue was QR 348.3 million from the sale of its chlor-alkali products for the half year ended June 30, 2014,” noted Mr. Al-Subaey. “Results were marginally impacted by planned shut-downs of the company’s EDC, VCM and caustic soda facilities. This major shut-down started towards the end of February and was completed in May, 2014, and is in accordance with the plants’ major maintenance cycles. The average production utilisation for the period was 92%, 52%, and 72% for the EDC, VCM and Caustic Soda facilities respectively affected by the general shutdown.”

Net profit recorded during the period was QR 18.3 million with a net profit margin of 5.3%, while EBITDA was QR 59.2 million and EBITDA margin of 17.0%. Profit margins were adversely affected by general shutdown and weak comparative selling expenses.

QVC’s total assets as at June 30, 2014 were QR 1.3 billion, with cash and cash equivalents before dividends accounting for QR 375.1 million. The company’s cash position was aided by a

creditable cash realisation ratio of over 100%, minimal CAPEX of only QR 41.6 million, and having no outstanding debt during the period.

### **Production Shut-Down Timetable**

No major down-time is planned during the 3rd quarter of 2014.

### **Group Taxation Status**

Subject to fulfilling specified conditions in a clarification received from Public Revenues and Tax Department, MPHIC is eligible for a tax refund of QR 52.1 million for the period from the date of the company's listing to the end of the accounting period on June 30, 2014.

### **Marketing activities**

In accordance with Decree Law (11) of 2012, Qatar Chemical and Petrochemical Marketing and Distribution Company QJSC (trading as "Muntajat") has the exclusive right to purchase and sell the State of Qatar's production of chemical and petrochemical regulated products to the global market. As per a Ministerial Directive issued on April 13, 2014, high density polyethylene ("HDPE"), medium density polyethylene ("MDPE"), normal alpha olefins ("NAO"), 1-Hexene, 1-Octene, 1-Butene, ethylene and pygas have now been designated as regulated products. The group's remaining products, namely, caustic soda solution, ethylene dichloride ("EDC"), vinyl chloride monomer ("VCM") and hydrochloric acid ("HCl"), were designated as regulated products prior to the incorporation of MPHIC on May 29, 2013. Accordingly, all of the chemical and petrochemical products of MPHIC are now designated as regulated products.

Muntajat commenced the purchasing, marketing, distributing and selling of Qatar Vinyl Company's chlor-alkali products prior to the incorporation of MPHIC, while the commencement date of such activities for Q-Chem / Q-Chem II's newly regulated products is pending the issuance of a further Ministerial Directive.

### **Conclusion**

In conclusion, H.E. Dr. Al-Sada, said, "The Board of Directors and senior management look forward to the remainder of the year 2014 with renewed confidence as the company seeks to establish itself as one of the region's premier diversified petrochemical conglomerates."

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## GENERAL NOTES

Mesaieed Petrochemical Holding Company's accounting year follows the calendar year. No adjustment has been made for leap years. Where applicable, all values refer to Mesaieed Petrochemical Holding Company's share. Values expressed in QR billions and percentages have been rounded to 1 decimal point. All other values have been rounded to the nearest whole number. Values expressed in US \$'s have been translated at the rate of US \$1 = QR3.64.

## DEFINITIONS

Cash Realisation Ratio:  $\text{Cash Flow From Operations} / \text{Net Profit} \times 100$  • Debt to Equity:  $(\text{Current Debt} + \text{Long-Term Debt}) / \text{Equity} \times 100$  • Dividend Yield:  $\text{Total Cash Dividend} / \text{Closing Market Capitalisation} \times 100$  • EDC: Ethylene Dichloride • EPS: Earnings per Share (Net Profit / Number of Ordinary Shares outstanding at the year end) • EBITDA: Earnings Before Interest, Tax, Depreciation and Amortisation • Free Cash Flow:  $\text{Cash Flow From Operations} - \text{Total CAPEX}$  • HCL: Hydrochloric Acid • HDPE: High Density Polyethylene • NAO: Normal Alpha Olefins • NaOH: Caustic Soda • MT / PA: Metric Tons Per Annum • Payout Ratio:  $\text{Total Cash Dividend} / \text{Net Profit} \times 100$  • P/E: Price to Earnings (Closing market capitalisation / Net Profit) • Utilisation:  $\text{Production Volume} / \text{Rated Capacity} \times 100$  • VCM: Vinyl Chloride Monomer

## ABOUT MPHC

Mesaieed Petrochemical Holding Company Q.S.C. ("MPHC") was incorporated as a Qatari joint stock company on May 29, 2013 with an agreed effective date for the transfer of Qatar Petroleum's previous shareholding in the joint ventures of September 1, 2013. The registered office is located at P.O. Box 3212, Doha, State of Qatar. The main activity of MPHC is to act as a holding company: (i) Q-Chem is currently owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings L.L.C. ("CPCIQH") (49%) and QP (2%), and has one wholly-owned subsidiary, Q-Chem Distribution Company Limited, which engages in the sale and distribution of all of Q-Chem's products through agency agreements with Muntajat and Chevron Phillips Chemical International Sales, Inc. ("CPCIS"); (ii) Q-Chem II is currently owned by MPHC (49%), CPCIQH (49%) and QP (2%), and has one wholly-owned subsidiary, Q-Chem II Distribution Company Limited, which is engaged in the sale and distribution of all of Q-Chem II's products through agency agreements with Qapco and CPCIS, and an effective ownership interest of 53.85% in a joint venture, Ras Laffan Olefins Cracker Company Limited, which supplies ethylene to Q-Chem II; and (iii) QVC, which was incorporated in 1997 as a joint venture, and is currently owned by MPHC (55.2%), Qapco (31.9%) and QP (12.9%).

## CONTACT DETAILS

Name	Mr. Khalid Al-Subaey
Title	Chief Coordinator
Telephone Number	(974) 4013-2080
Fax Number	(974) 4013-9750