

Annual Report 2001



Gulf Petrochemical Industries Co. (BSC)



King Fahad Ibn Abdulaziz Al-Saud
Custodian of the Two Holy Mosques
Kingdom of Saudi Arabia



H.M. Shaikh Hamad bin Isa Al Khalifa
The King of the Kingdom of Bahrain



H.H. Shaikh Jaber Al Ahmed
Al-Jaber Al Sabah
Amir of the State of Kuwait



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Chairman's Message



During 2001 Gulf Petrochemical Industries Company realised a major international achievement in the area of occupational safety and health. The Company was able to win the International Sector Award from the Royal Society for the Prevention of Accidents (RoSPA), United Kingdom, in spite of strong competition among more than 200 international companies vying for this prestigious award. This award is a source of pride not only for GPIC but is also an honour for Bahrain's industry on an international level.

In terms of output, the Ammonia and Urea plants achieved their highest production levels since they went on-stream with figures of 452,600 tonnes and 612,742 tonnes respectively. The total production of Ammonia, Methanol and Urea since the start of operations was 15,372,545 tonnes, at individual volumes of 6,570,254 tonnes, 6,701,321 tonnes and 2,100,970 tonnes respectively.

At the same time, exports of Ammonia, Methanol and Urea totaled 1,101,715 tonnes which were shipped on board 10 Ammonia carriers, 22 Urea carriers and 39 Methanol carriers.

During the year the Company made a net profit of BD9.5 million, equivalent to US\$25.3 million thanks to continuous efforts made in the reduction of fixed and production costs and the control of expenditure.

On this occasion, we wish to express our thanks and appreciation to His Majesty the King Shaikh Hamad bin Isa Al Khalifa, His Highness Shaikh Khalifa bin Salman Al Khalifa, Prime Minister and His Highness Shaikh Salman

bin Hamad Al Khalifa, Crown Prince and Commander-in-Chief of the Bahrain Defence Force for their continuous support to the Company.

I also wish to express my sincere thanks to all Government organisations in the Kingdom of Bahrain, Saudi Basic Industries Corporation (SABIC) and Petrochemical Industries Company (PIC) of the State of Kuwait for their continuous support and assistance to the Company.

In this context, I wish to extend my thanks to the executive management and all the employees of the Company for their outstanding performance, loyalty and teamwork, without which these achievements could not have been possible.

Isa bin Ali Al Khalifa,
Chairman

Board of Directors



**H.E. Shaikh Isa bin Ali
Al Khalifa**

Chairman



**Mr. Mohammed A. Rahman
Al-Terkait**

Deputy Chairman



**Mr. Nasser Ahmed
Al-Sayyari**

Managing Director



**Mr. Anwar Saeed
Salama**

Board Member



**Mr. Ahmed A. Rahman
Al-Sayed**

Board Member



**Mr. Atallah Awad
Al Mutairi**

Board Member



**Mr. Fahad Nasser
bin Salamah**

Board Member



**Mr. Rasheed Ghonaim
Al Motairi**

Board Member



**Dr. Ahmed Ali
Al Sharyan**

Board Member

Board of Directors' Report to the Shareholders

The Board of Directors takes great pleasure in presenting the Company's 22nd Annual Report highlighting the outstanding and significant achievements and results in its various Technical, Financial and Management activities for the year 2001.

The exemplary standards of safety, efficiency and quality were maintained and enhanced in the Ammonia, Urea and Methanol Plants during the year. Both the Ammonia and Urea production figures for 2001, 452600 tonnes and 612742 tonnes respectively, were records for GPIC.

By 31 December 2001 the total cumulative production for the Ammonia and Methanol Plants since the start of operation in 1985 reached 6.57 million and 6.70 million tonnes, respectively. The Urea production since start-up in 1998, totalled 2.1 million tonnes. These excellent achievements were due to the team spirit and diligent efforts of all staff, operational reliability, as well as the use of modern predictive and preventive maintenance techniques.

Ammonia, Urea and Methanol exports for the year totalled 1,101,715 tonnes, the highest ever volume recorded in one year. The total annual export figure involved safely loading 10 Ammonia ships, 22 Urea ships and 39 Methanol ships.

During the year the Company continued its efforts to reduce costs and increase productivity thereby achieving a net profit of BD 9.5 million which equals US\$ 25.3 million.

The average manpower per month during 2001 was 470 employees plus 51 trainees. The cumulative number of trainees by the year-end reached 318 of which 150 were in Operations, 37 in Technical Services, 54 in Maintenance, 30 in Safety & Security, and 47 were Engineers. The percentage of Bahraini employees in the Company reached 76% by the year-end. The Training Centre continued to meet the Company's goals through the successful implementation of numerous training programmes, as well as regular safety awareness induction courses.

The Company continued its efforts to achieve the highest standards of safety and occupational health. These efforts were crowned by GPIC receiving the International Sector Award for Industrial Companies in the field of safety and occupational health from the Royal Society for the Prevention of Accidents (Rospa). GPIC won this award out of more than 200 leading industrial companies. This great achievement is an outstanding milestone in the history of GPIC.

The Company achieved 1281 working days without a lost time accident; this equals 4,417,848 employee-hours.

The Board of Directors would like to express its appreciation and gratitude to His Majesty Shaikh Hamad bin Isa Al Khalifa, King of Bahrain, His Highness Shaikh Khalifa bin Sulman Al Khalifa, Prime Minister, and His Highness Shaikh Sulman bin Hamad Al Khalifa, Crown Prince and Commander-in-Chief of the Bahrain Defence Force, for their kind support to the Company.

The Board of Directors would also like to take this opportunity to express its sincere thanks to Their Excellencies the Minister of Oil of the Kingdom of Bahrain, the Minister of Oil of the State of Kuwait, and the Minister of Industry and Electricity of the Kingdom of Saudi Arabia, for their continued support to the Company.

The Board of Directors also expresses its thanks and appreciation to all government and national organisations in the Kingdom of Bahrain, Saudi Basic Industries Corporation (SABIC) of the Kingdom of Saudi Arabia, and Petrochemical Industries Company (PIC) of the State of Kuwait, for their support and cooperation.

The Board of Directors also expresses its appreciation and thanks to the management and all employees for their sincere efforts and loyalty, which have contributed to these achievements in 2001.



Executive Management



(From left to Right)

- | | | |
|--|--|---|
| 1. Mr. Adnan Al Mahmood
Information Technology Manager | 2. Mr. Zuhair Abdulaziz Tawfiqi
Public Relations Manager | 3. Mr. Yousif Abdulla Yousif
Technical Services Manager |
| 4. Mr. Yusuf Ebrahim Fakhroo
Marketing and Planning Manager | 5. Mr. Ahmed Abdulla Nuruddin
Maintenance Manager | 6. Dr. Mustafa Al Sayed
General Manager |
| 7. Mr. Eduard Horn
Deputy General Manager
for Technical Affairs | 8. Mr. A. Rahman A. Hussain Jawahery
Plants Operations Manager | 9. Mr. P.S. Menon
Finance Manager |
| 10. Mr. Fawzi Ahmed Al Jaber
Administration Manager | 11. Mr. Christopher Blain
Safety and Security Manager | |

Production Performance

GPIC Plant Operations Department enjoyed a very successful year of achievement during 2001. All plants were operated safely and efficiently whilst maintaining the high quality standards of products. The annual targets for the output of products as well as saleable production were successfully achieved.

The annual production of ammonia, methanol, urea and saleable products was as follows:-

Ammonia **452,600** Tonnes, Methanol **412,122** Tonnes, Urea **612,742** Tonnes, Total cumulative production **1,477,464** Tonnes, Ammonia consumed for Urea production **347,044** Tonnes, Total saleable production **1,130,420** Tonnes

Annual Ammonia production was the highest ever at 452,600 tonnes which exceeded the budget by 8.0%. The plant achieved capacity utilization of 103.3% and with a utilization factor of 104.5%. The Urea plant achieved the highest ever annual production of 612,472 MT which was higher than budget by 9.2%. Cumulative Methanol production since 1985 exceeded 6.7 million tonnes as of end December 2001.

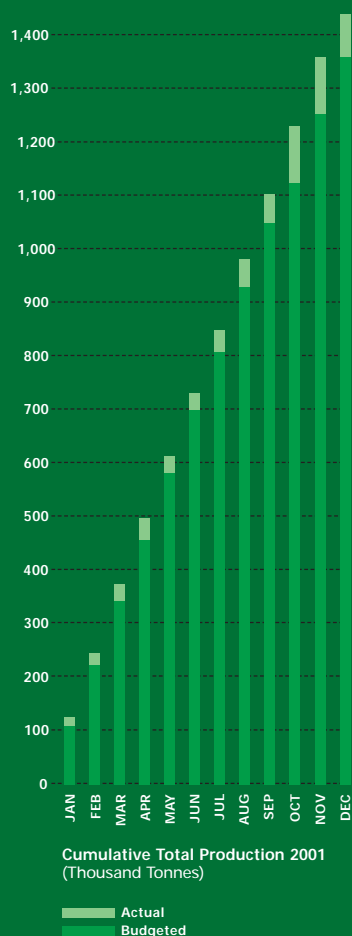
On 23 December 2001, the cumulative volume of Urea exported from GPIC reached 2 million tonnes. During 2001 GPIC also recorded the highest annual export figure for Urea, 576,026 tonnes. In addition to this a record total export of all products of 1,101,715 tonnes was achieved in 2001.

The plants operated safely, efficiently and reliably during the year. The Ammonia Plant completed a continuous daily production run of 392 days while the Methanol and Urea Plants completed similar runs of 388 days and 393 days respectively by the end of 2001.

Average daily production rates during the year 2001 were as follows:

- * Ammonia 1254 tonnes per day,
- * Methanol 1130 tonnes per day and
- * Urea 1736 tonnes per day during the operating days of the year.

The consumption of gas, electricity, chemicals and catalysts were carefully monitored and controlled and this resulted in a lower than budgeted variable cost per tonne for 2001. The Utilities Plant and Wharf Services provided a continuous and excellent support to the process plants.



Safety and Accident Prevention

The year 2001 was unique in terms of excellence and outstanding safety performance as GPIC continued to strive to maintain and improve its integrated safety, health and environment management systems and to further improve its standards and accident prevention endeavours. The Company accumulated over 4.4 million Employee hours and one million contractor hours without suffering any lost time accidents to either employees or contractors during 2001.

These achievements were recognised by the Bahrain Ministry of Labour and Social Affairs, who awarded GPIC with a Safety Excellence Achievement Certificate.

The Royal Society for the Prevention of Accidents (RoSPA - United Kingdom) also awarded GPIC as the first ever Bahrain Company to receive the prestigious "Best International Sector Award"

Other significant safety and accident prevention achievements included:

- * A full review and enhancement of the complex emergency procedure including the issue of new employee's booklets highlighting improvements to the system. This was coupled with training lectures for all employees and contractors concerning roles and responsibilities and specialised training

and workshops on emergency response planning by International Consultants - MARSH of the United Kingdom.

- * A continuation of the aim to further quality based safety, health and environment management approach through the American Process Safety Management ('P.S.M.') standard - by continuing auditing and enhancements identified during the previous year. The Company also embarked on the path towards the British Standard - OSHAS 18001 Safety and Health Management System recognition by having a consultant complete a gap analysis during 2001.
- * Further ongoing regular safety liaison with industrial neighbours and all Government authorities.
- * A push towards enhancements of occupational hygiene controls and Safety, Health and Management procedural systems.
- * Further improvements to Contractor Safety Management programs.
- * The hosting of a very successful Company Annual Safety, Health and Environment week for all employees, their families and all contractors at the complex, including contests, lectures, audits and a full range of competitions for all persons.



Technical Services

Engineering :-

During 2001 118 modifications were processed. All new process modification proposals were subjected to a Hazard Operability (HAZOP) study. In addition, 16 Process Hazard Analysis (PHA) sessions were conducted.

A computerized plant information management system was installed; an environmental footprint/signature of the complex was developed.

Inspection:-

During 2001, 237 routine inspection reports, 130 Pressure Safety Valve (PSV) and 22 Non Return Valve (NRV) certificates were issued. An additional 352 reports associated with the November 2000 plant shutdown were also issued.

A detailed inspection of product export lines was conducted and an extensive survey on storage tank floors carried out. The draft European Fertilizer Manufacturing Association (EFMA) code was used as the basis to justify a 20 year internal inspection interval for the cryogenic ammonia storage tanks.

Laboratory:-

During 2001, the Laboratory section took over 52,000 routine samples, on which it carried out over 183,000 routine analyses. In addition a further 4,500 special analyses were carried out on nearly 1,200 special samples.

In 2001, the laboratory issued 12 final product certificates for ammonia, 36 certificates for methanol and 39 for urea. It also monitored the effluent water, which was once again well within the applicable Bahrain discharge water standards. Independent audits by British Standards Institute (BSI) confirmed the laboratory's continued compliance with the requirements of the ISO 9002 standard.

Materials:-

During 2001 Stock Control and Warehouse received 1,717 consignments, valued at over BD 5.1 million and issued 13,303 items from stock.

Purchasing received 1,587 requisitions, issued 1,171 inquiries and placed 1,336 orders. The total value of orders for goods and services was over BD 9.8 million.



Maintenance

The year 2001 has been a year in the maintenance department for data and information consolidation. This exercise has established a solid basis for an effective decision support system, which helped in streamlining the maintenance activities.

In-house spare parts manufacturing had gained full momentum, after last year's trial period. A saving of over BD 100,000 was achieved in 6 months only.

The productive maintenance program, which started in late 2000, has also picked up momentum. More minor and repetitive maintenance tasks are now carried out by our operators in the process plants. This has resulted in optimizing our resources and eliminating the need to rely on supplementary contractor manpower.

Following the introduction of the computerized preventive maintenance management system 5 years ago, the system was fully reviewed and the necessary actions were taken to improve and streamline the PM program for the complex.

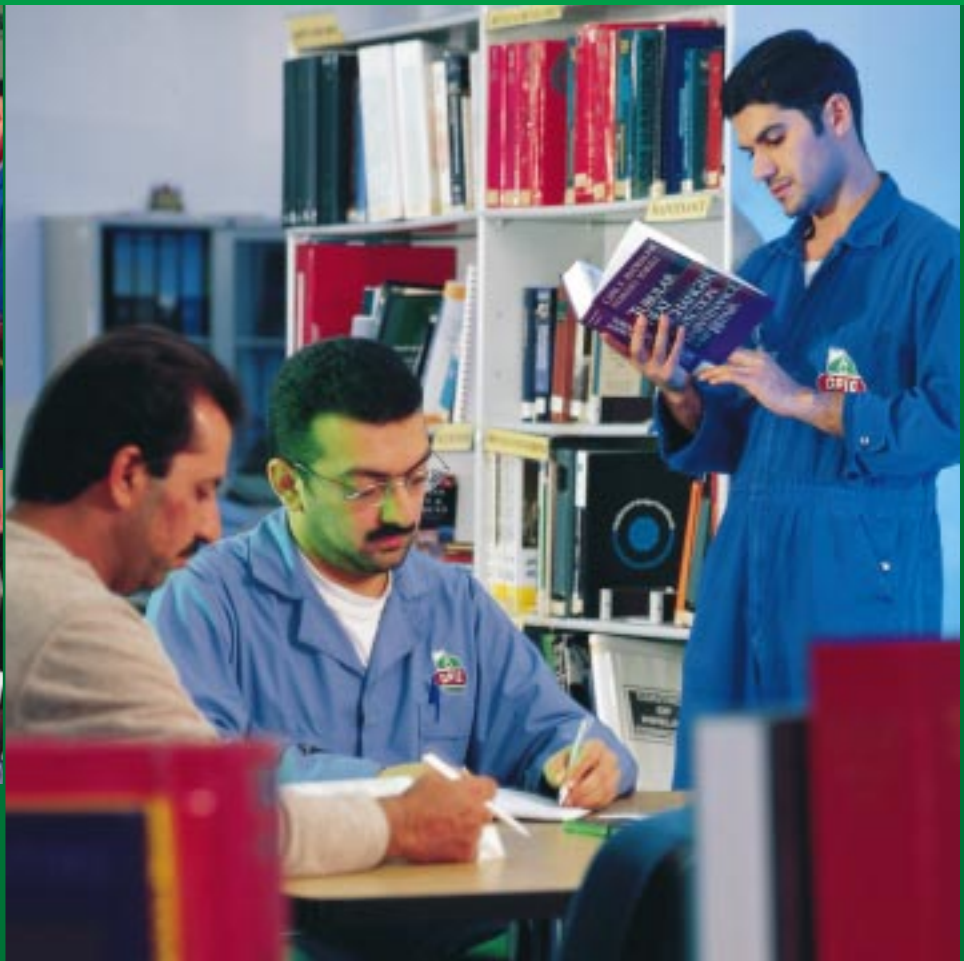


Training and Development

The average monthly manpower during 2001 was 470 plus 51 trainees. The cumulative number of trainees who have completed their training at the end of the year was 318. Out of these, 150 were appointed in the plants operation department, 37 in the Technical Services Department, 54 in the Maintenance Department, 30 in Safety & Security Department and 47 as Engineers.

The Bahrainisation rate at the end of the year has increased to become 76%.

During the year, the training centre continued to implement and monitor all training programmes, as well as carrying out the safety awareness programmes.



Marketing

During 2001, the Company's sales of Ammonia, Methanol and Urea totalled 1,101,715 tonnes in line with our plans. The sales include export of 113,171 tonnes of Ammonia, 421,094 tonnes of Methanol and 567,243 tonnes of granular Urea, besides sale of 207 tonnes of Urea in the local market.

Total exports of Ammonia and Methanol to various international markets since the start of production in 1985 amount to approximately 14 million tonnes including 5.3 million tonnes of Ammonia, 6.7 million tonnes of Methanol and total export of 2.0 million tonnes of Urea since the start of its production on 7th January 1998.

There is no doubt that figures reflect the sound planning and continuous coordination by the Company's marketing and planning department with marketing partners and others to achieve the best returns from such exports.



GPIC Exports to World Markets

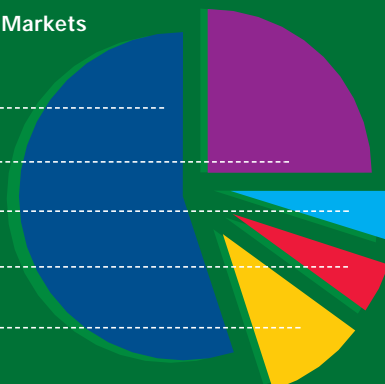
Americas - 54%

Far East - 25 %

Australia - 6 %

Europe - 5 %

India - 10 %



Sports and Social Events



1



2



3

1) GPIC launches charity fish farm extension.

2) GPIC participates in National Day festival.

3) GPIC's annual fishing competition in which the whole catch is donated to the elderly homes.



4) GPIC is the 2001 Industrial Volleyball Champion in both the League and Cup Competition.

5) The annual entertainment get-together for GPIC staff at the Spring Camp in Sakhr.

6) A group picture with the winners during the Annual Family Safety Day.