







His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Father Emir



His Highness
Sheikh Tamim Bin Hamad Al-Thani
Emir of the State of Qatar



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QAFCO BOARD OF DIRECTORS



**Mr. Said Mobarak
Al Mohannadi**
Chairman



**Sheikh Khalid Bin Abdulla
Bin Mohammed Al-Thani**
Vice-Chairman



**Mr. Abdulrahman
Mohamed Al-Suwaidi**
Director & Chief Executive Officer



Mr. Alvin Rosvoll
Director



**Mr. Fahad Mohammed
Abdulla Al-Khater**
Director



Mr. Hamad Salah Al-Baker
Director

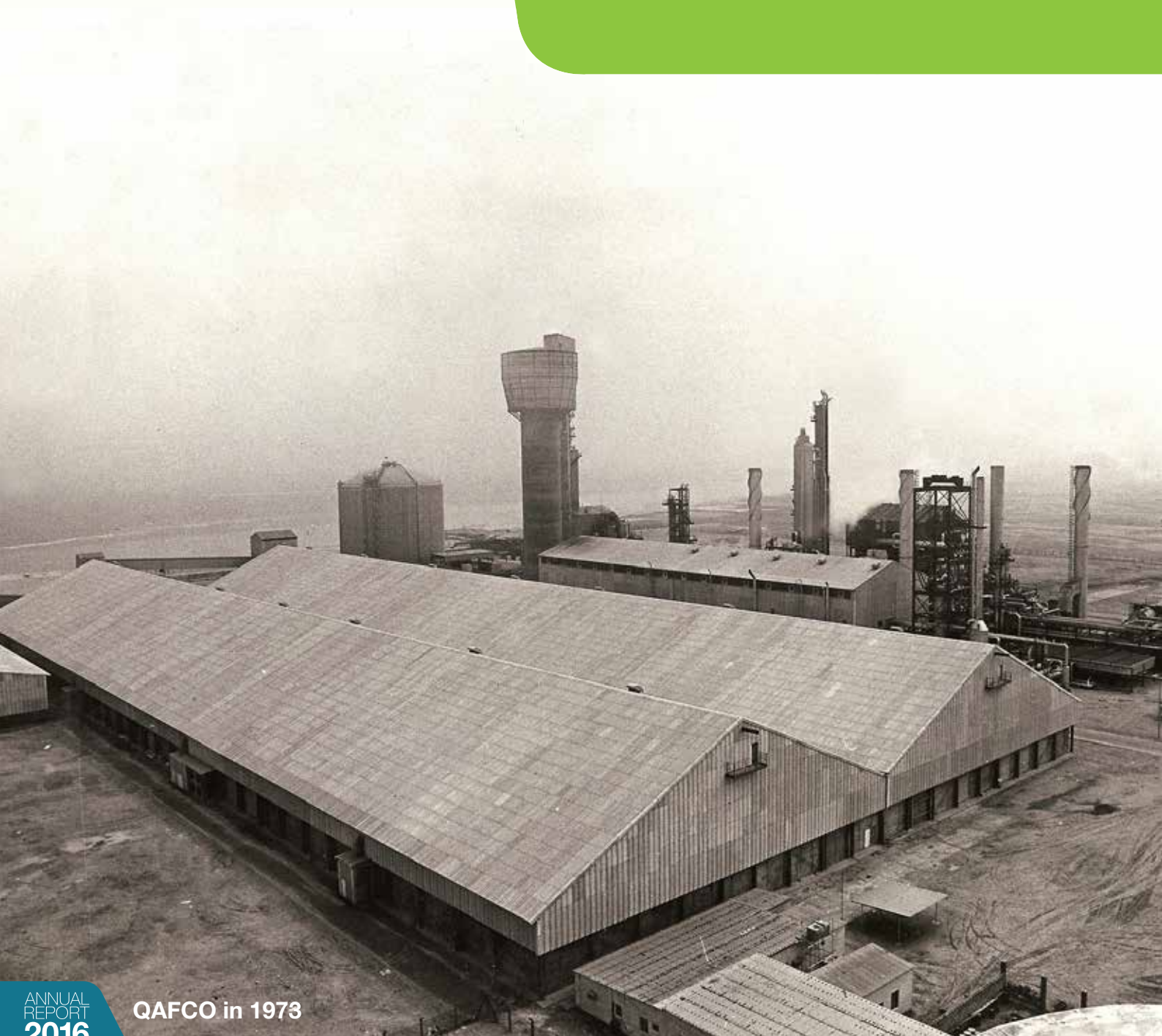


Mr. Ivan de Witte
Director



**Mr. Khalid Khalifa
Mubarak Al-Jalahma**
Director

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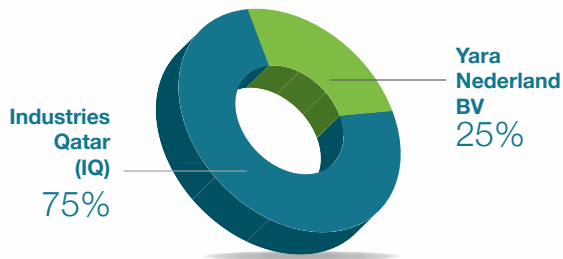
ANNUAL REPORT **FISCAL 2016**

ABOUT QATAR FERTILISER COMPANY

QAFCO's inception in 1969 as a joint venture company to produce chemical fertilisers was the first and significant step in Qatar's industrial diversification program to utilize its abundant natural gas resources. Since then QAFCO has steered its way successfully, responding adequately to the world market demand for fertiliser and living up to the expectations of its shareholders, IQ and Yara.



The shareholders and their shareholding interests in the Company are as follows:



IQ is a listed Company and majority of its shares are owned by Qatar Petroleum (QP). Thus, QP is the ultimate parent of QAFCO.

QAFCO inaugurated its first plant in 1973 with a design capacity of 900 tons of Ammonia and 1000 tons of urea daily. Presently QAFCO complex comprises six completely integrated trains; QAFCO-1 (1973),

QAFCO-2 (1979), QAFCO-3 (1997), QAFCO-4 (2004), QAFCO-5 (2011), QAFCO-6 (2012). Each train is made up of two units, one for the production of ammonia, and the other for urea.

Through scientific strategic plans and integration of the latest technologies, QAFCO has developed steadily, over the years, in terms of nameplate capacity, production quantities, quality and competitiveness of products and become one of the main producers of ammonia and urea in the world. Today, Qatar, after the inauguration of the sixth urea facility at QAFCO, is the 4th largest urea producer in the world with an export market extending to more than 35 countries across the continents.

QAFCO as well as boosting its fertiliser production it has gone into new product areas and joint ventures by establishing a urea formaldehyde and melamine downstream subsidiaries.



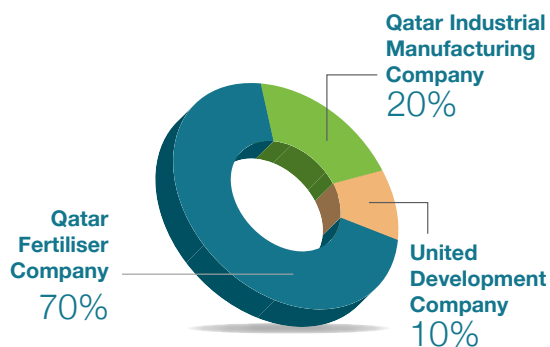
QAFCO DOWNSTREAM



GULF FORMALDEHYDE COMPANY

Gulf Formaldehyde Company (Q.S.C)) was incorporated on 3rd March 2003 as a private Shareholding company. All the shareholders are Qatari companies in the State of Qatar. The company is engaged in the production and sale of Urea Formaldehyde Concentrate ("UFC").

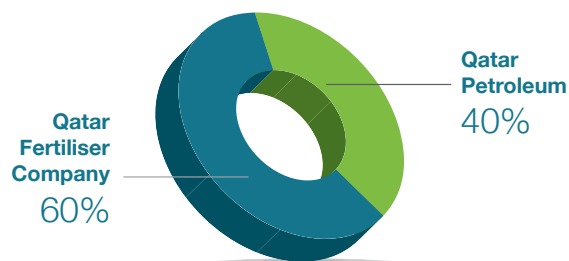
The Shareholder and their shareholding interests in the company are as follows:



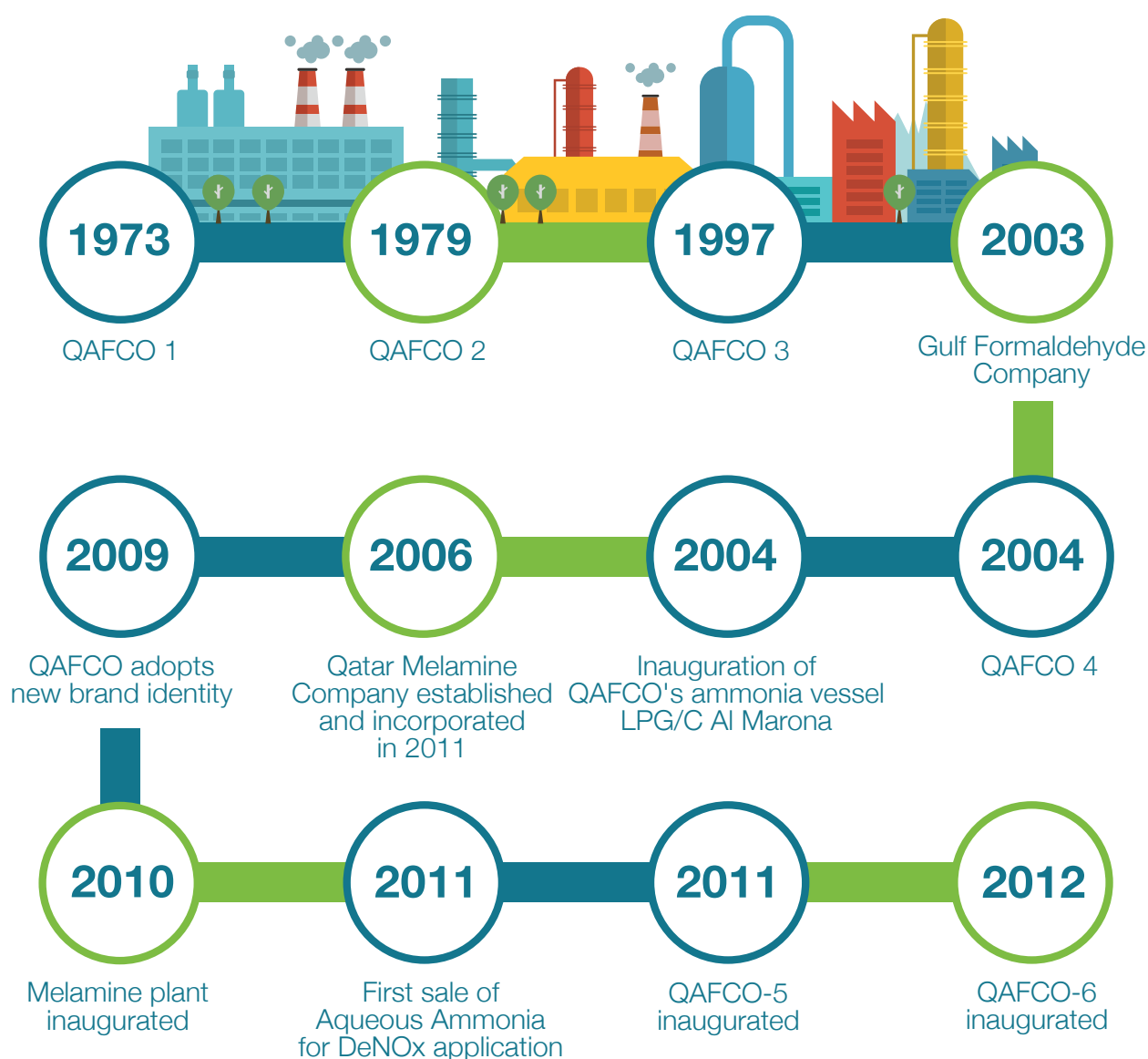
شركة قطر للميلامين
QATAR MELAMINE CO.

QATAR MELAMINE COMPANY

Qatar Melamine Company was incorporated in 2011 to produce melamine.



MILESTONES IN QAFCO HISTORY



OUR PRODUCTS

Ammonia

Ammonia is a chemical compound made of Nitrogen 82% and Hydrogen 18%. It is produced using Natural gas as the primary feedstock. The other feeds required are Steam and Air. These feed materials undergo a series of reactions in the ammonia plant to produce gaseous Ammonia. High pressure converts the Gaseous Ammonia to liquid ammonia. The liquid ammonia is then stored at a temperature of minus 33 degrees centigrade in a specially refrigerated Ammonia storage tank.



Urea – Prilled and Granular

Urea is a solid fertiliser with 46% Nitrogen. It is produced by the reaction of Ammonia and Carbon Dioxide (CO₂) under high pressure. The liquid urea thus produced is turned into a solid fertiliser as prilled or spherical granules.

Urea Formaldehyde Condensate

Urea Formaldehyde Condensate (UFC-85) is a viscous liquid with 60% Formaldehyde, 25% Urea and water. The formaldehyde produced by the reaction of Methanol with air. This is then dipped in Urea solution to form UFC-85. Urea Formaldehyde Condensate (UFC-85) is a urea additive, used as an anti-caking agent for the Urea.

Melamine

Melamine (C₃H₆N₆) is a product in the form of white powder used for the production of a broad range of synthetic resins. It is obtained by thermal decomposition of Urea, in liquid phase reaction. The urea for melamine synthesis supplied by the revamped QAFCO Urea-1 plant.

Melamine is used in the synthesis of Melamine Formaldehyde ("MF") and Melamine Urea Formaldehyde ("MUF") resins, which are used mainly for laminates, wood adhesives, surface coating, paper, textile treatment and for molding compounds.



Qatar Melamine bags

Aqueous Ammonia

Aqueous ammonia is a solution composed of 19% ammonia produced by absorption of gaseous ammonia in demineralized water. It is used as absorbing agent of nitrogen oxides produced on the utilization and burning of gas in power generators and industrial plants. The aqueous ammonia facility was established in QAFCO premises in 2009 with an annual production capacity of 60,000 ton. The aqueous ammonia solution is used for NO_x reduction at QAFCO.



QAFCO MANAGEMENT SYSTEMS CERTIFICATES

Company	Management System	First Certification/ Accreditation Date	Current Validity Date	Current Certification/ Accreditation Body
QAFCO 1-6, GFC and QMC	ISO 9001:2008 – Quality Management System	29 May 1996	16 Nov 2017	ABS Quality Evaluations
QAFCO 1-6, GFC and QMC	ISO 14001:2004 – Environment Management System	30 Dec 1997	16 Nov 2017	ABS Quality Evaluations
QAFCO 1-6, GFC and QMC	OHSAS 18001:2007 – Occupational Health & Safety Management System	15 Dec 1999	16 Nov 2017	ABS Quality Evaluations
QAFCO Canteen, Al Banush Club & Al Maha Club	Hazard Analysis & Critical Control Point (HACCP)	05 May 2009	27 July 2018	SGS Gulf Ltd.
QAFCO Laboratory	ISO /IEC 17025:2005 – Requirements for the Competence of Testing and Calibration Laboratories	11 Mar 2011	28 Feb 2021	Deutsche Akkreditierungsstelle GmbH German Accreditation Body
QAFCO 1-6	RC 14001:2013 – Responsible Care	19 Apr 2011	16 Nov 2017	ABS Quality Evaluations
QAFCO 1-6	IFA Protect and Sustain Product Stewardship Programme (Excellence Level)	12 May 2011	18-Jun-2017	Det Norske Veritas(DNV)
QAFCO 1-6, GFC and QMC	ISO 50001:2011-Energy Management System	18 Oct 2015	17 Oct 2018	ABS Quality Evaluations
QAFCO Inspection & Material Technology Section	ISO 17020:2012 type B Conformity assessment – Requirements for the operation of various types of bodies performing inspection	30 Nov 2015	31 Jan 2018	American Association for Laboratory Accreditation (A2LA)



BUSINESS POLICY

QATAR FERTILISER COMPANY (QAFCO)
GULF FORMALDEHYDE COMPANY (GFC)
QATAR MELAMINE COMPANY (QMC)

MISSION

We shall operate the plants efficiently, safely and in an environmentally responsible manner to produce and dispatch Ammonia, Urea, Urea Formaldehyde and Melamine at the quality required by customers and to carry out investments to maximize shareholders returns.

VISION

- Maintain QAFCO as the largest quality Ammonia and Urea producer.
- Satisfy QAFCO's need for Urea Formaldehyde.
- Quality Melamine producer.

OUR MAIN OBJECTIVES ARE TO:

- Achieve highest possible production at comparatively low cost.
- Operate the plants with maximum online factor.
- Design and operate the plants in a safe, secure, energy efficient and environmentally responsible manner.
- Meet customers' expectations with regard to quality and timely dispatch of our products.
- Maximize the employment of qualified and skilled Qatari nationals and effectively develop them to meet the required competence.
- Supply QAFCO with quality Urea Formaldehyde.



CORPORATE POLICY 2016

WE ARE COMMITTED THROUGH OUR OCCUPATIONAL HEALTH & SAFETY, ENVIRONMENTAL, ENERGY, QUALITY AND RESPONSIBLE CARE INTEGRATED MANAGEMENT SYSTEMS TO:

- Lead QAFCO in ethical ways that increase the benefits to society by protecting our employees, environment and community.
- Increase the competency of personnel and use of technology to enhance customer satisfaction, environmental, energy, safety, health and security performance.
- Prevent pollution, avoid energy wastages, control operational & security risks in order to protect the environment, the safety and health of our employees, contractors, visitors, neighbours and the community.
- Steward our products and services through each life cycle stages in order to protect people and the environment.
- Implement Occupational Health & Safety, Environmental, Energy, Quality and Responsible Care Integrated Management Systems as a prime line responsibility at all levels of our organization and continually improve their performance and effectiveness.
- Involve and consult our employees on matters related to our Integrated Management Systems.
- Comply with all relevant Qatari Legislations, Regulations and Standards adopted by the Company.
- Communicate this Policy and systems performance measures to our employees, contractors and other stakeholders including public and make it available to them and other interested parties.
- Monitor, study, assess for significance and record the environmental impacts of our operations for possible reductions.
- Encourage re-use and recycling and manage our solid waste to reduce environmental impacts.
- Conduct regular reviews of relevant Occupational Health, Safety, Security, Environmental, Energy, Quality and Responsible Care activities for compliance with the adopted Standards.



- Open information, communication and sharing of experience with all parties affected by or interested in our activities on safe use, transportation and disposition of our products, energy use and to recognize, respect and respond to our community concerns about our products and operations.
- Support the procurement of energy-efficient products and services, and design for energy performance improvement.
- Work with government, agencies and associations at all levels in the development of effective and efficient health, safety, security, environmental & energy laws and in industry standards and supporting research.

A NEW POLICY HAS BEEN RELEASED FOR 2017



CHAIRMAN'S **MESSAGE**

In the year 2016, QAFCO continued to be among the world's top producers of high-quality urea, a position that it continues to be in despite the increasing commoditization of urea.

In the year 2016, QAFCO continued to be among the world's top producers of high-quality urea, a position that it continues to be in despite the increasing commoditization of urea. I am pleased to inform that QAFCO achieved an export volume of 5.41 million metric tonnes of urea, maintaining Qatar's position amongst the top exporters of urea in the world.

Global economic growth in 2016 was challenging due to a difficult first half characterized initially by turmoil in world financial markets. The situation improved by mid-year with broad indications of increasing production activities and other movements in global markets. Meanwhile, in many countries, the second half improvement was supported by the firming of commodity prices which had an impact on the fertiliser industry as well.

The final quarter of 2016 helped the global economy stabilize and perform at a higher level through a combination of improved conditions in emerging market countries as well as stronger growth in developed economies. A similar trend was experienced in the fertiliser industry, i.e. a surge in the global fertiliser markets during the final months of 2016 which supported the stabilization and performance level of the industry. A spike in urea prices in the fourth quarter helped partially offset the impact of lower ammonia prices. In the year under review, QAFCO generated a revenue of QAR 4.8 billion through vigorous optimization drives that helped QAFCO to mitigate the impact of adverse market conditions.

Meanwhile, we have been continuously working on reducing our environmental footprint as we considerably improved on our emissions compared to the previous years. Our safety performance was on par with industry leaders.

The Company continues to integrate Corporate Social Responsibility and Qatarization Imperatives into all aspects of its business activities. The Company's Strategic Qatarization Plan incorporate harnessing Qatari talent, strengthen the relationship between the Company and its Stakeholders, and assuming significant roles in fostering Qatar's social, cultural, environmental, educational and economic developments. By the end of December 2016, the Company's Qatarization achievement was 14.2%. QAFCO foresees a steady growth in Qatarization to approximately 31% by the end 2021.

The coming years are expected to be challenging with new fertiliser producers entering into the market. However, QAFCO shall continue to ensure that it provides the premium products that have come to be expected from Qatar.

To conclude, I would like to express my profound appreciation and gratitude to H. H. Sheikh Tamim Bin Hamad Al-Thani, Emir of the State of Qatar for his guidance and leadership, and I am pleased to note that with the meticulous following of his vision we have developed and grown as a world class company. I am grateful to the guidance given by H. E. Dr. Mohammad Bin Saleh Al-Sada, Minister of Energy and Industry, and Qatar Petroleum under the leadership of the President and CEO Eng. Saad Sherida Al Kaabi on the continued support for the company and the QAFCO board. I express my gratitude towards the shareholders Industries Qatar and Yara Nederland and to QAFCO Management team and staff who have worked hard towards the achievement of QAFCO's goals.

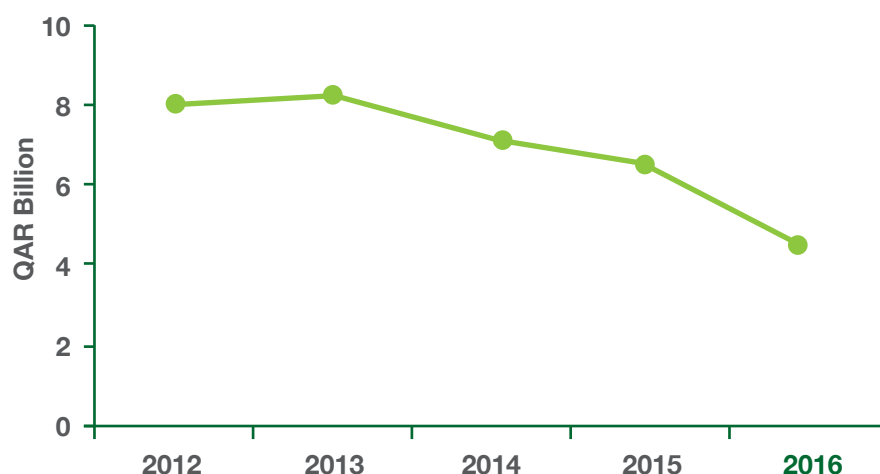


Said Mobarak Al Mohannadi
Chairman, Qatar Fertiliser Company

MANAGEMENT REPORT

In the year 2016, QAFCO continued to be on its journey to be the largest quality ammonia and urea producer in the world. The world market conditions had a marginal impact on the production volumes of QAFCO ammonia and urea. This helped QAFCO to maintain its position in the global fertiliser industry.

QAFCO Revenues



The year 2016 started with a steep fall in oil prices that presented many challenges for the industry. Fertilizer prices were down by ~26% in 2016, mainly due to increased producer capacity combined with weaker global demand. The prices reached record low during the early second half of the year. However, the prices somewhat recovered in the latter part of the year due to gradual rising of costs for some producers, and slight improvement in the overall demand in some economies.

Production and sales volumes, on the other hand, remained relatively unchanged compared to the previous year with facilities operating close to their capacity.

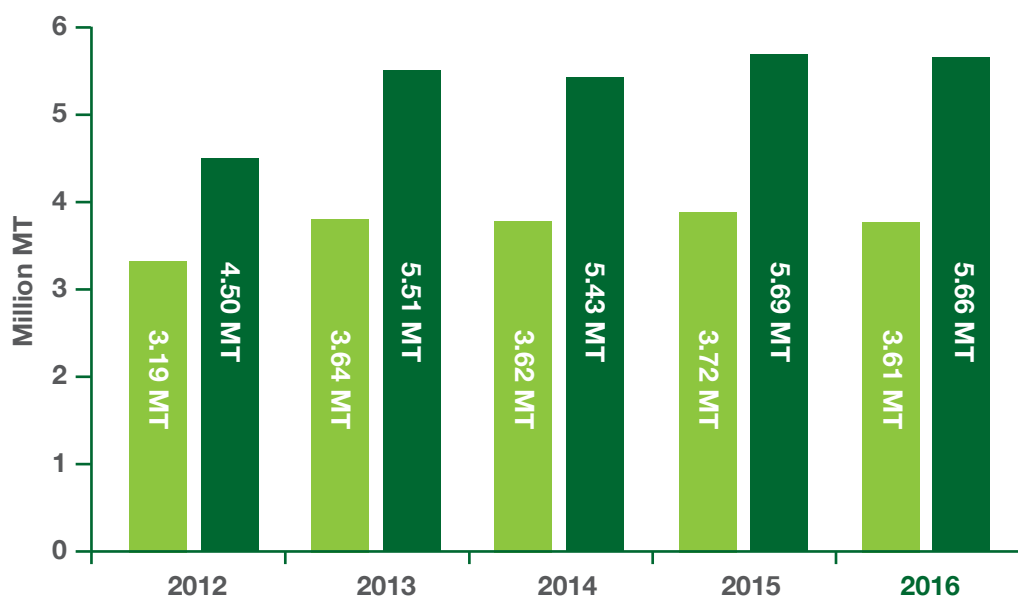
QAFCO closed the financial year with revenue of QR 4.8 billion, a year-on-year reduction of QR 1.2 billion, or ~27%. The reduction was entirely driven by a considerable decrease in the fertilizer product prices. The impact was partially offset by a moderate decrease in key operating costs following rigorous cost optimization initiatives.



Ammonia and Urea Production continued to be high

QAFCO is aligned with global demand and supply dynamics. With a sizable annual production capacity of 3.8 million MT of ammonia and 5.6 million MT of urea, QAFCO is the world's largest single-site producer of ammonia & urea. Responding to modern requirements, QAFCO maximized production of granular urea to meet the specific demand of our customers based in different territories (such as Australia, US, India) with strict regulatory regimes. At present, QAFCO has four granular urea plants with a combined design capacity of 12,900 Metric Tons Per Day (MTPD).





Ammonia and Urea Production Volume for 5 Years (MT)

Ammonia Urea

Ammonia Production

In the year under review, QAFCO produced 3.61 Million MT of Ammonia, third highest volume in its production history. Of the total output this year, 3.12 Million MT was utilized in QAFCO for the production of Urea, Aqueous Ammonia, and Melamine.

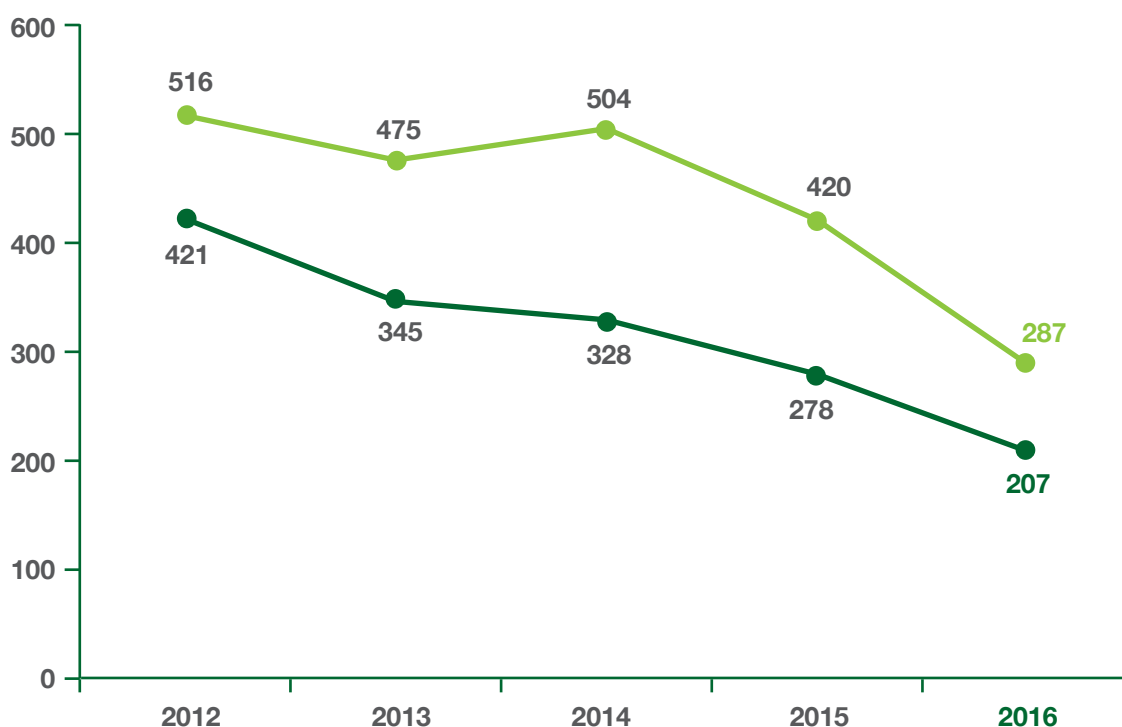
Urea Production

In the year under review, QAFCO produced 5.66 Million MT of urea. Of this, 821 thousand MT was prilled urea and 4.59 Million MT of granular urea.

Market Conditions

Dropping oil prices had their impact on the supply-demand dynamics. Reduced oil prices allowed many marginal producers to produce more urea and push into the market. Apart from that, facility additions globally added to the supply.

In the year 2016, a surfeit influenced ammonia and urea prices globally. Ammonia prices, however, rebounded marginally in the last quarter and helped manufacturers maintain their healthy position. Urea prices, in the meantime, showed a decrease.



Average FOB sales price of Ammonia and urea in USD/MT for the last 5 years

Ammonia Urea



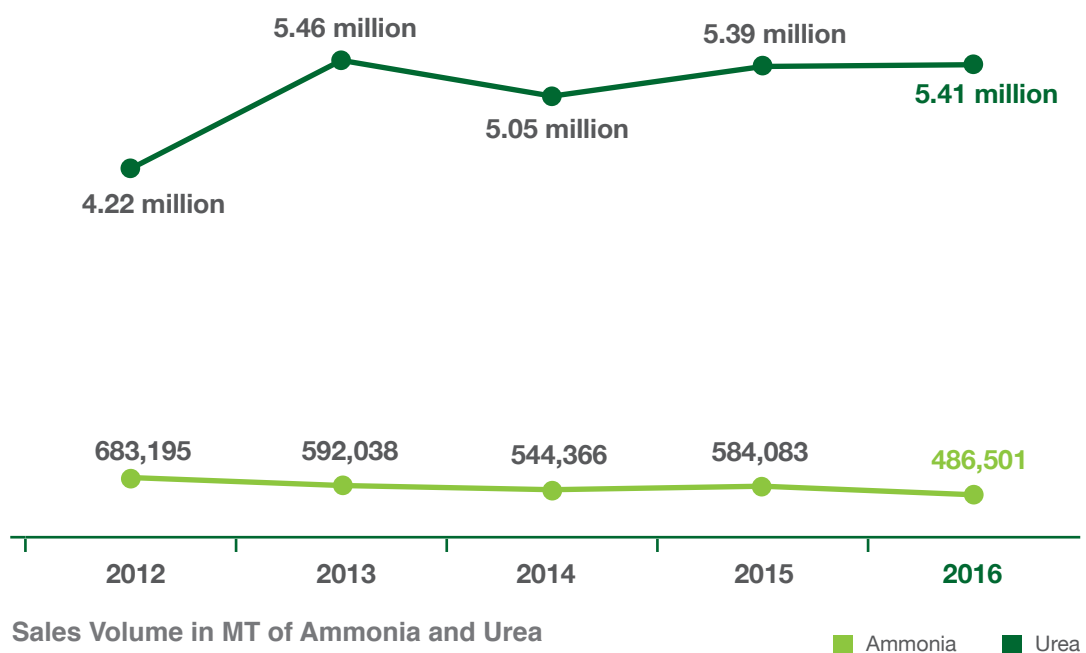
The price of ammonia in the year 2016 averaged at USD 287. Ammonia prices dove down sharply from the average price of USD 421 in 2015 to a low of USD 287. Even this price was as a result of a last quarter rally in ammonia prices. In the meantime, average sale price of urea continued its downward trend from last year, however, the decline was not as sharp as in the case of ammonia prices. The average sale price for urea for the year 2016 was USD 207. In 2015, it was USD 278.

In 2016, QAFCO sold 486,501 MT of ammonia and 5,657,925 MT of urea through Muntajat.

Muntajat continues to market QAFCO fertiliser

The State of Qatar established Qatar Chemical and Petrochemical Marketing and Distribution Company (Muntajat), holds the exclusive rights to market, sell and distribute Qatar's chemical and petrochemical products to the global market.

The company builds on more than 40 years of excellence by Qatar's producing entities. It is adding new value to the supply chain through reduced lead times and enhanced the customer experience while retaining continuity of supply and excellent quality that customers demand.



Shutdowns in 2016

One of our primary targets is to operate our plants efficiently and with a maximum online factor. This factor is ensured by pursuing a predictive maintenance strategy alongside the daily and periodic maintenance schedules of the plants and other support facilities. Our operational efficiency is the result of a high level of continued attention we give to plant maintenance.

In 2016, one scheduled shutdown was executed in March at QAFCO 4 train. The shutdown period lasted for 26 days in Ammonia 4 plant and 20 days for urea 3 plant. Meanwhile, UFC-A had shutdown of 8 days and UFC-B was shut down for 7 days. The combined unforeseen shutdown of all the Ammonia plants was 104 days and 46 days for the urea plants. During the entire shut down period, there were no lost time incidents.

Providing a Safe and Healthy Work Environment

QAFCO believes that a strong safety culture is a business imperative, accordingly, the company is committed to providing a safe workplace for people working on its behalf through a variety of risk-based safety and health programs.

We have set a target to achieve zero lost time accident and zero first aid accident for both QAFCO staff and contractors on-site. We have worked hard over the years to ensure that we bring down the number of worksite injuries for both our contractors and employees.

Safety Awareness

Safety staff conducted various training with the aim of increasing the Safety awareness among the employees and Contractors. In the year under review, QAFCO conducted **Sandstorm Campaign and Heat Stress Prevention Campaign** as a proactive step towards spreading awareness during unfavorable climactic conditions.

Apart from these a novel initiative of "Safety Moment" was launched in QAFCO in the year 2016. "Safety Moment" is a brief safety talk about a specific subject at the beginning of a meeting or shift. The initiative has been very successful in spreading awareness as well as influencing safety behaviours amongst the employees.

Environmental Performance

The world is committed to reducing climatic impact, and for this to be successful, we need to ensure the creation of growth, innovation, and solutions for a low-carbon and resource efficient world. At present, 70%–80% of the world's food is produced using manufactured fertilizers, and being a responsible fertilizer manufacturer for more than four decades, QAFCO is aspiring to have a leadership role in producing high-quality fertilizer using sustainable and energy efficient technologies.

We are committed to mitigating our environmental impact. We are driven by the strong commitment to caring for and protect the environment and ensure a safer planet for the next generation to inherit. Our policies objectives and various projects reflect this. We understand that we have our share of emissions to air, discharges to sea and different wastes to manage. Strict environmental considerations are in place to minimize air emissions and discharges to the sea, as well as recycling and managing waste.

Quality

Integrated management system surveillance audit for ISO 9001, ISO 14001, OHSAS 18001, RC 14001 and ISO 50001 was conducted by ABS Quality Evaluations from 25-29 September 2016. Continuation of certification was recommended for all these standards by the certification body. Please refer QAFCO profile in the initial pages for all the certifications.

Harnessing the Qatari Talent

QAFCO is committed to the achievement of the Energy and Industry Sector's Qatarization target of 50% (or greater) of quality, competent Qataris holding permanent positions on employment contract.

The Company continues to integrate Corporate Social Responsibility and Qatarization Imperatives into all aspects of its business activities. The Company's Strategic Qatarization Plan incorporate harnessing Qatari talent, strengthen the relationship between the Company and its Stakeholders, and assuming significant roles in fostering Qatar's social, cultural, environmental, educational and economic developments.

The Company's plan relating to harnessing Qatari talent focuses on development through Tailor Made Training Programs, Vocational Education and Training Programs, College - and Undergraduate Academic Programs, and Continuing Professional Development interventions. During 2016, approximately 35% of Qataris (based on Qatari Headcount) pursued longer-term or multiyear development interventions facilitating the Talent Supply Pipeline.

The imbalance between the supply and demand for Qatari talent to meet the Company's unique organization needs in the engineering and sciences fields, and the attrition of trainees and qualified practitioners experienced, remain challenges to overcome and command joint innovation solutions.

By the end of December 2016 the Company's Qatari Headcount amounted to 14.2% (based on the approved establishment prior to restructuring). QAFCO foresees a steady growth in Qatari Headcount to approximately 31% by end 2021. Projections in Qatari Headcount (till 2026) indicate a growth to approximately 50%.





Successful Initiatives

With the Education Sector

As part of QAFCO's Corporate Social Responsibility and Networking Strategy, the Company pursued its relationships with Universities, Schools and broader Education Sector through involvement and collaboration in:

- Activities as a consortium member of the Gas Processing Research Center at Qatar University;
- Continued sponsorship of a Chair at the Gas Processing Research Center;
- Continued sponsorship of Qatari university students to the annual Gulf Petrochemical Association Fertiliser Convention;
- Sponsorships and collaboration with Texas A&M University to host a conference focusing on renewable energy and managing CO2 emissions;
- College advisory committee and focus group activities on study program syllabi and new program offerings;
- Hosting summer training, internship programs and school visits;
- Career fairs and sponsorship days;
- Hosting and facilitating students' plant design projects.

Through Sponsorships

Apart from supporting continued professional development through On-Job-Development-Programs and Short Courses, QAFCO (as of the end of 2016) was sponsoring 53 Qataris in Vocational Education and Training Programs, and in College - and Undergraduate Academic Programs.

Supporting Qatarization

The Company continued to create opportunities for organizational progression for Qatari employees through job enrichment, rotation and appropriated organizational restructuring. This is supported by continuing professional development to ensure that the Qataris placed in positions are competent and confident to perform their duties to the highest possible standards and professionalism.

During 2016, twenty nine (29) Qatari employees pursued on-job-development-programs towards final development to take-up established position (mainly in engineering).

Supporting Training & Development

An important approach to achieve the Company's overall Strategic Qatarization Objectives is the focus on the development of the entrance pool (young Qataris) through sponsored studies, incorporating well-structured and well mentored post-qualification practical training programs. During 2016 approximately 35% of Qataris (based on Qatari Headcount) pursued such multiyear programs and development interventions.

Apart from formal multi-year academic study programs, the Company facilitates continuing professional development of Qatari employees through short duration courses.

Diligent monitoring of progress in development programs and continued personal support to the Company's Trainees / Students, whether at their workplaces or institutes of further education, are key activities in supporting training and development of our Qataris.

Corporate Events

QAFCO Sponsored and Participated in the 7th Annual GPCA Fertiliser Convention in Dubai

QAFCO participated in the 7th Annual Gulf Petrochemical Association (GPCA) fertiliser convention held in Dubai, from 6th to 8th September 2016. This year the conference focused on the theme – “Steering the fertilizer industry through challenging times”. The 7th GPCA Fertilizer Convention has been designed to provide the global and regional fertilizer industry with the most current industry information and to address the challenges and growth opportunities that are present in the market.

During the two-day event, a variety of different high-level industry executives presented their views on

the market and discussed various potential opportunities in the market. Each year, the conference attracts scores of delegates, from leading producers, buyers, distributors and service providers to government agencies and academia – making it one of the most popular fertilizer event in the Middle East for networking and doing business.



QAFCO Sponsors TAMUQ Conference

Texas A&M University at Qatar hosted experts from around the world 14 January 2016, for the annual QAFCO – Texas A&M University at Qatar Conference 2016. The 2016 conference was presented in cooperation with Texas A&M at Qatar's longtime industry collaborator, the Qatar Fertiliser Co. (QAFCO), which has supported the conference since 2007.

This year's conference focused on managing CO₂ and renewable energies. Conference co-chair and Texas A&M at Qatar chemical engineering professor Dr. Konstantinos Kakosimos said that

developing technology, industry and commercial applications have led to an increase in overall energy consumption, which has in turn led to two important problems: energy resources and environmental pollution.



QAFCO Day 2016 Celebrated

QAFCO-Day is an annual get together function held in January every year, for the Company's management and staff. The QAFCO day was celebrated at the Al-Banush Club. The impressive multipurpose hall of the club sparkled in the glitz of the light and sound effects.

QAFCO management presented the Company's achievements in 2016 and outlined plans and objectives for the year 2016. The training section distributed its annual awards to many nationals who have completed their development programs. Apart from that, QAFCO also awarded its employees safety awards for the best-reported near miss and best-reported risks. During QAFCO Day long-serving employees were also recognized. A bouquet of entertainment programs, lucky draws and a gala dinner marked the day.



QAFCO Celebrated National Sport Day

As part of its social responsibility towards the community and its belief in the importance of sports in a sound body and mind, Qatar Fertiliser Company (QAFCO) on the fifth anniversary of Qatar National Sports Day (QNSD), stitched a busy schedule, featuring various sports activities. The event was a tremendous success with QAFCO employees and their families actively participating in the event according to their ability and hobby.





Our Downstream Operations

Gulf Formaldehyde Company (GFC)

The Gulf Formaldehyde Company (GFC) was created in 2003. The plant began operations in 2004. The company has two plants namely UFC A – became operational in 2004 and UFC-B that became operational in 2012.

The GFC plants A, and B are designed to produce 82 and 85 tons per day of Urea Formaldehyde (UFC-85) respectively. Urea Formaldehyde Condensate is a viscous liquid with 60 percent formaldehyde, 25 percent urea and 15 percent of water. Eighty percent of the UFC-85 produced is consumed by QAFCO and is used as an anti-caking agent in the production of urea.

The Urea Formaldehyde Condensate is a viscous liquid with 60 percent formaldehyde, 25 percent urea and 15 percent of water. Eighty percent of the UFC-85 produced is consumed by QAFCO and is used as an anti-caking agent in the production of urea.

In the year under review, Gulf Formaldehyde Company produced 57,844 MT of urea formaldehyde. Of the total produced, 51,211 MT was used within QAFCO, and the rest was exported.

Qatar Melamine Company

QAFCO has utilized its expertise in fertilizer plant operations to operate and manage a production plant of premium grade Melamine, based on the Eurotechnica HP process, on behalf of the Qatar Melamine Company. The plant annual production capacity is 60,000 MT. The plant was inaugurated in 2010.

The plant performed extremely well in the year under review and produced 58,609 MT of Melamine. The company sold 60,004 MT of Melamine at an average sales price of USD 991.



Ready for the Future

The primary objective for the coming year will be to consolidate QAFCO's position in the fast-changing global market. The forecasts for the year indicate positive conditions for the GCC fertiliser industry. I am confident that QAFCO is well poised to further improve its standing in the global market.

In conclusion, I would like to convey my deepest thanks and gratitude to HH Sheikh Tamim Bin Hamad Al-Thani, Emir of the State of Qatar for his inspirational leadership and guidance. I am grateful to HE Dr. Mohammed Bin Saleh Al-Sada, Minister of Energy and Industry and Qatar Petroleum under the leadership of the President Eng. Saad Sherida Al Kaabi on the continued support for the company and the QAFCO board Directors for their continuing support. I am thankful to shareholders IQ and Yara Nederland, QAFCO Management, and employees of QAFCO, with whom I look forward towards yet another successful year.

Abdulrahman Mohammad Al-Suwaidi
QAFCO Chief Executive Officer

FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

(All amounts expressed in Qatari Riyals)

	2016	2015 (Restated)	2014 (Restated)
ASSETS			
Non-current assets			
Catalysts	26,919,026	30,448,585	36,328,545
Intangible asset — license fee	12,338,852	46,301,884	48,607,372
Property, plant and equipment	13,630,434,856	15,331,010,480	16,064,444,324
	13,669,692,734	15,407,760,949	16,149,380,241
Current assets			
Cash and cash equivalents	2,634,348,296	2,700,188,412	1,952,185,872
Trade and other receivables	108,411,040	100,505,719	102,273,651
Due from related parties	393,903,835	629,045,534	997,316,490
Inventories	903,318,047	877,578,419	801,071,463
	4,039,981,218	4,307,318,084	3,852,847,476
Total assets	17,709,673,952	19,715,079,033	20,002,227,717
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,000,000,000	1,000,000,000	1,000,000,000
Legal reserve	211,370,010	210,088,076	209,220,824
Cumulative changes in fair values	(60,125,196)	(136,312,253)	(213,717,736)
Retained earnings	12,937,244,837	14,245,874,489	14,184,854,698
Equity attributable to equity holders of the parent	14,088,489,651	15,319,650,312	15,180,357,786
Non-controlling interest	180,567,285	463,722,911	483,454,707
Net equity	14,269,056,936	15,783,373,223	15,663,812,493
LIABILITIES			
Non-current liabilities			
Borrowing	—	2,398,018,867	2,684,321,076
Other financial liabilities	—	48,920,732	106,403,589
Provision for employee benefits	328,265,900	285,158,296	291,730,328
	328,265,900	2,732,097,895	3,082,454,993
Current liabilities			
Trade and other payables	394,309,548	414,541,510	428,342,438
Due to related parties	259,112,321	278,933,868	261,399,922
Borrowing	2,398,018,867	286,302,209	285,779,228
Other financial liabilities	60,125,196	87,391,521	107,314,147
Income tax payable	785,184	132,438,807	173,124,496
	3,112,351,116	1,199,607,915	1,255,960,231
Total liabilities	3,440,617,016	3,931,705,810	4,338,415,224
Total equity and liabilities	17,709,673,952	19,715,079,033	20,002,227,717

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER

(All amounts expressed in Qatari Riyals)

	2016	2015 (Restated)
Sales	4,795,268,063	6,627,313,105
Cost of sales	(4,238,835,199)	(4,318,046,710)
Gross profit	556,432,864	2,309,266,395
Other income	53,244,784	60,269,637
Selling and distribution costs	(153,468,839)	(241,410,300)
Administrative expenses	(619,953,179)	(551,923,845)
Finance costs	(127,756,109)	(141,952,321)
Impairment loss	(798,235,484)	—
Gain on foreign currency exchange	1,632,619	8,145,681
(Loss) / Profit for the year	(1,088,103,344)	1,442,395,247
Attributable to:		
Equity holders of the parent	(807,347,718)	1,461,887,043
Non-controlling interest	(280,755,626)	(19,491,796)
	(1,088,103,344)	1,442,395,247

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER

(All amounts expressed in Qatari Riyals)

	2016	2015 (Restated)
(Loss) / Profit for the year	(1,088,103,344)	1,442,395,247
Other comprehensive income		
Items that may be reclassified subsequently to statement of profit or loss:		
Net unrealised gain on cash flow hedges	76,187,057	77,405,483
Total comprehensive (loss) / income for the year	(1,011,916,287)	1,519,800,730
Attributable to:		
Equity holders of the parent	(731,160,661)	1,539,532,526
Non-controlling interest	(280,755,626)	(19,731,796)
	(1,011,916,287)	1,519,800,730