



ANNUAL REPORT 2015 / 2016 For Every One Of Us, It Is A Privilege To Contribute To Leading The Company Into Another Decade Of Growth, Profitability And Acknowledgment.

### **BOARD OF DIRECTORS**

#### **EXECUTIVES:**

#### **Eng. Mohammad Saafan**

Chairman of the Board.

#### Mrs. Hala Borai

Executive Vice President, Finance.

#### Eng. Hussain Ismail

Executive Vice President, Operations.

#### **Eng. Magdy Galal Al-Din**

Executive Vice President, Planning & Projects.

#### **NON-EXECUTIVES:**

#### **Eng. Sherine Ahmad**

Undersecretary, Planning & Technical Affairs, Ministry of Petroleum.

#### **Eng. Mohammad Al-Masry**

President,

Egyptian General Petroleum Corporation (EGPC)

#### **Eng. Ibrahim Al-Qenawy**

Vice President, Operations & Networks, Egyptian Natural Gas Holding Company (EGAS).

#### Eng. Saeed Ibrahim

President.

Egyptian Petrochemicals Company (EPC).

#### Mr. Mohammad Abbas

Vice President,

Petroleum Sector Union



### **MESSAGE FROM THE CHAIRMAN**

Ever since its establishment in 2002, diversity & flexibility have always been a creed for ECHEM's strategies & plans. The continuous development, cutting edge technologies and world class environmental standards are what distinguish ECHEM's performance among others and what help enlisting Egypt as a thriving market for almost 15 years now.

I've been honored to chair ECHEM throughout this prolific year & to witness the implementation of a wise strategy encompassing the development of Al-Amerya production plants in Alexandria Governorate.

The strategy has embraced a smart integration program together with a synchronized overhaul schedule that when put into action resulted in securing feedstock, avoiding unplanned stops while providing industrial facilities like steam and industrial water. In addition, EPC's revamping process has tremendously

enhanced production quality. rationalized energy consumption and preserved ecological standards.

Wrapping up this year's achievements, the fiscal year 2015/2016 has recorded a remarkable progress by placing MOPCO's 2<sup>nd</sup> & 3<sup>rd</sup> Trains and ETHYDCO's 1st Train on stream. Production rates have perked up reaching an excess of 30% than the preceding year, whereas sales rates increased reaching 20%.

Seeking exposure & aiming at invading international markets, ECHEM is to promote for its forthcoming opportunities through EGYPS 2017 Conference & Exhibition. EG-YPS 2017 will bring together Egyptian and North African Government representatives, key project owners, NOCs and IOCs. international service providers, EPC contractors, consultants and financiers to address the evolving opportunities in the Egyptian and North African energy are-

ECHEM is to participate with a bountiful share of groundbreaking projects that provide value added petrochemical products, reinforce our national economy and avail thousands & thousands of direct and indirect job opportunities.

I believe that the upcoming days behold a bright investment future for the petrochemicals industry in Egypt in the light of the wise governmental reforms, sincere employees dedication and extensive R&D activities that will place Egypt as a prolific competitor on the regional petrochemicals production map.

Mohamed Saafan

President & Chairman of the Board



### **PROLOGUE**

ECHEM was established in 2002 as one of the Ministry of Petroleum holding companies dedicated to develop, monitor and enhance petrochemicals industry in Egypt.

#### **OUR VISION**

To be a major player in the petrochemicals industry through transforming Egypt into a regional petrochemicals hub.

#### **OUR MISSION**

To develop a competitive petrochemicals industry based on local human and natural resources using state-of-the-art technology and through implementing a pre-set National Petrochemicals Master Plan. We seek a high standard of performance, etching a prominent position in the competitive environment in which we exist and we aim to work closely with our partners and policy makers to advance more efficient and sustainable use of our natural resources.

#### **OUR CORE VALUES**

We set a high standard of performance and ethical behaviors and our reputation is upheld by how we live up to our values. We believe that our long-term success and shareholders' benefits depend on our dedication to social responsibility, employee empowerment, technological partnership and integrity. Our future business will therefore be governed the very same values.

#### **OUR PEOPLE**

In its early establishment phase, ECHEM was equipped with an educated team of professionals who were responsible for laying the solid foundation on which the company was built. Gradually, and over the past decade, the company was blessed with valuable additions to its team members who are now building on the early successes and planning for the future. At ECHEM, we create an environment that values differences and provides channels to report concerns. We encourage our staff to report their views on personal and professional processes and practices ensuring that they receive prompt feedback which demonstrates that we value such views.

### OUR BOARD OF DIRECTORS

Our Board is chaired by an executive Chairman and comprises four executive directors and five non-executive directors who are experts in the Oil, Gas & Petrochemicals fields.



### OUR BUSINESS ENVIRONMENT

As business dictates, an organization does not exist in a vacuum. The Egyptian government realized this predicament and has been preparing and planning a strategy for continued and steady economic growth.

Transforming Egypt into a vital and prosperous emerging market, economic policies were set to insure that market forces are given maximum potential to drive growth and employment. Today, there is a universal recognition that Egypt has become one of the most stable emerging markets in the region. With its strategic location and its booming market, Egypt is currently conducive for business.

A more level playing field may spur the growth of small and medium sized businesses which according to a World Bank study, contribute only 20% of the region's domestic production but employ 70 to 80% of its work force.

These businesses could in turn create the tens of millions of new jobs that the Middle East and North Africa- with 65% of their 355 million people currently under the age of 25 – will need in the next decade to avoid social disaster.

This target is on top of ECHEM's agenda for the coming few years as will be shown in the Master Plan progress discussed later.

### CORPORATE GOVERNANCE

Although corporate governance has not yet been fully and legally imposed in Egyptian companies, however, ECHEM is committed to applying international standards of corporate governance taking into consideration its statute.

Company policies and practices are implemented with a high level of transparency allowing auditors and parties of interest to monitor its activities very smoothly. Our commitments, investment methodologies and development plans greatly reflect compliance to corporate governance since establishment, i.e. long before beginning to implement it, which was this year.

It is this transparency achieved by ECHEM Board and Management, as part of its strategy, that ensures the company is accountable for its actions, thus improving public understanding of its activities, its policies and performance with respect to environmental and ethical standards and its relationship with the communities in which it operates. Here at ECHEM, we realize that corporate governance is not an option, but rather, an essential overriding element in attracting investments and stimulating economic growth.



### RE-ADJUSTING OUR MASTER PLAN

When first set, the National Petrochemicals Master Plan was characteristically a flexible plan aiming to provide the company with sufficient means to periodically appraise the local and international market to provide direction on what best to do next.

In this respect, some projects were introduced in Phase II such as Bio-fuel, Formaldehyde & derivatives and Propylene & derivatives.

Such flexibility is vital in promoting the company's competitive edge in the region and at the same time enables optimum serving of the national economy through maximizing the value added of Egypt's natural resources and meeting local market demands of petrochemical products.

### SUCCESSFUL PARTNERSHIPS

Egypt has always been a key player in the Middle East. Today, and especially after the recent happenings on the political map, it is re-emerging as a very promising investment attraction and re-establishing itself to be solid ground for long term businesses.

We, at ECHEM, seek partners who best serve our purposes and at the same time their aspirations. Our financial model is designed to attract foreign direct investments through equity participation of international organizations or financing through local and foreign financial institutions.

Our partnerships vary in range, however, they all have a common feature, that is they are all of strategic nature. Our partner could be a technology owner, a major off-taker, a feedstock provider, a financial loan marketer, etc... In all cases our partnerships enjoy a solid base of win-win situations.

### WHAT'S IN IT FOR THEM?

Our methodology is systematic and precise. We provide detailed feasibility studies by independent international specialized consultants to maximize safety of investments, generate credibility to interested parties and facilitate financing by reputable local and foreign financial institutions.

We further avail to the investor appropriate project sites suitable for future expansions and enjoy proximity to utilities, feedstock and export facilities. We guarantee feedstock at competitive prices in coordination with our fellow companies and arrange long-term off-take agreements to guarantee loans payback. To top it all, we participate in the equity structure with varying percentage to assure investors of our commitment to the success of the projects in question.

### WORKING WITH OTHERS

Our contribution does not stop here, we provide our partners with additional services such as obtaining all governmental approvals necessary to project execution and we also provide specialized experienced personnel during all phases of the project until final commissioning and start-up.

In the coming chapters we will be presenting several success stories with various partners who have been working with us upon commencement of Phase I of the master plan. We are now proud to present such experiences after completion of Phase I with all projects placed on production map.

We shall also be presenting our prospective business opportunities seeking the interests of wise investors who wish to join train of success.



## OUR CORPORATE SOCIAL RESPONSIBILITY

In today's modern world, big industrial organizations are not only appraised for their successful financial figures or the importance of their field of activities, but also for their investment in the communities around them.

Investment in community is also investment in the long term success of any company; as they both deliver mutual benefits and promote shared progress. Wherever we are, we strive to be a good neighbour sharing the concerns of our communities and working to create a better future.

We manage our business in a way that promotes social, environmental and economic benefits for our stakeholders. We believe that the effort of building a competitive workforce, enhancing health & wellbeing while protecting the environment benefit both ECHEM and the communities in which it operates.

Our community investment revolves around major areas of focus which are the building blocks of any strong community:

#### • ECONOMIC DEVELOPMENT:

We support programs that create sustainable employment opportunities. This promotes self-sufficiency, stimulates job growth & economic development thus raising the standard of living.

#### HEALTH:

We work on preventive care through applying state of the art technologies that ensure maintaining a clean environment.

#### • EDUCATION:

We promote technical and career training to ensure people can help their communities thrive in the 21<sup>st</sup> century economy.

ECHEM's basic approach is "Living Our Values" through a long-standing commitment to health & safety, environmental stewardship, honesty & integrity, corporate citizenship and a high performance team. Our Corporate Social Responsibility (CSR) policy keeps us focused on key concepts that help align our social responsibility efforts with our business goals, needs and operations.

Over the upcoming lines, we will recite stories of success and dedication in which ECHEM & its affiliates participate to etch a smile on faces of needy people living in the communities in which we operate.



SIDI KERIR PETROCHEMICALS COMPANY (SIDPEC)

SIDPEC is an Egyptian joint stock entity established on November 1997 in Al-Amerya Alexandria Governorate to produce a number of pivotal petrochemical products that best serve our local market and national economy like Ethylene, Polyethylene and Liquefied Petroleum Gas (LPG).

For SIDPEC, community service is a creed to live by. From providing medical assistance to backing up financially embarrassed, the company deeply mingled with the neighborhood and profoundly created a strong bond with its citizens. The company has subsidized more than 55 NPOs, orphanages, faculties & hospitals as well as visually impaired & differently-abled care centers in Al-Amerya district. SIDPEC as well has extended a helping hand to the deprived patients in the neighborhood while financially supported 57357 Children's Cancer Hospital.

Investing in future calibers, SIDPEC has sponsored the underprivileged students in the district by providing their school expenses while backing up the disadvantaged schools with the basic necessities for quality education. The company as well has donated a number of consumed computers to charitable organizations helping beneficiaries cope with modern education. In addition, SIDPEC has organized a charity market for the less fortunate students of Faculty of Engineering - Alexandria University supplying them with their primary needs.

Aside from the philanthropic activities, SIDPEC has never quit paying due care for the safety and security of Al-Amerya citizens. In this regard, the company has raised the efficiency of the railroad barriers and lampposts of the roads heading to & fro the vicinity.

## MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)

MOPCO is considered as one of the largest fertilizer plants in Egypt and the Middle East. The company was established in 1998 in Damietta free zone and its capacity has been divided into 3 main trains to produce Urea & Ammonia.



Investing in community is an integral part of MOPCO's strategy. The company uses its skills, money and expertise to support the surrounding community and exerts a lot of effort to promote development in Damietta. In this regard, the company has participated in Damietta Free from Virus C Campaign with bountiful donations and has covered the medical expenses of the underprivileged patients in the vicinity.

#### EGYPTIAN LINEAR ALKYL BENZENE COMPANY (ELAB)

ELAB was implemented on November 2003 to meet local market demands for Linear Alkyl Benzene whereas surplus is dedicated for export. Production is widely used in the manufacture of liquid and powder detergents.

Since ELAB stands closely to those in need, the company has provided Al-Miry Hospital in Alexandria Governorate with brand new medical equipments and apparatus to help the hospital serve more patients.

#### EGYPTIAN METHANEX METHANOL COMPANY (EMETHANEX)

EMETHANEX is an Egyptian joint venture with Canadian Methanex Corporation; the global leader in Methanol industry distribution and marketing. ECHEM along with a number of Egyptian governmental organizations hold sizeable percentages of this venture.

A great sense of belonging is shared between EMETHANEX and the neighborhood in which it operates. The company has touched the challenges the community has been facing long ago and is trying its best to improve their standard of living.

As part of EMETHANEX's commitment to CSR, the company has delivered 3 ICU beds, 3 ICU monitors, patient trolley, crash trolley, operations table and orthopedic extension device to Kafr Al-Bateikh Central Hospital. The company as well has participated in Damietta Free from Virus C Campaign with an antibodies device along with its accessories to screen all of the governorate's villages, detect patients and provide them with needed medication.

On educational scale, EMETHANEX has set a capacity building program for the teachers working with special needs children and the teachers working in the KGs - previously established by the company. The company as well has invested in 10 dedicated students and helped them start their university studies as part of its scholarship program.

These are just examples of the efforts exerted to serve the community. Initiatives displayed by ECHEM and its affiliates have always been received with warmth and happiness by the hosting societies. ECHEM believes that the importance of community service can be realized only when there is a feeling of gratitude to the society and sympathy for the underprivileged in it. Without community service in our society, many people would not know the meaning, usefulness, or importance of charity. Serving in your community addresses many deep rooted problems that fall through the cracks of government and social agencies.





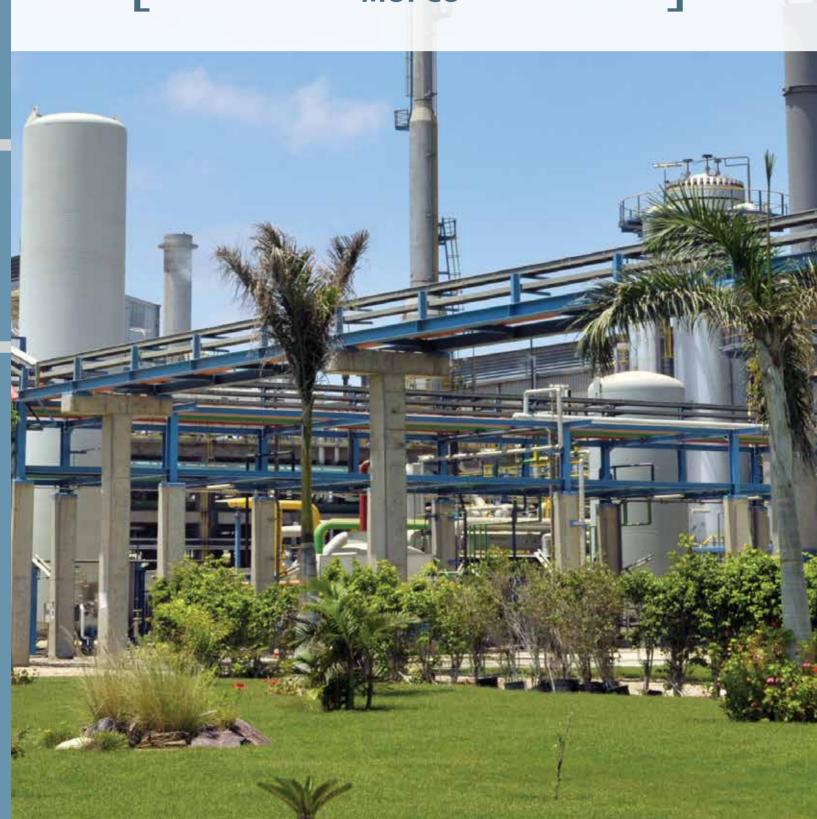
# THE NATIONAL PETROCHEMICALS MASTER PLAN

ECHEM chose to stand strong and took upon itself the challenge of unraveling any obstacle in the way of thriving. Thanks to our crisis management that helps us move steadily but surely on the road map of a successful implementation for the national petrochemicals master plan.





## MISR FERTILIZERS PRODUCTION COMPANY MOPCO



#### **PURPOSE OF THE PROJECT:**

The project aims to produce Ammonia & Urea. Ammonia is to meet Urea production in the first place, where as Urea is primarily set for export. Surplus Ammonia & Urea will be dedicated to meet local market demands afterwards.

#### **SHAREHOLDERS:**

National Investment	70.97%
<ul> <li>1- Petroleum Sector:</li> <li>Egyptian Petrochemicals Holding Company (ECHEM) 30.75%</li> <li>Egyptian Natural Gas Holding Company (EGAS) 7.62%</li> <li>Egyptian Natural Gas Company (GASCO) 5.72%</li> </ul>	44.09 %
<ul> <li>2- Banking &amp; Insurance Institutions:</li> <li>National Investment Bank 12.82%</li> <li>National Bank of Egypt 2.56%</li> <li>Nasser Social Bank 2.56%</li> <li>Misr Insurance Company 2.3%</li> <li>Misr Life Insurance 1.98 %</li> </ul>	22.22%
3- Initial Public Offering:	4.66%
Arab & Foreign Investment:	29.03%
<ul><li>Agrium 26%</li><li>Arab Petroleum Investments Corporation (APICORP) 3.03%</li></ul>	

PLANT CAPACITY:	1.38 Million T/Y Urea 80 Thousand T/Y surplus Ammonia
TOTAL INVESTMENT COST:	1960 Million USD
LOCATION:	Damietta Free Zone – Damietta Governorate
PROJECT PROGRESS:	<ul> <li>Expansion Project (2<sup>nd</sup> &amp; 3<sup>rd</sup> Trains):</li> <li>Successful start-up for the 2<sup>nd</sup> train in June 2015 &amp; the 3<sup>rd</sup> train in December 2015.</li> <li>Urea production reached 350 Thousand T/Y in June 2016.</li> </ul>
START UP DATE:	2 <sup>nd</sup> Train: June 2015. 3 <sup>rd</sup> Train: December 2015.



## EGYPTIAN ETHYLENE & DERIVATIVES COMPANY ETHYDCO



#### **PURPOSE OF THE PROJECT:**

The project aims to produce Ethylene & Derivatives utilizing GASCO's Ethan/Propane mixture as a feedstock rather than exporting it.

#### **SHAREHOLDERS:**

National Investment	100%
<ul> <li>1- Petroleum Sector:</li> <li>Egyptian Petrochemicals Holding Company (ECHEM) 20%</li> <li>Sidi Kerir Petrochemicals Company (SIDPEC) 20%</li> <li>Egyptian Natural Gas Company (GASCO) 11%</li> </ul>	51%
<ul> <li>2- Banking Institutions:</li> <li>Al Ahly Capital Holding 21%</li> <li>National Investment Bank 14%</li> <li>Banque Misr 10%</li> <li>Nasser Social Bank 4%</li> </ul>	49%



460 Thousand T/Y Ethylene 400 Thousand T/Y Polyethylene 20 Thousand T/Y Butadiene Derivatives



1925 Million USD



Al Amerya – Alexandria Governorate



Overall progress reached 99% in June 2016.

#### **Utility Project:**

• Successful start-up for all production units & operating systems.

#### **Ethylene Project:**

- Successful start-up for Ethylene plant in April 2016.
- Ethylene production pumped to SIDPEC & EPC.
- Ethylene production pumped feeding Polyethylene plant in June 2016.

#### **Polyethylene Project:**

- Project progress reached %99 in June 2016.
- Successful start-up for the 1<sup>st</sup> train in June 2016.
- Dynamic testing is in progress for the 2<sup>nd</sup> train's reactor.
- Successful start-up for the 2<sup>nd</sup> train in July 2016.

#### **Power Station:**

- Concrete structure is in progress for the control & power distribution buildings.
- Supply & installation works for turbines gears are in progress.
- Interconnections & mechanical installations are in progress.



1<sup>st</sup> Train: June 2016 (Actual) 2<sup>nd</sup> Train: July 2016 (Planned)





#### **PROPYLENE & DERIVATIVES**

#### **PURPOSE OF THE PROJECT:**

The project aims to produce Polypropylene utilizing GASCO's Propane as a feedstock. Production shall serve local market demands for Polypropylene while exporting surplus. The Propylene & Derivatives plant shall stand as an expansion for SIDPEC's Projects.

#### **SHAREHOLDERS:**

**SIDPEC** 

FEEDSTOCK: 590 Thousand T/Y Propane.

**PLANT CAPACITY:** 470 Thousand T/Y Propylene. 450 Thousand T/Y Polypropylene.

**Est. TOTAL INVESTMENT COST:** 1.2 Billion USD

LOCATION: Alexandria Governorate (SIDPEC & EPC land property)

PROJECT PROGRESS:
 Detailed feasibility study is in progress for Propylene Derivatives.
 Securing feedstock is in progress through a committee headed by SIDPEC comprising ECHEM, ETHYDCO & ESTYRENICS.

 Feedstock Supply Agreement is to be signed shortly by GASCO & ECHEM.

START UP DATE: 2021



#### **FORMALDEHYDE & DERIVATIVES**

#### **PURPOSE OF THE PROJECT:**

The project aims to produce Formaldehyde & Derivatives utilizing EMETHANEX's Methanol & MOPCO's Urea as feedstock. The Formaldehyde & Derivatives plant shall stand as an expansion for SUPSC's projects.

#### **SHAREHOLDERS:**

**SUPSC** 

FEEDSTOCK: 30 Thousand T/Y Methanol (EMETHANEX)

10 Thousand T/Y Urea (MOPCO)

PLANT CAPACITY: 60 Thousand T/Y Formaldehyde.

40 Thousand T/Y Urea Formaldehyde (UFC-85 & UFC-65).

S Est. TOTAL INVESTMENT COST: 30 Million USD

LOCATION: Damietta Governorate (ECHEM land property)

PROJECT PROGRESS:

• Methanex Europe is to provide the project with Methanol.

• Feedstock Supply Agreement is to be signed soon by ECHE

Feedstock Supply Agreement is to be signed soon by ECHEM,
 MOPCO & AFC to provide the project with Urea.

• EEAA approval has been granted for project implementation on ECHEM's land in Damietta Port.

• SUPSC is assigned to implement & develop Formaldehyde & Derivatives project.

 Licensor is to be chosen shortly to undertake preliminary budgetary proposals.

START UP DATE: 2019



#### **PURPOSE OF THE PROJECT:**

The project aims to produce Adhesive-based Chemicals & MDF Wood Panels using agricultural residues (i.e. rice straw) as a feedstock. Production shall serve local market demands while replacing imports.

#### **SHAREHOLDERS:**

• Egyptian Petrochemicals Holding Company (ECHEM)

Other Investors.

**FEEDSTOCK:** 7 Thousand T/Y Urea Formaldehyde (SUPSC) 120 Thousand T/Y Rice Straw

PLANT CAPACITY: 120 Thousand M3/Y MDF Wood Panels 15 Thousand T/Y Adhesive-based Chemicals

**Est. TOTAL INVESTMENT COST:** 110 Million USD

Motous – Kafr AlSheikh Governorate (ECHEM land property).

 Non Disclosure Agreement & Partnership Agreement have been signed by ECHEM & MDF Egypt.

• Queen Service is assigned to secure supplying the project with feedstock (Rice Straw).

Financial Model & Market Assessment have been set for the project.

START UP DATE: 2018

**PROJECT PROGRESS:** 



#### **AMMONIUM SULFATE FERTILIZER PROJECT**

#### **PURPOSE OF THE PROJECT:**

The project aims to produce Ammonium Sulfate Fertilizer utilizing ANRPC's Ammonia as a feedstock. The Ammonium Sulfate Fertilizer plant shall stand as an expansion for SUPSC's projects.

#### **SHAREHOLDERS:**

**SUPSC** 

**FEEDSTOCK:** 350 Thousand T/Y Sulfuric Acid 160 Thousand T/Y Ammonia (ANRPC)

**PLANT CAPACITY:** 

480 Thousand T/Y Ammonium Sulfate

**SEST. TOTAL INVESTMENT COST:** 145 Million USD.

LOCATION: ASPPC land property.

**PROJECT PROGRESS:**• SUPSC is assigned to implement & develop Ammonium Sulfate Fertilizer project.

• Preliminary Feasibility Study has been set for the project.

- Feedstock Supply Agreement is to be signed soon by ANRPC & SUPSC to supply the project with Ammonia.
- Land Lease Agreement is to be signed shortly by SUPSC & ASPPC.
- Channels are open with a number of licensors & EPC contractors specialized in the field of fertilizers production.

START UP DATE: 2019



#### **PURPOSE OF THE PROJECT:**

The project aims to produce Styrene to feed Polystyrene production while replacing its imports. Surplus Styrene shall be dedicated for export.

#### **SHAREHOLDERS:**

Understudy

FEEDSTOCK: Understudy

**PLANT CAPACITY:**300 Thousand T/Y Styrene.

**Est. TOTAL INVESTMENT COST:** 593 Million USD.

LOCATION: Al-Dekheila Port – Alexandria Governorate.

• JACOBS is to set a feasibility study for Styrene & Polystyrene production.

 Non-Disclosure Agreement & Memorandum of Understanding have been signed with a number of Spanish & Chinese entities providing technical-financial bids together with funding proposals for Styrene production.

START UP DATE: 2020

### OPERATIONS ACTIVITY

### Maintenance, Repair & Overhaul

## Egyptian Petrochemicals Company (EPC)



For the 2<sup>nd</sup> year in a row, EPC is taking its overhaul process to a higher level while celebrating the breakthrough accomplishments achieved in the preceding year. ECHEM together with EPC have never quit studying possible scenarios for production development while implementing state-of-the-art technologies and breakthrough systems to meet local market demands for PVC and Liquefied Caustic Soda, back up our national economy with exports & revenues while placing Egypt as a prominent player among mega producers worldwide.

The fiscal year 2014/2015 witnessed the inauguration of EPC's major revamping for all its production units and operating systems. EPC's overhaul has previously triggered 2 main projects encompassing the debottlenecking of VCM plant while securing the company's need for Ethylene (feedstock). The outcome of the first phase has been well emphasized in lowering production costs with a value of 28 Million EGP, exceeding total production quantities by 40%, perking up total sales rates by 62% hence raising total revenues by 33%.

Moving to an advanced level of revamping, the fiscal year 2015/2016 has witnessed 5 new renovation projects that embraced ..

- Replacing Mono-polar electrolytic cells with Bipolar ones in Chlorine plant.
- Upgrading the automation system to Distributed Control Systems (DCS) in PVC plant.
- Revamping the power system protection and control for Gas Turbine GT9.
- Applying Process Hazard Review (PHR) for VCM plant.
- Installing Continuous Emissions Monitoring System (CEMS) for the furnaces and chimneys.

These promising projects are expected to achieve even bigger accomplishments than the last year by lowering production costs & energy consumptions hence affecting production, sales & revenues consequently.













EGYPTIAN
PETROCHEMICALS
COMPANY
(EPC)











### **Integration & Resources Management**

Throughout the fiscal year 2015/2016, ECHEM adopted a wise strategy for integration among the affiliated companies located in Al-Amerya district (Alexandria Governorate). The integration aimed at securing feedstock & industrial facilities on one hand, while regulating the overhauls & planned stops of the production plants & units on the other hand.

The first aspect of integration has been put into action through the establishment of 10 interconnecting lines linking our affiliates together; 8 of which between SIDPEC/ETHYDCO and 2 between EPC/ETHYDCO. In

addition, ECHEM has coordinated with the previously mentioned companies to connect their Ethylene lines together; SIDPEC/ETHYDCO with SIDPEC/EPC.

Furthermore, ECHEM in coordination with EPC, SIDPEC, GASCO, EGAS & ETHYDCO have reached an agreement to regulate the overhauls and planned stops of their production plants & units. The long awaited step has a great impact on providing feedstock & hence securing an ongoing production process for all the above mentioned companies.

#### **Production & Sales**

Since production and sales rates are key indicators for the performance of any industrial activity, ECHEM pays due respect to the factors that trigger such axes to secure a successful manufacturing process for its affiliates and production units.

Throughout the fiscal year 2015/2016, total production reached 2.1 Million Tons of petrochemical products, with an increase of 30% above the preceding year. Whereas total sales marked 2 Million Tons, with an increase of 20%.

## Egyptian Petrochemicals Company (EPC)



EPC's overhaul & revamping process has tremendously affected production quantities & sales rates hence boosted the total revenues and profits of the company.

#### **POLYVINYL CHLORIDE (PVC)**

The outcome of the overhaul's first phase has been well emphasized in lowering PVC's production

costs with a value of 17 Million EGP, exceeding total production quantities by 52%, perking up total sales rates by 96% hence raising total revenues by 91%.

More than 82 Thousand Tons were produced; out of which 86 Thousand Tons were dedicated to meet local market demands amounting 641 Million EGP, while 300 Tons were directed for export at a value of 266 Thousand USD.

#### **LIQUEFIED CAUSTIC SODA 100%**

The outcome of the overhaul's first phase has been well emphasized in lowering the product's production costs with a value of 11 Million EGP, exceeding total production quantities by 37%, perking up total sales rates by 35% hence raising total revenues by 51%.

74 Thousand Tons were produced. After meeting the company's need for 5 Thousand T/Y Liquefied Caustic Soda 100%, 65 Thousand T/Y were directed for local market demands amounting 226 Million EGP while 1 Thousand Ton was dedicated for export at a value of 548 Thousand USD.

#### Sidi Kerir Petrochemicals Company (SIDPEC)



#### **ETHYLENE**

237 Thousand Tons were produced meeting 85% of production plan; 182 Thousand Tons of which were dedicated for Polyethylene production. 44 Thousand Tons were sold to EGPC serving EPC's PVC production at a value of 319 Million EGP.

#### **POLYETHYLENE**

217 Thousand Tons were produced achieving 96% of production plan. 215 Thousand Tons were sold; out of which 138 Thousand Tons were dedicated to meet local market demands amounting 1.6 Billion EGP while directing 77 Thousand Tons for export at a value of 106 Million USD.

#### **LIQUEFIED PETROLEUM GAS (LPG)**

17 Thousand Tons were produced achieving 77% of production plan. Production was totally dedicated to GASCO at a value of 48 Million EGP.

#### Amreya Petroleum Refining Company (APRC-LAB UNIT)



56 Thousand Tons of LAB were produced achieving 10% over production plan. 58 Thousand Tons were sold; 51 Thousand Tons of which were dedicated to serve the local market amounting 499 Million EGP, while 7 Thousand Tons were exported amounting 5.5 Million USD.

#### Egyptian Linear Alkyl Benzene Company (ELAB)



ELAB has successfully achieved an overall progress of 23% over planned with the production of 123 Thousand T/Y of LAB. 122 Thousand Tons were sold; 89 Thousand Tons of which were exported at a value of 99 Million USD, while 33 Thousand Tons were dedicated for local market at a value of 354 Million EGP.

#### Misr Fertilizers Production Company (MOPCO) 1st Train



#### **AMMONIA**

Ammonia production reached 279 Thousand Tons, achieving 70% of production plan. 261 Thousand Tons of which were dedicated to meet Urea production, while 18 Thousand Tons were directed to meet local market demands at a value of 38 Million EGP.

#### **UREA**

Urea production reached 448 Thousand Tons, achieving 71% of production plan. 425 Thousand Tons were sold; 101 Thousand Tons of which were dedicated to meet local market demands amounting 192 Million EGP. 324 Thousand Tons were directed for export at a value of 78 Million USD.

#### 2<sup>nd</sup> & 3<sup>rd</sup> Trains

MOPCO has successfully placed 2 new trains on its production map; the 2nd train started up in June 2015, where the 3rd train in December 2015.

#### **AMMONIA**

Ammonia production reached 231 Thousand Tons. 207 Thousand Tons of which were dedicated to meet Urea production, while 16 Thousand Tons were directed to meet local market demands at a value of 30 Thousand EGP.

#### UREA

Urea production reached 365 Thousand Tons. 315 Thousand Tons were sold; 286 Thousand Tons were directed for export at a value of 56 Million USD, while 29 Thousand Tons were dedicated to meet local market demands amounting 54 Million EGP.

#### Egyptian Methanex Methanol Company (EMETHANEX)



Production rates marked 372 Thousand Tons of Methanol. 318 Thousand Tons were sold; 297 Thousand were exported at a value of 39 Million USD, while 21 Thousand Tons were dedicated to meet local market demands at a value of 32 Million EGP.

## Egyptian Propylene & Polypropylene Company (EPPC)



Production rates reached 296 Thousand Tons of Polypropylene. 297 Thousand Tons were sold;

254 Thousand Tons were exported at a value of 261 Million USD, while 43 Thousand Tons were dedicated to meet local market demands at a value of 368 Million FGP

## Egyptian Styrene & Polystyrene Company (E.STYRENICS)



Since its commencement in June 2016, Polystyrene production rates reached 3 Thousand Tons. 931 Tons were sold; 627 Tons of which were dedicated for export at a value of 897 Thousand USD, while 304 Tons were directed to meet local market demands amounting 3.2 Million EGP.

## The Egyptian Ethylene & Derivatives Company (ETHYDCO)



ETHYDCO has successfully placed 2 plants for Ethylene & Polyethylene on production map. The start-up of Ethylene plant was in March 2016, whereas the 1<sup>st</sup> train of Polyethylene plant was in July 2016. The 2<sup>nd</sup> train for Polyethylene production will be shortly on stream.

Production rates marked 48 Thousand Tons of Ethylene. 42 Thousand Tons were sold; where 620 Tons of which were set to feed Polyethylene plant. 40 Thousand Tons were dedicated to meet SIDPEC>s demand for Ethylene at a value of 291 Million EGP, while 2 Thousand Tons were directed for EPC amounting 13 Million EGP.



### MARKETING STRATEGY

Every CEO and marketing executive periodically faces urgent strategic marketing challenges that can affect the future of the company for many years. Frequently these decisions are made without having an opportunity to study the situation and make the best possible decision.

At ECHEM, we follow a better approach by performing an annual comprehensive review of markets and opportunities, then making long-term strategic decisions without the distractions of day-to-day marketing and sales activities. Daily decisions then fit into the company's overall strategic marketing goals.

The top-down process of developing a strategic marketing plan helps insure that all tactical marketing programs support the company's goals and objectives, as well as convey a consistent message to customers. This approach improves company efficiency in all areas, which helps improve revenue and assure market share growth while minimizing expenses, all of which lead to higher profitability.

### DYNAMIC STRATEGIC MARKETING

ECHEM follows a dynamic strategic marketing plan applying SWOT analysis for the surrounding environment and applying the Know-How strategy of meeting national and international market demand.

#### ECHEM adopts a wise marketing strategy to meet its target plan outlining:

- Participation in feasibility studies concerning projects under construction & under study, enroute to establishing integrated industries that meet local market demands and export surplus as well as maximizing the value added of the local feedstock used in production.
- Marketing the products of the affiliated companies locally and export surplus via short term and long term contracts.
- Opening new channels with world-class entities via global conferences and exhibitions or direct communication.

#### **OUR STRATEGY**

- Utilizing technical and administrative capabilities of fresh and trained manpower to apply state-of-the-art technologies.
- Maximizing the value added of the feedstock used to raise revenues of ECHEM and its affiliates.
- Minimizing imports through the rational utilization of local products offered by national petrochemical plants in an attempt to save foreign currency.
- Exporting surplus to generate foreign currency.

#### **APPLICATION**

Applying this strategy, ECHEM will positively affect the national economy through:

- Availing petrochemical products needed to meet local market demands.
- Replace imports and increase exports.
- Establishing industries that utilize petrochemical products as a feedstock.
- Availing direct and indirect job opportunities through downstream projects requiring mass labour such as industrial clusters.





### ENVIRONMENT, HEALTH & SAFETY

ECHEM endeavors to maintain the highest and the strictest levels of environment, health and safety international codes and standards. Projects in the development phase, under execution or operating plants are kept under strict supervision for applying those standards. Moreover, support is provided when needed.

SN	LIST	COMPANY	CONTRACTOR	OVERALL
1	Total Number of Working Hours	13296658.8 hr.	13335000 hr.	26631658.8 hr.
2	Number of Employees	6647	4445	11092
3	Fatality/Serious Injuries	-	-	-
4	Lost Time Injuries (LTI)	-	3	3
5	First Aid/Minor Injuries	66	85	151
6	Recordable Injuries	66	88	154
7	Injuries (Outside Workplace)	5	2	7
8	Fatalities (Outside Workplace)	-	-	-

Average Working Hours/ Company Employee/Year = 2000 Hr. Average Working Hours/ Contractor Employee/Year = 2500 Hr.

#### **ECHEM Fatal Accident Rate (FAR) compared to IOGP**

<b>FAR</b> (2012)	ЕСНЕМ	IOGP
Overall	0.00	1.45
Companies	0.00	1.34
Contractors	0.00	1.49

Fatal Accident Rate (Far): The Number Of Company/Contractor Facilities Per 100 Million Hours Worked.

#### **ECHEM Lost Time Injury Frequency (LTIF) compared to IOGP**

<b>LTIF</b> (2012)	ECHEM	IOGP
Overall	0.11	0.29
Companies	0.00	0.30
Contractors	0.22	0.29

Lost Time Injury Frequency (LTIF): The Number Of Lost Time Injuries (Facilities + Lost Work Day Cases) Per 1 Million Hours Worked.

- \* IOGP: International Association of Oil & Gas Producers.
- \* **Data Series**: IOGP Safety Performance Indicators –2014 Data June 2015.



#### **HUMAN RESOURCES DEVELOPMENT**

Being on a threshold of a quantum leap, ECHEM hand in hand with its affiliates have adopted a meticulous strategic plan to reinforce the working force of the Egyptian petrochemicals sector throughout the fiscal year 2016/2015. The action plan encompassed the enhancement of existing human resources while forecasting future qualifications of the upcoming calibers. This meticulous program has been set on 3 main aspects for development as follows:-

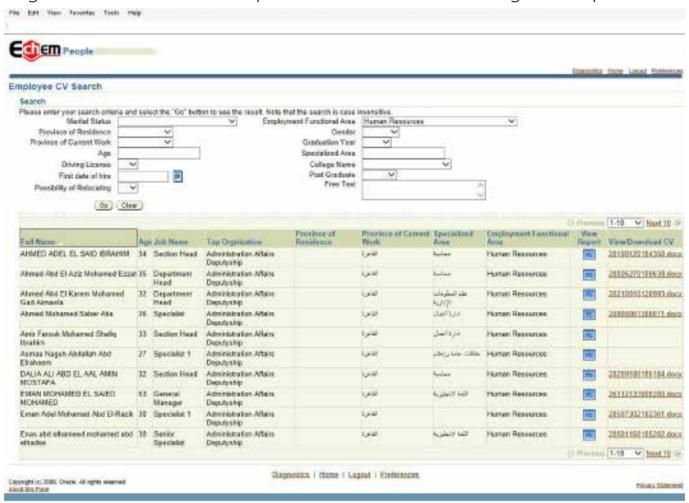
#### **COMPETENCY BASED JOB DESCRIPTION:**

ECHEM is currently reestablishing its organizational chart on a competency based job description. This leading-edge approach necessitates binding vocational positions to their required qualifications and skills. Moreover, it enables linking promotions and salaries to productivity and KPIs. ECHEM & its affiliates have successfully applied %50 of this breakthrough system and expected to be fully operating by the end of 2016.

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#### **SKILLS BANK**

ECHEM is currently operating a huge skills bank for the petrochemicals sector in Egypt. Thanks to the smart information system that enables restructuring the demography of overlapped employees to fulfill required vocational positions. In addition, the skills bank is characterized with a genius search engine that nominates competent candidates for leading vacant positions.

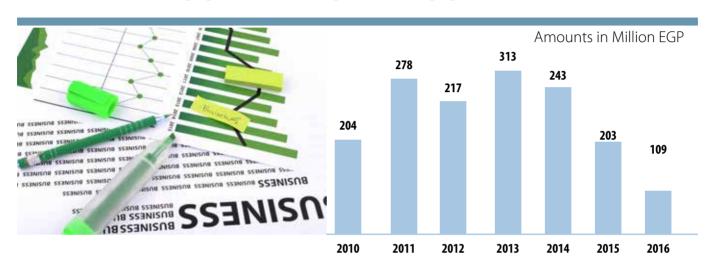


#### MIDDLE MANAGEMENT QUALIFICATION PROGRAM

Driven by youth empowerment & investing in future calibers, ECHEM has set a wise qualification program for its competent middle management to lead top managerial positions in the near future. The selection process is subjected to strict evaluation & assessment to choose the best candidates who will undergo a number of specialized training programs designed to enrich them with the expertise needed to occupy these critical positions. And by the end of this fiscal year, 600 proficient employees will be fully equipped with all the expertise needed to push ECHEM & its affiliates forward into a better & brighter future.

### FINANCIAL HIGHLIGHTS

#### **INCOME BEFORE INCOME TAX**



#### **INCOME STATEMENT (HIGHLIGHTS)**

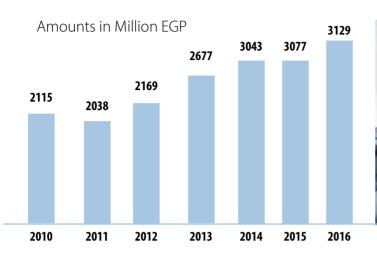
(In Million EGP )	30/6/2015	30/6/2016
Revenue	681	495
Expenses	(478)	(386)
Total Earnings Before Tax	203	109
Corporate Income Tax	(22)	-
Net Income	181	109

#### **REVENUE ANALYSIS 30 JUNE 2016**

	Million EGP
Investment Revenue	206
Sales Of Purchased Goods	40
Supervision, Development & Marketing Revenue	181
Other Revenue	68

#### A GROWTH STRATEGY

The graph shows the development of ECHEM Investment in Companies





#### **BALANCE SHEET (HIGHLIGHTS)**

(In Million EGP )	30/6/2015	30/6/2016
Assets		
Fixed & Long Term Assets	3591	3670
Cash & Cash Equivalents	51	31
Accounts Receivable	67	108
<ul> <li>Inventory</li> </ul>	3	3
<ul> <li>Other Current Assets</li> </ul>	418	522
Total Assets	4130	4334
Liabilities		
<ul> <li>Accounts Payable</li> </ul>	9	17
<ul> <li>Accrued Liabilities And Other Payables</li> </ul>	173	246
Current Portion Long Term Debt	244	247
<ul> <li>Short Term Loans</li> </ul>	320	605
<ul> <li>Other Current Liabilities</li> </ul>	77	78
<ul> <li>Total Non-Current Liabilities</li> </ul>	702	527
Total Liabilities	1525	1720
Total Shareholders' Equity	2605	2614

#### LONG TERM ASSETS



