2009 Annual Review

Cultivating a sustainable future

شركة نفط البحرين ش.م.ب.(مقفلة)

THE BAHRAIN PETROLEUM COMPANY B.S.C. (CLOSED)

Cultivating a Sustainable Future. A reflection of Bapco's commitment to preserving, protecting and nurturing the Kingdom's economic, social and natural environments for the benefit of future generations.
The pioneering strategic projects, and community and social development initiatives implemented today by Bapco are designed to be sustainable in the long-term.

His Royal Highness Prime Minister
Prince Khalifa bin Salman Al-Khalifa

Prime Minister of the Kingdom of Bahrain

His Majesty
King Hamad bin Isa Al-Khalifa

King of the Kingdom of Bahrain

His Royal Highness
Prince Salman bin Hamad Al-Khalifa

Crown Prince, Deputy Supreme Commander
and Economic Development Board Chairman
of the Kingdom of Bahrain

His Royal Highness
Prince Khalifa bin Salman Al-Khalifa
The Prime Minister

Your Highness,

I am deeply honoured to present to you, and to share with the people of Bahrain, this record of the achievements of The Bahrain Petroleum Company B.S.C. (Closed) for the year 2009.

Following the successful commissioning in January 2009 of the landmark US$151 million Refinery Gas Desulphurisation Plant (RGDP), environmental emissions have been significantly cut, in line with Bapco's absolute commitment to preserving, nurturing and enhancing the environment for the long-term benefit of the Kingdom and its people.

The Company's role as an environmental leader will be further enhanced with the completion of the waste-water plant and sewage treatment plants in the near future, as well as the US$430 million Lube Base Oil Plant, which will be commissioned in 2011 and which will produce very high viscosity index Group III lubricant base oils. These are used to manufacture lubricants which meet stringent vehicle emissions standards in the US and Europe, and while it will enhance Bapco's profitability, it also brings substantial environmental benefits.

Given these latest strategic investments, it is appropriate that the theme of this year's Review should be the environment and sustainability. This was underscored in May when Bapco was honoured to receive Her Royal Highness Princess Sabeeka bint Ibrahim Al-Khalifa, who laid the foundation stone for Princess Sabeeka Park, an important community environmental and educational resource in Awali.

Other developments during 2009 promise to usher in a golden age for the Kingdom's hydrocarbons industry by laying the foundations for sustainable long-term economic growth.

A milestone development and production sharing agreement (DPSA) for the onshore Bahrain Field was signed into law which resulted in the formation of Tatweer Petroleum, a joint venture between the National Oil & Gas Authority (NOGA), Occidental Petroleum (OXY) of the USA and Mubadala Development Company of the UAE. Bapco has seconded more than 350 high-calibre personnel to the project, which aims to triple oil output, raise gas production and boost proven hydrocarbon reserves.

The production of Khuff natural gas was also increased and work to upgrade the gas distribution network to meet projected demand commenced, including the extensions to Al-Dur gas-fired power station. Using advanced directional drilling techniques, a new record for the number of Khuff wells drilled during the year was established, and new Gas Dehydration Units were installed in-situ.

Bapco's high-quality standards were again recognised when the Refinery Laboratory won the Air BP Performance Excellence Award for the outstanding quality of Jet A-1 fuel test data.

These remarkable achievements came against a background of some of the most difficult business conditions in Bapco's history. The global economic downturn curtailed crude oil and refined product demand, causing the Company's realised sales prices to decline sharply year-on-year.

However, I am proud to say that Bapco rose to these unprecedented economic challenges. Costs were trimmed across the organisation without compromising safety, and operational efficiencies were enhanced without sacrificing quality and excellence.

This would not have been possible without the skills, dedication and teamwork of Bapco's loyal employees. The Company fully recognises the importance of an empowered, knowledgeable workforce to organisational success and several training programmes in 2009 served to further expand employee capabilities. This included the continuation of Bapco's internationally-recognised Institute of Leadership and Management (ILM) programme, which grooms the Company's leaders of tomorrow.

Twenty-five scholarships were awarded to Bahrainis to study at local and overseas universities, including in high-demand disciplines such as geology, geophysics, petroleum and chemical engineering.

Commitment to developing Bahraini talent extends to the community, and more than 300 university students benefited from on-the-job industrial training in 2009. Meanwhile, 20 Bapco volunteers participated in the InJAz Bahrain educational outreach programme; more than any other organisation in the Kingdom. In total, Bapco contributed more than US$2 million in donations and sponsorships to nurture and support charitable, educational and social programmes in the Kingdom in 2009.

On behalf of the Bapco Board of Directors, management and employees, I offer my wholehearted gratitude to His Majesty the King, to Your Royal Highness, and to His Royal Highness the Crown Prince for the support given to all of us in Bapco as we seek to serve the Government of Bahrain.

Dr. Abdul-Hussain bin Ali Mirza

Minister of Oil and Gas Affairs
Chairman of the National Oil and Gas Authority (NOGA)
Chairman of the Board of Directors
The Bahrain Petroleum Company B.S.C. (Closed)

Highlights of 2009

- Bapco receives Her Royal Highness Princess Sabeeka bint Ibrahim Al-Khalifa on May 21 in an inspirational visit which highlights the Company's environmental improvement and female empowerment initiatives;

- The landmark US$151 million Refinery Gas Desulphurisation Plant (RGDP) is commissioned in January, delivering major environmental benefits;

- Development and Production Sharing Agreement (DPSA) for the Bahrain Field is signed with Occidental Petroleum (OXY) of the USA and Mubadala Development Company of the UAE. This culminates in the formation of Tatweer Petroleum, to which Bapco employees are initially seconded;

- A new shutdown strategy is pioneered on the Low Sulphur Diesel Production (LSDP) complex, resulting in reduced downtime and cost savings;

- An Exploration Production Sharing Agreement is signed with OXY for offshore Blocks 1, 3 and 4, and with Thailand's PTTEP for offshore Block 2;

- More than 4 million employee-hours are achieved without Lost Time Injury at the RGDP plant;

- The upgrade of Sanabis service station is completed;

- Successful and safe 49-day Turnaround & Inspection (T&I) shutdown is executed on the Fluid Catalytic Cracking Unit, one of the largest and most complex in Bapco's history;

- Advanced directional drilling techniques are used to establish a new drilling rate record for Khuff gas wells;

- A tender is offered for the exploration and development of deep gas in Bahrain;

- The Refinery Laboratory receives the Air BP Performance Excellence Award for the outstanding quality of Jet A-1 fuel test data;

- Construction begins on the US$430 million Lube Base Oil Plant (LBOP);

- Work commences to build a natural gas pipeline to supply Al-Dur Water and Power Station;

- 306 Bahrainis benefit from on-the-job industrial training programmes at Bapco;

- Bapco donates US$2 million to community, social and charitable organisations;

The DPSA for the Bahrain Field led to the formation of Tatweer Petroleum, to which Bapco experts are seconded.

2009

Sustainable Development

Bapco is committed to strategic investments, projects and initiatives which secure long-term economic productivity and social wealth for the Kingdom.

Rising to market challenges

Falling international demand for refined products and crude oil because of worldwide recession, as well as planned refinery unit shutdowns, caused exports in 2009 to edge down slightly to 80.9 million barrels from 81.3 million in 2008. The same factors also caused refining margins to drop substantially.

The lion's share of overall refined product exports, led by diesel, was to other Middle East countries (54%), followed by Asia, Africa, South Asia and Europe. The average sales price realised in 2009 for all refined products was US$66 per barrel, well down on the US$104 per barrel achieved in 2008. This reflects the collapse of both the price of crude oil and refinery margins as a consequence of the global recession. However, good premia for finished products, secured by Bapco before the full impact of the recession became apparent, afforded some relief. Maintaining these premia in these difficult trading conditions consumed considerable effort from the marketing team and was achieved while maintaining good relations with major customers.

To counter soft refined product prices, Bapco stepped up efforts to rationalise costs and optimise operational efficiencies.

The total volume of local refined product sales amounted to 9.1 million barrels, led by high octane (Mumtaz) gasoline (32% of sales), diesel (31%) and low octane (Jayyid) gasoline (23%). A total of 14,500 barrels per day (bpd) of Jet A-1 fuel was supplied to Bahrain Aviation Fuelling Company (Bafco) at Bahrain International Airport, of which Bapco's share amounted to approximately 8,700 bpd.

Crude oil exports totalled 55.5 million barrels, one million barrels more than in 2008, predominantly to the Far East (almost 73% of total exports). However, the average sales price realised for Abu Safah crude dropped to approximately US$61 per barrel, against US$91 per barrel in 2008. The Kingdom of Bahrain holds an equity share of 150,000 bpd in output from the Abu Safah offshore field.

International crude oil prices generally tracked a tentative global economic recovery towards the end of 2009, rising from US$42 per barrel in February to US$75 per barrel in November.

Bapco's export capabilities were enhanced in 2009 with the commissioning of a 7.5km low-sulphur diesel supply line from the Sitra Tank Farm to the Marine Wharf. Furthermore, the ability to satisfy local needs was enhanced through the implementation of a new automation system at the Sitra Marketing Terminal to more accurately control tanker loading and increase throughput.

	2009	2008
Refined product exports (million barrels)	80.9	81.3
Crude oil exports (million barrels)	55.5	54.5
Average sales price for Abu Safah crude (US$/barrel)	61	91
Crude production from Bahrain Field (bpd)	32,192	32,861
Gas production (mmscfd)	1,207	1,192
Average refinery crude run (bpd)	255,900	257,400

Sustainable Development 1

Global citizenship

High-value petroleum products exported from Bahrain satisfied world-class standards of environmental compliance.

Landmark projects define 2009

2009 was notable for landmark agreements and progress on strategic investment projects which promise massive long-term economic rewards for Bahrain. A brief overview follows:

1. Development and Production Sharing Agreement (DPSA)

In April, a DPSA, Joint Operating Agreement and Shareholders Agreement were signed between Bahrain's National Oil & Gas Authority (NOGA), Occidental Petroleum (OXY) of the United States and Mubadala Development Company of the UAE for the Bahrain Field Phased Development Project (BFPDP).

In November a Joint Operating Company, Tatweer Petroleum Bahrain Field Development Company (Tatweer Petroleum) was formed to operate the onshore Bahrain Field.

Bapco is fully committed to supporting efforts to increase the contribution of the oil and gas sector to the Kingdom's economy. To date, Bapco has seconded more than 350 employees to Tatweer Petroleum for the BFPDP.

The BFPDP will leverage enhanced oil recovery techniques to revitalise oil and gas production, eventually tripling oil production capacity to more than 100,000 barrels per day (bpd) within seven years. Natural gas production will rise from 1,200 million standard cubic feet per day (mmscfd) presently to more than 2,500 mmscfd. The project also seeks to increase the proven oil and gas reserves of the Bahrain Field.

2. Offshore Exploration

Following successful geological and geophysical studies, OXY entered the first exploration phase for Blocks 3 and 4 in February. OXY plan to spud a first exploratory well in January 2010, and signed a drilling contract to that effect with Nobel Drilling Services of the USA.

The Petroleum Authority of Thailand Exploration & Production (PTTEP) started the first exploration phase in Block 2 following geological, well log correlation, seismic sequence, basin modeling and geophysical studies, and 2D seismic data were acquired to identify the drillable prospect.

OXY is carrying out a one-year geological and geophysical study on Block 1 under an Exploration and Production Sharing Agreement (EPSA) which became effective in April 2009. The study includes seismic data reprocessing, geochemical surveys and a seismic sequence study.

Initiatives to raise oil and gas production in Bahrain promise a new era of economic prosperity.

The state-of-the-art Lube Base Oil Plant (LBOP) will enhance Bapco's profitability.

3. Onshore Exploration

A new onshore Block was identified in 2009, separate from the Bahrain Field and a new Onshore Block Bid Round was due to be launched and promoted early in 2010.

4. Deep Gas Initiative

The Deep Gas Initiative aims to discover additional onshore gas reserves from deep pre-Unayzah reservoirs to meet rising gas demand in Bahrain. More than 20 international oil companies (IOCs) visited the Bapco data room from February to April to review geological and geophysical reservoir data following a successful deep gas onshore block bid round in late 2008.

Bids were received from OXY and Canadian Natural Resources, and these were evaluated by a Bapco technical group and independent project consultants to ensure fairness and transparency in the selection process.

5. Expanding Natural Gas Transmission Network

Progress was made to extend the integrated high-pressure natural gas network to the Al-Dur Water and Power Station in the south of the Kingdom through a new 13.5km-long, 20-inch gas pipeline.

The project comprises two phases. In the first, a 20-inch gas pipeline will be laid, a distribution point at Bahrain Field area developed, and one 20-inch pipelines laid from Al-Dur distribution point to Al-Dur Metering Station. The second phase involves the laying of an additional 20-inch gas pipeline to Al-Dur distribution point and a second 20-inch pipeline from Al–Dur distribution point to Al-Dur Metering Station, to support the medium-term expansion of the facility.

Bapco is contracted to supply the power station with 180 mmscfd of gas by 2010, 362 mmscfd by 2011 and 545 mmscfd by 2015. The power station is a vital component in Bahrain's future power supply infrastructure.

6. Lube Base Oil Plant

Construction began on the Lube Base Oil Plant (LBOP) in both the refinery and Sitra. By year-end, construction was 35% complete and the project 52% complete overall. Plant equipment is being manufactured in Bahrain, Japan, South Korea, UK, Europe and the USA. All storage tanks and main columns are manufactured in Bahrain.

The LBOP is a joint venture between Bapco (27.5%), Nogaholding - a subsidiary of Bahrain's National Oil & Gas Authority - (27.5%) and Neste Oil of Finland (45%). Bapco will operate and maintain the plant on behalf of the joint venture while Neste Oil will market the products. A new company, the Bahrain Lube Base Oil Company (BLBOC), was established in 2009 to manage and operate the plant on behalf of the joint venture.

The Engineering, Procurement and Construction (EPC) contractor is Samsung Engineering Company Ltd of South Korea, and the project is progressing to cost and schedule targets.

When onstream in late 2011, the plant will take feedstock from the bottoms of the hydrocracker unit to manufacture up to 420,000 metric tonnes per year of very high viscosity index (VHVI) Group III lubricant base oils, using catalytic iso-dewaxing technology from Chevron Lummus Global.

The LBOP will enhance Bapco's profitability by manufacturing higher-value products.

Expanding the natural gas network in Bahrain is crucial to meeting future demand from an expanding economy.

Excellence in environmental stewardship

The Company continued to develop and implement projects which set ever-higher standards of excellence in environmental stewardship to protect and preserve the Kingdom's ecological heritage for future generations. 2009 marked a vintage year in this regard.

Inspirational Royal Visit

One of the most prestigious events in Bapco's long history took place on May 21 when the Company received Her Royal Highness Princess Sabeeka bint Ibrahim Al-Khalifa, wife of His Majesty King Hamad bin Isa Al-Khalifa and chairwoman of the Supreme Council for Women.

The visit put into sharp focus the green initiatives undertaken by Bapco, and the Company was honoured to have Her Royal Highness inaugurate two community environment projects on the day.

Her Royal Highness laid the foundation stone for the 46,000 sq m Princess Sabeeka Park, construction of which was completed early in 2010. The Park is a unique recreational and educational community project featuring native Bahraini flora, including several species of palm tree.

The Park also features a renewable energy laboratory built in Germany. The module, the first facility of its kind in the Kingdom, will use solar, wind and hydrogen power to generate 5kW of electricity to run lighting and equipment in the Park. It was developed in line with Bapco's objectives to conserve energy and increase public awareness about the use of renewable energy.

Princess Sabeeka Environmental Island, located at the refinery, was also named during the visit. The man-made island, created in a cooling water and firefighting effluent lagoon adjacent to the refinery, is a haven for migrating birds and native flora, while the surrounding waters are home to small fish and flamingoes.

RGDP: The Jewel in the Crown

The US$151 million Refinery Gas Desulphurisation Plant (RGDP), the jewel in the crown of a US$400 million, 10-year environmental compliance investment programme, was commissioned in January and represents a major step towards the objective of turning the refinery into one of the world's greenest and cleanest.

Completed safely in 32 months, the RGDP incorporates state-of-the-art environmental design excellence features, including a new 225 tonnes-per-day (tpd) sulphur recovery unit (SRU), a tail gas treating unit (TGTU) which

The RGDP lies at the heart of Bapco's environmental compliance programme.

Turning the refinery into one of the world's greenest is a core RGDP objective.

increases sulphur recovery to more than 99.5%, two 300 gallons-per-minute sour water stripping (SWS) units, a new olefinic gas treatment unit (OGTU) and upgraded amine treating units.

Refinery ambient air and effluent water quality have improved dramatically since commissioning. Sulphur in refinery off-gas streams is less than 150 parts per million (ppm), well below current regulation limits, in anticipation of tighter future regulations. As a result, sulphur emissions have plunged by 95% to well within local and World Health Organisation (WHO) limits. Steam stripping technology has also reduced pollutant levels in effluent water to the extent that it is now an acceptable feedstock for a biological waste-water treatment project, based on Membrane Bio-Reactor technology, currently under design.

Bapco's waste water is challenging to treat because of its high salinity, high temperature and the stringent specifications on treated water set by the Government of Bahrain. Bapco is employing state-of-the-art technology and advanced processes to ensure processing is effective.

ISO 14001:2004

Bapco was presented with the prestigious ISO 14001:2004 certification in January in recognition of the environmental management system (EMS) it has implemented. This achievement was reinforced in June with a successful surveillance audit of Bapco's EMS by Bureau Veritas.

Other environment-related achievements in 2009:

- A three-day oil spill response workshop and boom deployment exercise was held in October. It was facilitated by Oil Spill Response Limited (OSRL), Bapco's Tier-2 and Tier-3 Oil Spill Response Contractor and accredited training provider;
- Considerable success was achieved in finding ways to recycle/reuse and treat solid wastes.

Bapco stepped up efforts to conserve valuable resources and save costs, including those of its Oil Loss Committee, and conducted a comprehensive preventive maintenance programme on units to maximise operational efficiencies and minimise leaks.

Three advanced process control applications, utilising state-of-the-art multi-variable control technology, were also successfully commissioned on process heaters in the refinery and have helped reduce excess oxygen emissions and conserve energy by up to 2% per heater.

Bapco Green School Award

The Bapco Green School Award is an annual initiative, run in association with the Ministry of Education, to encourage secondary school students to participate in eco-related projects such as water and energy conservation and recycling.

Muharraq Secondary Girls School was the 2008/2009 academic year award winner, submitting a project which involved converting organic school waste into biogas fuel as an environmentally-friendly alternative to disposing of the waste in landfill. As winners, the school is flying the Bapco Green School Award flag for one year.

A cooling water lagoon at the Bapco refinery is a haven for native flora.

Managing the Bahrain Field

Bapco achieved average daily oil production from the onshore Bahrain Field of 32,192 barrels in 2009, a slight decrease from 32,861 barrels per day in 2008.

A preventive maintenance programme to enhance the integrity of field assets helped minimise the production decline.

An aggressive development drilling programme for the 2009-2011 period is underway. A total of 104 wells are targeted in the programme, including complex directional, horizontal and re-entry wells as well as conventional vertical wells.

The 48 shallow wells development drilling programme was concluded in April 2009, being the culmination of a programme started in 2006 to drill 36 shallow vertical wells and 12 directional wells.

Gas production averaged 1,207 million standard cubic feet per day (mmscfd) in 2009, up 15 mmscfd from the 2008 average and meeting current demand in Bahrain.

A control room at the Central Gas Dehydration Unit (CGDU) is part of the advanced gas production and transmission network.

However, increasing gas production capacity from Khuff reservoirs is vital to meeting projected demand from power generation and industrial sectors in the Kingdom. To this end, the US$200 million 2007-2011 Khuff development drilling and workover programme aims to raise capacity by 500 mmscfd by drilling eight new deep Khuff gas wells, working over five existing wells and expanding the gas distribution network.

Three new gas wells were successfully completed. The first (No. 866) was drilled vertically into the Khuff formation and achieved new drilling rate records. The second (No. 869) was the first directional gas well drilled in Bahrain to a depth of 12,325 feet into the Pre-Khuff formation. The third (No. 868) was drilled and completed vertically into the Pre-Khuff formation. A rig was mobilised to the fourth (No. 870) where drilling operations started.

Directional drilling enhances wellbore production capacity compared to vertically-drilled wells. Furthermore, all newly-drilled wells are equipped with seven-inch diameter production tubing, compared to five-inch tubing used previously, further boosting output capacity.

The programme also includes the installation of seven new gas dehydration units (GDUs) in the Bahrain Field. Major GDU components were delivered during the fourth quarter of 2009.

Four gas wells and three GDUs are expected to be feeding the gas network by summer 2010.

Bapco also took steps to enhance the mechanical integrity and reliability of high-pressure gas pipelines in the Bahrain Field.

Sustainable Development 2

Soaring Ambitions

Strategic upstream initiatives promise long-term economic vitality with reduced environmental impact.

More refining records and awards

The average crude run to the refinery in 2009 was 255,900 barrels per day (bpd), of which 32,190 bpd was supplied from the Bahrain Field. The outstanding balance was supplied through the A-B pipeline as Arabian Light crude.

This exceeded the budgeted 2009 crude run by 3,100 bpd, thanks in part to improved flow speeds in the A-B pipeline and despite a major Turnaround & Inspection (T&I) shutdown during February and March.

Careful planning and execution of T&Is and shutdowns is critical to worker safety, optimising output and minimising costs, and notable achievements were made in this regard. All shutdowns were successfully completed without a Lost Time Injury. A 49-day T&I shutdown on the Fluid Catalytic Cracking Unit (FCCU) was one of the largest and most complex in Bapco's history, but was completed under budget and four days ahead of schedule.

The Bapco Refinery Laboratory is a byword for precision.

The Low Sulphur Diesel Production (LSDP) complex underwent a catalyst change shutdown for the first time. This was also completed under budget and on schedule.

Planned T&Is, the first-quarter commissioning of the RGDP, unplanned shutdowns of a Crude Distillation Unit and a Hydrogen Plant, and Hydrocracker Unit slowdown contributed to a reduced plant operational availability of 94.9%.

However, several new refining records were achieved in 2009, including:
- Highest gross kerosene yield at 26.2%v;
- Lowest heavy ends yield (fuel oil and asphalt) at 19.2%v;
- Lowest mass loss at 0.58wt%.

Heavy oil throughputs to the FCCU fell from record highs in 2008 to 5,100 bpd, due to the FCCU T&I. However, Bapco continues to explore ways to maximise heavy oil inclusion to the FCCU to enhance profitability.

The Refinery Laboratory received the prestigious Performance Excellence Award from Air BP's Aviation Fuel Laboratory Scheme (AFLS). The award reflects the high precision of Bapco test data and stringent quality control of process samples, and builds on the excellent international reputation of the Laboratory. In addition to helping improve performance, the AFLS also enables the Refinery Laboratory to share technical knowledge and expertise with other testing laboratories worldwide.

A refinery reliability clock (RRC) was implemented in July to motivate employees to work towards the shared goal of no unplanned shutdowns between turnarounds. The RRC measures the number of days the refinery remained online for more than 24 hours without a core unit shutdown. The initial target was set at 90 days, and was achieved on November 2, thereby creating a new record for the refinery.

Sustainable Development 3

Exacting Standards

Stringent testing procedures ensure Bapco products satisfy market specifications and are coveted internationally.

Investing in people to meet skills needs

Bapco is committed to investing in Bahraini talent to meet its future skills and management requirements.

The revitalised Bapco Scholarships Awards programme aims to meet the long-term requirement for high-flying, qualified Bahrainis, particularly in the technical disciplines of geology, geophysics, petroleum and chemical engineering, where Bapco anticipates future skills shortages.

Twenty-five scholarships were awarded in 2009 - 13 to graduates and 12 to existing Bapco employees. This brings to 55 the total number of Bapco scholars on full- or part-time courses in Bahrain, Australia, Jordan, Saudi Arabia and the UK.

Eight employee scholars graduated in 2009, two with First Class Honours. Nineteen graduate scholars completed National Diploma in Chemical Technology programmes at the Bahrain Training Institute, while six completed Bachelor Degrees in Chemical Engineering at the University of Bahrain.

Bapco employees benefit from structured training programmes.

Two scholars won top student awards in foundation studies programmes at the Universities of Newcastle-upon-Tyne and Nottingham in the UK.

Support for the Crown Prince International Scholarships Programme (CPISP) continued as Bapco funded scholarships and mentors and provided practical training opportunities. Presentations on geology, geophysics and chemical engineering were made to 30 CPISP students hoping to be considered in the 2010 graduate scholarship selection process.

Significant strides were made to upgrade employee skills. Bapco's status as an awarding centre for internationally-recognised Institute of Leadership and Management (ILM) qualifications was re-confirmed and a second group of 15 Bapco ILM candidates was awarded Certificates in Management at Level 3 in June. A third group commenced studies, benefitting from a dedicated website which enables a blended learning approach to ILM qualifications. The ILM programme addresses Bapco's succession planning requirements by grooming future managers.

Seventy-eight employees benefited from the structured approach to on-the-job training afforded by Individual Development Programmes, including special projects and rotational assignments, English language, technical, supervisory, IT skills and environmental, health and safety.

Other achievements included:

- 109 Security Department employees underwent the first phase of the two-year 'Skills and Knowledge Enhancement' training programme to build proficiency in English, mathematics, and information and communications technology;
- 248 employees attended English language courses, achieving 100% pass rates for external examinations;
- Thirty medically-restricted employees received competency certificates from a UK award body following a nine-month upskilling programme.

Sustainable Development 4

Future Foundations

Training and scholarship programmes address specific skills needs to enhance the organisation's long-term capabilities.

Technology improves performance, enhances efficiency, cuts costs

Advanced technologies are critical to optimising performance, maximising efficiencies and reducing costs across all operations.

Bapco further embraced electronic business concepts in 2009, in line with the broader national e-government initiative.

Fine-tuning and streamlining of Bapco's e-procurement and e-tendering systems has reduced process times and enabled stock levels to be reduced. Electronic implementation of the Bahrain Tender Law has also enhanced contract award transparency by offering a full electronic audit trail.

Bapco led a collaborative exercise, initiated by Tamkeen (Labour Fund) and supported by the Bahrain Tender Board and eight major companies in the Kingdom, to define the requirements for a local e-marketplace and purchasing card solution for Bahrain. Bapco and Tamkeen also co-funded an initiative to familiarise small and medium-sized enterprises (SMEs) with e-procurement processes.

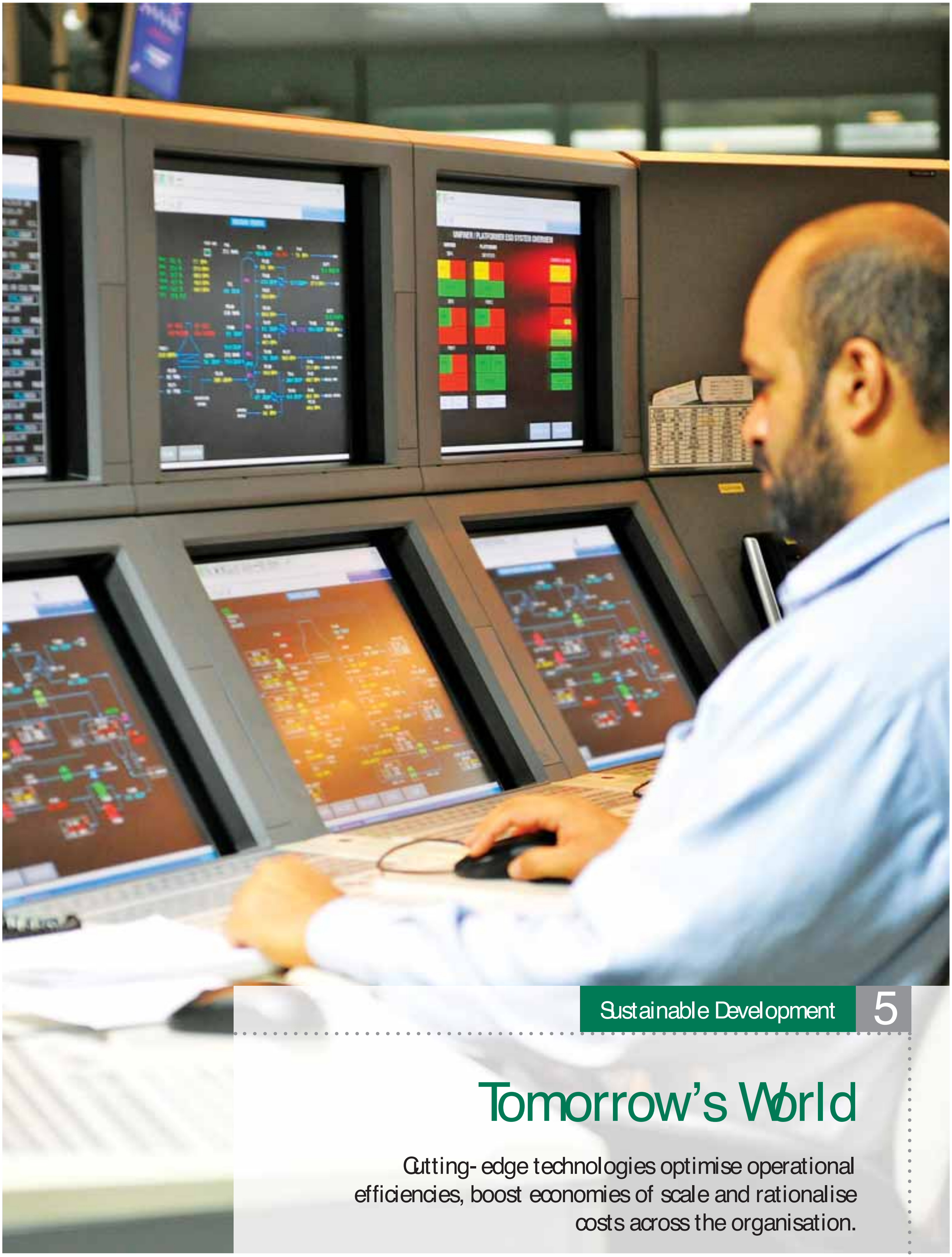
Other technology-related developments in 2009 included:

- Implementation of a Microsoft Enterprise Project Management tool to manage major and interlinked IT projects at Bapco;
- Selection of Schlumberger to implement an expanded Geographical Information System (GIS) capability which brings onto one platform data from different areas of the organisation;
- South Process Distributed Control System (DCS) consoles were upgraded and relocated from the South Process Control Building to the new, modern control room for the Low Sulphur Diesel complex.

August 2009 marked the dawning of a new era at Bapco with the launch of the Oracle Refining and Marketing Application, which now handles sales orders, product shipping and the control of crude and refinery products.

The IBM Mainframe was also shut down after 46 years' reliable operation.

Complex refinery operations rely on the latest technologies.



Sustainable Development 5

Tomorrow's World

Cutting-edge technologies optimise operational efficiencies, boost economies of scale and rationalise costs across the organisation.

No-compromise approach to Health & Safety

New standards of excellence were set as Bapco's uncompromising approach to health and safety from shop floor to boardroom paid off.

Several milestones were reached in 2009, including:

- More than 4 million employee-hours were achieved without Lost Time Injury (LTI) on the RGDP project,
- Three shutdowns were completed during the year without a Bapco LTI; (there was 1 contractor LTI). Over 760,000 employee-hours were worked during shutdowns.
- 3.8 million employee-hours without a LTI were completed by Bapco contractors in January 2009; the previous LTI was in September 2007.
- Three million Bapco employee-hours were completed without a LTI in September 2009 and 4 million in December 2009.

To improve critical employee behaviours, the Behavioural Observations Obtain Safe Trends (BOOST) concept was expanded to include 442 trained observers who submitted more than 6,000 observations, up from 340 trained observers and 1,500 observations submitted in 2008. The BOOST concept empowers Bapco employees to take collective and personal responsibility for health and safety issues.

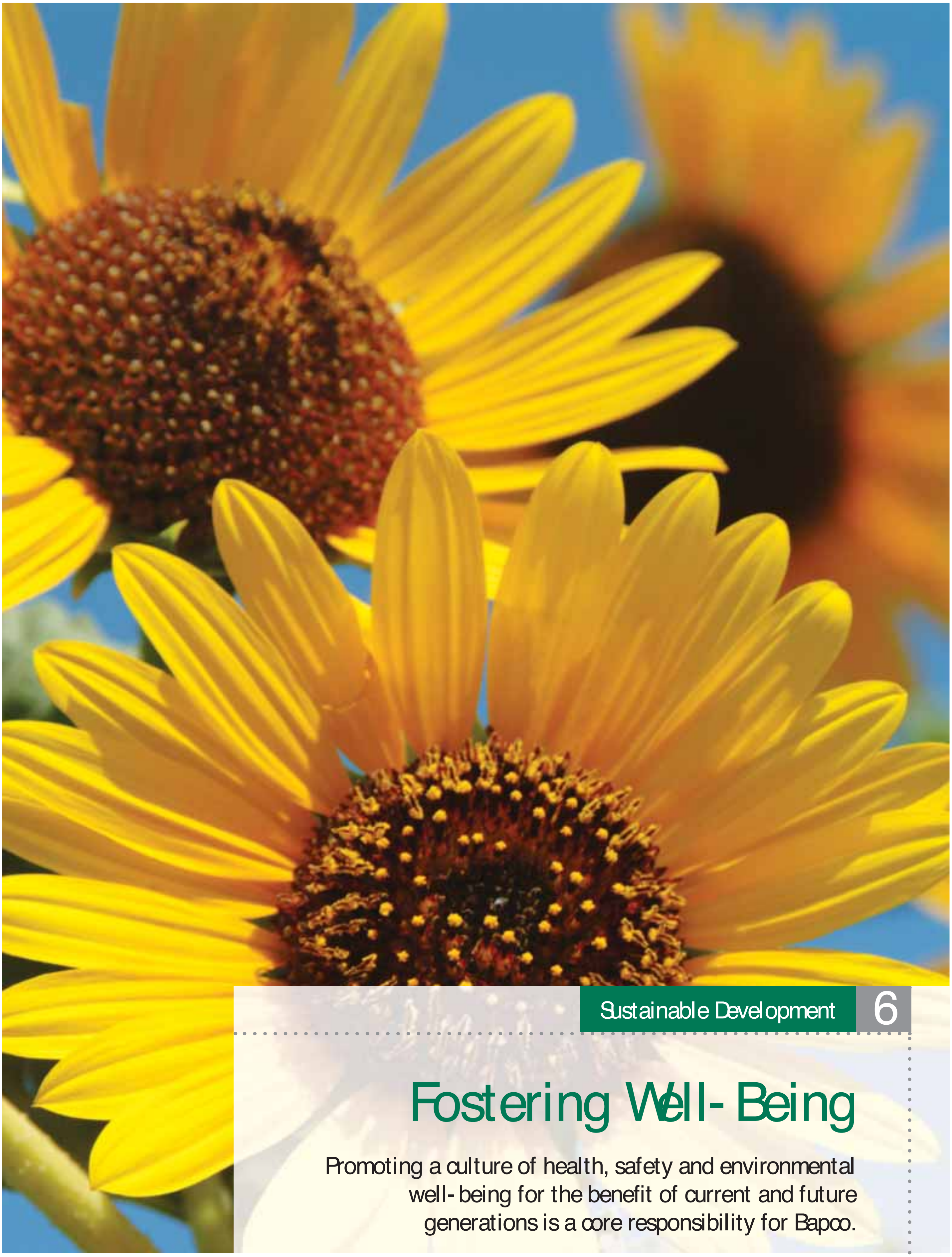
In January, the British Standards Institution recommended Bapco's transition to the new quality standard, ISO 9001:2008, with the inclusion of the Marketing Division.

The first 2009 compliance audit of the OHSAS 18001:2007 safety standard was successfully conducted by Det Norske Veritas (DNV) with zero non-conformities identified.

Concern for employee well-being continued with the formation of a dedicated Health Promotion Committee. Campaigns were conducted by qualified health staff, in association with the Ministry of Health, to raise awareness of topical health issues such as breast health, obesity, diabetes, smoking, cardiovascular diseases and swine flu (H1N1). An Ergonomics Week campaign was also held for the first time.

The Awali Hospital and Refinery Clinic continued to deliver superior service, and the provision of services by Awali Hospital was augmented in 2009 with new and refurbished facilities.

The Awali Hospital laboratory delivers first-class healthcare to employees and the wider community.



Sustainable Development 6

Fostering Well-Being

Promoting a culture of health, safety and environmental well-being for the benefit of current and future generations is a core responsibility for Bapco.

Connecting with the community

Bapco's role as a national economic pillar extends to providing financial and resource support for diverse community, social, educational and business development projects in Bahrain.

A total of US$2 million was invested in 2009 on donations and sponsorships to worthy causes in the Kingdom, while Bapco extended human and material resources to a variety of community outreach initiatives.

This included InJAz Bahrain, a national activity-based programme which equips young Bahrainis with personal and professional life skills. Twenty Bapco volunteers gave their time in secondary school classrooms, more than any other company in the Kingdom, and this reinforced the Company's status as a role model for proactive community engagement.

Sponsorship of the British Chevening Scholarship Scheme for 2009-2010 was renewed, enabling talented Bahraini graduates to attend post-graduate courses in the UK.

A total of 306 Bahraini university students benefited from on-the-job training under Bapco's industrial training programme.

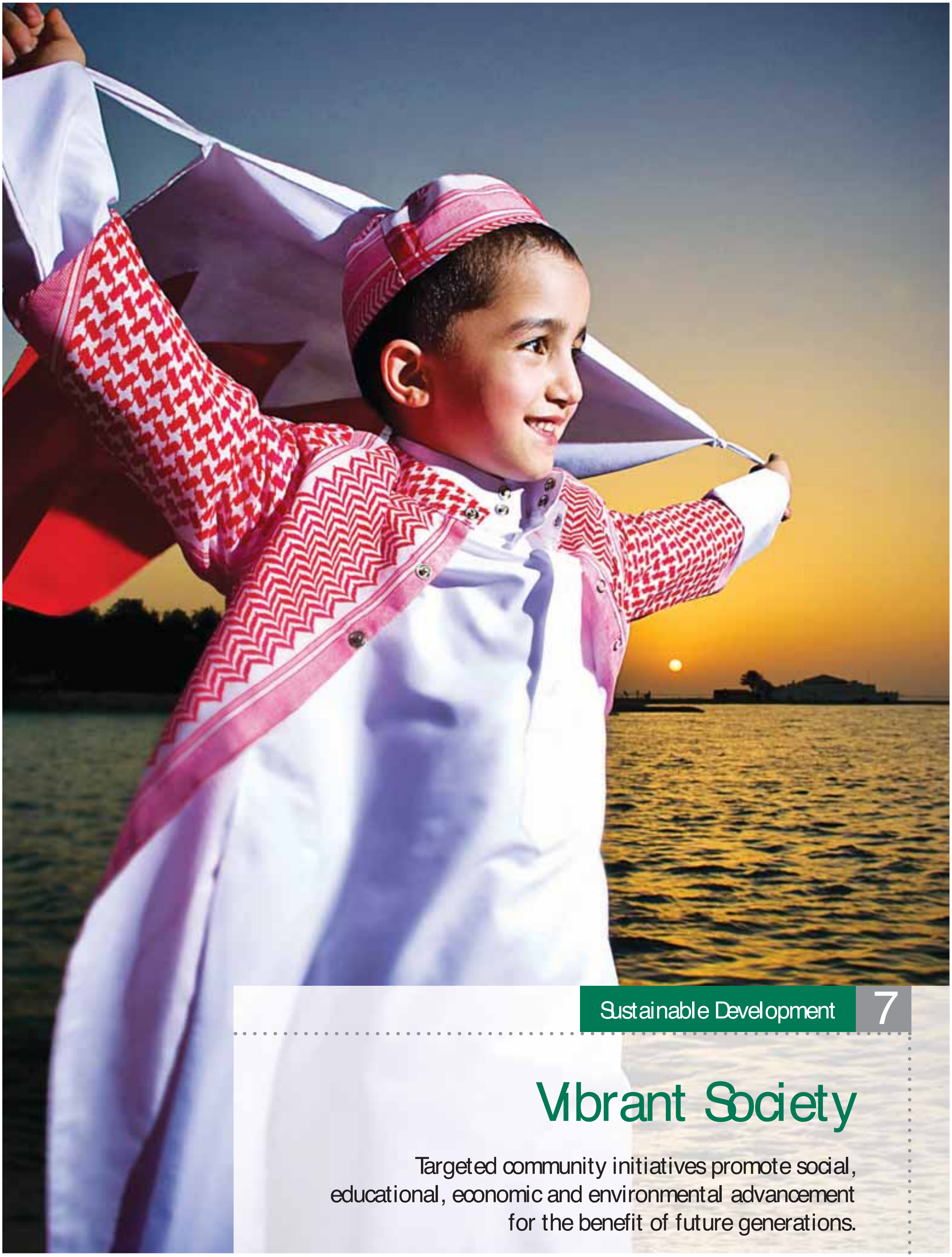
In conjunction with the Ministries of Health and Education, qualified Bapco health staff delivered throughout the year presentations in schools, clubs and charitable organisations on topical health issues including diabetes, obesity, smoking, cardiovascular diseases and swine flu (H1N1).

The Company renewed its main sponsorship for the Bahrain International Circuit (BIC), which successfully hosted the 2009 Bahrain Grand Prix, and broadened its motor sport links by continuing to sponsor promising Bahraini driver Hamad Al-Fardan to compete in the GP2 Championship in Europe.

Bapco also supported a wide range of trade and career fairs held in the Kingdom.

Young Bahrainis benefit from Bapco's commitment to community engagement, including through the InJaz Bahrain programme.

Industrial training programmes prepare talented Bahrainis for future careers.



Sustainable Development 7

Vibrant Society

Targeted community initiatives promote social, educational, economic and environmental advancement for the benefit of future generations.

Wise strategies promise long-term success

Bapco is confident that the strategies and investments it is putting in place today will enable it to deliver sustained long-term growth and deal effectively with the challenges of an increasingly connected global market.

The emergence of China, India and Brazil as major economies and the return of the global economy to growth will drive demand for oil and gas. This will require exploration for, and production of new oil and gas reserves, and the production of fuels and other derivatives which meet increasingly stringent quality specifications.

Bapco will continue to enhance its reputation for innovation and willingness to embrace change, as we believe these will be core attributes of any successful enterprise in this period of rapid and significant change.

Next-generation technologies will be embraced and leveraged across the organisation, from advanced upstream enhanced oil recovery techniques to downstream proprietary processes. This philosophy is being applied not only to profit-improving activities but all facets of the business, including safety and care for the environment. For example, the waste-water treatment project is adopting the latest technologies to ensure it can deal with the unique characteristics and requirements of Bapco to deliver highest quality treated effluent.

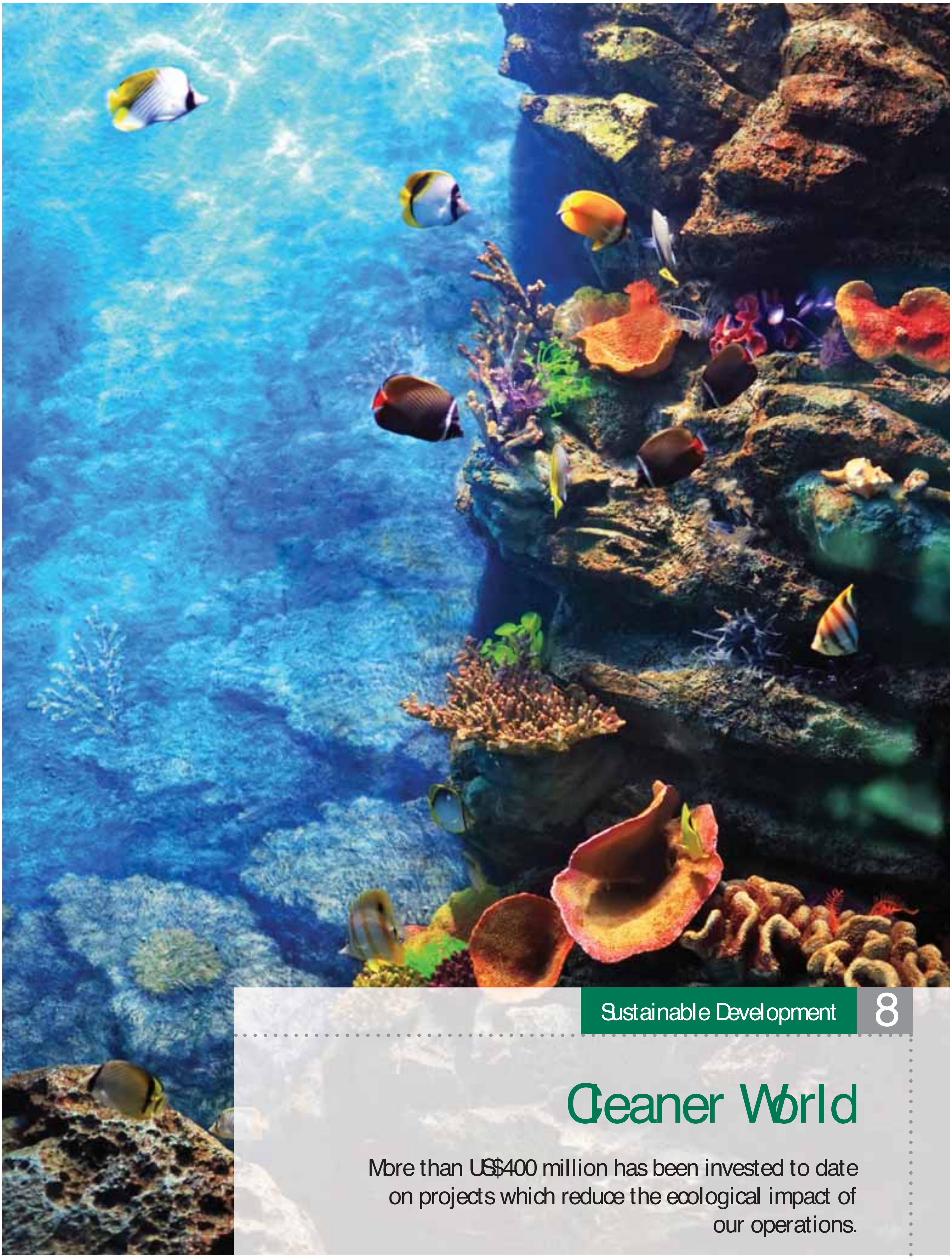
Bapco looks forward to playing an integral role in the Government of Bahrain's Economic Vision 2030, providing not only the raw energy resources to drive the economy but also collaborating with other large organisations in the Kingdom to further develop infrastructure capable of delivering excellence in the 21st century.

However, the Company will never rest on its laurels, and will continue to strive for excellence. It will seek to better understand global product demand patterns and invest in response to these insights so that it continues to satisfy customers' needs. It will also continue to drive operational performance and benchmark levels through the application of knowledge and experience, gained from the best in the world.

Bapco has emerged from unprecedented global economic volatility stronger and more dynamic. These qualities will be instrumental in ensuring its pioneering legacy.

Developing Bahraini talent is integral to the bright future of the organisation and the wider economy.

Bapco is building a greener world.



Sustainable Development 8

Cleaner World

More than US$400 million has been invested to date on projects which reduce the ecological impact of our operations.

مجلس الإدارة
Board of Directors

سعادة الدكتور عبدالحسين بن علي ميرزا
رئيس اللجنة العليا لإدارة بابكو
H.E. Dr. Abdul-Hussain bin Ali Mirza
Chairman

الدكتور مصطفى علي السيد
عضواً
Dr. Mostafa Ali Al-Sayyed
Member

سعادة السيد رشيد محمد المعراج
عضواً
H.E. Rasheed Mohammed Al-Me'araj
Member

السيد يوسف عبدالحسين خلف
عضواً
Yousuf Abdul Hussain Khalaf
Member

المهندس عبدالرحمن عبدالحسين جواهري
عضواً
Eng. Abdul Rahman Abdul Hussain Jawahery
Member

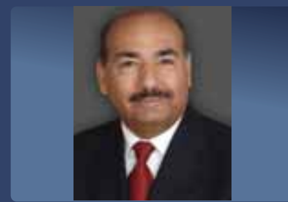
سعادة الشيخ محمد بن خليفة بن أحمد آل خليفة
عضواً
H.E. Shaikh Mohammed bin Khalifa bin Ahmed Al-Khalifa
Member

العقيد باسم يعقوب الحمر
عضواً
Brigadier Bassem Yacoub Al Hamar
Member

الإدارة التنفيذية

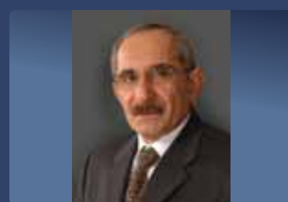
Executive Management

فيصل المحروس
الرئيس التنفيذي بالوكالة
Faisal Al-Mahroos
Acting Chief Executive (incoming)



عبدالكريم السيد
الرئيس التنفيذي السابق
Abdulkarim Al-Sayed
Chief Executive (outgoing)

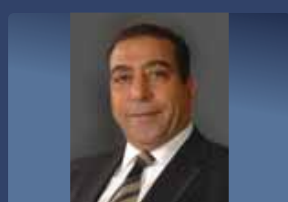
الدكتور إيون تيرنبل
نائب الرئيس التنفيذي
للتكرير والتسويق
Dr. Eion Turnbull
Deputy Chief Executive
Refining and Marketing



عادل المؤيد
نائب الرئيس التنفيذي
للاستكشاف والانتاج
Adel Al-Moayyed
Deputy Chief Executive
Exploration and Production

عبدالرحمن عبدالرحيم
مدير عام
الإنتاج والحفر
A. Rahman A. Rahim
General Manager
Production and Drilling

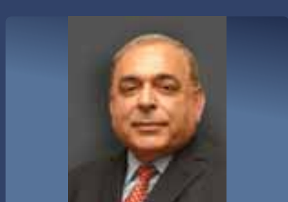
عيسى الأنصاري
مدير عام
الشئون الهندسية
Essa Al-Ansari
General Manager
Engineering



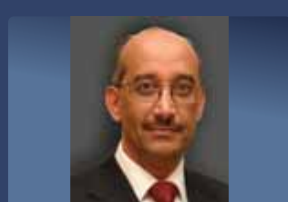
حسين الأنصاري
مدير عام
الصيانة
Hussain Al-Ansari
General Manager
Maintenance

نوروز فراز
مدير عام
التسويق
Nowrooz Faraz
General Manager
Marketing

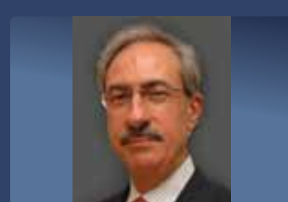
أنور خلف
مدير عام
الاستكشاف وهندسة البترول
Anwar Khalaf
General Manager
Exploration and Petroleum Engineering



محمود العلوي
مدير عام
الشئون المالية وتقنية المعلومات
Mahmood Al-Alawi
General Manager
Finance and IT



محمد الجامع
مدير عام
الموارد البشرية والشئون الإدارية
Mohamed Al-Jamea
General Manager
HR and Administration



الدكتور داود نصيف
مدير عام
الاستراتيجية وتطوير شئون العمل
Dr. Dawood V. Nassif
General Manager
Strategy and Business Development

إبراهيم طالب
مدير عام التكرير
Ebrahim Talib
General Manager
Refining