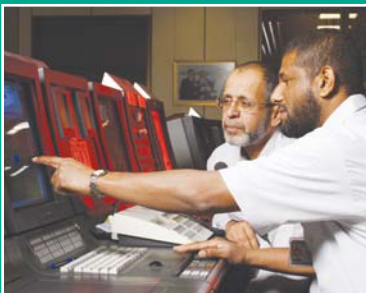


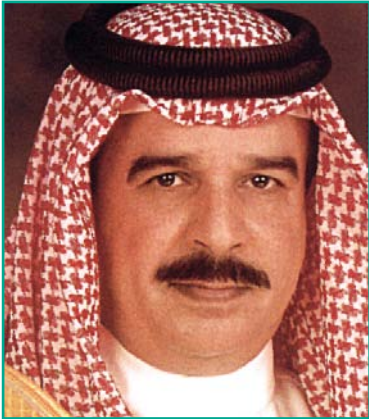
Growth and Stability

Gulf Petrochemical Industries Company (B.S.C.)





H.M. King Abdullah bin Abdulaziz
Custodian of the Two Holy Mosques
Kingdom of Saudi Arabia



H.M. King Hamad Bin Isa
Al-Khalifa
King of the Kingdom of Bahrain



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





Strength & Confidence

In GPIC, we saw 2005 as one of the most successful years that the company has ever had. It was a year full of challenges and achievements.



Chairman's Message

When reviewing the performance of GPIC in 2005 we see it as one of the most successful years that the company has ever had. It was a year full of challenges and achievements culminating in the highest ever net profit recorded in the history of the company.

This net profit totalled US\$ 128 million. Dividends of US\$ 129 million were distributed to the shareholders for 2005, which are 34% higher than those distributed in 2004 and equal to 81% of the paid-up capital.

The company also completed settlement of the US\$ 80 million loan, borrowed originally for the Urea Project, and thus completed its long term financial obligation to the banks.

During the year GPIC continued its safe and efficient operation and produced a total of 1,337,817 tonnes of Ammonia, Urea and Methanol, out of which 1,008,525 tonnes were exported to international markets. A total of 314,990 tonnes of Ammonia was utilised internally to produce Urea.

In addition to the record profits and continuous production a number of noteworthy successes were achieved in fields varying from operations, maintenance, environment, training, development and Bahrainisation to winning the prestigious Sir George Earle Trophy from RoSPA, UK. This is considered the most significant safety and health award in the world. It was the first time this trophy was awarded to a company outside Europe or North America.

The company also underwent one of the largest turnarounds in its history. This major work was successfully completed ahead of schedule, safely and within budget. This work contributed significantly to achieving the company's production goals for the year.

All these achievements reflect the keen interest and encouragement of 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 Bahrain Defence Force.

It is also a tribute to the excellent cooperation and support of our business associates in Bahrain and the region, especially the continuous positive contributions from our regional shareholders and marketers SABIC and PIC.

It is also appropriate to record my thanks and appreciation to the entire GPIC workforce. Their hard work, loyalty and creativity made all these achievements mentioned a reality.

Isa bin Ali Al Khalifa
Chairman

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Looking at the future, the company is in the process of reviewing new project and investment opportunities, hoping to present the viable options to the shareholders for approval.

Board of Directors' Report to the Shareholders (Contd.)

achievement. BSI, the certification authority, presented a plaque to the company for its excellent quality performance over this period. It is the first plaque of its kind to be presented by BSI to any industrial firm complying with the ISO 9001 system.

During the year the monthly manpower level in the company stood at 466 employees in addition to 48 trainees. The company continued its concern with the development of human resources. A total of 365 graduates have now been trained in GPIC since 1985, including 63 engineers.

The percentage of Bahrainis in the company was in excess of 80% and as a result the GCC Labour Ministers' Council honoured GPIC for its outstanding performance in training and Bahrainisation.

As part of the company's contribution to community service, the environmental awareness programme for schools was continued for the fifth successive year. GPIC also launched the second series of the Education-GPIC Environmental Research Programme following the success it enjoyed in its first year.

The company's achievements and success received positive reaction in the international petrochemical and fertiliser sector, attracting many prominent visitors from different countries and industries. These visitors were led by H.E. the President of Trinidad and Tobago, one of the major producers and exporters of Methanol and chemical fertilisers in the world.

Looking at the future, the company is in the process of reviewing new project and investment opportunities, hoping to present the viable options to the shareholders for approval. The company hopes to identify an adequate source of natural gas at a competitive price to meet future ambitions and expansions.

The Board of Directors would like to take this opportunity to express their sincere thanks and gratitude to His Majesty King Hamad bin Isa Al Khalifa, King of the Kingdom of Bahrain, His Highness Shaikh Khalifa bin Sulman 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.

The Board of Directors also expresses its thanks and appreciation to the company's shareholders, namely the Government of 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 continuous support to the company.

The Board of Directors also expresses its appreciation and thanks to the company's management and all the employees for their sincere efforts, which made these achievements possible.

Executive Management

<i>Standing from left to right</i>			<i>Sitting from left to right</i>		
Mr. Yasser A. Rahim Mohamed	Mr. Yusuf Ebrahim Fakhroo	Mr. Yousif Abdulla Yousif	Mr. Yousif Abdulla Yousif	Mr. A. Rahman A. Hussain Jawahery	Mr. Eduard Horn
Safety & Security Manager	Marketing & Planning Manager	Plants Operation Manager	Plants Operation Manager	General Manager	Deputy General Manager
Mr. Fadhel Malalla Al Ansari	Mr. Adnan A. Razaq Al Mahmood	Mr. A. Rahman A. Hussain Jawahery	Mr. A. Rahman A. Hussain Jawahery	General Manager	Deputy General Manager
Maintenance Manager	Information Technology Manager	General Manager	General Manager	General Manager	Deputy General Manager
Mr. Adel Ahmed A. Malik	Mr. Zuhair A. Aziz Tawfiqi	Mr. Eduard Horn	Mr. Eduard Horn	Deputy General Manager	for Technical Affairs
Finance manager	Public Relations Manager	Deputy General Manager	Deputy General Manager	for Technical Affairs	
Mr. Fawzi Ahmed Al Jaber	Mr. Ahmed Abdulla Nuruddin				
Administration Manager	Technical Services Manager				



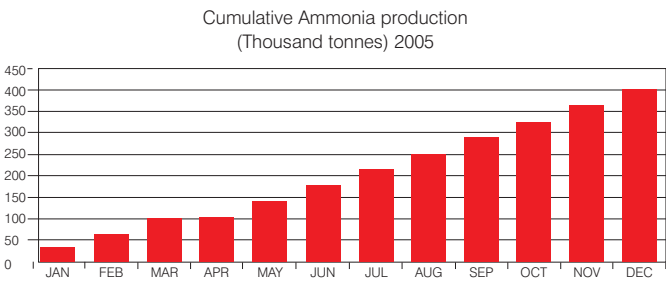
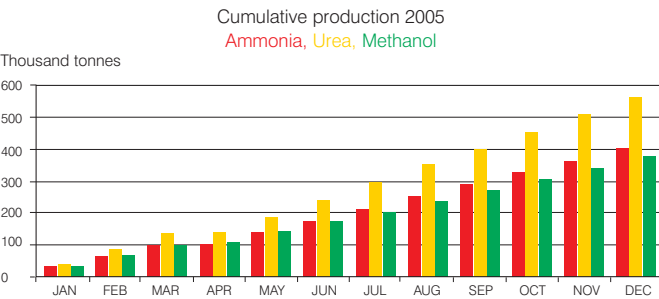


Production Performance

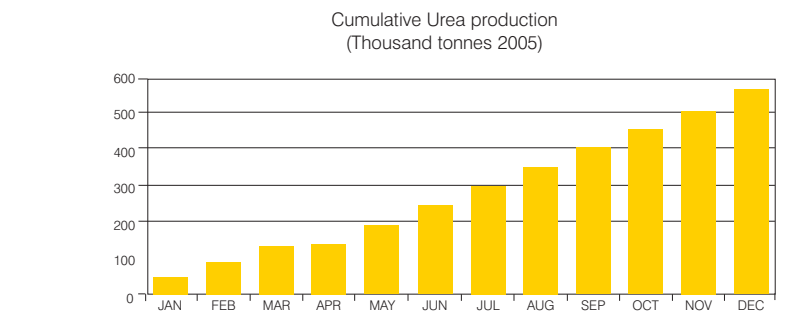
The year 2005 was a milestone year of many achievements for GPIC Plant Operations Department and a number of important objectives were achieved. All plants were operated in a reliable, safe and efficient manner whilst maintaining the specified standards in terms of quality for all products.

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

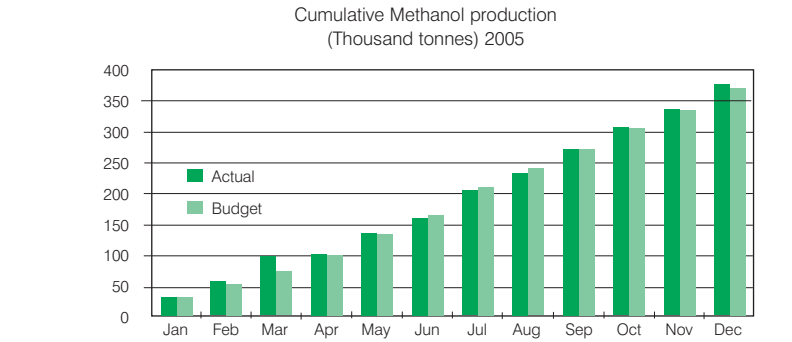
Product	Tonnes
Ammonia	401,150
Methanol	375,609
Urea	561,058
Total cumulative production	1,337,817
Ammonia consumed for Urea production	314,990
Saleable Production	1,022,827



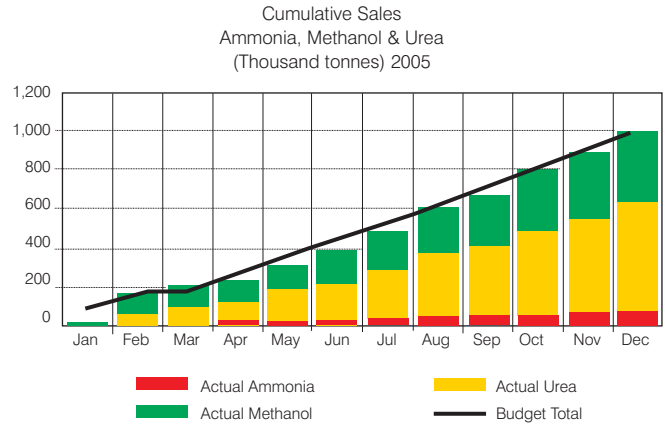
- The Ammonia plant's cumulative production since 1985 exceeded 8.188 million tonnes by end December 2005.
- The Ammonia plant achieved a 98.61% utilisation factor in 2005.



- The Urea plant's cumulative production since 1998 exceeded 4.369 million tonnes by end December 2005.
- The Urea plant achieved a 97.72% utilisation factor in 2005.



- The Methanol plant achieved a utilisation factor of 102.51%.
- The Methanol plant was ranked as the best in the worldwide benchmarking study done by ABB-JohnsonMatthey.
- The Methanol plant's cumulative production since 1985 exceeded 8.251 million tonnes by end December 2005.



Throughout the year Ammonia, Methanol and Granular Urea of the best quality were produced for the premium markets. Every care was taken to maintain the product quality at all times. The Utilities Plant and the Warf Services continued to give outstanding support to the process plants.



Progress & Protection

Safety, Health and Environment

GPIC's SHE initiatives were handsomely rewarded with the highest safety awards: **The 2005 Sir George Earle Trophy and the Chemical Sector Award, bestowed upon us by the Royal Society for the Prevention of Accidents (RoSPA)**. We believe that our open and transparent approach to managing SHE initiatives, supported by our small but equally significant improvements, enabled us to win this prestigious award.

The hallmark of GPIC's SHE performance for 2005 is noted in its continuous and diligent effort to maintain world-class principles and practices in conducting all its activities safely, without adverse impact on health or environment. In particular, the months of April/May 2005 witnessed the successful completion of one of the largest turnarounds and maintenance activities. Adherence to SHE standards was made mandatory with extra effort and care to be exerted by every GPIC employee and contract personnel. It is our commitment to build on our success in order to continually meet our stakeholders' expectations and our own far reaching and challenging objectives.

GPIC's 2005 SHE achievements include:

- A medical plant and herb garden, inaugurated on 9 May 2005 in a ceremony attended by and held under the patronage of His Highness Shaikh Abdulla bin Hamad AlKhalifa, Governor of the Southern Governorate and Chairman of the Public Commission for the Protection of Marine Resources in Bahrain.
- Winning the Shaikh Abdulla bin Hamad AlKhalifa Award for Best Environmental Garden in Companies and Industries for a second time.

- The 4,348,864 person hours or 1320 days of continuous work without a lost time accident, a result derived from our enhanced management systems and proactive search for opportunities to reinforce and improve. Also, our contractors completed 2,269,289 person hours or 858 days of continuous work without lost time accident. The total accumulated hours worked exceeded 6,618,153 million hours without accidents.
- GPIC furthered its commitment to research and development in the area of health, safety and care for the environment by sponsoring the Ministry of Education and GPIC Environment Research Programme, for the second year running.
- GPIC signed a cooperation protocol with the University of Bahrain to encourage research in these fields.
- In 2005, GPIC celebrated its annual safety, health and environment week utilising the theme "GPIC Green... GPIC Clean" along with a wonderful and enjoyable family evening. The GPIC safety, health and environment week held in December 2005, culminated in a grand reception with the award of the Sir George Earle Trophy to H. E. Shaikh Isa Bin Ali Al Khalifa, Chairman of the GPIC Board of Directors and Advisor for Industrial and Oil Affairs to H.H. the Prime Minister, Kingdom of Bahrain. The award was presented by Lord William B Jordan of Bournville CBE and Mr. Errol Taylor, Acting Chief Executive of RoSPA, who also visited His Highness the Prime Minister on this occasion.
- GPIC successfully reviewed and reassessed its Security Plan and Security Assessment as required by the International Ships and Port Facilities Security (ISPS) code and reissued the

GPIC Port Facility Security Plan, which was submitted to Bahrain's Designated Authority for endorsement and approval. This plan was endorsed and revalidated in June 2005.

- GPIC hosted Dr. Stephen Vickers the Chief Executive of NEBOSH (National Examination Board of Occupational Safety & Health) who visited the complex in July 2005 as part of recognising GPIC's effort in terms of improving SHE issues, not only in Bahrain but world-wide.
- On the occasion of the closing ceremony of the Ministry of Education and the GPIC Environment Research Programme in July 2005, the Minister for Education, H.E. Dr. Majid bin Ali Al Nuaimi, visited GPIC. He praised GPIC's efforts towards environmental care and stressed the importance of environmental education.
- GPIC completed a base line ecological survey encompassing the whole complex plus a 500-meter swathe around it, to have base data for 2005. The report concluded that the ecosystem around GPIC is very healthy and alive. This survey will be repeated periodically to ensure that a healthy environment is maintained in the waters around GPIC.
- In April 2005, GPIC organised a workshop on Environmental Laws in coordination with the Arab Fertiliser Association. The three day event held at the Bahrain Conference Centre, Crowne Plaza was conducted under the patronage of the Oil Minister H.E. Shaikh Isa bin Ali Al Khalifa and was coordinated and attended by many representatives from GPIC. It was designed to provide the participants with information about the latest environmental management systems to be adopted by

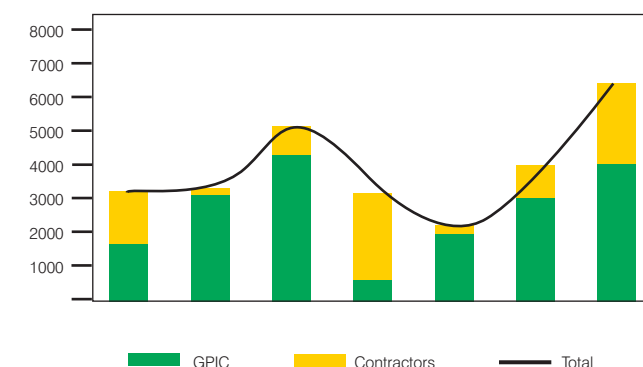
the fertiliser industry, aimed at developing the necessary awareness amongst employees of the AFA member companies.

- GPIC trained and qualified 12 First Aiders in 2005, increasing the total number of qualified first aiders to 265.



The Sir George Earle Trophy

GPIC/ Contractors Combined LTA Performance as at end of 2005





TECHNICAL SERVICES

MATERIALS:

During 2005, Warehouse and Stock Control received 1,749 consignments valued at over BD 8.2 million and issued 24,298 items from stock at a value of more than BD 6.6 million. Purchasing received 1,242 requisitions, issued 890 inquiries and placed 1,003 orders valued at BD 10.8 million, of which 50% were placed on local suppliers /contractors.

For Turnaround 2005, Purchasing issued a total of 87 Purchase Orders for services valued at BD 2.0 million. Warehouse and Stock Control issued stock materials worth BD 1 million to carry out the shutdown tasks.

A major exercise for the reclassification of Capital Spares has been completed which resulted in a reduction in the reported spares inventory by BD 1.16 million. During the year a comprehensive wall to wall physical stock verification was conducted internally.

In addition, an overall saving of 8% was made through price negotiation with suppliers and vendors.

During 2005, various internal and external audits were performed on the Purchasing and Warehousing activities, which ensured full compliance with the standard systems and procedures in place.

LABORATORY:

During 2005 the laboratory satisfactorily completed all the routine samples, special analyses and product certificate activities:

Plant	Routine samples	Special Analyses	Product Certificates
Ammonia	6,592	950	7
Methanol	10,200	1,706	43
Urea	8,083	803	49
Utilities	25,244	2,963	0
Other	0	1,277	0
TOTAL	50,119	7,699	99

The laboratory also introduced new equipment to enhance its capabilities in specialised water analysis such as the Milli-Q Water Purification System, Ion Chromatograph and Total Organic Carbon Analyser.

Independent audits by BSI, Lloyds Register and DNV confirmed the laboratory's continued compliance with the requirements of the ISO 9001, ISO 14001 and OHSAS 18001 standards.

INSPECTION:

During the 2005 turnaround, 233 items of equipment were inspected, which included 75 items of statutory equipment, 24 heat exchangers, 131 PSVs and 96 NRVs.

In addition to the turnaround activities, 305 routine inspection reports were issued and 114 statutory inspections were conducted.

The first internal inspection of Methanol storage tank T-7201 B was conducted using a combination of conventional and rope access inspection techniques. All repairs were made in accordance with the API codes to provide a minimum remaining safe service life of 10 years.

Due to the excellent inspection techniques and reliable maintenance of equipment, a joint agreement was signed between GPIC and the Ministry of Labour, permitting the extension of the inspection interval of statutory pressure vessels. This will give GPIC greater flexibility in terms of turnaround intervals.

A remnant life assessment study was conducted on one of the utility boilers by specialist engineering consultants. A similar study was conducted on the Ammonia reformer tubes, to determine the optimum replacement strategy.

During 2005, the risk based inspection (RBI) study of the Methanol plant was completed by the dedicated RBI Team. As a direct result of the study, 60 inspection related actions have been introduced to enhance the safety and reliability of the plant. All GPIC inspectors have been qualified to ASNT level 2 in radiographic interpretation and the visual inspection of welds.

To further enhance inspection activities, a portable XRF (XRay Fluorescence) analyser and IRIS (Internal Rotary Inspection System) equipment were purchased.

ENGINEERING:

Capital Projects costing BD 8 million were processed during 2005, of these projects worth BD 5 million were implemented during the turnaround alone. The remaining BD 3 million was utilised for replacement projects to enhance the future reliability and life of the plants.

During the year, 143 pant modifications costing BD 450,000 were engineered and processed. Process hazard assessments were carried out to ensure the safety and integrity of the plants.

The energy consumption and efficiency of the process equipment were continuously monitored. The concept of process equipment inspection from a process viewpoint was introduced during the 2005 turnaround.

Goals & Performance

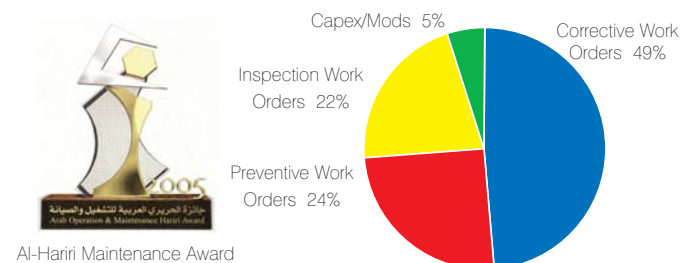


Maintenance

In the first part of the year the Maintenance Department concentrated on finalising the plan for the April 2005 Turnaround activities. The early planning efforts resulted in maintenance and refurbishment of the plants ahead of schedule, safely and reliably with substantial advantages to the company.

Throughout the rest of the year the department completed more than 7700 maintenance work orders which contributed significantly to the overall reliability and continuous production runs of the plants. The year was capped by winning the trophy for the Best Department in GPIC for 2005.

Turnaround 2005 Workload

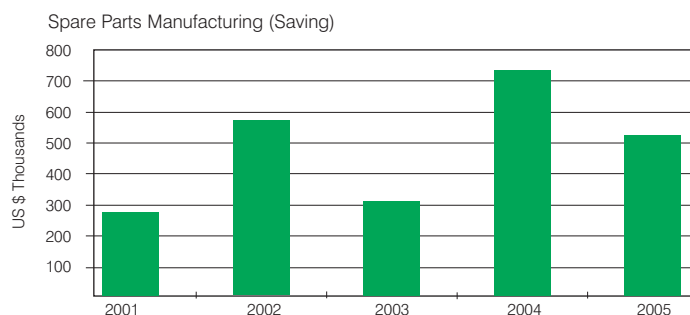


On international level, the GPIC Maintenance Management System won the Rafiq Al-Hariri Maintenance Award against stiff competition from some of the largest companies and organisations in the Arab world.

Training and development of personnel continued to be at the top of the Maintenance Department's agenda with most employees attending courses throughout the year. The training rate reached 31.5 hours per employee for the year.

Maintenance processes and systems were further enhanced with the emphasis on safety, quality and care for the environment. About 160 preventive maintenance records have been reviewed, 546 new records were added and several standing instructions, standard operating procedures and forms have been issued.

The in-house spare part manufacturing programme continued to reap benefits for the company, saving US\$ 540,000 for the year. Total cumulative savings have reached US\$ 2.47 million since embarking on this programme five years ago.



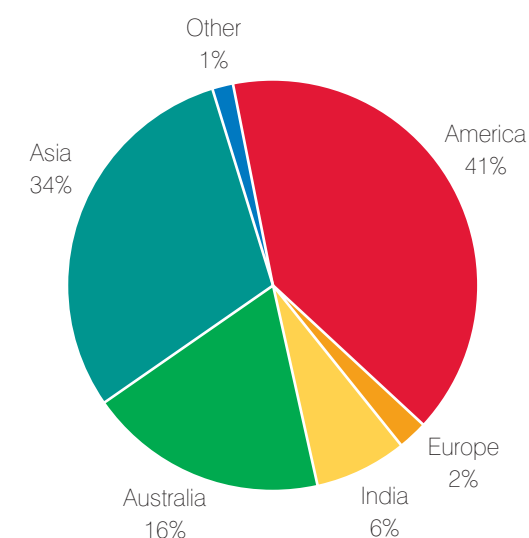
Marketing

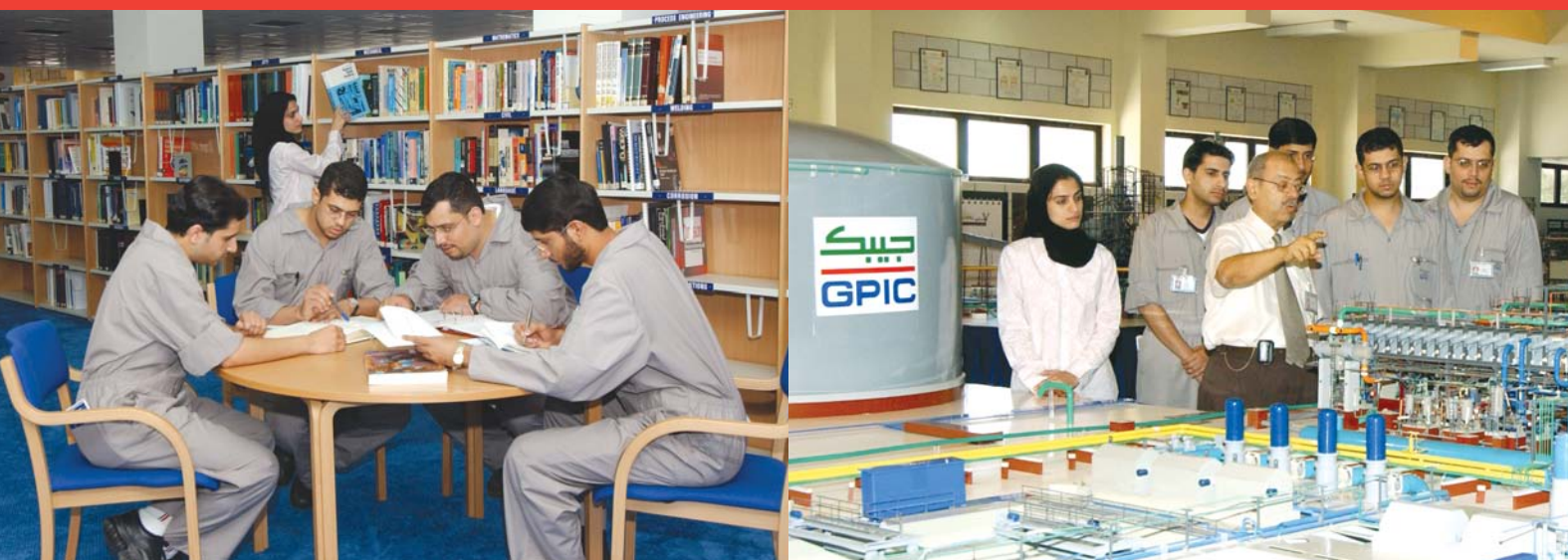
The combined total for sales of Ammonia, Methanol and Urea come to 1,045,598 tonnes for 2005. This total was made up of 80,174 tonnes of Ammonia, 370,477 tonnes of Methanol and 557,425 tonnes of Granular Urea, while 449 tonnes of Urea were sold in the local market. These volumes were safely and timeously exported within the allotted time and with full customer satisfaction.

The cumulative export tonnage over the life of the company totaled 18.4 million, comprising 5.7 million tonnes of Ammonia, 8.3 million tonnes of Methanol and 4.4 million tonnes of Urea.

These figures reflect the excellent coordination and cooperation between the GPIC Marketing and Planning Department and the company's marketers, PIC, Kuwait for Ammonia and Granular Urea and SABIC, Saudi Arabia for Methanol. This coordination has led to optimum returns to GPIC from these sales.

GPIC Exports - 2005





Training & Development

Training and development of the company's Bahraini nationals represent a major priority for GPIC's management.

The company's training policy aims to achieve a progressive integration of Bahraini nationals into its work force through the implementation of a well-structured and systematic training and career development scheme. This scheme comprises an effective on-the-job training programme as well as development courses in GPIC's Training Centre locally, or abroad.

The average monthly manpower during 2005 was 466 plus 48 trainees. The cumulative number of trainees who have completed their training since inception was 365. From the total cumulative number, 172 were appointed in the Plants Operation, 39 in the Technical Services, 61 in the Maintenance, 30 in Safety & Security Department and 63 as Engineers.

By the end of the year, the Bahrainisation level achieved was 80%.

In addition to the training programmes for the newly recruited graduates, 7 candidates for supervisory positions are undergoing career development training programmes. Of these, 4 have been appointed in senior positions during 2005.

During the year the Training Centre held or arranged 205 courses covering different subjects for 847 employees, this is in addition to the awareness programmes conducted for Health, Safety, Environment and Quality.



Social and Sports Events



ختام الدورات الرياضية في البتروكيماويات
The end of the Inter-departmental Sports Tournament at GPIC



برنامج البتروكيماويات الصيفي
GPIC Summer Program



أمسية رمضانية لأبناء الموظفين في نادي البتروكيماويات
A night for employees' children in GPIC Club



فريق طائرة البتروكيماويات بطل دوري وكأس الشركات الصناعية
GPIC Volleyball Team wins the Industrial Volleyball League and Cup



البتروكيماويات في برنامج اللقاء مع موظفيها
General Employees' Meeting



الاحتفال بيوم السلامة العائلي
GPIC Family Evening



الشركة تطلق دفعة جديدة من سمك السبيطي في البحر
GPIC releases a new batch of bream



مخيم الشركة الترفيهي السنوي
GPIC Annual Desert Camp