

Gulf Petrochemical Industries Co. (BSC)

Annual Report
2002



Chairman's Message

During 2002, the Company made two remarkable achievements in the field of safety.

The first achievement is that GPIC came first in the benchmarking study among 55 international companies in the areas of reliability and general efficiency of energy and safety.

At the beginning of the year the Company had the honour to receive H.H. Shaikh Khalifa bin Salman Al Khalifa's Award for Excellence in Industry in the major company sector. This was the highest award received by the Company since its inception.

During 2002, the Company made two remarkable achievements in the field of safety. GPIC came first in a benchmarking study conducted by Plants Survey International (U.S.A) of 55 international companies in the areas of reliability and general efficiency of energy and safety. GPIC was also awarded the best maintenance, inspection and quality system, and the best environmental system, according to the study conducted by E.R.A.S, UK, at the request of the GCC General Secretariat.

GPIC also achieved a new international milestone by operating the Urea and Methanol plants for more than 750 days of continuous production. This coincided with the completion of more than 17 years of continuous operations, while observing the highest levels of safety and environment protection.

The total production of Ammonia, Methanol and Urea increased by 11.9%, from 1,337 million tonnes to 1,496 million tonnes.

Exports of these products totalled 1,141 million tonnes, an increase of 124,000 tonnes over the targeted figure. Exports were shipped by 9 Ammonia carriers, 24 Urea carriers and 34 Methanol carriers.

Operating profits totalled US\$51 million, compared with the budgeted figure of US\$42 million. This was made possible through continuous efforts to rationalise expenditure, reduce overheads and production costs, and in postponing the periodical maintenance shutdown in 2003.

I would like to express our thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, 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 BDF, for their continued support to the Company.

My gratitude is also extended to Their Excellencies the Minister of Oil in the Kingdom of Bahrain, Minister of Oil in the State of Kuwait and Minister of Industry and Electricity in Saudi Arabia, for their advice and assistance and to the government and private organisations in the Kingdom of Bahrain, to the Saudi Basic Industries Corporation (SABIC) of Saudi Arabia and Petrochemical Industries Company of the State of Kuwait, for their vital support and co-operation.

Finally, I would like to express my deep appreciation to the executive management and all employees for their outstanding performance, commitment and teamwork, without which such achievements would 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

FOR THE YEAR ENDED
31st DECEMBER 2002

The major event of 2002 was the receipt of His Highness the Prime Minister's Award for Excellence in Major Industries in January 2002.

The GPIC Board of Directors is pleased to present the company's 23rd Annual Report highlighting the achievements of the Company during 2002.

The major event was the receipt of His Highness the Prime Minister's Award for Excellence in Major Industries in January 2002, the highest honour bestowed on GPIC since the Company's inception.

Throughout the year the Ammonia, Urea and Methanol plants continued their production at full capacity while maintaining the highest standards of quality, efficiency, safety and environmental standards. The Methanol and Urea plants achieved records of continuous daily production runs of 753 and 771 days respectively.

This remarkable performance was made possible by the continued diligence of operational staff, teamwork and the professional proactive approach of the maintenance personnel.

At the end of the year the total combined production of Ammonia, Methanol and Urea was 1,495,902 which exceeded the budgetary targets by 158,802 tonnes (11.9%).

Total combined export quantities reached a record 1.141 million tonnes, carried on 9 Ammonia, 24 Urea and 34 Methanol ships.

The Company continued its efforts to reduce costs and increase productivity which resulted in an operating profit of US\$ 51.0 million.

During 2002, total manpower totalled 480 employees and 57 trainees. The total number of employees who had completed their training was 329 of whom 153 were in Plants Operation, 38 in Technical Services, 56 in Maintenance, 30 in Safety and Security and 52 graduate engineers.

The overall level of Bahrainisation exceeded 77% by the year-end. The GPIC Training Centre continued to successfully implement a number of training programmes that met operational requirements throughout the year. It also provided the annual safety, health and environmental awareness programmes for all members of staff.

GPIC continued to focus prominently on occupational safety and health. These efforts culminated in receiving a Highly Commended Award from the Royal Society for the Prevention of Accidents (RoSPA), UK. In addition, GPIC was placed first in an international benchmarking study conducted by Plants Survey International, USA among 55 international Ammonia companies.

In another benchmarking study conducted by E.R.A.S., UK on behalf of the GCC General Secretariat, GPIC was judged the Ammonia and Urea plant with the best production record as

well as the best maintenance, inspection, quality and environmental management systems.

The Board expresses its thanks and appreciation to His Majesty King Hamad bin Isa Al Khalifa of the Kingdom of Bahrain, His Highness Shaikh Khalifa bin Salman Al Khalifa, the Prime Minister and His Highness Shaikh Salman bin Hamad Al Khalifa, Crown Prince and Commander-in-Chief of the BDF, for their continued support to the Company.

We also take this opportunity to express our thanks and gratitude to Their Excellencies the Minister of Oil of the Kingdom of Bahrain, the Minister of Oil of Kuwait and the Minister of Industry and Electricity of Saudi Arabia, for their continued support and guidance.

We also appreciate the government and private organisations in the Kingdom of Bahrain, the Saudi Basic Industries Corporation (SABIC) of Saudi Arabia and the Petrochemical Industries Company (PIC) of Kuwait for their vital support and coordination.

Finally, the Board of Directors expresses its deep thanks and appreciation to the management and employees for their commitment and loyalty in serving the best interests of the Company. Without this support and loyalty, the above achievements would not have been possible.



Executive Management



From left to right

- | | |
|--|--|
| 1. Mr. Fadhel Malalla Al Ansari
Plants Operation Coordinator | 4. Mr. Yousif Abdulla Yousif
Technical Services Manager |
| 2. Mr. Zuhair Abdulaziz Tawfiqi
Public Relations Manager | 5. Mr. Eduard Horn
Deputy General Manager
for Technical Affairs |
| 3. Mr. Yusuf Ebrahim Fakhroo
Marketing and Planning Manager | 6. Dr. Mustafa Al Sayed
General Manager |

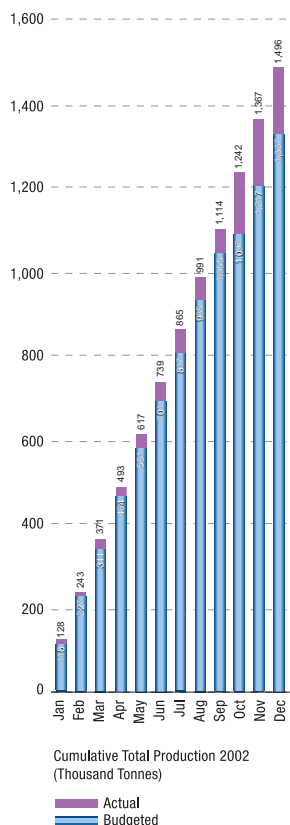


7. **Mr. A. Rahman A. Hussain Jawahery**
Plants Operation Manager
8. **Mr. Fawzi Ahmed Al Jaber**
Administration Manager
9. **Mr. Ahmed Abdulla Nuruddin**
Maintenance Manager

10. **Mr. Yasser Abdulrahman Abdulla**
Finance Manager
11. **Mr. Adnan A. Razaq Al Mahmood**
Information Technology Manager
12. **Mr. Christopher Blain**
Safety and Security Manager



Production Performance



The year 2002 was a highly successful one for the GPIC Plant Operations Department and a number of important milestones were achieved. All plants were operated in a reliable, safe and efficient manner whilst maintaining the specified standards in terms of quality for all products. The annual targets for total output of products as well as the forecasts set by the marketers were also successfully achieved.

Annual Ammonia production was the highest ever at 459,029 tonnes and exceeded the budget by 13.85%. The plant achieved a capacity utilisation of 104.8% with a utilisation factor of 104.8%. The Urea plant also achieved its highest ever annual production at 631,110 tonnes, higher than budget by 12.5%. Cumulative Methanol production since 1985 exceeded 7.1 million tonnes during December 2002.

The performance of the GPIC plants was recognised in a number of international benchmarking studies.

GPIC recorded its highest annual export of Urea to date, 625,562 tonnes. Total export of all products was 1,132,228 tonnes.

The Methanol and Urea plants completed continuous daily production runs of 753 days and 771 days respectively by the end of the year. The Methanol synthesis catalyst had produced 2.48 million tonnes of product by year end, which justified the careful choice of catalyst and reflects the diligence of plant operating personnel.

Average daily production rates during 2002 were as follows:

- Ammonia 1258 tonnes per day,
- Methanol 1112 tonnes per day and
- Urea 1736 tonnes per day.

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 2002.

The Utilities Plant and Wharf Services provided continuous support to the processing plants.

The annual production of Ammonia, Methanol, Urea and saleable products was as follows:

Ammonia	459,029 Tonnes
Methanol	405,763 Tonnes
Urea	631,110 Tonnes
Total cumulative production	1,495,902 Tonnes
Ammonia consumed for Urea production	353,529 Tonnes
Total saleable production	1,142,373 Tonnes



Safety and Accident Prevention

Efforts were rewarded when the company received a "Highly Commended" Chemical Sector Award from the British Royal Society for the Prevention of Accidents (RoSPA)



2002 was a year of outstanding performance as GPIC further improved its integrated safety, health and environment management systems.

Efforts were rewarded when the company received a "Highly Commended" Chemical Sector Award from the British Royal Society for the Prevention of Accidents (RoSPA). A real jewel for the company was winning the Prime Minister's 2002 Award for Excellence in Industry in Bahrain.

GPIC exceeded its best historical continuous record of 4.9 million employee work hours without suffering a lost time accident. Contractors also achieved over 1.7 million hours without a lost time accident.

Other highlights included:

- A successful emergency exercise testing evacuation and response. This included comprehensive enhancements to our systems based on a newly issued Complex Emergency procedure.
- A revision and reissue of a new Permit To Work System procedure, including new forms and the issue of an employee booklet, coupled with extensive supporting training lectures.
- Participation of key personnel in specialised fire and emergency response training with the Kingdom of Bahrain Civil Defence and

Fire Directorate and the SABIC Fire Training Centre. Training concerned effective and real-life industrial fire simulated scenarios.

- Quality management system enhancements continued with further development of Process Safety Management (PSM), Occupational hygiene and OHSAS 18001 Safety and Health Systems.

- A successful annual company Safety, Health and Environment week and Family Evening were completed under a theme of "Plant a tree today... ensure a better environment tomorrow". All employees and contractors actively participated in these events.

- Contractor safety management continued during the year with regular-minuted meetings, joint audits, lectures and training sessions.

- A traffic safety procedure and training was finalised including awareness lectures, area audits and competitions.

GPIC continues to set an extremely high standard of safety health and environment management.





Technical Services



ENGINEERING:

During 2002, 150 modifications were designed for improving plant reliability, safety and production.

- Process Hazard Assessment (PHA) studies were conducted on completed modifications to ensure safety and reliability.

- To enhance plant safety and protection of the environment, major projects were carried out such as the Natural Gas Gasoline Handling unit and the upgrading of the gas turbine and procurement of a new fire truck.

- GPIC invested heavily to enhance reliability by the installation of the following equipment:

- An electrical trip circuit monitoring system.
- Advanced tank gauging system.
- Improved instrument air drier system.
- New internal tray supports for the Urea Reactor.
- New steam superheater coil.
- HIMA Shutdown System for Ammonia, Methanol and Utility plants.

New equipment was introduced to the workshops to improve maintenance capabilities of the plants. This included

- A test bench for control valves.
- A pressure safety valve test bench.
- A precision centre lathe machine.
- A surface grinding machine.

- Bahrainisation of senior positions in the Process Engineering Section.

INSPECTION:

During the year, 356 routine inspection reports and 57 PSV and 56 NRV certificates were issued. Site welding guidelines, covering all aspects of welding in GPIC were also produced.

Inspection requirements for the 2003 turnaround have been prepared and distributed. Approximately 300 items of plant equipment have been scheduled for examination, including the first internal inspection of Methanol storage tank T-7201B.

The framework to apply Risk Based Inspection (RBI) to GPIC has been developed, with the distillation and intermediate





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LABORATORY:

The laboratory took over 51,500 routine samples, on which it carried out nearly 183,000 routine analyses. In addition, over 5,300 special analyses were carried out on over 1,600 special samples.

The laboratory also issued 12 final product certificates for Ammonia, 35 certificates for Methanol and 41 for Urea. It monitored effluent water and gases from the complex which were once again well within applicable Bahrain environmental standards. Independent audits by BSI and Lloyds Register confirmed the laboratory's continued compliance with the requirements of the ISO 9001 and ISO 14001 standards.

Modulized Emergency Respose Training (MERT) was completed for all nominated auxiliary firemen and Urea cross-training completed for a shift analyst

MATERIALS:

The Stock Control and Warehouse received 1,896 consignments valued at BD 5.628 million and issued 14,636 items. Purchasing received 1,256 requisitions, issued 1,171 inquiries and placed 1,178 orders valued at BD 7.669 million.

The service level of the warehouse averaged 99%. A saving of approximately 6% was made by price negotiation and all quality documents were updated.

Bahrainisation was increased to 80%, with Bahrainis being appointed in the positions of Materials Superintendent, Warehouse & Stock Control Supervisor and a Secretary. Two new trainees were recruited for the positions of Materials Engineer and Purchasing Officer.

storage areas of the Methanol plant selected for a pilot study. A computerised system has been developed to manage inspection of pipework. Guided Wave Examination was applied for the first time to inspect product export lines and ultrasonic wall thickness surveys were carried out.

The Senior Inspection Engineer achieved ASNT level 2 in ultrasonic testing and two Inspection Engineers qualified as API 510 and API 570 inspectors for pressure vessels and pipework respectively.



Maintenance



The activities of the Maintenance Department were optimised during 2002 and have led to more reliable plants. As a result, the turnaround which was planned for 2002 was postponed to 2003.

During the year, 3100 Corrective and Preventive Maintenance Work Orders were achieved at

optimised cost. The Maintenance Department also achieved the maximum numbers of Capex and modification jobs during the year.

As a result of the in-house spare parts manufacturing exercise, inventory cost savings of BD 220,000 were achieved.

All turnaround preparations and planning activities reached their climax by the year-end in preparation for the March 2003 major turnaround.





Training and Development

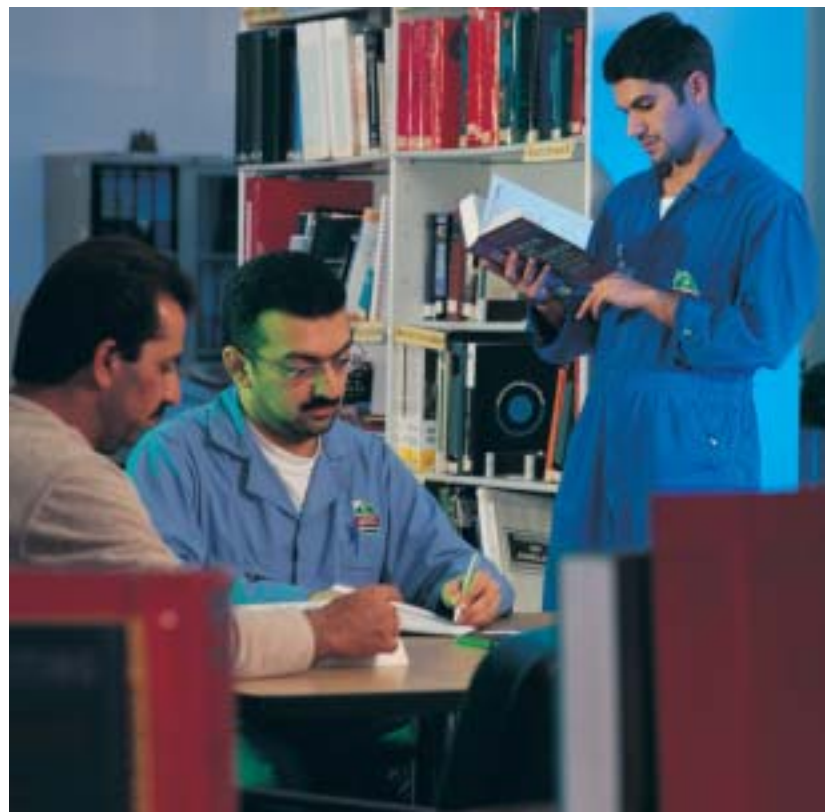
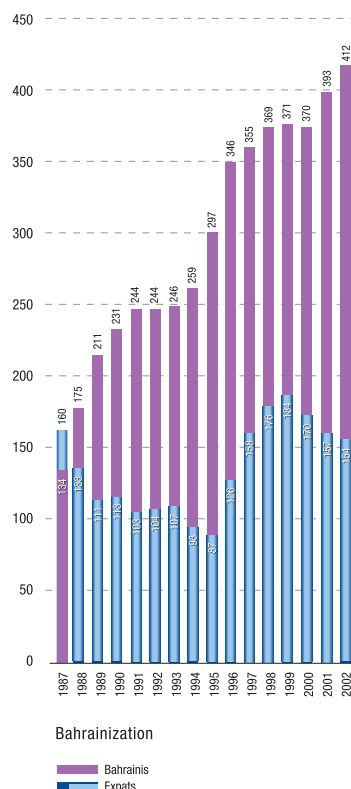


Average monthly manpower during 2002 was 480 plus 57 trainees. The cumulative number of trainees who have completed their training at the end of the year was 329. Of these, 153 were appointed in the Plants Operation Department, 38 in the

Technical Services Department, 56 in the Maintenance Department, 30 in the Safety & Security Department and 52 as Engineers.

The Bahrainisation rate at the end of the year increased to 77%.

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



Marketing

During 2002, the Company's sales of Ammonia, Methanol and Urea totalled 1,140,804 tonnes exceeding the plan by 12%.

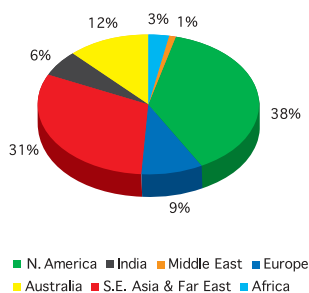


During 2002, the Company's sales of Ammonia, Methanol and Urea totalled 1,140,804 tonnes exceeding the plan by 12%. Sales included the export of 96,221 tonnes of Ammonia, 410,445 tonnes of Methanol and 634,138 tonnes of Granular Urea, an additional 135 tonnes of Urea was sold in the local market.

the start of production on 7th January 1998.

These figures reflect sound planning and coordination by the Company's Marketing & Planning Department with marketing partners and others to achieve the best returns from these exports.

Exports by Destination 2002



Total exports of Ammonia and Methanol to international markets since the start of production in 1985 amount to approximately 15.2 million tonnes including 5.5 million tonnes of Ammonia, 7.1 million tonnes of Methanol and 2.6 million tonnes of Urea since



Social and Sport Events



تنظم الشركة مسابقة صيد السمك وتهدى حصيلة الصيد إلى دار المسنين

GPIC's Annual Fishing Competition where the whole catch is donated to the Elderly Home.



نقابة عمال البتروكيماويات تنظم سداسيات كرة القدم لموظفي الشركة

Six-A-Side Soccer Tournament organised by GPIC Worker's Trade Union.



الحفل الترفيهي لموظفي الشركة بمخيم الربيع

The Annual Spring Camp entertainment for GPIC staff.



صورة جماعية مع الأطفال الفائزين في مسابقات يوم السلامة العائلي

A group photo showing safety competition winners during the Annual Family Safety Evening.

Jewel of the Crown



With God's Blessing, the Company was awarded the Excellence in Industry Award by H.H. Shaikh Khalifa bin Salman Al Khalifa, for the major industries sector.