



EQUATE Petrochemical Company (K.S.C.C.)

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Corporate
Profile

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EQUATE

INTRODUCTION

A success story in Kuwait

Since the launch of its world-class production facility in Shuaiba in November 1997, EQUATE has grown into a resounding success story - a business where great ideas have materialized into real achievements. In its short history, EQUATE has broken new ground in many areas and become a recognized leader in the petrochemical industry - a journey from idea to concrete success that has been a thrilling ride.

The conception

In the late 1980s, several members of Kuwait's petrochemical community began to discuss the idea of building a world-class olefins plant. The idea was driven by a desire to expand Petrochemical Industries Company's (PIC) existing petrochemical products of salt, chlorine and urea. These forward-thinkers envisioned what we now know as fact: the petrochemical business has rapidly expanded into a hugely profitable sector.

In 1989, talks between PIC and Union Carbide Corporation (UCC) of the United States resulted in PIC's purchase of a polypropylene license. This was PIC's first step into expanding their product scope. Preliminary plans were also devised to create an olefins complex. However, before they could be implemented, history intervened and Kuwait was invaded by Iraq. Though eventually liberated by the efforts of the coalition forces, Kuwait's infrastructure suffered severe damage and it was not until late 1992 that the olefins plant idea was revisited. At that time, PIC began searching for a partner who could supply the operating and marketing expertise to combine with PIC's raw materials and Kuwait's newly refurbished infrastructure. The search would take them all over the world.

At the same time, UCC was formulating its own idea. In an effort to expand their operations closer to the rapidly growing Far East markets, UCC wanted to build a petrochemical plant using their own advanced ethylene glycol and polyethylene technologies in the Middle East where there was economical raw material and established infrastructure.

A perfect fit

The objectives of PIC and UCC were a perfect fit and, on June 19, 1993, the two companies signed a Memorandum of Understanding, officially forming the Kuwait Project Joint Venture (KPJV). The project would continue to be called KPJV until the name EQUATE Petrochemical Company was officially adopted in 1996.

Kuwait-based PIC would bring many benefits to the company. These included a ready supply of ethane as feedstock, an existing infrastructure capable of expanding to handle the needs of a new plant, access to dedicated port facilities via the Shuaiba Port Authority and a supply of skilled and experienced personnel. UCC would bring its patented Unipol polyethylene process as well as leading glycol technology and global marketing expertise. Combining their unique strengths, and with a shared desire to create a successful grassroots project, the partners would go on to form one of the most innovative joint ventures in the history of Kuwait. The company's slogan 'The right venture, in the right place, at the right time' said it all.

A history of firsts

In early 1995, the first shovel of sand was dug for the plant site. This symbolic groundbreaking step would herald a string of firsts as EQUATE created a new culture of challenge and a continuous drive for achievement. Not willing to settle with



creating just a new plant, EQUATE incorporated new technology, innovative financing and state-of-the-art practices. EQUATE represented the first joint venture since the nationalization of Kuwait's oil industry which allowed equitable foreign participation. EQUATE was also the first company of its kind in Kuwait to allow citizens private stakes in the company through Boubyan Petrochemical Company (BPC), which now owns 9% of EQUATE, and more recently, Qurain Petrochemical Industries Company (QPIC), which owns 6%. BPC and QPIC, publicly held companies with shares listed on the Kuwait Stock Market, currently have 15% shares in EQUATE. Through public subscription of shares of the two companies, over 20,000 citizens in Kuwait have an indirect financial interest in EQUATE's success.

The unique and innovative financing package formulated for EQUATE was not only a first for Kuwait, but also for the Arab World. In September 1996, EQUATE signed the largest, unsecured loan in the history of the Middle East. A consortium of six leading Kuwaiti banks, a Kuwaiti Islamic bank, three US banks and five regional banking and investment companies was formed to provide 60% of the project's funding. Never before had such a large unsecured loan been developed, nor had the inclusion of both traditional and Islamic funding been attempted. The result was a true testament to the banking community's faith and expectations for EQUATE's success. Many more innovative ideas were to emerge during the 53-month course from signing to startup. Everything from Health, Safety & Environmental practices to Human Resources policies was challenged, with the intent to make them better. As a result, EQUATE has become a leading company in not only the production of polyethylene and ethylene glycol, but also in its health and safety record, environmental excellence, hiring and training practices and very much more.

Breaking through to profit

EQUATE's fast-track engineering and construction phase ended in November 1997 with the mechanical completion, startup, and the first shipment of product. The Far Eastern economic collapse and a trough in the petrochemical industry, however, marred this momentous occasion. Here was the brand-new production facility ready to produce top-of-the-line products while EQUATE's main customers in the Far East were struggling.

It was a challenging time. In EQUATE's first 21 months of operation, the company recorded financial losses. Then, in August of 1999, the sun came out again. Since that time, EQUATE has booked profits every month. Based on its outstanding performance, all the parent company guarantees were canceled by the loan consortium in February 2000.

Following a plant construction record of just 53 months, EQUATE not only realized Kuwait's vision of downstream diversification, it introduced a unique and innovative approach in the petrochemical business to the region and the world. In 2001, when UCC merged with The Dow Chemical Company, EQUATE gained a bigger partner, further enhancing the organization's ability to meet its vision of operating as a world-class company.

The success continues

As Charles Kline, EQUATE's President and CEO since 1994, left office, the story of EQUATE was still evolving. Under his leadership, records had been set in every area of the company from safety to production and profits to practices. EQUATE had met or exceeded every one of its values and goals and the company had managed to fulfil its partners' and shareholders' expectations, succeeding as one of the world's preferred suppliers.

One of EQUATE's original goals was to be a model for future joint ventures. Today, this goal appears to be holding true as new joint venture petrochemical projects are in the pipeline. Under the direction of its current President and CEO, Hamad Al-Terkait, EQUATE continues to strive to maintain its position at the pinnacle of success and to push the limits to maximize benefits for its customers, shareholders and employees.

The greater challenge

Given EQUATE's outstanding results, it was only logical for its shareholders to want to expand further. They recognized the uniqueness of EQUATE as a joint venture and realized that such an ideal partnership should be driven to further challenges.

Thus, in early 2004, a new and greater challenge was born, as EQUATE's shareholders decided to appoint the company to manage, operate and maintain an expansion project that was being planned at its site in the Shauiba Industrial Area of Kuwait: The Greater EQUATE.

EQUATE mobilized quickly to raise the necessary finance for the construction of the US\$3 billion project. Raising this size of loan was a major challenge in itself, but the company's task was further complicated by the expansion being undertaken by three different legal entities. Nonetheless, EQUATE's finance team were successful again, in 2006 signing a financing agreement with 33 leading international, regional and local banks for a US\$2.5 billion loan to fund the expansion. The 14-year loan is one of the largest commercial loans raised in the Gulf area and was executed in a record time for a financial arrangement of such size and complexity.

Recruitment for the expansion would be another challenge. Kuwait's job market has always been challenged by an under-supply of technical skills, yet EQUATE Human Resources tackled this challenge, creating a golden opportunity for a young Kuwaiti generation to develop its skills and explore its opportunities in the private sector.

To attract motivated young people, EQUATE launched a media campaign for high school graduates and diploma holders interested in pursuing a career in the field of operations. The young contenders were screened based on a number of selection criteria and candidates were selected to join the unique team-based organization as operators.

EQUATE realized that these young recruits would be the most crucial element of the Greater EQUATE, so the company offered them basic training of EQUATE technical fundamentals for process operators through an intensive training program. The trainees not only showed an ability to learn quickly, but also demonstrated dedication and enthusiasm as they successfully completed the challenging training program.

Sharing success

Success alone is not EQUATE's ambition - sharing success is a key element of the company's identity and is imbedded in its vision and core values. EQUATE's establishers pledged to be a Valued Neighbor to the communities in which they operate and this has always been the case.

EQUATE's added-value to the Kuwait national economy was one facet of fulfilling our pledge. On its own journey from being a trading post for merchants traveling from the East, to

becoming a leading petroleum nation, Kuwait has developed a great model that could be a case study for adaptability to the changing times - as well as a lesson in seizing the opportunities of the future. Kuwait's earliest economic strength was its strategic placement along the spice and silk routes and later the impact from the shipping and pearl industries.

The country truly gained economic recognition, however, with the discovery of oil and its establishment as a major OPEC nation. Since the 1960s, Kuwait's economy has rested almost exclusively on its earnings from oil related products, all of which are produced and exported by government-owned facilities. The addition of EQUATE to the petrochemical arena has affected that balance.

EQUATE's impact on the Kuwaiti economy has been impressive and significant. According to reviews of Kuwait's export income from non-oil sources, ethylene products, which are produced by EQUATE, account for more than 60% of the country's non-oil exports. The impact on the country since the inception of EQUATE has led to a greater diversification of the economy and lessened its dependence on petro-dollar earnings.

Moreover, as EQUATE has proceeded with its expansion plans, it has also been creating more and more job opportunities in the Kuwaiti economy. The Kuwaitization rate at EQUATE is testimonial to this as it steadily increased from 43% in 1996 to 63% in 2006.

Donations have been another way that EQUATE has shared its financial success with society. The EQUATE donation committee, headed by EQUATE's CEO, regularly meets to study the donation requests of various civil society institutions and evaluate their worthiness. The committee has contributed millions of K.D to several health, education and environment institutions and programs to help improve their performance.

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