BASE PROSPECTUS DATED 26 APRIL 2021

OQ SAOC

(*incorporated as a closed joint stock company in the Sultanate of Oman*)

U.S.$2,000,000,000
GLOBAL MEDIUM TERM NOTE PROGRAMME

Under this Global Medium Term Note Programme (the **Programme**), OQ SAOC (the **Issuer** or **OQ**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview*" and any additional Dealer appointed under the Programme from time to time (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "*Risk Factors*".
This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the **FCA**), as competent authority under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK Prospectus Regulation**). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuer that is the subject of this Base Prospectus or of the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's main market.

Unless the context otherwise requires, references in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a UK regulated market as defined in UK MiFIR. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The requirement to publish a prospectus under Regulation (EU) 2017/1129 (the **Prospectus Regulation**) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (**EEA**) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The requirement to publish a prospectus under the Financial Services and Markets Act 2000 (**FSMA**) only applies to Notes which are admitted to trading on a UK regulated market as defined in UK MiFIR and/or offered to the public in the United Kingdom (**UK**) other than in circumstances where an exemption is available under section 86 of the FSMA. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Regulation and the FSMA. The FCA has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which (in the case of Notes to be listed on the London Stock Exchange) will be delivered to the FCA and the London Stock Exchange.

Copies of the Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been nor will be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or any U.S. state securities laws and the Notes may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Notes are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (**Regulation S**) under the Securities Act and within the United States only to persons who are "qualified institutional buyers" (**QIBs**) in reliance on Rule 144A (**Rule 144A**) under the Securities Act. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".
The Issuer has been assigned a rating of BB- by Fitch Ratings Ltd (**Fitch**) with a negative outlook. The Programme has been rated BB- by Fitch. As at the date of this Prospectus, Fitch is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended, the **CRA Regulation**). The ratings issued by Fitch have been endorsed by Fitch Ratings Ireland Limited in accordance with the CRA Regulation. Fitch Ratings Ireland Limited is established in the European Union ("**EU**") and registered under the CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-andcertified-CRAs) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by Fitch or any other rating agencies. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arrangers and Dealers

Citigroup **HSBC** **J.P. Morgan**

The date of this Base Prospectus is 26 April 2021

IMPORTANT NOTICE

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 8 of the UK Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Base Prospectus and the Final Terms (or Pricing Supplement, in the case of Exempt Notes) for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts and the Base Prospectus makes no omission likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as supplemented by the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). This Base Prospectus must be read and construed together with any amendments or supplements hereto and, in relation to any Tranche of Notes which is the subject of Final Terms (or a Pricing Supplement, in the case of Exempt Notes) must be read and construed together with the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

Certain information under the headings "*Risk Factors*", "*Description of the Group*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*", and "*Book-Entry Clearance Systems*" has been extracted from the following public official sources: the European Central Bank, information provided by the Organisation of the Petroleum Exporting Countries, the World Bank, the Organisation for Economic Co-operation and Development, the Economic Intelligence Unit, the International Monetary Fund, the British Petroleum – Energy Outlook 2020, the U.S. Energy Information Administration, the International Energy Agency, the International Maritime Organisation, the McKinsey & Company, the United Nations Environment Program, the European Chemical Industry Council, the Central Bank of Oman, Reuters and The Depositary Trust Company.

The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers (as defined below) or the Dealers as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes. Neither the Arrangers nor the Dealers nor any of their respective affiliates accept any responsibility or liability in relation to the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or the Notes, or for any acts or omissions of the Issuer or any other person in connection with this Base Prospectus, the Programme or the Notes.

No person is, or has been authorised by, the Issuer, the Arrangers or the Dealers to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arrangers or any of the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Arrangers or any of the Dealers that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own

independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Arrangers or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes of any information coming to their attention.

Amounts payable on Floating Rate Notes will be calculated by reference to one of BBSW, BHIBOR, BKBM, CHF LIBOR, EIBOR, EURIBOR, GBP LIBOR, HIBOR, JPY LIBOR, KIBOR, KLIBOR, LIBOR, MIBOR, OMIBOR, PRIBOR, QIBOR, SAIBOR, SHIBOR, SIBOR, TIBOR or TRLIBOR or TRYLIBOR as specified in the relevant Final Terms (or relevant Pricing Supplement, in the case of Exempt Notes). As at the date of this Base Prospectus, the administrators of CHF LIBOR, JPY LIBOR, LIBOR, SAIBOR, SIBOR, KLIBOR and GBP LIBOR are included in the register of administrators of the FCA under Article 36 of Regulation (EU) No 2016/1011 as it forms part of domestic law by virtue of the EUWA (the UK Benchmarks Regulation). As at the date of this Base Prospectus, the administrators of BBSW, EURIBOR, PRIBOR, BHIBOR, BKBM, EIBOR, HIBOR, KIBOR, MIBOR, QIBOR or OMIBOR, SHIBOR, TIBOR, TRLIBOR or TRYLIBOR, are not included in FCA's register of administrators under Article 36 of the UK Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that the administrators of BBSW, EURIBOR, PRIBOR, BHIBOR, BKBM, EIBOR, HIBOR, KIBOR, MIBOR, QIBOR or OMIBOR, SHIBOR, TIBOR, TRLIBOR or TRYLIBOR are not currently required to obtain authorisation/registration (or, if located outside the UK, recognition, endorsement or equivalence).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA, the UK, Oman, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong and Switzerland, see "*Subscription and Sale and Transfer and Selling Restrictions*".

This Base Prospectus has been prepared on the basis that any Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) will (i) only be admitted to trading on a UK regulated market (as defined in UK MiFIR), or a specific segment of a UK regulated market, to which only

qualified investors (as defined in the UK Prospectus Regulation) can have access (in which case they shall not be offered or sold to non-qualified investors) or (ii) only be offered to the public pursuant to an exemption under section 86 of the FSMA.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

Unless otherwise stated in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

U.S. INFORMATION

This Base Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs, for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the *Code*) and the U.S. Treasury regulations promulgated thereunder.

Registered Notes may only be offered or sold in the United States to U.S. persons who are QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A. Each subsequent U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together, *Legended Notes*) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Base Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Base Prospectus. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in a deed poll dated 26 April 2021 (the **Deed Poll**) to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS, IMMUNITY AND ENFORCEABILITY OF ARBITRAL AWARDS AND FOREIGN JUDGMENTS

Service of Process

The Issuer is a closed joint stock company incorporated under the former Commercial Companies Law (Sultani Decree 4/1974, as amended) of Oman. All of the Issuer's directors and executive officers reside outside the United Kingdom and the United States and all of the assets of the Issuer and of such persons are located outside of the United States and the United Kingdom. Accordingly, it may not be possible for investors to effect service of process within the United States or the United Kingdom on the directors and executive officers of the Issuer or to enforce judgments against the Issuer or such persons.

Immunity from suit

Under Omani law, no legal person in Oman is immune from suit. Further, any sovereign immunity of the government of Oman and its administrative units (including quasi-governmental entities) from process before the Oman courts was abrogated in relation to commercial claims by virtue of Article 1 of the Sultani Decree 13/1997 amending the Sultani Decree 79/1981. This position is confirmed by Sultani Decree 29/2002, as amended (the **Oman Civil Procedure Law**) which, pursuant to its Article 13, confirms that summons may be delivered to departments of the state and public bodies, and Article 46 which confirms that suits against departments of state and public authorities and public bodies shall be filed before the Court located in the areas within which the head offices of such authorities and bodies are situated.

Immunity of public assets from attachment

Although the Issuer is not immune from suit, public assets are protected from attachment in the event of legal proceedings against the Issuer pursuant to Article 366 of the Oman Civil Procedure Law. This position was reinforced by the Civil Transactions Law (promulgated by Sultani Decree 29/2013) (the **Civil Code**) which, at Article 56, provides that immovable or movable assets owned by the state or public legal persons who have been allocated such assets for public benefit by virtue of law or by a sultani decree or by a resolution of the Minister of Finance, shall be deemed to be public assets and such assets shall not be the subject of dispositions, attachment or acquisitive prescription. There can, therefore, be no assurance that any waiver of immunity from legal proceedings and attachments of the Issuer will be enforced by the Omani courts. See also "*Risk Factors—Risks Relating to Enforcement—The Issuer's waiver of immunity may not be effective under the laws of Oman*".

Enforcement of Arbitral Awards in Oman

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law.

Oman has acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (Sultani Decree 36/1998) (the **New York Convention**), and ratified the Riyadh Arab Convention of 1983 (Sultani Decree 34/1999) (the **Riyadh Convention**). Although Oman has been a party to the New York Convention since 1998, the Issuer is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. While in that case the Supreme Court of Oman (the **Supreme Court**) held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court may be persuasive. The Issuer has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention, or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of the Issuer under any Notes (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), it may nevertheless be possible to enforce such award in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law, pursuant to which the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading "judgment" as "award"):

- it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed, and becomes final according to that law and was not grounded on deception;
- the parties to the dispute were summoned to appear and were properly represented;
- it does not include any requests, the basis of which breaches the laws enforced in Oman;
- it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- the country in which the said judgment or award was signed accepts the execution of judgments of courts of Oman within its territories; and
- the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the courts of Oman and the matter may have to be litigated *de novo* before the courts of Oman.

Enforcement of Foreign Judgments in Oman

Foreign judgments may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law. The only treaties of note are the Gulf Cooperation Council (**GCC**) Treaty for the Enforcement of Judgments, Judicial Delegation and Court Summons signed in 1996 (the **AGCC Protocol**) and the Riyadh Convention.

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, the Issuer is not aware of a foreign (i.e. non-Omani and non-Arab GCC) judgment ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, an English or U.S. judgment against the Issuer would not be enforced by the courts of Oman without a re-examination of the merits and the English or U.S. judgment, as applicable, may be of evidential value only in any such proceedings filed before the courts of Oman.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English or U.S. judgment or otherwise), pursuant to the Civil Code, the courts of Oman would recognise and give effect to the choice of English law as the governing law, unless any provision of English law were considered to be contrary to a mandatory provision of Omani law, public order or morality or Islamic Shari'ah principles.

If enforcement of the Notes were sought before the courts of Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable.

Oman is a civil law jurisdiction. As in other civil law jurisdictions, court judges enjoy much greater freedom to interpret agreements in any way which, in their opinion, correctly reflects the intention of the parties if the terms of the relevant agreement are ambiguous. The judge's interpretation can extend to amending the contract, if the judge feels that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the courts of Oman although decisions of the Supreme Court of Oman should be persuasive. If enforcement of the Notes were sought before the courts in Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable.

NOTICE TO OMAN RESIDENTS

THE INFORMATION CONTAINED IN THIS BASE PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF SECURITIES IN OMAN AS CONTEMPLATED BY THE COMMERCIAL COMPANIES LAW OF OMAN (SULTANI DECREE 18/19, AS AMENDED) (THE **OMAN COMMERCIAL COMPANIES LAW**) OR ARTICLE 3 OF THE CAPITAL MARKET LAW OF OMAN (SULTANI DECREE 80/98, AS AMENDED). THIS BASE PROSPECTUS WILL ONLY BE MADE AVAILABLE TO INVESTORS IN OMAN IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 139 OF THE EXECUTIVE REGULATIONS OF THE CAPITAL MARKET LAW (ISSUED BY CMA DECISION NO.1/2009, AS AMENDED) (THE **EXECUTIVE REGULATIONS**) BY AN ENTITY DULY LICENCED BY THE OMAN CAPITAL MARKET AUTHORITY TO MARKET NON-OMANI SECURITIES IN OMAN.

THIS BASE PROSPECTUS HAS NOT BEEN (AND WILL NOT BE) FILED WITH THE OMAN CAPITAL MARKET AUTHORITY (EXCEPT IN ACCORDANCE WITH ARTICLE 139 OF THE EXECUTIVE REGULATIONS (IF REQUIRED)), THE CENTRAL BANK OF OMAN (THE **CENTRAL BANK**) OR ANY OTHER REGULATORY AUTHORITY IN OMAN AND NEITHER THE OMAN CAPITAL MARKET AUTHORITY NOR THE CENTRAL BANK ASSUMES RESPONSIBILITY FOR THE ACCURACY AND ADEQUACY OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS BASE PROSPECTUS AND SHALL NOT HAVE ANY LIABILITY TO ANY PERSON FOR DAMAGE OR LOSS RESULTING FROM RELIANCE ON ANY STATEMENTS OR INFORMATION CONTAINED HEREIN.

ANY PERSON IN OMAN INVESTING IN ANY NOTES WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT THEY ARE ACQUAINTED WITH THE DOCUMENTS RELATING TO THE NOTES AND AWARE OF THE REWARDS AND RISKS OF INVESTING IN THE NOTES.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Notes will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO THE RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

NOTICE TO THE RESIDENTS OF THE STATE OF QATAR

This Base Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar (including the Qatar Financial Centre). The Notes have not been and will not be authorised by the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or the Qatar Central Bank in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Notes and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (5) of 2002 (the *Commercial Companies Law*) or otherwise under any laws of the State of Qatar (including the Qatar Financial Centre).

NOTICE IN RELATION TO CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with any offering.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **MiFID II distributor**) should take into consideration the target market assessment; however, a MiFID II distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Notes about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK MiFIR distributor**) should take into consideration the target market assessment; however, a UK MiFIR distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

Historical financial statements

The financial statements relating to the Company and its consolidated subsidiaries and equity-accounted investees (together, the **Group**) and included in this Base Prospectus are:

- the audited consolidated financial statements as at and for the year ended 31 December 2020 (including comparative financial information as at and for the year ended 31 December 2019) and the notes thereto (the **2020 Financial Statements**); and
- the audited consolidated financial statements as at and for the year ended 31 December 2019 (including restated comparative financial information as at and for the year ended 31 December 2018) and the notes thereto (the **2019 Financial Statements** and, together with the 2020 Financial Statements, the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (**IFRS**) and the requirements of the Omani Commercial Companies Law of 2019.

Restatement of 2018 comparative financial information in the 2019 Financial Statements

In September 2019, but with effect from 1 January 2019, the Ministry of Finance transferred its entire shareholding in the company then known as Oman Oil Refineries and Petroleum Industries Company SAOC (Orpic) and now known as OQRPI to OQ. The total consideration for the transfer of the shares was OMR 302 million based on the net book value of the shares in the audited financial statements of Orpic for the year ended 31 December 2018. This consideration was settled by OQ issuing shares to the Ministry of Finance.

This transfer was a business combination under common control given that both OQ and Orpic were ultimately controlled by the Ministry of Finance and therefore was not within the scope of IFRS 3, Business combinations. The Company adopted an accounting policy for this transaction that was consistent with merger accounting rules which require that the business combination should be treated as if it had occurred from the beginning of the earliest period presented. Therefore the comparative financial information for 2018 including opening balances in the 2019 Financial Statements has been restated. For further information, see note 48 to the 2019 Financial Statements.

Sources of financial information

With respect to the sources of financial information included in the Base Prospectus:

- all financial information included in this Base Prospectus as at and for the years ended 31 December 2020 and 31 December 2019 has been derived from the 2020 Financial Statements; and
- all financial information included in this Base Prospectus as at and for the year ended 31 December 2018 has been derived from the restated comparative financial information as at and for the year ended 31 December 2018 in the 2019 Financial Statements.

All financial information in this document that presents (i) the Group's revenue by reporting segment for the year ended 31 December 2018 and (ii) the Group's revenue by type for the year ended 31 December 2018 differs from that presented in notes 34 and 47 to the 2019 Financial Statements, and has been derived from the Group's accounting records. This reflects the fact that the Group has identified classification and other errors in the information presented in those notes to the 2019 Financial Statements. See ""*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting the Group's results of operations and financial condition—Principal sources of Group revenue*".

In addition, in the 2019 Financial Statements, OOMCO was classified as a non-core entity and not included in the downstream segment. However, in line with the Group's updated retail strategy, OOMCO has been presented together with the Group's core entities and included in the downstream segment in the 2020 Financial Statements.

The Group's financial year ends on 31 December and references in this Base Prospectus to **2018**, **2019** and **2020** are to the 12 month period ending on 31 December in each such year.

Impact of the adoption of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to interest rate benchmark reform

The Group adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in relation to interest rate benchmark reform with effect from 1 January 2020. The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in the amended standards relating to (i) the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities and (ii) hedge accounting.

Change in basis for determining cash flows

As at 31 December 2020, the Group has OMR 5,065 million LIBOR total loans and borrowings that will be subject to interest rate benchmark reform. The Group expects that the interest rate benchmark for these loans will be changed to secured overnight financing rate (**SOFR**) in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to the change to SOFR.

Hedge accounting

As at 31 December 2020, the Group has cash flow hedges relating to its U.S. dollar LIBOR risk. The Group expects that the indexation of the hedged items and hedging instruments to U.S. dollar LIBOR will be replaced with SOFR in 2021. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how any replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SOFR. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SOFR. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of the transition to SOFR.

Impact of the implementation of IFRS from 1 January 2019

The Group adopted IFRS 16, *Leases*, from 1 January 2019. For a discussion of the changes IFRS 16 had upon the Group's financial statements since 1 January 2019, see note 3.3 to the 2019 Financial Statements.

IFRS

IFRS differs in certain material respects from U.S. generally accepted accounting principles and, as such, the Financial Statements are not comparable to the financial statements of companies prepared in accordance with U.S. generally accepted accounting principles. This Base Prospectus does not include any explanation of the differences or any reconciliation between IFRS and U.S. generally accepted accounting principles with respect to any financial statements and related footnote disclosures included herein or any other financial information. It is possible that a reconciliation or other qualitative or quantitative analysis would identify material differences between the financial statements and related footnote disclosures included herein and other financial information prepared under IFRS and U.S. generally accepted accounting principles or any other systems of generally accepted accounting principles. Prospective investors are advised to consult their professional advisors for an understanding of:

(i) the differences between IFRS and U.S. generally accepted accounting principles or any other systems of generally accepted accounting principles in the jurisdictions of such prospective investors and how those differences might affect the financial information included in this Base Prospectus; and

(ii) the impact that future additions to, or amendments of, IFRS may have on the Group's financial condition, results of operations and cash flow, as well as on the comparability of prior periods.

Auditors and unaudited information

The 2020 Financial Statements have been audited by KPMG LLC, independent auditors (**KPMG**), in accordance with International Standards on Auditing. KPMG issued an unqualified audit report on the 2020 Financial Statements.

The 2019 Financial Statements have been audited by Deloitte & Touche (M.E.) & Co. LLC, independent auditors (**Deloitte**), in accordance with International Standards on Auditing. Deloitte issued an unqualified audit report on the 2019 Financial Statements.

Certain financial information in this Base Prospectus is unaudited, see "—*Certain non-IFRS financial information*" below.

Certain non-IFRS financial information

This Base Prospectus includes certain financial information which has not been prepared in accordance with IFRS and certain information which the Company considers constitute Alternative Performance Measures, as defined in the European Securities and Markets Authority Guidelines on Alternative Performance Measures (**APM**s). None of this financial information, which principally appears in "*Selected financial information*", is subject to any audit or review by independent auditors.

Adjusted EBIT and Adjusted EBITDA

Certain sections of this Base Prospectus, including "*Risk factors*", "*Selected financial information*", "*Management''s discussion and analysis of financial condition and results of operations*" and "*Description of the Group*", discuss Adjusted EBIT and Adjusted EBITDA, which are not measures of financial performance under IFRS. In determining Adjusted EBIT, the Group adds back to (in the case of expense items) or deducts from (in the case of income items) profit for the period the following items:

- Finance expense;
- Impairment losses (charged)/released, net;
- Income tax expense;
- Changes in fair value of investments;
- Finance income;
- Foreign exchange gains/ losses, net;
- Farm out transaction in 2018 (see "*—Management's discussion and analysis of financial condition and results of operations—Principal factors affecting the Group's results of operations and financial condition—Significant non-recurring transactions*"); and
- Certain non-recurring investment income (for example, investment income on divestments and, in 2020, OQ's share of asset impairment charges booked by the OQ8 joint venture).

In determining Adjusted EBITDA, the Group adds back depreciation and amortisation to Adjusted EBIT for the period.

In certain places in this Base Prospectus, Adjusted EBIT and Adjusted EBITDA have been used to compare the relative significance of certain of the Group's core entities. These non-IFRS metrics have been used for this purpose because the Group believes that they add value compared to revenue and profit for a number of reasons, including:

(i) the nature of OQ Trading's business is such that it generates a high level of revenue at relatively low margins which makes the use of revenue as a comparator less useful; and

(ii) certain non-recurring factors, such as the farm out transaction in 2018, and certain other factors, such as impairment charges and changes in the fair value of investments, all of which affect profit but not Adjusted EBIT or Adujsted EBITDA, make the use of profit as a comparator less useful.

The Company believes that the presentation of the APMs included in this Base Prospectus is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, none of Adjusted EBIT, Adjusted EBITDA and any other APM included in this Base Prospectus is a measure of financial performance under IFRS and none of them should be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group's results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate Adjusted EBIT, Adjusted EBITDA or any other APM included in this Base Prospectus differently from the Group. As all companies do not calculate these measures in the same manner, the Group's presentation of any APM may not be comparable to other similarly titled measures of other companies.

Some of the limitations of using Adjusted EBIT and Adjusted EBITDA as financial measures are:

- they do not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments;

- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group's debt;

- they do not reflect changes in, or cash requirements for, the Group's working capital needs;

- in the case of Adjusted EBITDA, although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and the measure does not reflect any cash requirements for such replacement;

- they are not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows; and

- the further adjustments made in calculating Adjusted EBIT and Adjusted EBITDA are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

For a reconciliation of reported profit before tax to Adjusted EBITDA for each of 2018, 2019 and 2020, see "*Selected financial information*".

Free cash flow

Free cash flow discussed in this Base Prospectus is not a measure of financial performance or liquidity under IFRS. Free cash flow is defined as net cash from operating activities less actual cash outflow for adjusted capital expenditure during the period. Actual cash outflow for adjusted capital expenditure is the portion of capital expenditure (i.e., acquisition / additions to property, plant and equipment, investment in equity accounted investees and oil and gas exploration and production assets) for which cash outflow occurred within the period. The Group believes that free cash flow is a useful measure of liquidity, which provides an additional basis for assessing the Group's ability to fund its activities and any strategic acquisitions, service or incur additional debt, and generate excess cash from its operations.

Adjusted cash flow from operating activities, investing activities and financing activities

Adjusted net cash (used in)/ from operating activities, adjusted net cash used in investing activities and adjusted net cash from/(used in) financing activities discussed in this Base Prospectus is not a measure of financial performance or liquidity under IFRS. The Group's working capital loan repayment included under net cash from/(used in) financing activities has been represented under adjusted net cash (used in)/ from operating activities and certain movements in non-current assets and liabilities, such as advances, deposits and other payables which are considered operational in nature by management included under net cash used in investing activities has been represented under adjusted net cash (used in)/ from operating activities. These adjustments were only considered applicable for the year ended 31 December 2019 as the same nature of transactions did not take place in the year ended 31 December 2020. The Group believes that this presentation is a useful measure based on the manner the Group manages its central treasury function and provides an additional basis for assessing the Group's ability to fund its activities and any strategic acquisitions, service or incur additional debt, and generate excess cash from its operations.

PRESENTATION OF OTHER INFORMATION

Reserves and production information

All natural resources within Oman, including hydrocarbons, are owned by the government, which, either directly or, more typically, indirectly through wholly owned companies such as the Company, enters into exploration and production sharing and similar agreements with its wholly owned companies and/or third parties to exploit Oman's hydrocarbon reserves.

The determination of the Group's oil and gas reserves requires significant judgement and estimates to be applied. These are regularly reviewed and updated. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques applied by its in-house reserve engineer. In addition, the Group's reserve estimates are evaluated by external reserve engineers every three years. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the relevant member of the Group under the terms of the exploration and production sharing contracts to which the Group is party.

The accuracy of any reserve estimate is a function of a number of variable factors and assumptions, many of which are beyond the Company's control. Therefore, the reserves information in this Base Prospectus represent only estimates. In addition, results of drilling, testing and production subsequent to the date of an estimate may justify revising the original estimate. Accordingly, due to the inherent uncertainties and the necessarily limited nature of reservoir data and the inherently imprecise nature of reserve estimates, the initial reserve estimates may differ from the quantities of oil and natural gas that are ultimately recovered. The meaningfulness of such estimates depends primarily on the accuracy of the assumptions upon which they were based. Thus, investors should not place undue reliance on the Company's ability to predict actual reserves or on comparisons of similar reports concerning other companies. In addition, except to the extent that the Company conducts successful exploration and development activities, the Company's reserves will decline as reserves are produced.

Currencies

Unless otherwise indicated, in this Base Prospectus, all references to:

- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the EU, as amended;
- **rial** and **OMR** are to the lawful currency of Oman; and
- **U.S. dollars** and **U.S.$** are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been expressed in rial. The Group's functional currency is the rial and the Group prepares its consolidated financial statements in rial.

The exchange rate of the rial has been pegged to the U.S. dollar since 1973 and has remained unchanged at OMR 1.00 = U.S.$2.60 since 1986. For ease of presentation, certain financial information included in this Base Prospectus is presented as translated into U.S. dollars at this rate. These translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at that or any other rate.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Third-party and market share data

This Base Prospectus contains information regarding the Group's business and the industries in which it operates and competes, which the Group has obtained from third-party sources. Where third-party information has been used in this Base Prospectus, the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Base Prospectus is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Company believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industries in which the Group operates as well as its position within those industries. Although all such estimations have been made in good faith based on the information available and the Group's knowledge of the markets within which it operates, the Company cannot guarantee that a third-party expert using different methods would reach the same conclusions.

Statistical information relating to Oman included in this Base Prospectus has been derived from a number of different identified sources, including official public sources. The source of any third-party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus. The Company confirms that all such information has been accurately reproduced. Similar statistics may be obtainable from other sources, but the underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. The statistical data included in this Base Prospectus may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased the Notes.

Where information has not been independently sourced, it is the Group's own information.

No incorporation of website information

The Company's website is www.oq.com. The information on this website or any other website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Base Prospectus, and investors should not rely on it.

Group company names

In this Base Prospectus, references to:

- the **Company** and **OQ** are to OQ SAOC, previously known as Oman Oil Company SAOC;
- **OQ8** are to Duqm Refinery and Petrochemical Industries Company LLC;
- **OOMCO** are to Oman Oil Marketing Company SAOG;
- **OQ Chemicals** are to OQ Chemicals International Holding GmbH and its subsidiaries, previously known as Oxea Holding Vier GmbH;
- **OQEP** are to OQ Exploration and Production LLC., previously known as Oman Oil Company Exploration & Production LLC;
- **OQGN** are to OQ Gas Networks SAOC, previously known as Oman Gas Company SAOC;
- **OQ LPG** are to OQ LPG (SFZ) L.L.C., previously known as Salalah LPG SFZCO LLC;
- **OQM** are to OQ Marketing LLC, previously known as Orpic Polymer Marketing LLC;
- **OQ Methanol** are to OQ Methanol (SFZ) LLC, previously known as Salalah Methanol Company LLC;
- **OQRPI** are to OQ Refineries and Petroleum Industries L.L.C., previously known as Oman Oil Refineries and Petroleum Industries Company SAOC or Orpic, and its subsidiaries; and
- **OQ Trading** are to OQ Trading Limited, previously known as Oman Trading International.

Other definitions

In this Base Prospectus:

- **GCC** means the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE);
- **OIA** means the Oman Investment Authority, an entity established by Sultani Decree 61/2020 on 4 June 2020 and which owns all of the shares in OQ. According to the Sultani Decree 61/2020, since 4 June 2020, the OIA has incorporated Oman's State General Reserve Fund (the **SGRF**);
- **Government** means the government of Oman;
- **MENA region** means the region comprising the Middle East and North Africa;
- **MoEM** means the Ministry of Energy and Minerals (previously known as the Ministry of Oil and Gas) of Oman; and
- **Oman** means the Sultanate of Oman.

In addition, in this Base Prospectus the following abbreviations for products produced or used by the Group and units of measurement included in this Base Prospectus have the meanings identified below:

- **bpd** means barrels per day;
- **boe** means barrels of oil equivalent;
- **boepd** means barrels of oil equivalent per day;
- **Btu** means British thermal units;
- **CO_2** means carbon dioxide;
- **HDPE** means high density polyethylene;
- **km** means kilometres;
- **km^2** means square kilometres;
- **LLDPE** means linear low density polyethylene;
- **LNG** means liquefied natural gas;
- **LPG** means liquefied petroleum gas;
- **m^3** means cubic metres;
- **MT** means metric tonnes;
- **MTBE** means methyl tertiary butyl ether;
- **NGL** means natural gas liquids;
- **scf** means standard cubic feet;

- **scfpd** means standard cubic feet per day; and
- **scm** means standard cubic metres

Rounding

Certain data in this Base Prospectus has been rounded. As a result of such rounding, the totals of data presented in tables in this Base Prospectus may vary slightly from the arithmetic totals of such data. Where used in tables, the figure "0" means that the data for the relevant item has been rounded to zero and the symbol "—" means that there is no data in respect of the relevant item.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- is to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be forward-looking statements. Forward-looking statements include statements concerning the Issuer's plans, objectives, goals, strategies, future operations and performance and the assumptions underlying these forward-looking statements. When used in this document, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Description of the Group*" and other sections of this document. The Issuer has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Issuer believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which the Issuer has otherwise identified in this Base Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or inaccurate, the Issuer's actual results of operation may vary from those expected, estimated or predicted.

The risks and uncertainties referred to above include:

- the Issuer's ability to achieve and manage the growth of its business and to meet its investment objectives (in particular, following the impact of the ongoing outbreak of the coronavirus Covid-19 and the prevailing historically low levels of oil and gas prices);
- the Issuer's ability to realise the benefits it expects from existing and future projects and investments it is undertaking or plans to or may undertake;
- changes in political, social, legal or economic conditions in the markets in which the Issuer and its customers operate;
- the performance of the markets in which the Issuer operates; and
- the Issuer's ability to obtain external financing or maintain sufficient capital to fund its existing and future investments and projects.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*".

Any forward-looking statements contained in this Base Prospectus speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to disseminate after the date of this Base Prospectus any updates or revisions to any forward-looking statements contained in it.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the *Stabilisation Manager(s)*) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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RISK FACTORS

Any investment in Notes issued under the Programme is subject to a number of risks and uncertainties. Prospective investors should consider carefully the risks and uncertainties associated with the Group's business and any investment in Notes issued under Programme, together with all of the information that is included in this Base Prospectus, and should form their own view before making an investment decision with respect to any Notes. In particular, prospective investors should evaluate the risks and uncertainties referred to or described below, which may have a material adverse effect on the Group's business, results of operations and financial condition. Should one or more of these risks occur or be perceived by the market as being likely to occur, at the same time or separately, the market price of any Notes issued under the Programme could decline and an investor might lose part or all of its investment.

OQ believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but its inability to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and OQ does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Additional risks not presently known to OQ or that it currently deems immaterial may also impair OQ's ability to pay interest, principal or other amounts on or in connection with any Notes issued under the Programme.

This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by OQ described below and elsewhere in this Base Prospectus. See "Forward-looking statements".

RISKS RELATING TO THE GROUP AND ITS STRATEGY

The Group is exposed to material and currently not fully quantifiable disruptions arising from the Coronavirus disease 2019 (Covid-19)

Covid-19 was first identified in Wuhan, Hubei Province, China in late 2019.

Since then it spread rapidly, infecting people around the world and causing a substantial number of deaths, particularly in the United States, Brazil, Mexico, and a number of countries in Europe. By the end of August 2020, the outbreak in Europe appeared to have peaked with the number of reported deaths per day being significantly below those reported earlier, although the position was less clear in relation to Asia and the Americas. Almost all countries that were significantly affected, including Oman, introduced measures to try to contain the spread of the virus, including border closures and restricting the movement of their citizens. The measures resulted in the temporary closure of numerous businesses in those countries and, in many cases, widespread job losses. To address these factors many governments introduced significant support programmes for qualifying citizens and businesses.

Although a number of countries are starting to relax the restrictions they have imposed, it remains unclear how long restrictions will be in place in most countries and what their ultimate impact will be on global and local economies, as well as the oil and gas and petrochemical and specialty chemical industries on which OQ is focused. It is also unclear to what extent the virus may recur in Europe or other regions or whether or not the virus may mutate in the future.

In response to the Covid-19 impact on their domestic economies, which in many cases has resulted in significant declines in quarterly GDP, many countries, including the United States and the UK, cut interest rates. While the European Central Bank did not cut its base rate, in March 2020, it announced a stimulus package to support the Euro area financial system. Oman also announced a stimulus package on 18 March 2020 and has recommended a set of precautionary measures to the banking sector. On 9 March 2021, H.M. the Sultan of Oman approved further relief measures as part of a comprehensive economic stimulus package, which also includes incentives for the private sector. These measures include (i) the Tax Suspension, as defined below, which suspends the withholding tax on interest amounts and dividend distributions until 2025, (ii) reduction in the environmental permits fees for 2021, (iii) reduction of rent value for lands within the Special Economic Zone of Duqm and the industrial zones of the Public Establishment for Industrial Estates, and (iv) permission of investors to carry-out business activities on the basis of a preliminary licence without having to wait for a final investment licence. Further announcements could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies.

Although the price of oil has partially recovered, the Group has been negatively affected by the pandemic, including through its impact on oil prices which is discussed below under "*—The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group*". In addition, certain of the Group's major projects experienced issues both in accessing the specialised resources support required on the ground at project sites, given the travel restrictions and quarantine procedures in place, and in terms of materials availability. OQ believes that this will result in delays (typically of several months) in the completion of these projects, including for example the petrochemical plant project at Liwa, its ammonia plant expansion and an LPG extraction project at Salalah, each of which was originally due for production start-up in 2021.

The Group's longer running projects, such as its refinery project at Duqm, recorded a slowdown in progress (typically of several months) in 2020. In October 2020, the Board of Directors of OQ8 decided to suspend the front-end engineering and design (**FEED**) work for its proposed petrochemical complex in Duqm until further notice due to the ongoing adverse impact of Covid-19 and uncertain future commodities prices. This petrochemical complex was originally proposed as the second phase of the Group's two-phase integrated refinery and petrochemical complex project and was intended to follow the construction of a new refinery and related facilities in Duqm.

To date, and apart from in relation to its projects, the Group has not experienced any material operational or logistical issues due to Covid-19. However, given that it is not known whether or to what extent the virus will recur or start to increase in Europe, the United States and globally as restrictions are eased, the Group is unable to provide any assurance that it will not experience significant operational and logistical difficulties in the future. It is possible that any future Government restrictions and lockdowns could adversely impact employees' mobility and thus negatively affect the running of one or more of the Group's plants. As a critical industry in Oman, OQ has secured exemptions on mobility and quarantine period whenever possible by liaising with the Omani authorities. OQ is now currently in discussions regarding securing vaccinations for its employees prior to the full vaccine roll-out within Oman to ensure the continuity of its businesses in Oman.

The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group

International oil prices fell significantly in March and April 2020, in part reflecting reduced demand as a result of the impact of Covid-19 containment measures around the world, and this trend was exacerbated by the failure of a plan proposed by OPEC officials to both the OPEC countries and other non-OPEC countries, including Russia, to cut global production by 1.5 per cent. No agreement was reached, ending the three-year partnership between OPEC and major non-OPEC providers. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. In March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April. On 10 April 2020, OPEC announced an OPEC plus agreement designed to end the price war between Russia and Saudi Arabia.

The average monthly price of the OPEC Reference Basket price (which represents a weighted average of oil prices collected from various oil producing countries, including both members and non-members of OPEC) was U.S.$65.10 in January 2020 compared to U.S.$55.53 in February 2020, U.S.$33.92 in March 2020 and U.S.$17.66 in April 2020. From May 2020 the average monthly OPEC Reference Basket began to increase and was U.S.$49.17 in December 2020. On an annual basis, the average OPEC Reference Basket price was U.S.$69.78 in 2018, U.S.$64.04 in 2019 and U.S.$41.37 in 2020. To date in 2021, the monthly average OPEC

Reference Basket prices have been U.S.$54.38 in January 2021, U.S.$61.05 in February 2021, U.S.$64.56 in March 2021 and U.S.$61.31 in April 2021.

In the Group's upstream business, the fact that there is a two-month lag in pricing formulae meant that the business only began to experience the full impact of the steep price declines of March and April 2020 in May 2020. In the Group's downstream business, demand showed higher than normal volatility in 2020 and product margins remained under pressure. In 2020 the Group's revenue declined by 26.4 per cent. compared to 2019, reflecting a significant drop in demand for the Group's products, and its impairment loss, which reflects the uncertainties associated with economic recovery, was OMR 1,344 million in 2020 compared to a small reversal of impairment in 2019. Coupled with other negative impacts, including a significant decline in the fair value of the Group's fair value through the statement of profit or loss (**FVTPL**) investments, this resulted in the Group recording a loss for the year of OMR 1,717 million in 2020 compared to a profit for the year of OMR 231 million in 2019.

Although demand had largely returned by the end of December 2020, no assurance can be given as to when the market may fully recover or that there will not be a recurrence or any variant or mutation of Covid-19 in the future that could have similar or even worse affects than Covid-19 in mid 2020.

Many of the Group's business are affected in different ways by changes in oil prices, although in general terms the Group benefits from rising or high oil prices and is adversely affected by declining or low oil prices, see "*Risks relating to the'Group and its strategy—The Group is exposed to fluctuations in the prices of the commodities that it uses and trades*" below.

The Group has significant outstanding indebtedness

The Group's total loans and borrowings outstanding amounted to OMR 5,065 million as at 31 December 2020, OMR 4,773 million as at 31 December 2019 and OMR 4,565 million as at 31 December 2018, equal to 70.5 per cent., 68.9 per cent. and 65.1 per cent., respectively, of its total liabilities.

The Group's significant indebtedness outstanding may impair its operating and financial flexibility and could adversely affect its business and financial position. In particular, OQRPI's significant indebtedness, which represented 57 per cent. of the Group's total loans and borrowings as at 31 December 2020, could impact OQRPI's profitability and ability to continue to operate as a going concern. OQRPI was loss-making in in each of 2020, 2019 and 2018. OQRPI’s audit reports contained statements of material uncertainty related to going concern in relation to those losses in each of 2019 and 2018. See "*Significant business combinations could prove to be costly in terms of the Group's time and resources and may impose integration risks and businesses, such as OQRPI, may be loss making before or after being combined which may adversely affect the Group's results of operations and increase its funding requirements*" for additional information. A high level of indebtedness could cause the Group to dedicate a substantial portion of cash flow from operations to payments to service debt, which could reduce the funds available for working capital, capital expenditure, acquisitions, distributions to its shareholder and other general corporate purposes and could limit its ability to borrow additional funds and its flexibility in planning for, or reacting to, changes in technology, customer demand, competitive pressures and the industries in which it operates, placing the Group at a competitive disadvantage compared to those of its competitors that are less leveraged than it is. In addition, a high level of indebtedness together with future debt financing, if accessible, may increase the Group's vulnerability to both general and industry specific adverse economic conditions.

In addition to maintaining a cash position, the Group relies on borrowings under various short-term and long-term bank and asset-backed facilities as its principal source of liquidity and, following the establishment of the Programme, it also expects to issue notes in the debt capital markets. An inability to refinance or increase existing facilities in the debt markets may mean that the Group will not have funds available to maintain or increase its industrial and trading activities, which could have a material adverse effect on the Group's results of operations. The Group's access to debt in amounts adequate to finance its activities could be impaired by factors that affect the Group itself or the industries or geographies in which it operates. Although the Group expects to maintain continued access to the debt markets, there can be no assurance that additional credit or funding will be made available in the future.

The Group may continue to have material funding requirements

OQ anticipates that the Group will continue to incur significant capital and investment expenditure in future years (see, for example, "*Description of the Group—Funding strategy*") and may have material funding needs in relation to particular projects or to refinance existing indebtedness. The Group intends to fund its future capital and investment expenditures and its financial obligations (including obligations to pay principal and interest on the Notes) through operating cash flow, borrowings from third parties (including by way of the issue of Notes under the Programme, through project financing and using committed funding lines) and asset monetisations in connection with the Group's divestment strategy. The availability of Group operating cash flow to OQ may, in certain cases, be limited. See "*—The availability of Group operating cash flow may be limited*" below.

The Group's ability to obtain external financing and the costs of such financing are dependent on numerous factors including general economic and market conditions, international interest rates, credit availability from banks or other lenders, investor confidence in the Group and the success of the Group's businesses. There can be no assurance that external financing, either on a short-term or long-term basis and whether to fund new projects or investments or to repay existing financing, will be available or, if available, that such financing will be obtainable on terms that are not onerous to the Group.

If appropriate sources of financing are not available or are only available on onerous terms and OQ does not have sufficient operating cash flow or cash generated from asset monetisations, this could adversely affect the Group's business through increased borrowing costs. In addition, any affected member of the Group may be forced, among other measures, to do one or more of the following:

- delay or reduce capital and investment expenditures;
- forgo business opportunities, including acquisitions and joint ventures;
- sell assets on less than optimal terms; or
- restructure or refinance all or a portion of its debt on or before maturity,

each of which could adversely affect its business.

The terms of the indebtedness of certain members of the Group contain financial and operating covenants, which may limit the Group's operating flexibility, and in some cases the Group's indebtedness may be accelerated if the Government ceases to own all of OQ's share capital

Certain Group companies (including OQRPI in particular) have significant indebtedness outstanding and the terms of the indebtedness of certain members of the Group contain financial and operating covenants. Certain Group companies have breached covenants in their financing agreements, which has resulted in, among others, one facility being restructured in 2018, a waiver being obtained in respect of a covenant breach in another facility as at 31 December 2020 until 31 May 2021 (with ongoing discussions to extend the maturity and certain other terms for a further year, which would also include a waiver of an outstanding breach) and a waiver of certain breaches and extension of operational covenants and targets, including the construction longstop date, of another facility until 31 December 2021. The relevant Group companies are also in the process of seeking waivers for any other outstanding covenant breaches, see "*Indebtedness*".

If any Group company were to fail to satisfy any of its debt service obligations or to breach any related financial or operating covenants and a waiver cannot be obtained or a restructuring cannot be agreed, the lender could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. In the case of borrowings by the Group's joint ventures, this failure could arise through actions taken by one or more of the Group's joint venture partners. As a result, any default under any indebtedness to which a Group company is party could result in a substantial loss to the Group.

Certain loan agreements entered into by Group companies contain a provision that makes it an event of default if the Government ceases to own all of OQ's share capital. OQ is not in a position to control the actions of the Government in this regard. The occurrence of such an event would be likely to make the relevant indebtedness either immediately due and repayable or due and repayable at the option of the relevant lenders. Should any of the Group's indebtedness be accelerated, cross default provisions in its other indebtedness would mean that additional indebtedness might also become due and repayable.

In such a case, OQ would likely be forced to enter into negotiations with its lenders to resolve the situation and such negotiations might not be successful or the outcome of the negotiations may result in certain debt (including, potentially, any Notes outstanding) being restructured which would be likely to result in significant losses for the relevant lenders (including, potentially, the Noteholders), may significantly increase the Group's borrowing costs or have other adverse effects on the Group. Any indication that OQ or any of its significant group companies is in financial difficulty or is likely to enter into negotiations with its creditors could also have a material adverse effect on the market price of any Notes and could result in significant losses for investors in the Notes.

OQ may not be able to successfully execute its divestment strategy or otherwise reduce the Group's indebtedness.

In an effort to optimise the Group's balance sheet, the Group has developed a divestment and dilution strategy which aims to reduce the Group's net debt to EBITDA ratio to less than 3.0 by early 2023 by using proceeds from the monetisation of select assets, including through the completion of complete divestments in certain assets or dilution of investments through selling a portion of the equity interests held in certain assets, including through pursuing the privatisation of certain of the Group's operating assets through initial public offerings, partial divestments or sales to investors (the **divestment strategy**). The Group's divestment strategy contemplates that the majority of the net proceeds realised through the divestment strategy will be used for debt repayment and the balance of the net proceeds will be used for selective growth opportunities or dividends.

There can be no assurance that the Group will be able to find attractive asset monetisation opportunities or that any such transactions will be completed within the Group's anticipated timeframe, if at all, which would delay or inhibit the Group's ability to successfully execute its divestment strategy. The Group's assumptions regarding the anticipated size of any of its divestments or dilutions may also be different to the ultimate size of such transaction. Furthermore, the Group's estimated value for the assets to be monetised involves multiple assumptions and judgments about future events that are inherently uncertain; accordingly, there can be no assurance that the resulting net cash proceeds from asset monetisation transactions will be as anticipated, even if such transactions are consummated. Some of the factors that could affect the Group's ability to successfully execute its divestment strategy or realise the prices anticipated include changes in the financial condition or prospects of prospective purchasers and the availability of financing to potential purchasers on reasonable terms; the number of prospective purchasers; the number of competing assets on the market; unfavourable economic conditions; industry trends; unanticipated tax or other transaction costs; any organisation impacts or resource constraints that arise from a divestment or sale that makes the transaction more costly to the Group; or changes in laws and regulations. If the Group is not able to successfully execute its divestment strategy or otherwise reduce the Group's absolute debt to a level the Group believes is appropriate, the Group's credit ratings may be lowered, the Group may reduce or delay its planned capital expenditures or investments, or the Group may revise or delay its strategic plans.

OQ's credit ratings may change and any ratings downgrade could adversely affect the value of Notes issued under the Programme

OQ has a long-term issuer default rating of BB- with a negative outlook from Fitch Ratings Ltd. (**Fitch**).

According to Fitch, OQ's rating has been equalised with that of its ultimate shareholder, the Government, reflecting Fitch's view of the strong links between OQ and Oman.

In its report, Fitch notes that the factors which could, individually or collectively, lead to a negative rating action or downgrade of OQ's rating are (i) a downgrade of Oman, (ii) signs of loosening ties with the Government and (iii) an increase in leverage beyond a defined level. Fitch also notes that Oman's rating could be downgraded if (i) there is a higher trajectory of Government debt or a slower narrowing of the fiscal deficit than currently forecast, for example stemming from the lack of significant progress on implementing a clear and credible plan towards debt stabilisation, a materialisation of large contingent liabilities, or renewed weakness in oil prices or (ii) there is further erosion of Oman's external balance sheet and liquidity conditions, for example more rapid depletion of central bank reserves and SGRF assets than currently forecast, or indications that Oman may no longer be able to access debt markets.

OQ cannot be certain that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Any future downgrade or withdrawal at any time of a credit rating assigned to OQ or Oman by any rating agency could have a material adverse effect on the Group's cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of any Notes and cause trading in such Notes to be volatile.

In recent months:

- Fitch has downgraded Oman's rating from BB+ to BB (negative outlook) in March 2020 and to BB- (negative outlook) in August 2020; and
- S&P Global Ratings Europe Limited (**S&P**) has downgraded Oman's rating from BB- to B+ (stable outlook) in October 2020.

There can be no assurance that rating agencies will not take further action to downgrade Oman's ratings further and such downgrade could have a material adverse impact on the market price of any Notes.

The Notes will be structurally subordinated to the claims of creditors of OQ's subsidiaries and incorporated joint ventures and a significant portion of the Group's indebtedness is secured

OQ's subsidiaries and incorporated joint ventures have incurred indebtedness, and in the future will continue to incur indebtedness, in order to finance their operations. As at 31 December 2020, the Group's total loans and borrowings amounted to OMR 5,065 million, only OMR 312 million, or 6.2 per cent., of which had been borrowed directly by OQ (the **parent company**). In the event of the insolvency of any of the subsidiaries or incorporated joint ventures of OQ, claims of secured and unsecured creditors of such entity, including trade creditors, banks and other lenders, will have priority with respect to the assets of such entity over any claims that OQ as shareholder or the creditors of OQ, as applicable, may have with respect to such assets. Accordingly, if OQ became insolvent at the same time, claims of the Noteholders against OQ in respect of any Notes would be structurally subordinated to the claims of all such creditors of OQ's subsidiaries and incorporated joint ventures. The Conditions of the Notes do not restrict the amount of indebtedness which the Group may incur including indebtedness of subsidiaries and joint ventures.

As at 31 December 2020, property, plant and equipment with a carrying value of OMR 4,244 million, or 42.9 per cent. of the Group's total assets, was secured over assets of the Group. As a result, holders of this debt will have a priority right to the secured assets in the event of any insolvency of the relevant debtors.

The availability of Group operating cash flow may be limited

OQ conducts its operations principally through, and derives all of its revenue and cash flow from, its subsidiaries and joint ventures (whether incorporated in the form of jointly controlled entities or unincorporated in the form of joint operations) and it does not anticipate that this will change in the near future. As at 31 December 2020, almost all of the Group's indebtedness has been incurred by OQ's subsidiaries. Such indebtedness, in certain cases, contains covenants which prevent or restrict distributions to OQ. The ability of OQ's subsidiaries and joint ventures to pay dividends or make other distributions or payments to OQ will be subject to the availability of profits or funds for the purpose which, in turn, will depend on the future performance of the entity concerned which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond its control. In addition, any such entity may be subject to restrictions on the making of such distributions contained in applicable laws and regulations. There can be no assurance that the Group's individual businesses will generate sufficient cash flow from operations or that alternative sources of financing will be available at any time in an amount sufficient to enable these businesses to service their indebtedness, to fund their other liquidity needs and to make payments to OQ to enable it to service its indebtedness.

The Government's interests may, in certain circumstances, be different from the interests of the Noteholders

OQ is wholly owned by the Government, through the OIA, and a significant part of its corporate purpose is to make investments that benefit the economic and social fabric of Oman and its nationals. As OQ's sole shareholder, the Government is in a position to control the outcome of actions requiring shareholders' approval and also has the ability to appoint all the members of OQ's board of directors (the **Board**) and thus influence Board decisions. The interests of the Government may be different from those of OQ's creditors (including the Noteholders). For example, decisions made by OQ may be influenced by the need to consider the social benefit of any investment to Oman and its nationals or other factors, including the ability of OQ to generate dividends or other returns for Oman in light of Oman's current fiscal challenges. In the absence of any specific investment restrictions, including those aimed at avoiding concentrations in particular countries, regions or industrial sectors or designed to mitigate other potential investment risks, such decisions may prove to be more risky or less profitable than decisions that might otherwise have been made.

In addition, there can be no assurance as to the amount of any dividends that may be paid by OQ to the Government in future years.

Potential investors should note that the Government does not guarantee the obligations of OQ in respect of any Notes issued under the Programme and the Noteholders therefore do not benefit from any legally enforceable Government backing

In addition, the Government is not legally obliged to fund any of the Group's projects or investments and accordingly may not do so. See generally, "*Relationship with the Government*".

In the past, the Government has provided significant support to the Group and to OQRPI before it was combined into the Group. In addition, the Government support to OQRPI through the Ministry of Finance has included guarantees and indemnities to support OQRPI's projects. See "*Relationship with the Government*". There is no certainty that the Government will continue to support the Group in the future on the same terms as it has done in the past or at all. In particular, Oman's fiscal deficits have materially increased in recent years as a result of the low oil price environment, which may further limit the capacity of the Government to support the Group. Any significant withdrawal of support or even a perception that the support may be withdrawn would be likely to result in a reduction of the Group's rating which would be likely to negatively impact the Group's ability to obtain financing and/or increase its cost of financing and could result in the Group choosing not to pursue certain projects that it might otherwise have pursued.

Certain significant Group companies operate in specialised industries and are dependent on their ability to recruit and retain skilled technical and service personnel and these companies may be exposed to production disruptions caused by labour disputes

Certain significant integrated Group companies, including in particular OQEP, OQRPI and OQ Chemicals which operate in the upstream oil and gas industry, the petroleum refining and petrochemical industry and the specialty chemical industry, respectively, are dependent on the continued services and contributions of their skilled technical and other personnel. The businesses of those companies could be adversely affected if they lose the services and contributions of some of these personnel and are unable to adequately replace them, or if they suffer disruptions to their production operations arising from labour or industrial disputes. In addition, these Group companies may be required to increase or reduce the number of employees in connection with any business expansion or contraction, in accordance with market demand for their products and services. Since these Group companies face intense competition for the recruitment of their skilled personnel, they may not be able to fulfil their personnel requirements, or rehire such reduced personnel on comparable terms in a timely manner during an economic upturn.

The Group's international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions

European, U.S. and other international sanctions have in the past been imposed on companies engaging in certain types of transactions with specified countries or companies or individuals in those countries. Companies operating or investing in certain countries in the MENA region have been subject to such sanctions in the past. The terms of legislation and other rules and regulations which establish sanctions regimes are often broad in scope and difficult to interpret. Neither the Group nor any of its affiliates is currently the target of any such sanctions and the Group has adopted policies and procedures designed to comply with applicable sanction regulations.

The Office of Foreign Assets Control of the U.S. Department of Treasury (**OFAC**) as well as other departments of the United States government administer regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries and specially designated nationals (together **Sanction Targets**). As the Group is not a Sanction Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with the Group. However, to the extent that the Group invests in, or otherwise engages in business with, Sanction Targets in the future, U.S. persons investing in the Group, including through the purchase of securities issued or guaranteed by the Group, may incur the risk of indirect contact with Sanction Targets.

The Group is exposed to fluctuations in the prices of the commodities that it uses and trades

The revenue and profit generated by the Group's industrial activities (which principally comprise oil and gas exploration, development and production, petroleum refining and petrochemical and specialty chemical production activities) and, to a lesser extent, its trading activities relating to the products it produces and the third-party products that it trades are dependent upon prevailing commodity prices (including the prices of crude oil, natural gas and the petrochemical and specialty chemical products which it manufactures and trades). Commodity prices are influenced by a number of external factors, including supply and demand, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries. Fluctuations in the price of the commodities used, produced and traded by the Group could materially impact the Group's business, revenue and results of operations.

The impacts that fluctuating commodity prices have on the Group's business differ between its trading activities and its industrial activities.

In a market environment in which prices for a particular commodity are higher on average, the premiums/margins that the Group generates in its physical trading operations relating to that commodity as a result of geographical, time and quality imbalances tend to be higher. The Group's trading activities also generally benefit from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage the resulting price differentials. As prices of commodities rise, the Group generally has higher working capital financing requirements over the same quantity of commodities in question. During periods of falling commodity prices, the opposite applies in that the Group will require less working capital financing for its marketing activities.

Higher commodity prices are generally favourable to the profitability of the Group in respect of its industrial activities. Similarly, low prices will generally negatively impact the Group's industrial activities and could result in such activities incurring losses.

A significant downturn in the price of commodities generally results in a decline in the Group's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn in commodity prices affects industrial and trading activities differently, the negative impact on the Group's industrial activities is generally greater, as the profitability in the industrial activities is more directly exposed to price risk due to its higher level of fixed costs, while the Group's trading activities are ordinarily substantially hedged in respect of price risk and principally operate a service-like margin-based model. The Group does not typically engage in meaningful hedging against declines in commodity prices related to its production although it undertakes limited hedging activities in relation to its hydrocarbon inventory position when prescribed conditions are met. As a result, volatility in commodity prices has in the past directly impacted its results of operations and is likely to continue to do so in the future.

The prolonged period of low oil and gas prices from mid-2014 into 2017, the significant volatility in oil prices experienced in 2020 and early 2021 and continued uncertainty with respect to these prices make fluctuations in commodity prices a particularly material risk for the Group. See "*—The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group*" above.

The Group is exposed to fluctuations in the expected volumes of supply and demand for commodities

The expected volumes of supply and demand for the commodities in which the Group is active vary over time, based on competitor supply policies, changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions, natural disasters and pandemic diseases, all of which impact global markets and demand for commodities. Furthermore, changes in expected supply and demand conditions impact the expected future prices (and thus the price curve) of each commodity.

Fluctuations in the volume of each commodity produced by the Group or traded by the Group could materially impact the business, results of operations and profitability of the Group. These fluctuations could result in a reduction or increase in the income generated in respect of the volumes handled by the Group's trading activities, or a reduction or increase in the volume and/or margin in respect of commodities produced by the Group.

The Group is exposed to deterioration in economic and financial conditions, particularly in its key markets

A significant proportion of the customers for the Group's production are located in Asia, including China. As a result, any negative developments, particularly impacting China and its economy, could lead to reductions in demand for and, consequently, prices of the Group's commodities. Since January 2020 and more recently, China and other countries around the world have been materially adversely affected by the Covid-19 pandemic. See "*—The Group is exposed to material and currently not fully quantifiable disruptions arising from the Coronavirus disease 2019 (Covid-19)*" above.

In addition, an actual or perceived decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the business, results of operations or profitability of the Group. For example, although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms. In addition, a tightening of available credit may make it more difficult to obtain, or may increase the cost of obtaining, financing for the Group's marketing activities and capital expenditures at the Group's industrial assets. Changing production levels in response to current price levels or estimates of future price levels imposes costs and, if mistimed, could adversely affect the results of the Group's operations or financial condition. In addition, the default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the business and economic condition and prospects of its counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict. The impact of this could be detrimental to the Group and could have a material adverse effect on the business, results of operations or profitability of the Group.

Liquidity risk could limit the Group's ability to engage in desired activities and grow its business

Liquidity, or ready access to funds, is essential to the Group's businesses. A lack of liquidity may mean that the Group will not have funds available to maintain or increase its industrial and trading activities.

The Group's trading activities employ significant amounts of working capital to fund purchases of commodities for future delivery to end customers, to meet margin requirements under derivative contracts and to fund the acquisition and maintenance of certain transport and storage assets which complement the trading activities.

The Group's industrial activities are capital intensive and the continued funding of such activities is critical to maintain the Group's ownership interests in those industrial assets, to maintain production levels in periods when net operating cash flow is negative or insufficient to cover capital expenditures, to increase production levels in the future in accordance with business plans and to grow the Group's industrial activities through the acquisition or construction of new assets.

While the Group adjusts its minimum internal liquidity targets in response to changes in market conditions, these minimum internal liquidity targets may be breached due to circumstances which the Group is unable to control, such as general market disruptions, sharp increases or decreases in the prices of commodities or an operational problem that affects the Group, its suppliers or customers, which may require the Group to take remedial action that may have an adverse effect on its business, results of operations or profitability.

RISKS RELATING TO THE GROUP'S DEVELOPMENT AND INVESTMENT ACTIVITIES

Since OQ began operations in 1996, the Group has established, acquired or received from the Government a number of significant companies or groups of companies, including OQ Trading, OOMCO, OQ Chemicals, OQGN and OQRPI. In addition, OQ has undertaken and is undertaking a number of significant projects including the construction of a new refinery at Duqm, a number of hydrocarbon exploration and development projects and a number of petrochemical and specialty chemical plant construction or expansion projects. In acquiring, establishing or receiving these and other businesses and undertaking these and other projects, the Group is exposed to a number of risks, certain of which are summarised below. The realisation of any of the risks described below could have a material adverse impact on OQ's ability to fulfil its obligations in respect of any Notes.

Implementing projects is inherently risky

When undertaking a new project the Group faces a number of risks, including:

- requirements to make significant capital expenditures without receiving cash flow from the project concerned until future periods. For example, the Duqm refinery project, in which the Group has invested U.S.$784 million (OMR 302 million) as at 31 December 2020, following a joint venture agreement with Kuwait Petroleum (Europe) B.V. (**KPE**) in 2018 and for which completion is not expected until 2022;

- possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for such construction and capital improvements may not be available to the Group on suitable terms or at all;

- delays in obtaining, or a failure to obtain, all necessary governmental and regulatory permits, approvals and authorisations;

- uncertainties as to market demand or a decline in market demand for the products or services to be generated by the project after construction has begun;

- an inability to complete projects on schedule or within budgeted amounts;

- methodological errors or erroneous assumptions in the financial models used by the Group to make investment decisions; and

- fluctuations in demand for the products or services produced by the project due to a number of factors, including market and economic conditions and competition from third parties, that may result in the Group's investment not being profitable or not generating the originally anticipated level of cash flows.

There can be no assurance that the Group's current or future projects will be completed within the anticipated timeframe or at all, whether as a result of the factors specified above or for any other reason.

The Group's ongoing projects, including the Duqm refinery project, are also exposed to a number of construction risks, including the following:

- major design and/or construction changes, whether caused by changes in technological demand, market conditions or other factors;

- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor;

- default or failure by the Group's contractors to finish projects on time and within budget;

- disruption in service and access to third parties;

- delays arising from shortages and long lead times for the delivery of complex plant and equipment or defective materials;

- shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances; and

- escalating costs of construction materials and global commodity prices.

Moreover, continued growth through new projects and investments may also divert management's capacity to deal with existing projects and investments. Any of these factors could materially delay the completion of a project or materially increase the costs associated with a project or investment.

Significant business combinations could prove to be costly in terms of the Group's time and resources and may impose integration risks and businesses, such as OQRPI, may be loss making before or after being combined which may adversely affect the Group's results of operations and increase its funding requirements

As part of its or its shareholder's strategy, the Group may from time to time participate in substantial business combinations. For example, the Group has nearly completed the process of integrating the operations of OQRPI which it obtained control with effect from 1 January 2019 following the Government's transfer to the Group of the 75 per cent. shareholding in OQRPI which the Group did not already own. This, and any other significant business combinations the Group may undertake in the future, expose the Group to numerous risks including:

- diversion of management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations;
- unexpected losses of key employees, customers and suppliers of the new operations;
- difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the new business with those of the Group's existing operations;
- challenges in managing the increased scope, geographic diversity and complexity of the Group's operations, particularly where the Group makes significant investments in countries in which it has little or no previous investment experience;
- difficulties in obtaining any financing necessary to support the growth of the new businesses; and
- exposure to unanticipated liabilities and/or difficulties in mitigating contingent and/or assumed liabilities.

In addition, acquired businesses may be loss making when acquired and/or may have significant accumulated deficits which may limit their ability to pay dividends to OQ until they develop distributable reserves. For example, OQRPI was loss making both before and after it was combined with the Group and in each of 2020, 2019 and 2018 and its audit reports contained statements of material uncertainty related to going concern in relation to those losses in 2019 and in 2018. As a result, the Group provided a shareholder loan to OQRPI in 2019 to cover its losses in that year. Given the importance of OQRPI to the Group's strategy, the Group has undertaken to continue to provide such financial and other support as necessary to OQRPI as well as to meet its obligations, including financial liabilities, as and when they fall due until at least 22 March 2022, and the Group may need to provide further support to OQRPI in the future to the extent that OQRPI's losses continue.

Unless and until any such acquired businesses become profitable, this may also significantly adversely affect the Group's results of operations in periods after the acquisition is effective and may increase the Group's funding requirements.

The Group cannot guarantee that its business combination strategy will be successful in all cases. Any business combination that the Group participates in could lose some or all of its value and may generate returns that are substantially lower than those experienced by the Group through other business combinations, acquisitions or investments.

The due diligence process that the Group undertakes in connection with new projects, investments or transactions in relation to its divestment strategy may not reveal all relevant facts

Before implementing a new project, making a new investment or making a divestment, the Group conducts due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process is to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation or to evaluate the divestment opportunity. When conducting due diligence, the Group evaluates a number of important business, financial, tax, accounting, regulatory, environmental and legal issues in determining whether or not to proceed with a project or an investment or divestment. Outside consultants, including legal advisers, accountants, investment banks and industry experts, are involved in the due diligence process in varying degrees depending on the type of project or investment or divestment. Nevertheless, when conducting due diligence and making an assessment regarding a project, an investment or divestment, the Group can only rely on resources available to it, including information provided by the target of the investment where relevant and, in some circumstances, third-party investigations. In some cases, information cannot be verified by reference to the underlying sources to the same extent as the Group could for information produced from its own internal sources. In particular, projects and investments undertaken or made by the Group in emerging markets involve a greater degree of risk than projects and investments in developed countries. Among other things, emerging market projects and investments or divestments to investors in such markets may carry the risk of less publicly available information, more volatile markets, less sophisticated securities market regulation, less favourable tax provisions, less stable or predictable legal systems and a greater likelihood of severe inflation, unstable currency, corruption, war and expropriation of personal property than projects, investments or divestments in developed countries.

The due diligence process may at times be subjective and the Group can offer no assurance that any due diligence investigation it carries out with respect to any project, investment or divestment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such opportunity. Any failure by the Group to identify relevant facts through the due diligence process may mean that projected rates of return and other relevant factors considered by the Group in making investment or divestment decisions prove to be significantly inaccurate over time.

The Group has investments in joint ventures and companies that the Group does not control or over which it only has joint control and this could expose the Group to additional risks

The Group has investments in joint ventures and companies that it does not control or over which it only has joint control and the Group's investments in companies in which it holds a non-controlling interest may increase as it executes its divestment strategy. For example, OQEP does not operate a number of its oil and gas assets which make a material contribution to the Group's revenue. The Group also currently holds a number of minority
non-core investments in public and non-public companies and may in the future also dispose of investments over time in a manner that results in it retaining only a minority interest.

Investments in which the Group has joint control with third parties, for example OQ8 which is undertaking the Duqm refinery project as part of a 50:50 joint venture with KPE, are subject to the risk that the other shareholders of the company in which the investment is made, who may have different business or investment objectives, may have the ability to block business, financial or management decisions which the Group believes are crucial to the success of the project or investment concerned, or work in concert to implement initiatives which may be contrary to the Group's interests.

In addition, the Group's joint venture partners may be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements or may experience financial or other difficulties that may adversely impact the Group's investment. In some of its joint ventures, the Group is reliant on the particular expertise of its joint venture partners and any failure by any such partner to perform its obligations in a diligent manner could also adversely impact the Group's investment. The Group can give no assurance as to the performance of any of its joint venture partners.

Investments in which the Group only has a minority interest are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Group does not agree or that the majority shareholders or the management of the company may take risks or otherwise act in a manner that does not serve the Group's interests. The Group's equity investments in such companies may also be diluted if it does not partake in future equity or equity-linked fundraising opportunities.

The value of, and the dividends received from, companies within the Group's non-core investment portfolio may be affected by factors beyond the Group's control. Certain of the Group's investments in that portfolio may not return the expected value or may be difficult to sell, should the Group decide to divest them, which may adversely affect the Group's ability to generate liquidity from its portfolio

The Group currently has a portfolio of 27 investments which management classifies as part of the Group non-core business. These generated net losses principally through full consolidation or share of losses of joint ventures of OMR 71 million in 2020, equal to 4.2 per cent. of the Group's consolidated net loss for the year. Adjusted EBITDA from non-core entities amounted to OMR 54.4 million in 2020, equal to 9.7 per cent. of the Group's Adjusted EBITDA for that year. It is part of the Group's strategy to rationalise this portfolio and to maximise its value over the medium term.

The assets within the Group's non-core investment portfolio include subsidiaries, associated companies and financial investments in which the Group only has small holdings. Many of these non-core investments are held at fair value on its consolidated statement of financial position and revalued on each reporting date. As at 31 December 2020, the value of the Group's investments at fair value through profit and loss in the 2020 Financial Statements was OMR 304 million, equal to 3.1 per cent. of the Group's total assets at the same date. The value of these non-core investments may be volatile and is likely to fluctuate due to a number of factors beyond the Group's control, including actual or anticipated fluctuations in the interim and annual results of the relevant companies and other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets (many of which, in 2020, have been materially adversely affected by the Coronavirus pandemic) and other material events, such as significant management changes, refinancings, acquisitions, dispositions and restructurings. For example, compared to their fair value as at 31 December 2019, the fair value of the Group's investments at fair value through profit and loss had declined by OMR 63 million, or 17.0 per cent., as at 31 December 2020.

In addition, 18.4 per cent. of the Group's investments at fair value through profit and loss before impairment as at 31 December 2020 are in companies which are not quoted on a recognised stock exchange. Because these investments are not traded on a public market, it is difficult to determine accurately the fair value of such investments and it may be difficult to sell these investments if the need arises or if the Group determines such sale would be in its best interests. Even if the Group is able to sell its unlisted investments, the value received on such sale may not reflect the value at which they are held on the Group's consolidated statement of financial position and accordingly any such sale could result in losses.

The Group's investments at fair value also include equity investments in publicly traded companies. Because these investments typically represent substantial holdings, it may be difficult for the Group to liquidate its position without materially adversely affecting the trading price of the relevant securities. Accordingly, the value the Group could obtain on a sale of its publicly traded securities could be substantially less than the value at which they were previously recorded. As a result, if the Group is required to liquidate all or a portion of such investments quickly, it could realise a significant loss on the value of its investments.

Significant management judgments are involved in the preparation of the Group's consolidated financial statements for any period

The preparation of the Group's consolidated financial statements requires management to make certain significant estimates and judgments which relate to, among other matters:

- the impairment of oil producing assets and gas properties and other property, plant and equipment;
- reserves estimates used in the calculation of depreciation, depletion and amortisation;
- impairment loss on investments in joint ventures and associates;

- the measurement of fair values;
- the amount of provisions required for site restoration and abandonment cost;
- certain tax-related estimates and judgements;
- impairment of property, plant and equipment; and
- expected credit loss allowance.

See "*Management's discussion and analysis of financial condition and results of operations—Critical accounting judgements, estimates and uncertainties*".

The exercise of these judgments may have a material effect on the Group's results of operations as presented in its consolidated financial statements and the results of operations so presented could be materially different from those which would have been presented if different assumptions and/or estimates had been used. In addition, there can be no assurance that any assumptions made by management will necessarily prove to have been accurate predictions of future events.

RISKS RELATING TO THE GROUP'S OIL AND GAS BUSINESS

The Group's oil and gas business comprises upstream (exploration, development and production through OQEP and gas transportation through OQGN) and downstream (principally refining and the manufacture and sale of petrochemicals through OQRPI and the manufacture and sale of specialty chemicals through OQ Chemicals) elements. The Group's core upstream activities contributed 83.3 per cent. of its Adjusted EBITDA in 2020 and the Group's downstream activities contributed 7 per cent. of its Adjusted EBITDA in 2020.

Adjusted EBITDA from OQEP accounted for 68.6 per cent. of the Group's total Adjusted EBITDA in 2020, 52.4 per cent. in 2019 and 47.5 per cent. in 2018. In addition, Adjusted EBITDA from OQGN accounted for 14.8 per cent. of the Group's total Adjusted EBITDA in 2020, 7.7 per cent. in 2019 and 5.9 per cent. in 2018.

Adjusted EBITDA from OQ Chemicals accounted for 10.2 per cent. of the Group's total Adjusted EBITDA in 2020, 8.2 per cent. in 2019 and 9.6 per cent. in 2018 and Adjusted EBITDA from OQRPI accounted for negative 16.3 per cent. and negative 10.2 per cent. of the Group's total Adjusted EBITDA in 2020 and 2019, respectively and 13.7 per cent. in 2018. Accordingly, the Group is and will remain significantly exposed to risks relating to the oil and gas industry, including in particular the upstream and downstream elements of that industry. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information".

Upstream oil and gas exploration, development and production operations are subject to numerous operating, regulatory and market risks, many of which are beyond the control of the Group

OQEP currently has participation interests in five producing oil and gas blocks, six oil and gas exploration blocks and three service agreements.

The exploration activities undertaken by the Group may involve unprofitable efforts, not only from dry wells, but also from wells that do not produce sufficient revenue to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect the production from successful wells.

Oil and gas exploration and development activities are also dependent on the cost and availability of drilling and related equipment and drilling personnel and specialists in the particular areas where such activities will be conducted. The lack of availability or high cost of limited equipment such as drilling rigs or access restrictions may adversely affect the Group's operations and may delay its exploration and development activities. In the geographic areas in which the Group operates there is significant demand for drilling rigs and other equipment.

The Group's oil and gas production operations are subject to all the risks typically associated with such operations, including market fluctuations in the prices of oil and natural gas; uncertainties related to the delivery and proximity of its reserves to pipelines, gathering systems and processing facilities; failures of equipment which can cause production and transportation interruptions; regulation relating to prices, taxes, royalties, land tenure, allowable production and the export of oil and gas; premature decline of reservoirs; invasion of water into producing formations and many other aspects of the oil and gas business, many of which are beyond the control of the Group.

The materialisation of any of these risks could materially adversely affect the Group's upstream oil and gas exploration, development and production businesses.

The Group could face significant liabilities for damages, clean-up costs or penalties under environmental and safety laws and changes in such laws could materially increase the Group's costs

Environmental contamination, toxicity and explosions from leakage and associated penalties are inherent risks in all elements of the oil and gas business. The Group must comply with national, state and/or local environmental laws and regulations in jurisdictions in which the Group operates which may affect its operations. These laws and regulations set various standards regulating certain aspects of health, safety, security and environmental quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation.

Significant liability could be imposed on members of the Group for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property purchased or acquired by the Group, acts of sabotage or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Group's business, financial condition and results of operations (either because of the cost implications for the Group or because of disruption to services provided at the relevant project or business). It may also result in a reduction of the value of the relevant project or business or affect the ability of the Group to dispose of such project or business.

The Group cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by the Group for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Group's oil and gas businesses.

The Group needs to maintain high-capacity utilisation rates in its refineries and petrochemical and specialty chemical plants and is vulnerable to disruption in the supply of feedstocks to those facilities

Profitability in the Group's refineries and petrochemicals business is closely tied to global demand, industry inventory levels and plant capacity utilisation. The Group's ability to generate profit in these businesses depends, to a significant degree, on its ability to maintain high-capacity utilisation rates (being the level of output each facility achieves in relation to its capacity) in its refineries and industrial plants.

The Group's petrochemical and specialty chemical plants, including in particular those operated by OQRPI and OQ Chemicals, are subject to a number of operational risks, including reduced utilisation rates due to:

- planned activities such as major maintenance or shutdowns, which are performed on a periodic basis, for example the Sohar refinery was closed for two months in 2019 as part of a planned turnaround and, in 2020, there was a planned shutdown of Block 61 for a period of 23 days for turnaround activity and planned maintenance at OQ Chemicals' European plants which resulted in 56 days' of unit shutdown; or

- unplanned outages which may occur for a number of reasons, many of which are outside the Group's control, for example the Mina Al Fahal refinery was shut for 24 days in 2018 as a result of damage to the main column trays of the crude distillation unit, OQEP's Block 61 reported a three-day partial shutdown due to challenges encountered during start-up activities following its turnaround and OQ Methanol's plant's process utilisation rate was 89 per cent.; with the plant being shutdown for 16 days in September 2020 due to a primary seal failure in Syngas Compressor.

Historically, the refining and petrochemicals industries have experienced alternating periods of tight supply, resulting in increased prices and margins, followed by periods of substantial increases in capacity, resulting in over-supply and declining prices and margins. The operating results of OQRPI, OQ Chemicals and certain other Group entities may reflect the volatile and cyclical nature of these industries. OQRPI is currently engaged in the construction of a petrochemicals complex that will produce LLDPE, HDPE and polypropylene polymers that will be sold to third parties, which is expected to result in a significant increase in production capacity for these products coming on-stream in or around 2021. Other producers in the petrochemical industry, such as Saudi Aramco, Shell Chemical, Dow, Exxon Mobil, Reliance Industries and Chevron Phillips Chemical, have announced, committed to, have under construction or have recently completed projects to increase the capacity of their polyethylene production facilities. There is no assurance that there will be future growth in demand for petrochemical products that is sufficient to take full advantage of the Group's current and projected production capacity, particularly in light of increasing public concerns with plastic packaging, see "*—Environmental issues, such as costs associated with carbon dioxide emissions and concerns relating to the impact of plastic packaging, could significantly increase the Group's costs*" below. Excess industry capacity and other industry conditions impacting particular products, especially at times when demand is weak, have in the past caused certain Group companies and other industry participants to lower production rates, which has reduced and in the future may reduce their margins, income and cash flow in periods of low demand.

The Group purchases large amounts of raw materials for its downstream oil and gas businesses. If temporary feedstock or raw material shortages due to disruptions in supply caused by weather, transportation, production delays, regulatory changes or other factors require it to procure its feedstock or raw materials from alternate suppliers, the Group cannot provide any assurance that it will be able to purchase similar quantities of raw materials on terms as favourable as its current terms, or at all.

The Group has certain significant inter-Group dependencies and disruptions at one plant could adversely affect not only that plant but also the other plants that are dependent on it

The Group has certain significant inter-Group dependencies, the most significant of which is that the major feedstock for the Group's Sohar refinery is crude oil transported to the Mina Al-Fahal refinery and blended with long residue produced at that refinery. In addition:

- a large proportion of the major feedstocks for the Group's petrochemical plants at Sohar is produced by the Sohar refinery; and

- certain Group companies, such as OQRPI, OQEP and OQ Methanol, rely on OQ Trading to purchase a material part (in the case of OQRPI and OQEP) or all (in the case of OQ Methanol) of their production.

As a result, the Group's production of refined petroleum and petrochemical products at the Sohar refinery is particularly exposed to any prolonged closures affecting the Mina Al-Fahal refinery and its production of petrochemical products at Sohar is additionally exposed to any prolonged closure of the Sohar refinery. In addition, in the event that OQ Trading is unable to act as offtaker for the Group's production, the Group companies affected would need to source other purchasers and there can be no assurance that the terms they may be able to negotiate would be as commercially attractive as those previously agreed with OQ Trading. In addition, reflecting limited available storage, production would need to be curtailed if the Group companies affected were unable to source alternative purchasers.

Operating problems in the Group's downstream oil and gas business may adversely affect its profit and cash flow

The occurrence of significant operating problems at the Group's material downstream facilities may have a material adverse effect on the productivity and profitability of that facility, any related facilities which depend on it and, potentially, on the Group's operations as a whole. The Group's various production facilities are subject to the usual hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes, including pipeline, storage tank and other leaks and ruptures; integrity issues associated with storage; insufficient storage capacity; transportation interruptions, including rail, truck and marine, some of which may be beyond the Group's control; fires; mechanical failure; critical equipment breakdown; labour difficulties; remediation complications; discharges or releases of pollutants, contaminants or toxic or hazardous substances or gases and other environmental risks; explosions; chemical spills; unscheduled downtime; industrial accidents; and inclement weather, natural disasters and pandemic diseases, such as Covid-19. There are numerous examples of these hazards impacting the Group, see, for example, "*—Other general risks—The Group could be materially adversely affected by natural disasters or interruptions in the supply of utilities in the locations in which it has material operations or in which its material customers or suppliers operate*" below and "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting the Group's results of operations and financial condition—Levels of production and utilisation rates*".

Some of these hazards may cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage, and may result in suspension of operations, damage to the Group's reputation and the imposition of civil, regulatory or criminal penalties. Furthermore, the Group may also be subject to claims with respect to workplace exposure, workers' compensation and other matters. The Group carries insurance against potential operating hazards which is consistent with industry norms. If the Group were to incur a significant liability, even one that was covered by insurance, it could significantly affect the Group's productivity, profitability and financial position.

Certain Group companies do not own the land on which their assets are situated and may not have secured all necessary property rights, may not be able to renew any necessary property rights or may cease to benefit from its existing rights to use the land

Certain Group companies do not own the land on which their assets are situated. For example, OQRPI only has rights to use the land on which its refineries and petrochemical plants are situated in the form of usufructs, sub-usufructs, easements, rights of way and rights emanating from other documents issued by the owners or managers of the relevant land.

From time to time Group companies may need to renew their property rights or negotiate changes to the terms, including the rent, relating to their property rights. There is no assurance that the Group will be able to secure favourable terms or rental rates in relation to any new or renegotiated property rights agreement and any new or renegotiated agreement could result in a significant increase in its costs. Further, any inability to renew these agreements, or agree revised terms with the owners or managers, could result in the Group losing access to some of its major assets.

Additionally, if the Group is in material breach of the terms of its property rights, the relevant owner or manager may, at its option, elect to terminate the relevant agreement, evict the Group and repossess the land. Any termination or non-renewal of property rights over the land on which the Group's assets are situated could have a material adverse effect on the Group.

Environmental issues, such as costs associated with carbon dioxide emissions and concerns relating to the impact of plastic packaging, could significantly increase the Group's costs

The Group expects continued political attention to issues concerning the local environment, climate change and adaptation or mitigation through regulation that could materially affect the Group's operations. Internationally, the United Nations Framework Convention on Climate Change and the 2015 Paris Climate Agreement address greenhouse gas emissions, and several countries including the EUhave established greenhouse gas regulatory systems. The Group is also subject to further environmental obligations contained in the terms of many of its financing agreements.

CO_2 is a by-product of the burning of fuels (including oil and gas), and is considered a greenhouse gas. The Group's operations result in the emission of CO_2. Oman is a signatory to the 2015 Paris Climate Agreement and ratified that agreement in May 2019. Compliance with the Agreement may require the reduction of CO_2 emissions in Oman, and the responsibilities of Omani companies may change following the implementation of any CO_2 mitigation regulations. Such regulations could result in, for example:

- increased costs to operate and maintain the Group's plants;
- increased capital expenditures to install new emission controls at the Group's plants; and
- increased costs to administer and manage any potential greenhouse gas emissions or cap and trade or other control programmes.

These increased operating and compliance costs could have a material adverse effect on the Group.

In addition, the Group's polypropylene is used, and the new petrochemical products that it intends to produce following completion of OQRPI's ongoing petrochemical project are also used, among other applications, as a raw material in the production of plastic packaging. Negative public perceptions relating to the use of plastic packaging material, due to environmental concerns with respect to the production and disposal of plastic packaging, could reduce demand for these products. In addition, some jurisdictions may introduce legislation (or in some cases, more stringent legislation) to ban, restrict or disincentivise the use of certain types of plastic packaging or products, such as plastic bags and microbeads.

There is also no assurance that other types of plastic or material, based on physical properties or for economic, regulatory, environmental or other reasons, would not substitute the polypropylene produced and planned to be produced by the Group or any of the related products it plans to produce in the future. If there is a significant reduction in demand for, or substitution of, any of its current or future products, the Group's sales would decrease and it might need to incur significant capital expenditure to adjust its production facilities, each of which could give rise to a material adverse effect on the Group.

The Group's oil and gas licences may be suspended, terminated or revoked prior to their expiration and it may be unable to obtain or maintain any required permits or authorisations

The Group conducts its upstream oil and gas operations under numerous explorations, development and production licences in Oman and Kazakhstan. Most of these licences may be suspended, terminated or revoked if the relevant Group licensee fails to comply with the licence requirements, does not make timely payments of all applicable levies and taxes, systematically fails to provide information, becomes bankrupt or fails to fulfil any capital expenditure or production obligations. In addition, territorial disputes may call into question the validity of certain of the Group's offshore licences. The Group may not comply with certain licence requirements for some or all of its licence areas. If it fails to fulfil the specific terms of any of its licences or if it operates in its licence areas in a manner that violates applicable law, government regulators may impose fines or suspend or terminate its licences, any of which could have an adverse effect on the Group's oil and gas businesses.

In addition, to operate its oil and gas businesses. including its downstream businesses, as currently contemplated, the Group must obtain permits and authorisations to conduct operations, such as land allotments, approvals of designs and feasibility studies, pilot projects and development plans, for the construction of any facilities onsite. It may not be able to obtain or renew all required permits and authorisations. If the Group fails to receive any required permits or authorisations, it may have to delay its investment or development programmes, or both.

The Group may be affected by international trade litigation, disputes or agreements

Exports of petrochemicals and specialty chemicals by the Group may be affected by litigation, disputes or agreements that relate to the imposition of import trade measures, including anti-dumping and countervailing duties, safeguard measures, import licensing and customs requirements. The possibility and effect of any such measures will depend on the laws of the country to which the exports are being made and applicable international trade agreements. Since a significant proportion of the Group's products are exported, any such measures applied to the Group could have a material adverse effect. From time to time, the Group has been subject to various inquiries and investigations regarding duties and compliance with anti-dumping laws in various jurisdictions to date and certain of these inquries and investigations are ongoing. Although such matters have not had a material impact on the Group, no assurance can be made that any future decisions would not materially impact the Group.

The Group's estimates of its oil and gas reserves are subject to various uncertainties, including many factors beyond the Group's control

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible oil and gas reserves, including many factors beyond the Group's control. The reserves information set out in this Base Prospectus are year-end estimates only. In general, estimates of economically recoverable oil and gas reserves are based on recognised rules and use a number of factors and assumptions made as of the date on which the reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the assets, the assumed effects of regulation by governmental agencies and estimates of commodity prices and capital and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain, and classifications of reserves are only attempting to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable oil and gas reserves attributable to any particular group of assets and the classification of such reserves based on risk recovery prepared by different engineers or by the same engineers at different times may vary substantially. In addition, due to the inherent risks in development activities, there can be no assurance that any of the Group's estimated oil and gas reserves will be converted into commercial production, the value of such production will be in accordance with targeted or expected value or that the Group will meet its targeted production timelines. The Group's actual production, revenue, taxes and development and operating expenditures with respect to its reserves are likely to vary from its estimates, and such variances could be material.

Estimates with respect to oil and gas reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves, rather than upon actual production history. Subsequent evaluation of the same reserves based upon production history will result in variation, which may be material, in the estimated or actually recovered reserves. In addition, significant reductions in commodity prices may make the exploitation of certain reserves uneconomic and this too can affect reserves figures fromperiod to period. Major oil companies have in the past recorded significant losses as a result of reserves estimates being reduced as a result of sustained periods of low oil and gas prices.

The estimates for the Group's proven and probable reserves set out in this Base Prospectus were evaluated using the Society of Petroleum Engineers' Petroleum Resource Management System. The Group's crude oil and natural gas reserves and resources review process comprises an external review process conducted by appropriately qualified independent reserves auditors every three years. Between reviews, the Group's internal reserves engineer adjusts its reserves for actual production. Potential investors should note that the definitions and guidelines prescribed by the U.S. Securities and Exchange Commission or any other regulatory body may provide for a more conservative approach to reserve estimates and therefore result in lower reserve values than the approach currently followed by the Group. There can be no assurance that an assessment of the reserves using the Group's current methodology would be consistent with an assessment using any other methodology.

The oil and gas industry is competitive

The upstream oil and gas industry is competitive in all its phases. To the extent that the Group conducts independent oil and gas exploration, development and production activities, it will need to compete with numerous other participants in the search for, and the acquisition of, oil and gas properties and in the marketing of oil and gas. These other participants may possess greater technical, physical and/or financial resources than the Group. In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and the Group may face intense competition in bidding for such production blocks in the future, in particular those blocks with the most attractive crude oil and natural gas potential reserves. Such competition may result in the Group failing to obtain desirable production blocks or may result in the Group acquiring such blocks at a price which could result in the subsequent production not being economically viable.

The Group also competes with other industries that provide alternative means of energy, such as natural gas, coal and renewable energy sources. If any Group companies are unable to compete effectively, both within and outside of their industries, this could materially and adversely affect the Group's upstream oil and gas business.

The downstream oil and gas industry is also competitive. If competitors increase their throughput or refining capacity in the future, the Group could face increased competition, which would put pressure on the prices of certain of its products. The Group's refined fuel production is also subject to the risk of changes in technology or consumer preferences that may alter fuel choices or affect demand for fuel, such as electric vehicles and the growth of car-sharing, which may negatively affect demand for the Group's refined fuel products, which are principally sold in Oman.

In the petrochemical and specialty chemical industries, competition is based upon a number of considerations, principally product differentiation and innovation, product quality and quality of logistics, including distribution capability. In addition, in some market segments, the Group's products are subject to intense price competition due to factors such as overcapacity, competition from low-cost producers and consolidation and globalisation among the Group's customers and competitors. Increased price competition may also occur in certain other product areas as industry segments mature. If the Group is not able to compete with new products or technologies developed by competitors, it could lose customers for its petrochemicals products, which could have a material and adverse effect on its competitive position.

RISKS RELATING TO THE GROUP'S TRADING BUSINESS

The Group's trading business is undertaken by its wholly owned subsidiary, OQ Trading, which trades crude oil, refined products, petrochemicals, LNG and dry bulk. Adjusted EBITDA from OQ Trading's trading activities accounted for 8.1 per cent. of the Group's total Adjusted EBITDA in 2020, 4.2 per cent. in 2019 and 3.3 per cent. in 2018. Accordingly, the Group is exposed to risks relating to OQ Trading's trading business. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information".

The Group is subject to significant counterparty credit and performance risk in its trading activities

Non-performance by OQ Trading's suppliers, customers and hedging counterparties may occur in a range of situations, such as:

- a significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to OQ Trading at pre-agreed prices;

- a significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from OQ Trading at pre-agreed prices, for example in the first six months of 2020 certain counterparties sought to declare force majeure in relation to their contracts;
- suppliers may take payment in advance from OQ Trading and then find themselves unable to honour their delivery obligations due to financial distress or other reasons; and
- hedging counterparties may find themselves unable to honour their contractual commitment due to financial distress or other reasons.

OQ Trading is reliant on third parties to source a significant proportion of the commodities purchased by it. Any disruptions in the supply of product, which may be caused by factors outside OQ Trading's control, could adversely affect OQ Trading's trading margins. For example, a shutdown of the Sohar refinery for an extended period in the year ended 31 December 2020 required OQ Trading to source additional production, principally of LPG, in the spot market at a higher cost for a period. Although with effect from 2021 OQ Trading is no longer exposed to lack of availability of LPG, the Group's business, results of operations, financial condition and prospects could be materially adversely impacted if OQ Trading is unable to source required volumes of any other material commodities from its suppliers on reasonable terms or at all.

OQ Trading seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, including making use of credit enhancement products, such as letters of credit, bank guarantees or insurance policies, where appropriate, and by imposing limits on open accounts extended. While these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment could negatively impact the quality of these exposures. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margining arrangements in place with the hedge counterparties. However, no assurance can be given that OQ Trading's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of a counterparty or counterparties to fulfil their contractual obligations in the future. Such failure could have an adverse impact on the Group's business, results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.

OQ Trading's success depends in part on its ability to identify and take advantage of arbitrage opportunities

The commodity markets in which OQ Trading operates display significant price volatility. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present OQ Trading with arbitrage opportunities whereby OQ Trading is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities.

The profitability of OQ Trading's trading activities is, in part, dependent on its ability to identify and exploit these arbitrage opportunities. A lack of opportunities, for example, due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics, assets or other operational constraints, could adversely impact the Group's business, results of operations and financial condition.

OQ Trading's activities require access to significant amounts of freight, storage, infrastructure and logistics support and it is exposed to increases in the costs of, and any lack of availability of, that support

OQ Trading's activities entail shipments of commodities in large quantities, often by ocean-going transport. OQ Trading makes use of a diversified fleet of vessels, including long-term charters, which exposes it to fluctuations in freight spot rates. In addition, OQ Trading often competes with other producers, purchasers or traders of commodities or other products for limited storage and berthing facilities at ports and freight terminals, which can result in delays in loading or unloading OQ Trading's products and expose OQ Trading to significant delivery interruptions. Increases in the costs of freight, storage, infrastructure and logistics support or limitations or interruptions in the supply chain (including any disruptions, refusals or inability to supply) which impede OQ Trading's ability to deliver products on time could adversely affect the Group's business, results of operations or financial condition.

OQ Trading also requires significant storage capacity for its commodities, which it sources both through facilities in which the Group holds equity stakes and pursuant to rental agreements providing it with access to, among others, oil terminals, tank farms and warehouses. Any decrease in OQ Trading's ability to access its customary levels of capacity from these storage facilities or an increase in the price at which OQ Trading can acquire storage capacity could have an adverse effect on OQ Trading's business by forcing OQ Trading to use storage facilities in less advantageous locations or at prices that make it less profitable for OQ Trading to supply its customers.

OQ Trading relies on certain agreements for the sourcing of commodities and these agreements may be terminated or fail to be renewed

OQ Trading is a party to various agreements with third parties for the supply of commodities to its trading business. These agreements are an important source of commodities for OQ Trading and provide certainty of regular supply for a number of Group companies. These supply agreements range from short-term spot contracts to multiple years in duration and have historically been renewed by OQ Trading and the supplier on commercially acceptable terms. However, in general, these companies have no obligation to renew their supply agreements. OQ Trading may not be able to compel the relevant company to enter into or renew a supply agreement with OQ Trading in cases where the Group does not control the company or where related party transaction minority shareholder approval requirements apply. OQ Trading relies on these agreements to source some of its key commodities and any termination or failure to renew any agreements at the end of their terms could have an adverse effect on the Group's business, results of operations and financial condition.

The commodities trading industry is competitive and OQ Trading may have difficulty competing effectively with other commodity trading companies

The commodities industry is characterised by strong competition and OQ Trading faces intense competition in each of the principal products which it trades. Some of OQ Trading's competitors may expand their commodity trading operations, or engage in pricing or other financial or operational practices that could increase competitive pressure on OQ Trading. Increased competition may result in losses of market share for OQ Trading and could materially adversely affect the Group's business, results of operations and financial condition.

OTHER GROUP RISKS

The Group could be harmed by network disruptions, security breaches or other significant disruptions or failures of its IT infrastructure and related systems

To be successful, the Group needs to maintain available high-capacity, reliable and secure information technology (**IT**) networks. There can be no assurance that the Group will be able to continue to expand and improve its systems in order to meet the needs of its existing and anticipated integrated businesses. In addition, the Group faces risks of security breaches, through (among other things) cyber-attacks, malware, computer viruses or sabotage or other unauthorised accesses to its proprietary or classified information.

Although the Group makes significant efforts to maintain the security and integrity of its information and IT systems, the Group may be unable to anticipate all potential types of attacks or intrusions or to implement adequate security barriers or other preventative measures. There can be no assurance that the Group's security measures will be effective or that attempted security breaches or disruptions would not be successful or damaging, especially in light of the growing sophistication of cyber-attacks and intrusions. Network disruptions, security breaches and other significant failures could:

- disrupt the proper functioning of the Group's IT networks and systems and, therefore, its operations;
- result in unauthorised access to, and destruction, loss, theft, misappropriation or release of, the Group's proprietary, confidential, sensitive or otherwise valuable information, including trade secrets, which others could use for disruptive, destructive or otherwise harmful purposes and outcomes; or
- result in a loss of business, damage the Group's reputation or expose it to regulatory penalties, fines, sanctions, enforcement actions, remediation obligations or litigation.

The Group may also be required to expend significant management attention and financial resources to protect against the threat of security breaches and other network disruptions and, in the event of significant breaches or failures, to remedy resulting damages.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Group's business

The Group and each project and company in which it invests are subject to laws and regulations enacted by national, regional and local governments. These include laws and regulations relating to taxation, antitrust, financial markets regulation, economic sanctions, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, historical and cultural preservation, and bribery and corruption. For example, the Group's oil and gas and petrochemicals businesses are subject to a variety of laws and governmental regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used or produced by the respective businesses.

In addition, OQGN is the monopoly gas transportation company in Oman and is therefore subject to significant regulation, including in relation to the tariffs it may charge. It is possible that the operation of the regulatory asset-based tariff regime may change in a manner which adversely affects OQGN.

Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time.

Any failure by the Group to comply with any of these laws or regulations could result in:

- significant penalties and legal liabilities, including material clean-up costs;
- the temporary or permanent suspension of production of any affected products;
- unfavourable alterations in the Group's manufacturing processes; and
- restrictions on the Group's operations or sales.

Existing and future environmental and climate-related laws and regulations, as well as applicable international accords to which the Group is subject, could also require it, among other things, to:

- purchase, use or install expensive pollution control, reduction or remediation equipment;
- implement climate change mitigation programmes, abatement or reduction of greenhouse gas emissions programmes and/or carbon credit trading programmes;

- modify the Group's product designs and manufacturing processes; and/or
- incur other significant expenses, such as obtaining substitute raw materials or chemicals that may cost more or be less available for the Group's operations.

The Group's internal controls may not always be effective, particularly in the case of fraudulent or other deliberate wrongdoing

The Group has adopted various ethics and compliance policies and procedures to identify, monitor and remediate any activities incompatible with existing laws, regulations and Group policies, including anti-money laundering, anti-corruption, anti-bribery and sanctions laws. However, the Group remains subject to the risk that its employees, directors or any person doing business with the Group may seek to engage in fraudulent activity, corruption or bribery, to circumvent or override its internal controls and procedures, or misappropriate or manipulate its assets for their personal or business advantage and to the Group's detriment. Although the Group seeks to identify, monitor and mitigate the risk of non-compliance, the Group's systems may not always be effective to prevent it. Accordingly, any failure (whether real or perceived, particularly in an environment of intense public and media scrutiny) to follow these principles or to comply with applicable governance or regulatory obligations could harm the Group's reputation, limit its ability to obtain financing and otherwise have a material adverse effect on its results of operations and financial condition.

The Group could be materially adversely affected by natural disasters or interruptions in the supply of utilities in the locations in which it has material operations or in which its material customers or suppliers operate

The Group has oil and gas production and other operations in locations subject to natural disasters, such as severe weather (including cyclones), flooding and earthquakes as well as interruptions or shortages in the supply of utilities (such as water and electricity) that could disrupt operations. The frequency and severity of natural disasters have increased in the past decade due to abnormal environmental and climate-related changes. For example, in 2007, Oman was, and some of the Group's predecessor companies' operations were, impacted by Cyclone Gonu which made landfall on Oman's eastern sea borders and impacted most of its regions. The aftermath of the category 5 cyclone resulted in 50 fatalities and approximately U.S.$4.2 billion of losses, although the damage to the facilities now operated by the Group was relatively minor. In addition, OQGN made a claim of approximately U.S.$5 million in respect of damage it experienced from the cyclone. Similarly in 2010, Oman was impacted by Cyclone Phet, a category 4 cyclone which resulted in 24 fatalities, and approximately U.S.$760 million in losses, although the Group and the facilities now operated by the Group were unaffected. More recently, OQ Chemicals' facility at Bay City on the Texan coast in the United States was impacted by Hurricane Harvey, a Category 4 hurricane that caused catastrophic flooding and many deaths in 2017, although there was no significant damage caused to the facility.

In addition, certain of the Group's material suppliers and customers may also have operations in such locations. A natural disaster or interruption in the supply of utilities that results in a prolonged disruption to any of the Group's material operations, or the operations of its material customers or suppliers, could materially adversely affect the Group's business.

The Group's insurance policies may not be sufficient to cover all risks that it faces

OQ may not be able to maintain or obtain sufficient insurance coverage for the risks associated with the operation of the Group's business. The Group's operations may be affected by a number of risks, including terrorist acts and war-related events, for which full insurance cover is either not available or not available on commercially reasonable terms. For example, the Group has not purchased insurance to cover any possible losses through acts of terrorism. In addition, severe or frequently occurring events, such as accidents and other mishaps, business interruptions or potential damage to facilities, property and equipment caused by machinery breakdown, inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses or expose the Group to liabilities in excess of its insurance coverage. Furthermore, the Group only has insurance cover for losses resulting from cyber activities at OQGN.

The Group cannot assure investors that its insurance coverage will be sufficient or available to cover losses arising from any or all of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all. Should an incident occur in relation to which the Group has no or insufficient insurance coverage, the Group could lose the capital invested in, and anticipated future revenue relating to, any property that is damaged or destroyed and, in certain cases, the Group may remain liable for financial obligations related to the impacted property. Further, the Group could be subject to a material loss to the extent that a claim is made against the Group which is not covered in whole or in part by insurance and for which third-party indemnification is not available. For example, in the past the Group has been unable to recover in respect of claims relating to gas supply disruption under an insurance policy when it was unable to secure the necessary supporting information from the MoEM.

The Group does not provide any assurance that it will be able to, or will, continue to procure and maintain its insurance arrangements or that it is possible to replace these arrangements with another provider on similar terms. Also, if there are changes in the insurance markets, or increases in insurance costs, the Group cannot provide assurance that insurance coverage will continue to be available on terms similar to those presently available, on commercially reasonable terms or at all.

Additionally, in the event there is a total or partial loss of any insured assets, there can be no assurance that the insurance proceeds received by the Group in respect of the loss will be sufficient to satisfy all of the Group's debt (including the Notes). For example, in 2018, OQ Methanol made a claim for damage suffered as a result of the Mekunu Cyclone. The claim amount was U.S.$1.8 million and notwithstanding that the Group's coverage for natural catastrophe damage under the policy is 100 per cent., its deductibles under the policy ranged from U.S.$0.5 million to U.S.$1 million, meaning that it received substantially less than the loss suffered.

The Group's results of operations could be materially adversely affected by changes in tax-related matters

The Group's income tax expense was OMR 13 million in 2020, OMR 10 million in 2019 and OMR 159 million in 2018, giving it effective tax rates of negative 0.8 per cent. in 2020, 4.0 per cent. in 2019 and 18.9 per cent. in 2018. Currently corporate tax in Oman is charged at 15 per cent. for Group entities individually based in Oman, as Oman does not currently have a concept of Group tax.

The Group conducts operations and sells products in various countries and, as a result, is subject to taxation and audit by a number of taxing authorities. Tax rates vary in the jurisdictions in which the Group operates. Changes in tax laws, regulations and related interpretations in these countries may adversely affect the Group's business and results of operations.

In addition, the Group is subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when such profit is subject to taxation in that jurisdiction. Changes in these laws and regulations could affect the locations where the Group is deemed to earn income, which could in turn adversely affect its business and results of operations.

During the ordinary course of business, Group companies may become subject to lawsuits which could materially and adversely affect the Group

From time to time, Group companies may in the ordinary course of business be named as defendant in lawsuits, claims, arbitrations or other legal proceedings. These actions may seek, among other things, compensation for alleged losses, civil penalties or injunctive or declaratory relief. For example, the Group is in the early stages of an arbitration in which Arabian Industries Projects have initiated arbitration proceedings against OQGN under UNCITRAL arbitration rules, which proceedings involve claims of approximately OMR 15.0 million (in the aggregate). See "General Information—Litigation" for additional detail. In the event that any such action is ultimately resolved unfavourably at amounts exceeding the Group's accrued liability, or at material amounts, the outcome could materially and adversely affect the Group's results of operations.

RISKS RELATING TO OMAN

OQ is wholly owned by the Government through the OIA. Almost all of the Group's upstream oil and gas assets and a significant proportion of its downstream oil and gas assets are located in Oman. The assets generate a significant proportion of the Group's revenue. As a result, the occurrence of any of the factors below, or any other factors, which negatively affect Oman's economy or attractiveness to international investors, could have a material adverse impact on the Group and thereby affect the market price of any Notes issued under the Programme.

Oman's economy and public finances are significantly affected by volatility in international oil prices

Although the Government has sought to promote the growth of the non-oil sector, Government revenues remain significantly dependent on oil revenues, with the hydrocarbon sector accounting for 34.5% of Oman's GDP at current market prices for the year ended 31 December 2019, as compared to 35.5% for the year ended 31 December 2018, 29.0% of Oman's GDP at current market prices for the year ended 31 December 2017, 26.4% for the year ended 31 December 2016 and 33.1% for the year ended 31 December 2015.

Revenues from oil and gas decreased by 5.4% to OMR 8.2 billion in 2019 from OMR 8.7 billion in 2018, as a result of decreases in global oil prices. Oil prices fell from a monthly average of U.S.$104.99 per barrel of Dubai Mercantile Exchange's Oman Crude Oil Futures Contract ("**DME Oman**") crude oil in June 2014 to a low of U.S.$18.46 in April 2020. For 2017, 2018, 2019 and 2020, the monthly average price per barrel of DME Oman oil was approximately U.S.$51.3, U.S.$69.7, U.S.$63.6 and U.S.$46.0, respectively. DME Oman crude oil is Oman's principal oil export.

A continued low oil price environment is expected to have a significant negative effect on Oman's public finances and continue the trend of current account deficits as Government budget break-even prices of oil remain above current market levels (the Government budget break-even prices were U.S.$94.95 per barrel in 2018 and U.S.$87.72 per barrel in 2019, while the average realised price of oil for 2019 was U.S.$78 per barrel). The Government budget for 2020 contemplates an expected break-even price of oil of U.S.$84 per barrel and an external break-even level of U.S.$76 per barrel. Oil revenues decreased by 26% in 2020 to OMR 4.4 billion and are expected to decline by a further 26% in 2021 to OMR 3.5 billion.

The Ninth Five-Year Plan for the period from 2016 to 2020 emphasises diversification of Oman's economy, however Oman's other economic sectors remain, in part, dependent on the oil and gas sector. Although the Government has reduced over time certain Government expenditures in light of the budgetary pressures caused by lower oil price environments, large Government fiscal deficits are likely to continue, resulting in larger deficit financing needs. This, in turn, impacts many sectors of the economy, including, in particular, the construction sector, to the extent that large building projects must be delayed or cancelled. In addition, ancillary industrial activities related to oil and gas exploration and production are also negatively affected by low oil prices. Furthermore, sectors that are dependent on household consumption, including education, transport and housing, may be adversely affected by lower levels of economic activity that may result from lower Government revenue from oil and gas production. If Oman does not decrease public expenditure (or increase non-oil revenues), an environment of prolonged low oil prices may lead to a further widening in the fiscal deficit and adversely impact Oman's sovereign credit rating, as well as its borrowing costs.

While Oman has in the past increased oil exports in periods of prolonged downturns in the oil price, and retains some capacity to do so in the short and medium term, as Oman's fields are generally considered to be fairly mature, such a solution may not prove viable if oil prices were to continue to be depressed for a prolonged period. Furthermore, in December 2016, December 2018 and July 2019, as a member of the OPEC+ alliance, Oman agreed to reduce oil production in line with OPEC commitments. Following a further substantial drop in global oil prices in March 2020 (by approximately U.S.$11.00 per barrel), as a result of the KSA's capital markets authority deciding to cut export oil prices, as well as Russia and OPEC's failure to reach an agreement over proposed oil production cuts, the 23 members of the OPEC+ alliance agreed in April 2020 to further reduce production by 9.7 million bbl/d in May and June, followed by a 7.7 million bbl/d drop in the second half of 2020 and a 5.8 million bbl/d cut from January 2021 to the end of April 2022.

In addition, future growth in reserves is generally expected to be limited to successful implementation of enhanced oil recovery techniques. As a result, if there is any failure to make use of such techniques, or if such techniques prove excessively costly (particularly in the context of low oil prices) or fail to help grow oil and gas reserves, a long-term slowdown in oil production may become more likely.

Additional factors, such as the price and availability of new technologies, including renewable energy and unconventional oil and gas extraction methods, and the global geopolitical climate and other relevant conditions, have an indirect impact on oil demand and oil prices in Oman and globally. Long-term effects may occur as a result of international regulatory efforts, such as the 2015 Paris Climate Agreement to curb greenhouse gas emissions and limit climate change. There can be no assurances that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on, among other things, Oman's GDP growth, Government revenues, balance of payments and foreign trade.

Oman is located in a region that has been subject to ongoing geo-political and security concerns

Oman is located in a region that is strategically important and parts of this region have, at times, experienced political instability. This political instability has included regional wars, such as the Gulf War of 1991, the Iraq War of 2003, tensions between and among the United States, Israel, Syria and Iran, terrorist acts, maritime piracy and civil revolutions. Since early 2011, there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iraq, Libya, Morocco, Syria, Tunisia and Yemen. This unrest in the region has ranged from public demonstrations to, in extreme cases, armed conflict and civil war and has given rise to a number of changes in government in some countries as a result of civil unrest and increased political uncertainty across the region. The MENA region is currently subject to a number of armed conflicts, including those in Yemen (with which Oman shares a border), Syria, Iraq and Palestine, as well as the ongoing conflicts with the non-state terrorist group known as DAESH or ISIS. It is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact that such events and circumstances might have on Oman.

In June 2017, three GCC countries, the Kingdom of Saudi Arabia ("**KSA**"), the United Arab Emirates (the "**UAE**") and Bahrain, as well as Chad, Comoros, Egypt, Maldives, Mauritania, Senegal and Yemen, severed diplomatic ties and cut trade and transport links with, and imposed sanctions on, Qatar. In addition, Djibouti, Jordan and Niger downgraded diplomatic ties with Qatar. These countries have accused Qatar of supporting extremist groups. KSA recently announced that it will reopen its airspace and sea and land border with Qatar, in the first step toward ending the years-long blockade. On 5 January 2021, KSA, the UAE, Bahrain and Egypt reached an agreement with Qatar to resolve the dispute between the countries. Oman has remained neutral during the diplomatic crisis and diplomatic efforts to end the crisis are being undertaken by Oman, Kuwait and several other countries. It is uncertain at this stage how the events relating to Qatar will develop or how the situation may impact Oman, the region or emerging markets generally.

Oman is, and will continue to be, affected by political developments in or affecting the MENA region and investors' reactions to developments in any country in the MENA region may affect the securities of issuers in other markets within the region, including Oman. Although Oman has not recently experienced terrorist attacks, such as those experienced by a number of countries in the MENA region, such as Egypt and Turkey, there can be no assurance that extremists or terrorist groups will not initiate violent activity in Oman. Any terrorist incidents in, or affecting, Oman or increased regional geopolitical instability (whether or not directly involving Oman) may have a material adverse effect on Oman's attractiveness for foreign investment and capital, its ability to engage in international trade, its tourist industry and, consequently, its economic, balance of payment and fiscal positions.

Oman is also dependent on expatriate labour (ranging from unskilled labourers to highly skilled professionals in a range of industry sectors) and has made significant efforts in recent years to attract high volumes of foreign businesses and tourists to Oman. Foreign businesses, tourists and, to a lesser extent, expatriate workers are more sensitive to political instability in a country and more ready to shift their activities to alternate countries that are not experiencing such instability. The Government aims to increase domestic employment as part of its "Omanisation" process, which could also reduce the number of expatriate workers. Furthermore, the number of expatriate workers in Oman has been reduced significantly due to the Covid-19 pandemic. If Oman were to be impacted by the ongoing regional instability or if terrorist incidents were to occur in Oman, its economy and, in particular, its efforts to diversify its economy could be adversely affected, which, in turn, could have a material adverse impact on Oman's ability to perform its obligations under the Trust Certificates.

Furthermore, other world events could have an impact on Oman's political and security situation, including the ongoing Covid-19 pandemic. Oman pursues an independent foreign policy with the aim of fostering good relations with its neighbours as well as other countries, in particular the United States. Although Oman aims to maintain the existing cordial relationship with the United States, a shift in the relationship between Oman and the United States and/or other countries across the region or changing U.S. political priorities in the region could have a material adverse effect on Oman's economic, political or financial condition, which, in turn, could have a material adverse effect on the Group's results of operations and/or financial condition.

Oman's efforts to diversify its economy, decrease Government spending and implement more extensive and higher rates of tax collection may not be successful

The Government has a long-term strategy of diversifying Oman's economy away from its reliance on oil as the single major revenue source towards a more diverse economy, and the Group is a key element of that strategy. However, there can be no assurance that Oman's efforts to diversify its economy and reduce its dependence on oil will be successful. In particular, Oman's attempts to diversify may mean that it undertakes projects in areas in which it has little or no previous experience or for which there are significant economic risks. In addition, its ability to engage in large-scale infrastructure projects and other large expenditures that support its diversification efforts could be reduced, or the projects themselves made economically unfeasible by reduced oil prices. For example, delays in, or cancellation of, any material aspect of the Duqm refinery project and the numerous related projects at the Special Economic Zone in Duqm, resulting from economic difficulties caused by very low oil prices or for any other reason, could have a significant adverse effect on the growth rate of the Omani economy.

In addition, efforts to reduce Government expenditure beyond current planned reductions may become more difficult, and even current planned reductions may not be achieved, particularly in light of the impact of the Covid-19 pandemic on Oman. See "*—Risks relating to the Group and its strategy—The Group is exposed to material and currently not fully quantifiable disruptions arising from the Coronavirus disease 2019 (Covid-19)*" above. Moreover, past and future reductions may not be sustainable as cuts to health, education and other social benefits could lead to social unrest if such reductions are too significant or happen too fast. Similarly, measures to increase non-oil and gas revenues, such as new or increased taxes and administrative fees, may not be successful and could lead to public discontent and/or social unrest.

Oman's economy and growth could be affected by Omani political considerations

His Majesty Sultan Qaboos bin Said Al Said ruled Oman from 23 July 1970 to 10 January 2020. His Majesty had been critical in leading the modernisation and advancement of Oman, with a focus on widespread economic and political reform, which resulted in significantly increased stability and economic growth in the country. His Majesty had no children or siblings when he died. Following his death, his cousin Haitham bin Tariq Al Said was appointed as the new ruler of Oman.

In August 2020, His Majesty Sultan Haitham bin Tariq Al Said issued a series of 28 Sultani Decrees, delegating various powers for the first time. In a move towards a more institutional model of government, His Majesty has devolved the roles of foreign minister, finance minister, and chairman of the Central Bank, appointing other officials to these positions. His Majesty has also consolidated the government, reducing 26 ministries to 19.

On 11 January 2021, marking the first anniversary of His Majesty Sultan Haitham bin Tariq Al Said's ascension to the throne, it was announced that the Sultan issued two Sultani Decrees, Sultani Decree № 6/2021 (issuing the Basic Law of the State) and Sultani Decree № 7/2021 (promulgating the Oman Council Law), in accordance with Vision 2040. Sultani Decree № 6/2021 shall take effect from the day of its issuance, being 11 January 2021, once it has been published in the Official Gazette. Sultani Decree № 7/2021 shall take effect from the day following its publication in the Official Gazette. Sultani Decree № 6/2021 was published in the Official Gazette on 12 January 2021. Sultani Decree № 7/2021 was published in the Official Gazette on 17 January 2021.

At this stage, there can be no assurance that the stability and growth enjoyed during the reign of His Majesty Sultan Qaboos bin Said Al Said will continue under the leadership of his successor. As a result, there can be no assurance that the change in the political leadership within Oman will not result in a material adverse effect on the economy and growth of Oman.

Any adjustment to, or ending of, Oman's currency peg could negatively affect Oman

Since 1973, the Omani rial has been pegged to the U.S. dollar at a rate which has remained unchanged at U.S.$2.60 = OMR 1 since 1986. The maintenance of this currency peg is a firm policy of the Central Bank of Oman. However, there is no assurance that the Central Bank of Oman will be able to continue to maintain the currency peg in the future. In particular, there can be no guarantee that the assets in Oman's various sovereign wealth funds could be liquidated at their current market value (and thus added to the reserves available to support the Omani rial and the currency peg) in the event of a market downturn. If the Central Bank of Oman cannot maintain the currency peg to the U.S. dollar or, failing that, a stable exchange rate versus the U.S. dollar, it could reduce confidence in Oman's economy, reduce foreign direct investment and adversely affect Oman's finances and economy and ability to service its debt.

In addition, because of the currency peg to the U.S. dollar, the Central Bank of Oman does not have any flexibility to devalue the Omani rial to stimulate Oman's exports market, and the Central Bank of Oman's ability to independently manage interest rates and thus influence the condition of the Omani economy through monetary policy actions is constrained. For example, if the U.S. Federal Reserve were to increase interest rates, and the Central Bank of Oman were to delay significantly in increasing its own rates, this could result in significant pressure on the currency peg. This lack of flexibility could have an adverse effect on Oman's foreign trade and domestic demand and, in turn, on its economy. In addition, recent IMF publications have linked increases in Federal Reserve policy rates to reductions in non-oil activity in GCC countries, an effect which may be magnified in low oil price environments.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

The Notes may be subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The Notes may be redeemed prior to their final maturity date for tax reasons

If the Issuer becomes obliged to pay any additional amounts in respect of the Notes as provided or referred to in Condition 8 of the Notes, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the applicable Final Terms or, if later, the date the relevant jurisdiction becomes a Tax Jurisdiction, the Issuer may redeem all but not some only of the outstanding Notes in accordance with Condition 7(b) of the Notes.

In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security with a similar rate of return, which may have an adverse effect on the position of such investor. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes will generally not rise substantially above the Early Redemption Amount. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse Floating Rate Notes are subject to increased volatility

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes are typically more volatile than the market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes are subject to additional risks

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market and the market value of such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The market values of securities issued at a substantial discount (such as Zero-Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

RISKS RELATING TO NOTES GENERALLY

Set out below is a description of risks relating to the Notes generally:

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including the London interbank offered rate (**LIBOR**) and the Euro interbank offered rate (**EURIBOR**)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective, while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or to have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark".

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016, and the majority of its provisions have applied since 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**), among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK-based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to, or referencing, a benchmark, in particular if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in subsequent speeches by FCA officials, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 31 December 2021. On 4 December 2020, ICE Benchmark Administration Limited (**IBA**), the FCA-regulated and authorised administrator of LIBOR, published its consultation on its intention to cease the publication of various LIBOR settings, including proposing the cessation of (i) all GBP, EUR, CHF and JPY LIBOR settings, and the 1-week and 2-month U.S. dollar LIBOR settings after 31 December 2021 and (ii) the overnight and 1, 3, 6 and 12-month U.S. dollar LIBOR settings after 30 June 2023.

On 5 March 2021, the FCA announced the future cessation or loss of representativeness of the 35 LIBOR settings published by IBA. Publication of these settings will permanently cease immediately after 31 December 2021, other than in the case of certain U.S. dollar LIBOR settings, which will cease immediately after 30 June 2023.

The FCA will consult on requiring IBA to continue to publish certain Sterling and Japanese yen LIBOR settings for a further period (which will permanently cease immediately after 30 December 2022, in the case of the Japanese yen LIBOR settings) on a changed methodology (also known as a 'synthetic') basis. The FCA's current intention for this changed methodology is that it will be a forward looking term rate version of the relevant risk free rate corresponding to the applicable LIBOR setting plus a fixed spread adjustment calculated over the same period. This is intended to protect consumers and market integrity by reducing disruption in markets where it is unlikely to be feasible to convert certain outstanding contracts that reference LIBOR to alternative reference rates and, in the case of the Japanese yen LIBOR settings, to allow more time for transition away from Japanese yen LIBOR to complete. Publication of certain U.S. dollar LIBOR settings on a synthetic basis for a further period is also being considered. Publication of these LIBOR settings on a synthetic basis is intended to assist legacy contract holders but new use of this synthetic LIBOR is to be prohibited.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee announced the Secured Overnight Financing Rate (**SOFR**) as its recommended alternative to U.S. dollar LIBOR. SOFR was published for the first time in April 2018.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a Euro risk-free rate (based on a Euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on Euro risk-free rates recommended Euro Short-term Rate (**€STR**) as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019.

In addition, on 21 January 2019, the euro risk free rate working group for the euro area has published a set of guiding principles and high-level recommendations for fallback provisions in, among other things, new euro-denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the European financial system.

It is not possible to predict with certainty whether, and to what extent, any benchmark, including LIBOR and EURIBOR, will continue to be supported going forward. This may cause any such benchmark to perform differently than it has done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark; and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the Rate of Interest (or the relevant component part thereof) on Floating Rate Notes which reference such benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes set out in the terms and conditions of the Notes (the **Conditions of the Notes**). Depending on the manner in which the Rate of Interest is to be determined under the Conditions of the Notes, this may: (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations which, depending on market circumstances, may not be available at the relevant time; or (ii) if Screen Rate Determination applies, result in the Rate of Interest (or the relevant component part thereof) being set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions of the Notes) which may be determined by an Independent Adviser (as defined in the Conditions of the Notes) or lead to the effective application of a fixed rate based on the rate which applied in the previous period when the relevant benchmark was available, as further described below. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference a benchmark.

The Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions of the Notes) occurs, including if an original Reference Rate (as defined in the Conditions of the Notes) becomes unavailable, or if the Issuer, the Principal Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes)) is no longer permitted lawfully to calculate interest on any Notes by reference to such an original Reference Rate under the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or otherwise. Such fallback arrangements include the possibility that the Rate of Interest (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with the application of an Adjustment Spread (as defined in the Conditions of the Notes) and may include amendments to the Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and without the requirement for the consent or sanction of Noteholders. An Adjustment Spread is (i) the spread, formula or methodology which in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (as defined in the Conditions of the Notes) (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, (iii) if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied, the spread, formula or methodology which the Independent Adviser (following consultation with the Issuer) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be or (iv) if the Independent Advisor (following consultation with the Issuer) determines that there is no such industry standard, the spread, formula or methodology which the Independent Financial Advisor (following consultation with the Issuer) determines (acting in good faith and in a commercially reasonable manner) in its sole discretion to be appropriate. The use of a Successor Rate or Alternative Reference Rate (including with the application of an Adjustment Spread) will still result in any Notes linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest (or the relevant component part thereof) for the relevant immediately following Interest Period may result in the Rate of Interest (or the relevant component part thereof) for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative

Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

The Notes are subject to the risk that withholding tax may become applicable to payments made by the Issuer to Noteholders who are not Oman Tax Residents from 2025 onwards if the Tax Suspension is not extended or at any time if the Tax Suspension is successfully challenged, and therefore Noteholders may need to rely on the Issuer's undertaking to pay additional amounts (subject to customary exemptions) as more fully described in Condition 8

Pursuant to Article 52 of the Oman Income Tax Law (promulgated by Sultani Decree 28/2009) (the **Oman Income Tax Law**) (as amended by Sultani Decree 09/2017 (issued on 19 February 2017, but which came into force on 27 February 2017) and by Sultani Decree 118/2020, the **Tax Amendments**), withholding tax is payable on the payment of dividends and interest to Noteholders who are not Oman Tax Residents (as defined in "*Taxation* – Oman") in the cases specified in Article 40 of the Oman Income Tax Law.

The Capital Market Authority of Oman on 15 May 2019 announced that, on the basis of a royal directive, withholding tax applicable to dividends and interest on foreign borrowings stands suspended for a period of three years effective from 6 May 2019 (the **Tax Suspension**). The Secretariat General for Taxation (currently the Oman Tax Authority) subsequently issued an open letter to Ernst and Young on 11 June 2019 in confirmation of the aforementioned tax suspension (the **Open Letter**). No copy of the aforementioned royal directive has been available for public inspection. This tax suspension was further extended until 2025 as an incentive component of the economic stimulus plan announced by H.M. the Sultan of Oman on 9 March 2021. While such extension has not been published by way of a Sultani Decree in the Official Gazette of Oman, Omani media outlets have reported on 9 March 2021 that the suspension of the application of the withholding tax on dividend distributions and interest amounts has been extended for a period of five years with effect from 2020 (the "**Tax Suspension**").

As a result of the Tax Suspension, no withholding tax will be applicable to payments made by the Issuer to Noteholders who are not Oman Tax Residents until an undetermined date in 2025 (or such extended date as may be notified by the relevant authorities). While Tax Suspension not contained in an officially published royal directive may be subject to challenge, the Issuer considers that each of the Tax Suspension and the Open Letter are and remain valid and is not aware of any challenges to the Tax Suspension or the Open Letter.

From 2025 onwards, if there is no extension of the Tax Suspension, withholding tax will be applicable to payments made by the Issuer to Noteholders who are not Oman Tax Residents. If, however, interest or principal payments in respect of the Notes were to become subject to any withholding or deduction for or on the account of any Omani taxes, the Issuer has undertaken (subject to certain customary exceptions) to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required as more fully described in Condition 8.

The Conditions of the Notes contain provisions which may permit their modification without the consent of all investors

The Conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Principal Paying Agent and the Issuer may, without the consent of Noteholders, agree to (i) certain modifications in relation to the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which are not prejudicial to the interests of the Noteholders; or (ii) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders. In addition, the Principal Paying Agent shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(b)(iii) without the consent or sanction of Noteholders. See "*Terms and Conditions of the Notes*" for further information.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The structure of the issue of the Notes is based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments in respect of the Notes, or of the Issuer to comply with its obligations under the Notes.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on the procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each as defined under "*Form of the Notes*"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or for payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in Global Notes will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

RISKS RELATING TO ENFORCEMENT

Limitations on the enforcement of arbitral awards and judgments against the Issuer

The Notes, the Agency Agreement, the Deed of Covenant and the Deed Poll are governed by English law and the parties to such documents have agreed to refer any unresolved dispute in relation to such documents to arbitration settled under the arbitration rules of the London Court of International Arbitration (or to litigation, in the circumstances set out in such documents).

Foreign arbitration awards may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law. Oman has acceded to the New York Convention, and ratified the Riyadh Convention. Although Oman has been a party to the New York Convention since 1998, the Issuer is aware of only one case which has come before the courts of Oman where a claimant has sought to enforce a foreign arbitral award issued by a contracting state. While in that case the Supreme Court held that the arbitral award was recognised and enforceable in Oman, it should be noted that there is no doctrine of binding precedent under Omani law, although decisions of the Supreme Court may be persuasive. The Issuer has no reason to believe, however, that the courts of Oman would not enforce an arbitral award passed in a contracting state (without the need to re-examine or re-litigate), subject only to no valid argument being raised that the enforcement of that arbitral award should be refused on one or more of the grounds set out in Article V of the New York Convention or that the subject matter of the award is against public order or morality in Oman. The enforcement in Oman of any of the obligations of the Issuer under any of the Notes (irrespective of whether the courts of Oman have given a judgment in favour of a party) will ultimately require an order for enforcement by the courts of Oman, which order is subject to discretion, including as to the manner in which such court would interpret and apply the New York Convention.

If the foreign arbitral award is not enforceable pursuant to a treaty obligation (for example, an award is passed in a country that is not a signatory to the New York Convention or Riyadh Convention), then such award may still be enforceable in Oman subject to the satisfaction of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law. In accordance with Article 352 of the Law of Civil and Commercial Procedures of Oman, the courts of Oman possess an inherent jurisdiction to enforce foreign awards. When considering the enforcement of arbitral awards in the above circumstances, the courts of Oman will need to be satisfied that the following conditions have been met (reading "judgment" as "award"):

- it is passed by a competent judicial authority in accordance with the international jurisdiction rules applicable in the country in which the judgment or order is passed and becomes final according to that law and was not grounded on deception;
- the parties to the dispute were summoned to appear and were properly represented;
- it does not include any requests the basis of which breaches the laws enforced in Oman;
- it does not contradict any judgment or order previously issued by the courts of Oman, and it does not include anything contravening public order or morals;
- the country in which the said judgment or award was signed accepts the execution of judgments of Omani courts within its territories; and
- the matter that has been arbitrated upon in the foreign jurisdiction is capable of being determined by arbitration under Omani law (Article 353).

In the event that the conditions of Articles 352 to 355 of the Oman Civil Procedure Law are not met by a foreign arbitral award, such foreign arbitral award may be of evidentiary value only in a full hearing before the Omani courts and the matter may have to be litigated *de novo* before the courts of Oman.

Foreign judgments may be enforced in Oman pursuant to: (i) treaty obligations; or (ii) the Oman Civil Procedure Law. The only treaties of note are the Gulf Cooperation Council (**GCC**) Treaty for the Enforcement of Judgments, Judicial Delegation and Court Summons signed in 1996 (the **AGCC Protocol**) and the Riyadh Convention.

Although Omani law provides for the enforcement of foreign judgments in Oman subject to the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, the Issuer is not aware of a foreign (i.e. non-Omani and non-Arab GCC) judgment ever having been enforced in Oman. In the absence of the conditions set out in Articles 352 to 355 of the Oman Civil Procedure Law being met, an English or U.S. judgment against the Issuer would not be enforced by the courts of Oman without a re-examination of the merits and the English or U.S. judgment, as applicable, may be of evidential value only in any such proceedings filed before the courts of Oman.

If any proceedings were brought in Oman (whether in connection with the enforcement of an English or U.S. judgment or otherwise), pursuant to the Civil Transactions Law (SD 29/2013) (the **Civil Code**), the courts of Oman would recognise and give effect to the choice of English law as the governing law, unless any provision of English law were considered to be contrary to a mandatory provision of Omani law, public order or morality or Islamic Shari'ah principles.

If enforcement of the Notes were sought before the courts of Oman, it is difficult to forecast in advance with any degree of certainty how some of the provisions relating to the Notes would be interpreted and applied by those courts and whether all of the provisions of the Notes would be enforceable.

Oman is a civil law jurisdiction. Court judges enjoy much greater freedom to interpret agreements in any way which, in their opinion, correctly reflects the intention of the parties if the terms of the relevant agreement are ambiguous. Judges' interpretations can extend to amending a contract if they feel that to do so would better reflect the original intention of the parties.

It is to be noted that no established system of precedent is adhered to by the courts of Oman although decisions of the Supreme Court of Oman should be persuasive.

The Issuer's waiver of immunity may not be effective under the laws of Oman

Omani law provides that assets which are designated as public assets may not be subject to attachment. The issue as to whether the assets of the Issuer are deemed to be public assets and therefore immune from attachment has not been confirmed by the Omani courts. Furthermore, should the assets of the Issuer not be deemed to be public assets, a judge in the Omani courts acting in relation to enforcement proceedings may place restrictions on the sale of some assets of the Issuer on the basis that such assets are public utilities. The Issuer has waived its rights in relation to immunity, however there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it are valid or binding under the laws of Oman and, to the Issuer's knowledge, such waivers have not been tested by the courts of Oman.

Changes to tax laws

Statements in this Base Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice are, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors. In addition, any change in legislation or in practice in Oman could adversely impact: (i) the ability of the Issuer to fulfil its obligations in respect of the Notes; (ii) the market value of the Notes; and (iii) the ability of the Issuer to comply with its obligations under the Notes.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, the market, the additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agencies at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such a general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied. If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

REGULATORY RISKS

The Issuer's assets could be deemed "Plan Assets" that are subject to the requirements of the United States Employee Retirement Income Security Act of 1974, as amended (ERISA), or Section 4975 of the Code, or prohibited transactions may arise if any of the Notes are acquired by a Benefit Plan Investor

If the Notes are considered to be "equity interests" for the purposes of the Plan Assets Regulation (as defined in "*Certain ERISA Considerations*"), unless an exception applies, if 25 per cent. or more of the Notes (calculated in accordance with regulations promulgated by the United States Department of Labor set forth at 29 C.F.R. §.2510.3-101, as modified by Section 3(42) of ERISA) or any class of equity interest is owned, directly or indirectly, by "Benefit Plan Investors" (as defined under "*Certain ERISA Considerations*"), the Issuer's assets could be deemed to be "plan assets" subject to the constraints of ERISA and there could be adverse consequences for the Issuer. If the Notes are not considered to be "equity interests" for the purposes of the Plan Assets Regulation, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may still arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest (as defined in "*Certain ERISA Considerations*"). Each purchaser and subsequent transferee of a Note (or any interest therein) will be deemed to represent and warrant, on each day from the date on which the purchaser or transferee acquires the Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that, unless otherwise provided in a supplement to the Base Prospectus, either (i) it is not, is not using the assets of, and shall not at any time hold such Note (or any interest therein) for or on behalf of, an employee benefit plan as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, a plan as defined in and subject to Section 4975 of the Code, an entity whose underlying assets include (or are deemed for the purposes of ERISA or the Code to include) "plan assets" by reason of any such employee benefit plan's or plans' investment in the entity, or a governmental, church or non-U.S. plan subject to any Similar Law (as defined under "*Certain ERISA Considerations*") or (ii) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law. Any purported purchase or transfer of such Note (or any interest therein) that does not comply with the foregoing shall be null and void. See the section entitled "*Certain ERISA Considerations*". However, purchases and sales of the Notes (or any interests therein) will not be monitored by any person for compliance with such restrictions, and no assurance can be given with respect to such compliance.

OVERVIEW

OQ is wholly owned by the Government through the OIA and is Oman's leading integrated energy group with core businesses operating across the oil and gas value chain. OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In September 2019, but with effect from 1 January 2019, the Government transferred to OQ the 75 per cent. of the share capital of OQRPI which it did not already own for the integration of OQRPI with OQ and its subsidiaries (including OQEP, OQGN, OQ Chemicals, OQ Trading, OQ Methanol and OOMCO). By centralising Oman's oil and gas investments with a single leadership team, the intention is to create a national champion with enhanced resilience, project development and delivery, operational excellence, and marketing and financing capabilities, thereby creating a platform for sustained and resilient profitability centred around an optimised energy company.

The Group's core businesses operate in two principal integrated business streams:

- upstream, comprising:
  - (i) oil and gas exploration, development and production through OQEP; and
  - (ii) gas transportation throughout Oman through OQGN; and
- downstream, principally comprising:
  - (i) oil refining and the manufacture of a range of petrochemicals currently through OQRPI and, in the future, through OQ8's new refinery as well;
  - (ii) the manufacture of a range of specialty chemical products (principally Oxo intermediates and derivatives) through OQ Chemicals;
  - (iii) significant trading operations relating to crude oil, refined products, petrochemical products, LNG and dry bulk (principally petroleum coke, sulphur and urea) through OQ Trading;
  - (iv) the manufacture of methanol from a world-scale plant in south Oman through OQ Methanol; and
  - (v) retail and commercial fuel and related product distribution, principally in Oman through OOMCO.

The Group's total assets amounted to OMR 9.9 billion as at 31 December 2020. In 2020, the Group generated Adjusted EBITDA of OMR 563.4 million and a loss for the year of OMR 1,717 million. The Group's core upstream activities contributed 83.3 per cent. of its Adjusted EBITDA and positive 1.6 per cent. of its loss for the year in 2020, most of which was attributable to oil and gas exploration, development and production. The Group's downstream activities contributed 7 per cent. of its Adjusted EBITDA and 97.5 per cent. of its loss for the year in 2020, with oil refining and petrochemical production accounting for 82.6 per cent. of the Group's loss and a negative 16.3 per cent. of its Adjusted EBITDA, specialty chemical production accounting for 3.5 per cent. of the Group's loss and 10.0 per cent. of its Adjusted EBITDA and trading operations through OQ Trading accounting for positive 2.0 per cent. of the Group's loss and 8.1 per cent. of its Adjusted EBITDA in that year. The Group also has a portfolio of 27 non-core assets (comprising subsidiaries, associates and FVTPL investments, as well as a few holding and SPV entities of the Group), which contributed 9.7 per cent. of the Group's Adjusted EBITDA in 2020, generated dividends of OMR 11.7 million at a consolidated level in 2020 and, in the case of the subsidiaries and associates, contributed to the Group's results of operations. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The Group has a number of significant downstream projects under development. These projects include:

- a new oil refinery and associated facilities under construction in Duqm as part of a joint venture with KPE;
- a petrochemical complex nearing completion at Liwa and an NGL plant at Fahud and associated NGL pipeline to the Liwa petrochemical plant undergoing pre-commissioning activities;
- an expansion of its methanol plant to enable the production of ammonia;
- an LPG project to extract various components of LPG, such as propane, butane and condensate, from natural gas in the Salalah region which is nearing completion; and
- two projects being undertaken by OQ Chemicals: the construction of a sixth carboxylic acid unit and an additional TCD Alcohol production line.

The Group has received significant support from the Government since it was established, in the form of equity injections, back-in rights (which represent the Government's entitlement to a specified working interest share in an oil or gas field that it has tendered once the original parties have recovered specified costs from production), asset transfers, shareholder loans and guarantees of Group borrowings. The Government also appoints OQ's Board.

OQ has been assigned a rating of BB- with a negative outlook by Fitch.

GROUP STRUCTURE

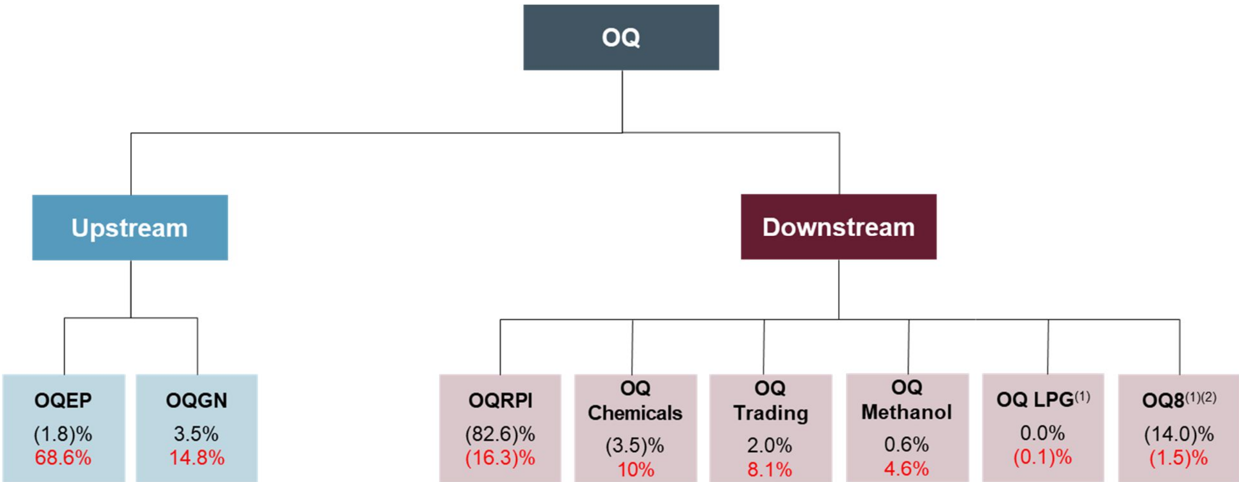
In February 2019, the Board approved the Group's integration strategy. Throughout 2020, the integration strategy focused on integrating the nine core Group entities listed below, many of which make significant contributions to the Group's Adjusted EBITDA, by organising the core activities conducted by these entities through an integrated management structure focusing on management, assets and value streams across the value chain. These nine entities represented 95.8 per cent. of the Group's loss and 90.3 per cent. of the Group's Adjusted EBITDA in 2020 and were selected because of their potential for unlocking value and their relative ease of integration. "Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

In addition, as part of the integration, OQ established four separate functions which provide support across the integrated Group:

- **commercial**, which combines the trading operations of OQ Trading, a newly established retail and commercial fuel and related product business, building on OOMCO and Hass's existing retail network, the hydro-carbon supply chain management, a newly established market intelligence department, and marketing functions of OQRPI and OQ Chemicals' marketing function and manages supply and trading, global planning, performance chemicals and retail across the integrated core companies;
- **finance and strategy**, which is responsible for finance, treasury, corporate planning, legal, strategy, procurement and asset management across the integrated core companies;
- **people, technology and culture**, which is responsible for human resources, communications and branding, sustainability, administration, digitalisation, IT and business improvement across the integrated core companies; and
- **projects**, which is responsible for health and safety, security and the environment, research and development, innovation and project delivery across the integrated core companies.

Group structure

The chart below shows the core Group companies that were the subject of the integration process and indicates the percentage contribution of each company to the Group's loss/profit for the year and Adjusted EBITDA in 2020, which amounted to a net loss of OMR 1,717 million and OMR 563.4 million, respectively.



Notes
(1) Ongoing project.
(2) OQ8 Adjusted EBITDA for each year is based on OQ's 50 per cent. share of the results of OQ8 as it is an equity accounted joint venture.
(3) Percentages in black type represent profit for the year and percentages in red type represent Adjusted EBITDA.

STRATEGY

Against the backdrop of an unprecedented and challenging time for the oil and gas industry globally in 2020, mainly resulting from the Covid-19 pandemic, the Group initiated a number of immediate actions, including its divestment strategy and several cost-reduction efforts, in order to offset the short-term effects of the challenging market condition and revised its corporate strategy.

The Group decided to revise some of its growth plans with the aim of creating a more resilient portfolio incorporating an accelerated energy transition scenario with a business aligned to the Oman Vision 2040 of creating a sustainable and profitable business.

In addition to its nine core integrated businesses identified above, the Group maintains a legacy portfolio of investments in non-core and non-integrated businesses in which the Group has invested a total of U.S.$3.5 billion (OMR 1.3 billion) as at 31 December 2020. It is part of the Group's strategy to rationalise its portfolio of non-core assets and to maximise the value of those assets over the medium term.

The path of this transformation focuses on the six pillars set out below:

Divestment	OQ's divestment strategy aims to reduce the Group's net debt to EBITDA ratio to less than 3.0 by early 2023 by using proceeds from the monetisation of select assets, including through the completion of complete divestments in certain assets or dilution of investments through selling a portion of the equity interests held in certain assets, including through pursuing the privatisation of certain of the Group's operating assets through initial public offerings, partial divestments or sales to investors. The Group's divestment strategy contemplates that the majority of the net proceeds realised through the divestment strategy will be used for debt repayment and the balance of the net proceeds will be used for selective growth opportunities

or dividends.

Project delivery	A single steering committee has been established which is responsible for project delivery across the integrated core companies which is intended to eliminate the duplication inherent in each company focussing on its own project as well as enabling the deployment of project specialists on multiple projects and the benefits of shared learning and practices.
Balance sheet optimisation	Funding will be managed at the OQ level across the integrated core companies with a view to optimising both sources of funding and funding opportunities and improving returns on deposits. Where appropriate, project finance and other debt may still be raised at an entity level, although the intention is to develop a deleveraged capital structure that fits a more resilient business. See further "—*Funding strategy*" below.
Downstream margin	Achieving downstream operational and commercial excellence (in particular in refining). The Group's objective is to be in the first quartile for profitability among refining businesses worldwide. A dedicated task force consisting of OQ's management and representatives from different functions has been established to introduce specific initiatives to improve the profitability of the refining business.
New business	Developing new and existing businesses, principally targeting alternative energy, retail and asset-backed trading. In particular, in June 2020, the Group announced the formation of its new Alternative Energy (**AE**) business unit. OQ's retail and alternative energy teams were staffed and commenced their work in 2020. This new business unit is intended to leverage the Group's broad asset base, its integration capabilities and organic growth to reduce the Group's exposure to oil and gas volatility and reduce its future carbon footprint. The AE operating model is organised around three pillars: power and gas optimisation, energy assets and green molecules. Initially, AE intends to commercially optimise the Group's general power sourcing for its facilities with a view to increasing the Group's overall energy efficiency. In parallel, AE intends to transform the Group's use of energy, through the use of renewable energy sources, waste-to-energy and/or efficient water treatment projects. AE will initially focus on OQ assets and intends to explore the prospects for both local and international growth. Therefore, the green molecules pillar envisages the delivery of an industrial roadmap for OQ, which may include, for example, the production of green hydrogen and green ammonia. The Group's existing retail business represents an important potential growth pillar. The retail and commercial fuel network and related product distribution of both OOMCO and Hass Petroleum (which is 40 per cent. owned by OQ through OQ Trading and through which OOMCO sells lubricants) spans 12 countries and supports 345 retail outlets. As part of the energy transition strategy, OQ is seeking to expand its retail and commercial footprint to new markets. The OQ retail team, as part of the new commercial operating model, together with OOMCO, is reviewing a number of strategic initiatives, including potential international investment opportunities aiming at expanding in selected countries in the Middle East, Africa and Asia with high growth prospects. See further "—*Retail and commercial fuel and related-product distribution*".
Digitisation	OQ believes that integration of technology across the core businesses is of critical

importance. To date, the Group has rolled out a single enterprise resource planning system across the integrated Group, a single corporate portal for all employees in the integrated Group and the rollout of unified communication, video conferencing and email systems across the integrated organisation. During 2020, the digitalisation team identified and executed a series of initiatives aimed at generating immediate benefits, such as the Digital Workplace Program, which aims to reduce energy waste. In the longer term, the Group plans to develop a comprehensive information and communications (**ICT**) strategy, an enterprise cloud strategy, an ICT security strategy and an innovation/digitisation strategy.

INVESTMENT HIGHLIGHTS

OQ believes that the integration process will, when complete, deliver a fully integrated energy-related Group that is able to leverage a key set of strengths to unlock value for all stakeholders. These strengths include:

Large–scale national champion

The Group is a large-scale, government–owned, national champion operating in the hydrocarbons sector in Oman. It is:

- a significant producer of oil and gas in Oman. The Group has participating interests in four producing blocks, one non-producing block and five exploration blocks both onshore and offshore Oman. The Group has in the past benefitted from, and may continue to benefit from, Government back-in rights. The Government has a back-in right to each exploration block in Oman once declaration of commerciality has been made in respect of that block. The working interest of the back-in right varies between 20 per cent. and 40 per cent. based on the agreement made in relation to each block. When exercising its back-in right, the Government nominates a Government company to represent the Government's working interest. Historically, this company was OQEP, although there can be no assurance that OQEP will continue to be the beneficiary of any or all future back-in rights exercised by the Government. The Government currently has back-in rights on 13 blocks that do not yet have declarations of commerciality in place;

- the owner and operator of both of Oman's refineries and provides all of Oman's domestic market refined petroleum product requirements. It is also, as part of a 50:50 joint venture with KPE, constructing Oman's third refinery and is engaged in expanding the production of Oman's petrochemical products through the construction of a new petrochemical complex, which is nearing completion; and

- the exclusive operator and owner of almost all of Oman's gas transportation system and plays a critical role in the Omani economy by ensuring the transportation of gas to essential industrial sectors, including power and desalination plants and oil-based and other industrial operations (including refineries and petrochemical, fertiliser, steel and cement plants).

A strategic asset for the Government

OQ is wholly owned by the Government, through the OIA, and plays a fundamental role in the stewardship of the Government's oil and gas exploration, development and production, gas transportation and refineries and associated petrochemical plants in Oman. The Group has a critical role within Oman's economy and the Company estimates that the Group's contribution to Oman's nominal GDP in 2019 was 4.4 per cent. The Group's mandate from the Government is to continue to invest with a view to diversifying Oman's economy and promoting Omani and foreign direct investment.

OQ's Board is appointed by its shareholder and its CEO is appointed by the Board.

The Group also plays a significant role in realising the Government's socio-economic objectives in areas such as:

- in country value (for example, the Group provides opportunities to small and medium-sized enterprises across the value chain, increases employment opportunities in Oman and provides skilled job opportunities for Omani nationals);
- environmental impact management through its strong focus on environmental protection;
- achieving balanced development across the various regions in Oman; and
- capabilities development, by introducing technologies and applications previously not deployed in Oman, for example through its LPIC project and through its Duqm refinery project.

Government support for the Group is also significant and includes:

- equity injections into OQ totalling U.S.$8.9 billion (OMR 3.4 billion) to date, back-in rights to a number of producing oil and gas blocks as described under "*—The Group's core businesses—Core upstream businesses—Oil and gas exploration, development and production*", asset transfers including the transfer of 75 per cent. of the share capital of OQRPI as well as the transfer of the Omani gas transportation network to OQGN, interests in various oil and gas blocks to OQEP and shareholder loans provided to OQ and certain of its subsidiaries;
- financial support to the Duqm Refinery project through a backstop guarantee provided by the Ministry of Finance in respect of any obligations of OQ under the completion guarantee, as well as an income tax exemption by the Ministry of Finance estimated to be valued at approximately U.S.$1.5 billion (OMR 580 million) over the life of the project;
- historic support provided to OQRPI in the form of (i) deferred payment terms under its crude oil supply arrangements and (ii) financing support for the debt incurred to construct OQRPI's aromatics plant through a debt service undertaking as well as a guarantee from the Ministry of Finance in the amount of U.S.$490 million (OMR 190 million);
- the provision of equity support both for the LPIC project and the SRIP and other guarantees and indemnities provided by the Ministry of Finance to support OQRPI's projects since 2011 (in total the amount of such support aggregates U.S.$3.5 billion (OMR 1.3 billion)); and
- support for the LPIC project through a debt service undertaking in respect of all payments due under the financing documentation up to project completion and subordination of a part of the payments to be made by the Group to the MoEM for the gas supply to the LPIC project that will be required when that project becomes operational in favour of the lenders to that project.

The Group itself represents a consolidation of a number of separate Government-owned assets with a view to leveraging significant operational and commercial synergies. As a Government-owned entity, the Group is entitled to a number of corporate tax exemptions at the asset level and benefits from higher single obligor limits permitted to domestic banks in relation to such entities.

High-quality upstream business

The Group's upstream business principally comprises oil and gas exploration, development and production through OQEP and gas transportation in Oman through OQGN.

OQEP is the principal contributor to the Group's consolidated Adjusted EBITDA, contributing 68.6 per cent. of Adjusted EBITDA in 2020. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see

"*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

Reflecting the Government's policy of incentivising the exploration of gas in Oman by providing a stable, predictable gas price framework, OQEP sells gas from Blocks 9, 60 and 61 to the Government on a paid-as-produced basis for the life of the licence at fixed escalating gas prices.

OQGN, which is Oman's gas transportation company, has, since 2018, operated under the internationally recognised regulatory asset base (**RAB**) framework which is described under "*—The Group's core businesses—Core upstream businesses— Gas transportation*" below. The RAB framework provides a direct payment obligation from the Government. OQGN receives its allowed revenues under the RAB framework on a cost-reflective basis that ensures a guaranteed level of return for it based on its RAB asset value. This provides both certainty of return and eliminates exposure to both volumes transported, reflecting the fact that OQGN charges for the transportation capacity which it makes available, and volatility in gas prices, as OQGN does not own the gas transported, see "*—The Group's core businesses—Core upstream businesses—Gas transportation*" below. The value of the RAB as at 31 December 2020 was U.S.$2.5 billion (OMR 963 million).

However, see also "*Risk factors—Risks relating to the'Group and its strategy—The Group is exposed to fluctuations in the prices of the commodities that it uses and trades*" and "*Risk factors—Risks relating to the Group and its strategy—The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group*".

Strategically integrated across the hydrocarbons value chain

The Group is a diversified and strategically integrated entity operating across the hydrocarbons value chain, including exploration and production through OQEP; refining and petrochemicals production through OQRPI; specialty chemicals production through OQ Chemicals; methanol production through OQ Methanol; gas transportation in Oman through OQGN; fuel and related product distribution and marketing in Oman through OOMCO; and hydrocarbon product trading internationally through OQ Trading.

The Group's refineries and petrochemical plants in Oman benefit from both security of supply of feedstock and an integrated source of feedstock supply. For example, the supply of the principal feedstocks (including crude oil and natural gas) required for these assets is secured through long-term contractual agreements with the Government and Oman's extensive infrastructure helps to ensure uninterrupted supply of these feedstocks.

In addition, the Group's petrochemical plants benefit from an integrated source of feedstock supply. For example, the primary feedstocks for the Group's polypropylene and aromatics plant (propylene and naphtha, respectively) are produced captively in the Group's Sohar refinery. Upon completion of the LPIC project, all of the rich gas, LPG and refinery dry gas feedstock required by the plant will either be supplied through agreements with the Government or from within the Group's downstream assets in Sohar. The LPIC project will also produce products such as MTBE, which is a component for gasoline blending and may be routed to the Sohar refinery, and Butene-1, which is required by the Group's Sohar petrochemical plant for co-monomer use. Due to the interconnectivity of its assets, the Group is able to achieve many cost-saving advantages through economies of scale.

However, see "*Risk factors—Risks relating to the Group's oil and gas business—The Group needs to maintain high-capacity utilisation rates in its refineries and petrochemical and specialty chemical plants and is vulnerable to disruption in the supply of feedstocks to those facilities*".

The Group also benefits from OQ Trading, its well-established trading business that is able to off-take oil production, as well as a range of petrochemical and other products from the Group, and is also able to source feedstock for the Group, affording the Group significant operational flexibility to react to market conditions and obtain optimal netbacks and margins. OQ Trading also provides input into investment planning for long-term projects with insights locally from demand centres such as China as well as short-term insight into supply and demand changes and market dynamics in different regions.

World-class business development and established strategic partnerships

OQ was incorporated in Oman in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In the nearly 25 years since then, it established two significant and successful businesses, OQ Trading (in 2006) and OQEP (in 2009), acquired OOMCO (in 2003) and OQ Chemicals (in 2013) and has been granted by the Government two other major Omani businesses, OQGN (in 2013) and OQRPI (in 2019).

In 2012, OQ established OQ8 as a 50:50 joint venture. OQ8 is undertaking a refinery project at Duqm, which is expected to complete construction in 2022. The Group is also undertaking or has completed other significant projects, including a 3,000 MT per day natural gas-based methanol plant located in Salalah (which it completed in 2010), an ammonia plant of 1,000 MT per day capacity which is being built adjacent to the methanol plant and an ongoing project to extract and produce LPG from rich natural gas and re-deliver lean gas in Salalah.

All of the businesses mentioned above are core businesses for the Group.

Many of the Group's investments have been or are being made in conjunction with major international partners, including:

- Occidental Petroleum Corporation (**Oxy**), BP Exploration (EPSILON) Limited (**BP**), Royal Dutch Shell (**Shell**) and Eni Oman B.V. (**Eni**) and other major international oil companies with whom the Group has oil and gas exploration, development and production joint ventures; and

- KPE, with whom the Group is building a new refinery in Oman.

The Group's divestment strategy from 2021 presents an opportunity for the Group to realise certain investments in its assets. A number of the transactions contemplated under the Group's divestment strategy are partial divestments, with the Group retaining a non-controlling interest in the asset. The Group aims to sell equity stakes in such assets to experienced industry partners that can optimise the value from assets or sell down its holding in other assets through initial public offerings. The Group has begun to implement its divestment strategy. On 31 March 2021 OQ SAOC entered into a stock purchase agreement with Bharat Petroleum Company Limited (**BPCL**) to purchase OQ SAOC and certain of its affiliates' shares in an Indian refinery. The sale is subject to certain conditions precedent (including receipt of Indian tax certificates, valuation reports and the consent of BPCL's lenders).

Diversified international footprint with excellent export market access

The Group has a significant international presence through two of its core businesses: OQ Chemicals, which is the leading producer of Oxo intermediates and derivatives for the merchant market globally[1], and OQ Trading.

OQ Chemicals has a strong global production footprint with six state-of-the-art manufacturing sites on three continents, two in northwest Germany (Oberhausen and Marl), two in the United States Gulf Coast (Bay City and Bishop) and one each in The Netherlands (Amsterdam) and China (Nanjing). In addition, it has six commercial offices, in Houston, Mexico City, Monheim, São Paulo, Singapore and Tokyo. The Group believes that OQ Chemicals' facilities are strategically located in order to ensure a secure supply of raw materials and facilitate the cost-efficient transport of finished goods by truck and rail. Barge and sea vessel transport is enabled through long-term service partners operating OQ Chemicals' logistics hubs in locations such as Antwerp and Houston.

[1] Management estimate derived from total plant capacity as the total volume OQ Chemicals is able to produce to the demand that is excluding captive precursor volumes within the value chain. The largest producer, BASF, consumes the majority of its production captively meaning that OQ Chemicals has a larger share of direct merchant sales.

OQ Chemicals' customer base is broad, with close to 1,000 customers and the top 10 accounting for approximately one-third of the total annual sales volume. In 2020, the majority of OQ Chemicals' sales revenue was generated in its home markets, with Europe representing 46 per cent., North America representing 33 per cent. and the Asia Pacific region representing 17 per cent. OQ Chemicals' customers are currently served by a global sales and marketing team comprising around 40 employees and organised regionally.

OQ Trading is headquartered in the Dubai International Financial Centre and has offices located across key markets and trading hubs, including Shanghai, Singapore, Muscat, Rotterdam and Houston.

In 2020, OQ Trading had over 500 active trade counterparties. Its customer base covers most major industry participants around the world and it deals directly with refiners, international oil companies, national oil companies, government procurement agencies, trading houses, financial institutions, and wholesale and specialised/niche product suppliers.

As a strategic partner to OQRPI, OQ Trading manages all of OQRPI's international trade for refined products and aromatics. This includes procuring all feedstocks, blend components and trading all finished product exports for OQRPI. OQ Trading is also the sole offtaker for all of OQEP's oil and condensate production and all of OQ Methanol's production of methanol.

The Government is OQ Trading's largest supplier and customer, both directly through the MoEM and through its ownership in related companies such as OQRPI, OQEP and OQ Methanol. Together, sales to these entities accounted for 9.9 per cent. of OQ Trading's revenue in 2020 and purchases from them accounted for 52.7 per cent. of OQ Trading's cost of sales in 2020. OQ Trading has also built a significant business beyond Omani origin volumes in all key markets with 40 per cent. of all its physically traded volumes in 2019 being with third parties, which include the major international oil companies, national oil companies and other significant participants in the global energy and petrochemicals industries.

As part of the integration into the commercial function, the Group is combining the trading operations of OQ Trading, the hydro-carbon supply chain management and marketing functions of OQRPI, which offers differentiated polypropylene and polyethylene products and solutions to markets across the globe, and OQ Chemicals' marketing function, which generated sales of U.S.$1.2 billion (OMR 462 million) in 2020, under a single commercial function that will manage supply and trading, global planning and performance chemicals across the Group's integrated core companies.

Well-defined financial strategy for balance sheet optimisation and deleveraging

The Group's financial strategy is focused on deleveraging and debt sustainability. As at 31 December 2020, OQ's cash and cash equivalents and short-term deposits amounted to OMR 664 million and its net cash from operating activities in 2020 amounted to OMR 528 million.

Historically, the Group has focused on re-investment in its business rather than the payment of dividends. From 2021, its current focus is on executing the Group's divestment strategy, funding its projects and financial obligations, including refinancing existing indebtedness, with a long-term funding plan of securing funding self-sufficiency, using internally generated cash, raising additional debt or equity through a diversified set of funding resources, including Notes issued under the Programme, divestments of certain companies in line with the Group's divestment strategy and partnerships with major international companies.

The Group believes that it will be in a transformative phase for around the five years from and including 2021 to and including 2025 that will be characterised by growth and development throughout the business based on currently anticipated capital expenditure, which is currently expected to be in the region of U.S.$7.9 billion over the period. The financing of this anticipated capital expenditure is currently expected to be achieved both through project finance debt in relation to specific projects undertaken and the Group's long-term funding plan. The Government, as the Group's indirect shareholder through the OIA, is not currently expected to inject equity to support the funding of the Group's capital expenditure or other expenses.

The Group's existing debt is diversified across its portfolio of core and non-core companies which reduces its exposure to any individual company. Although OQRPI accounted for 57 per cent. of the Group's total loans and borrowings as at 31 December 2020, the Group believes that this exposure is mitigated by the fact that a significant proportion of this debt is project finance debt relating to projects that have already been completed and OQRPI's only project currently pending completion, the LPIC project, is expected to complete in 2021.

As the Group's major projects complete in the coming years, the Group expects to accelerate its deleveraging process.

Experienced management team with significant industry experience

The Board comprises six directors, all of whom were appointed in August 2020. Two members, including the chairman, have significant experience in the oil and gas industry and the chairman is also the previous Deputy CEO of OQ, see "*Management and employees—Management—Board of directors*".

The Group's senior management comprises ten members, all of whom have significant experience in the oil and gas industry. The CEO's career in the oil and gas industry spans almost 20 years, including the initiation and establishment of OQ Trading in 2005. For further details of each member of the Group's senior management team, see "*Management and employees—Management—Senior management*".

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and the relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Conditions of the Notes, in which event, in the case of Notes other than Exempt Notes, and if appropriate, a new Base Prospectus or a supplement to the Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980 as it forms part of domestic law by virtue of the EUWA (the **UK Delegated Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	OQ SAOC.
Issuer Legal Entity Identifier (**LEI**):	549300YK417GKI6EQ392.
The Group:	The Issuer and its consolidated subsidiaries.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. See "*Risk Factors*".
Description:	Global Medium Term Note Programme.
Arrangers:	Citigroup Global Markets Limited, HSBC Bank plc and J.P. Morgan Securities plc (together, the **Arrangers**).
Dealers:	Citigroup Global Markets Limited, HSBC Bank plc, J.P. Morgan Securities plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale and Transfer and Selling Restrictions*") including the following restrictions applicable at the date of this Base Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in

	Section 19 of the Financial Services and Markets Act 2000 (as amended) (**FSMA**) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent in another currency. See "*Subscription and Sale and Transfer and Selling Restrictions*".
Principal Paying Agent:	Citibank N.A., London Branch.
Registrar:	Citigroup Global Markets Europe AG.
Programme Size:	U.S.$2,000,000,000.
	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will have the same terms and conditions or terms and conditions which are the same in all respects, except that the amount and date of the first payment of interest thereon and the date from which interest starts to accrue may be different in respect of the different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par. The price and amount of Notes to be issued will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Notes:	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:
	(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified

Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of a reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes:	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes, in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Benchmark Discontinuation:	In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark with a successor, replacement or alternative benchmark (with consequent amendment to the terms of such Series of Notes and the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 5(b)(iii) for further information.
Zero-Coupon Notes:	Zero-Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Exempt Notes:	The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption:	The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (including following the occurrence of a Change of Control or the exercise of the CleanUp Call, each as described below) upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The terms of any such redemption, including notice periods, relevant redemption dates

	and prices will be indicated in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).
	Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution. See "*—Certain Restrictions—Notes having a maturity of less than one year*".
Change of Control:	If so specified in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), each investor will have the right to require the redemption of its Notes if a Change of Control (see below) occurs.
	A **Change of Control** shall occur each time the government of Oman ceases to own, legally and beneficially, directly or indirectly, in aggregate, more than 50 per cent. of the issued share capital of the Issuer.
Clean-Up Call:	If 75 per cent. or more of the aggregate nominal amount of the Notes then outstanding have been redeemed and/or purchased and cancelled, the Issuer may elect to redeem all but not some only of the Notes then outstanding at the Clean-Up Call Redemption Amount, together with any interest accrued but unpaid to (but excluding) the Clean-Up Call Right Date.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see "*Subscription and Sale and Transfer and Selling Restrictions—Selling Restrictions*") and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 or, where it is a Note to be admitted to trading only on a UK regulated market, or a specific segment of a UK regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) have access, €1,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amounts in such currency).
	The minimum aggregate nominal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency).
Taxation:	All payments in respect of the Notes and Coupons will be made without deduction for or on account of present or future withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 unless such deduction is required by law. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Acceleration:	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) will rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	The Programme has been rated BB- by Fitch. Series of the Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Governing Law:	The Notes, and any non-contractual obligations arising out of or in connection with the Notes, will be governed by, and construed in accordance with, English law.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or DTC or, in relation to any Tranche of Notes, any other clearing system.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, Oman, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Singapore, Hong Kong and Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale and Transfer and Selling Restrictions*".

United States Selling Restrictions:	Regulation S, Category 2. Rule 144A TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). ERISA restrictions.

FORM OF THE NOTES

Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S and Registered Notes may be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for Definitive Bearer Notes (each, a **Definitive Bearer Note**) of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive Definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be)) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes are represented by

Definitive Bearer Notes. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in sub-paragraph (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes) and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States in accordance with Regulation S, will initially be represented by a global note in registered form (a **Regulation S Global Note**). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States or to U.S. persons may only be offered and sold in private transactions to QIBs. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, each a **Registered Global Note**). No sale of Legended Notes (as defined under "*U.S. Information*" above) in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) nominal amount.

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (**DTC**) or (ii) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the common depositary of, Euroclear and Clearstream, Luxembourg, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iv) the Issuer has or will become subject to adverse tax consequences which would not be suffered where the Notes are represented by the Registered Notes in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in sub-paragraph (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Subscription and Sale and Transfer and Selling Restrictions*".**

General

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the terms and conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then, from 8.00 p.m. (London time) on such day, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg and/or DTC on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 26 April 2021 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a supplement to this Base Prospectus or a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which are not Exempt Notes and which (1) have a denomination of €100,000 (or its equivalent in any other currency) or more, and/or (2) are to be admitted to trading only on a UK regulated market, or a specific segment of a UK regulated market, to which only qualified investors (as defined in the UK Prospectus Regulation) have access.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA).** For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][2]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended) (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.] [3]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **MiFID II distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a MiFID II distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

2 Legend to be included on the front of the Final Terms if the Notes constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "applicable".

3 Legend to be included on the front of the Final Terms if the Notes constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "applicable".

[**UK MIFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the [EUWA]/[European Union (Withdrawal) Act 2018] (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK MiFIR distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a UK MiFIR distributor subject to the **UK MiFIR Product Governance Rules** is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the **SFA**) - [*Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.*]]

[Date]

OQ SAOC

Legal entity identifier (LEI): 549300YK417GKI6EQ392

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$2,000,000,000
Global Medium Term Note Programme

[The Notes will only be admitted to trading on [*insert name of relevant QI market/segment*], which is a UK regulated market/a specific segment of a UK regulated market (as defined in UK MiFIR), to which only qualified investors (as defined in [Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**)]/[the UK Prospectus Regulation]) can have access and shall not be offered or sold to non-qualified investors.][4]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 26 April 2021 [and the supplement[s] to it dated ● [and ●]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on the website of the London Stock Exchange.

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

[4] Legend to be included for Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) which will only be admitted to trading on a UK regulated market, or a specific segment of a UK regulated market, to which only qualified investors can have access.

1.	Issuer:		OQ SAOC
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ] (*N.B. Notes must have a minimum denomination of €100,000 (or equivalent) unless they are to be admitted to trading only on a UK regulated market, or a specific segment of a UK regulated market, to which only qualified investors have access*) (*Note – where Bearer multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:* *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]")*
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*)

7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero-Coupon Notes*)
8.		Maturity Date:	*Specify date or for Floating Rate Notes* – Interest Payment Date falling in or nearest to [*specify month and year*]]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR/KIBOR/SHIBOR/HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/BBSW/SIBOR/EIBOR/TIBOR/SAIBOR/CHF LIBOR/GBP LIBOR/JPY LIBOR/MIBOR/PRIBOR/BKBM/BHIBOR/QIBOR/OMIBOR] +/- [ ] per cent. Floating Rate] [Zero-coupon] (see paragraph [14]/[15]/[16] below)
10.		Redemption[/Payment] Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.		Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]
12.		Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [Clean-Up Call Right] [(see paragraph [18]/[19]/[20] below)] [Not Applicable]
13.	(a)	Status of the Notes:	Senior
	(b)	[Date [Board] approval for issuance of Notes obtained:	[ ]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in sub-paragraph (b) below/, not subject to adjustment, as the Business Day Convention in sub-paragraph (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ] (the **Calculation Agent**)
	(f)	Screen Rate Determination:	

•	Reference Rate:	[ ] month [LIBOR/EURIBOR KIBOR/SHIBOR/HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/BBSW/SIBOR/EIBOR/TIBOR/SAIBOR /CHF LIBOR/GBP LIBOR/JPY LIBOR/MIBOR/PRIBOR/BKBM/BHIBOR/QIBOR/ OMIBOR]
•	Interest Determination Date(s):	[ ]
•	Relevant Screen Page:	[ ]
•	Relevant Time:	[ ]

(g) ISDA Determination:

•	Floating Rate Option:	[ ]
•	Designated Maturity:	[ ]
•	Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) (*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)

(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum
(k)	Maximum Rate of Interest:	[ ] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]

16.	Zero-Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 7(b):			Minimum period: [30]/[ ] days Maximum period: [60] /[ ] days
18.	Issuer Call:			[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):		[ ]
	(b)	Optional Redemption Amount:		[[ ] per Calculation Amount]
	(c)	Redeemable in part:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
		(i)	Minimum Redemption Amount:	[ ]
		(ii)	Maximum Redemption Amount:	[ ]
	(d)	Notice periods:		Minimum period: [15]/[ ] days Maximum period: [30]/[ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of five clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Investor Put:			[Applicable/Not Applicable]

		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount:	[ ] per Calculation Amount (*NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes*)
(c)	Notice periods:	Minimum period: [15]/[ ] days Maximum period: [30]/[ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of 15 clearing system business days*' *notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)

20.	Change of Control Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Change of Control Redemption Amount:	[ ] per Calculation Amount
21.	Clean-Up Call Right:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Clean-Up Call Redemption Amount:	[ ] per Calculation Amount
	(b) Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of five clearing system business days*' *notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Final Redemption Amount:	[ ] per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:		
	(a)	[Form:]	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005] (*N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].".*)] [Registered Notes: [Regulation S Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]
25.	Additional Financial Centre(s):		[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(c) above relates*)
26.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[THIRD-PARTY INFORMATION

[[*Relevant third-party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of OQ SAOC:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange's main market and to be listed on the Official List of the UK Financial Conduct Authority]/[ ] with effect from on or around [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the [London Stock Exchange's main market and to be listed on the Official List of the UK Financial Conduct Authority]/[ ] with effect from on or around [ ].] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*)
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[*name of UK CRA entity*] is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**).

[*name of UK CRA entity*] is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended, the **CRA Regulation**). [*name of UK CRA entity*] appears on the latest update of the list of registered credit rating agencies (as of [date]) of the UK Financial Conduct Authority. The rating issued by [*name of UK CRA entity*] has been endorsed by [name of relevant EEA CRA] in accordance with the CRA Regulation. As such, [name of relevant EEA CRA] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-andce rtified-CRAs) in accordance with the CRA Regulation.

[Not Applicable]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

[(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the UK Prospectus Regulation.*)]

4. [REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Reasons for the offer:	[See ["*Use of Proceeds*"] in the Base Prospectus/*Give details*]
(ii)	Estimated net proceeds:	[ ]

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CUSIP:	[ ]
(iv)	CINS:	[ ]
(v)	CFI:	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(vi)	FISN:	[[See/[[*include code*], as updated, as set out on] the

		website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(vii)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(viii)	Delivery:	Delivery [against/free of] payment
(ix)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

7. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	[Regulation S Category 2; [Rule 144A]; TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
(vii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the **EEA)**. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][5]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][6]

[MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **MiFID II distributor**) should take into consideration the target market assessment; however, a **MiFID II distributor** subject to [Directive 2014/65/EU (as amended, **MiFID II**)/MiFID II] is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the

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5 Legend to be included on the front of the Pricing Supplement if the Notes constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "applicable".

6 Legend to be included on the front of the Pricing Supplement if the Notes constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "applicable".

Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.]

[**UK MiFIR product governance / target market** – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK MiFIR distributor**) should take into consideration the target market assessment; however, a UK MiFIR distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the **SFA**) - [*Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.*]]

THE FCA HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

[Date]

OQ SAOC

Legal entity identifier (LEI): 549300YK417GKI6EQ392

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$2,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to either of Article 3 of the Prospectus Regulation or section 85 of the FSMA or to supplement a prospectus pursuant to either of Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation in relation to such offer.][7]

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 26 April 2021 [as supplemented by the supplement[s] dated ● [and ●]] (the **Base Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus. [*Include whichever of the following apply or specify as "Not Applicable". Note*

[7] Include relevant legend wording here for the [EEA][and][UK] if the "Prohibition of Sales to EEA Retail Investors" or “Prohibition of Sales to UK Retail Investors” legend(s) and related selling restriction for that specific regime are not included/not specified to be “Applicable” (because the Notes do not constitute "packaged" products or a key information document will be prepared under that regime or the Issuer wishes to prohibit offers to [EEA][and][UK] retail investors for any other reason).

that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Pricing Supplement.]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	Issuer:		OQ SAOC
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	(a)	Specified Denominations:	[ ]
	(b)	Calculation Amount (in relation to calculation of interest in global form see Conditions):	[ ]
			(*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero-Coupon Notes*)
8.	Maturity Date:		*Specify date or for Floating Rate Notes* – Interest

		Payment Date falling in or nearest to [*specify month and year*]]
9.	Interest Basis:	[[ ] per cent. Fixed Rate] [[[ ] month [LIBOR/EURIBOR/KIBOR/SHIBOR/HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/BBSW/SIBOR/EIBOR/TIBOR/SAIBOR/CHF LIBOR/GBP LIBOR/JPY LIBOR/MIBOR/PRIBOR/BKBM/BHIBOR/QIBOR/OMIBOR] +/- [ ] per cent. Floating Rate] [Zero-coupon] (see paragraph [14]/[15]/[16] below)
10.	Redemption[/Payment] Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11.	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 14 and 15 below and identify there*][Not Applicable]
12.	Put/Call Options:	[Investor Put] [Change of Control Put] [Issuer Call] [Clean-Up Call Right] [(see paragraph [18]/[19]/[20] below)] [Not Applicable]
13.	(a) Status of the Notes:	Senior
	(b) [Date [Board] approval for issuance of Notes obtained:	[ ]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b) Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)

	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[ ] [, subject to adjustment in accordance with the Business Day Convention set out in sub-paragraph (b) below/, not subject to adjustment, as the Business Day Convention in sub-paragraph (b) below is specified to be Not Applicable]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
	(c)	Additional Business Centre(s):	[ ]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ] (the **Calculation Agent**)
	(f)	Screen Rate Determination:	
		• Reference Rate:	[ ] month [LIBOR/EURIBOR KIBOR/SHIBOR/HIBOR/KLIBOR/TRLIBOR or TRYLIBOR/BBSW/SIBOR/EIBOR/TIBOR/ SAIBOR/CHF LIBOR/GBP LIBOR/ JPY LIBOR/MIBOR/PRIBOR/BKBM/BHIBOR/ QIBOR/OMIBOR]
		• Interest Determination	[ ]

	Date(s):	
	• Relevant Screen Page:	[ ]
	• Relevant Time:	[ ]
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] (*In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period*) (*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)
(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Margin(s):	[+/-] [ ] per cent. per annum
(j)	Minimum Rate of Interest:	[ ] per cent. per annum
(k)	Maximum Rate of Interest:	[ ] per cent. per annum
(l)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond Basis] 30E/360 (ISDA)]
16.	Zero-Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ] per cent. per annum

	(b)	Reference Price:	[ ]
	(c)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

17.	Notice periods for Condition 7(b):			Minimum period: [30]/[ ] days Maximum period: [60]/[ ] days
18.	Issuer Call:			[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):		[ ]
	(b)	Optional Redemption Amount:		[[ ] per Calculation Amount]
	(c)	Redeemable in part:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
		(i)	Minimum Redemption Amount:	[ ]
		(ii)	Maximum Redemption Amount:	[ ]
	(d)	Notice periods:		Minimum period: [15]/[ ] days Maximum period: [30]/[ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of five clearing system business days' notice for a call*) *and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
19.	Investor Put:			[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):		[ ]
	(b)	Optional Redemption Amount:		[ ] per Calculation Amount (*NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes*)

	(c)	Notice periods:	Minimum period: [15]/[ ] days Maximum period: [30]/[ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of 15 clearing system business days*' *notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
20.	Change of Control Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Change of Control Redemption Amount:	[ ] per Calculation Amount
21.	Clean-Up Call Right:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Clean-Up Call Redemption Amount:	[ ] per Calculation Amount
	(b)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of the distribution of information through intermediaries, for example clearing systems* (*which require a minimum of five clearing system business days*' *notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent*)
22.	Final Redemption Amount:		[ ] per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of default:		[ ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:		
	(a)	[Form:]	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

		[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005] (*N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].".*)] [Registered Notes: [Regulation S Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]] [Rule 144A Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]]
25.	Additional Financial Centre(s):	[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(c) above relates*)
26.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

[THIRD-PARTY INFORMATION

[[*Relevant third-party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of OQ SAOC:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and Admission to trading	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify market – note this must not be an EEA regulated market or the London Stock Exchange's main market*] with effect from on or around [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify market – note this must not be a regulated market*] with effect from on or around [ ].] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*) [Not Applicable]
(ii)	Estimate of total expenses related to admission to trading:	[ ]

2. RATINGS

Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]: [*insert details*]] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. [[*name of UK CRA entity*] is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). [*name of UK CRA entity*] is not established in the European Economic Area (**EEA**) and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended, the **CRA Regulation**). The rating issued by [*name of UK CRA entity*] has been endorsed by *[name of relevant EEA CRA]* in accordance with the CRA Regulation. As such, *[name of relevant EEA CRA]* is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-andcertified-CRAs) in accordance with the CRA

Regulation.]

[Not Applicable]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating*)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

4. [REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i)	Reasons for the offer:	[See ["*Use of Proceeds*"] in the Base Prospectus/*Give details*]
(ii)	Estimated net proceeds:	[ ]

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:	[ ] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. OPERATIONAL INFORMATION

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CUSIP:	[ ]
(iv)	CINS:	[ ]
(v)	CFI:	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(vi)	FISN:	[[See/[[*include code*], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(vii)	Any clearing system(s) other than	[Not Applicable/*give name(s) and number(s)*]

	DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	
(viii)	Delivery:	Delivery [against/free of] payment
(ix)	Names and addresses of additional Paying Agent(s) (if any):	[ ]

7. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]
(v)	U.S. Selling Restrictions:	[Regulation S Category 2; [Rule 144A]; TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
(vii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "applicable Final Terms" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by OQ SAOC (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 April 2021 and made between the Issuer, Citibank N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citibank N.A., London Branch as transfer agent (the **Transfer Agent**, which expression shall include any additional or successor transfer agent), Citibank N.A., London Branch as exchange agent (the **Exchange Agent**, which expression shall include any successor exchange agent) and Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression shall include any successor registrar). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Final Terms), the Registrar, the Paying Agents, the Transfer Agent and the Exchange Agent are together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) or, if this Note is a Note which is neither admitted to trading on (i) a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU, as amended) in the European Economic Area nor (ii) a UK regulated market as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, and is not offered in (i) the European Economic Area or (ii) the United Kingdom (the **UK**) in circumstances where a prospectus is required to be published under Regulation (EU) 2017/1129 or the Financial Services and Markets Act 2000, as the case may be (an **Exempt Note**), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the

Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to **applicable Final Terms** shall be deemed to include a reference to applicable Pricing Supplement where relevant.

Interest-bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 26 April 2021 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement, a deed poll (the **Deed Poll**) dated 26 April 2021 and made by the Issuer and the Deed of Covenant are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or may be provided by email to a Noteholder following their prior written request to any Paying Agents or the Issuer and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent or the Issuer, as the case may be). If the Notes are to be admitted to trading on the main market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed Poll, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **Oman** means the Sultanate of Oman.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note or a Zero-Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms (or Pricing Supplement, as the case may be).

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero-Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and to the Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraphs.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

For so long as the Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and those Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

2. TRANSFERS OF REGISTERED NOTES

(a) *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee of DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

(b) *Transfers of Registered Notes in definitive form*

Subject as provided in Conditions 2(c) and 2(f), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of the Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Transfer Agent and (b) the Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 10 to the Agency Agreement). Subject as provided above, the Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

(c) *Registration of transfer upon partial redemption*

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

(d) *Costs of registration*

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) *Transfers of interests in Regulation S Global Notes*

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States or who is a U.S. person will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 2(e)(i), such transferee may take delivery through a Legended Note in global or definitive form and, in the case of Condition 2(e)(ii), such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period (A) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (B) such certification requirements will no longer apply to such transfers.

(f) *Transfers of interests in Legended Notes*

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Note where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon a specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) *Definitions*

In this Condition 2(g), the following expressions shall have the following meanings:

Distribution Compliance Period means the period that ends 40 days after the completion of the distribution of each Tranche of Notes;

Legended Note means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

QIB means a **qualified institutional buyer** within the meaning of Rule 144A;

Regulation S means Regulation S under the Securities Act;

Regulation S Global Note means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

Rule 144A means Rule 144A under the Securities Act;

Rule 144A Global Note means a Registered Global Note representing Notes sold to QIBs; and

Securities Act means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not, and will ensure that none of its Material Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**), other than a Permitted Security Interest, upon the whole or any part of its or their respective present or future undertaking, assets or revenues to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith or according to the Notes such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

Material Subsidiary means, at any time, any Subsidiary:

(i) whose total assets exceed 10 per cent. of the consolidated total assets of the Issuer; or

(ii) whose total revenue exceeds 10 per cent. of the consolidated total revenue of the Issuer.

For these purposes:

(1) all calculations shall be determined in accordance with the generally accepted accounting principles used in the preparation of:

(A) the then latest annual audited consolidated financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing consolidated financial statements) or the then latest annual audited financial statements of the relevant Subsidiary (in the case of a Subsidiary preparing non-consolidated financial statements); and

(B) the then latest annual audited consolidated financial statements of the Issuer;

(2) upon a Material Subsidiary transferring all or substantially all of its assets or business to another Subsidiary, the transferor shall cease to be a Material Subsidiary on the effective date of such transfer and thereupon the transferee shall be deemed to be a Material Subsidiary until the date of its next annual audited consolidated financial statements or, as the case may be, annual audited financial statements are prepared after which whether it is or is not a Material Subsidiary shall be determined in accordance with paragraphs (i) and (ii) above; and

(3) subject to paragraph (1) above, if as a result of any transfer, reconstruction, amalgamation, reorganisation, merger or consolidation of a company which, immediately before such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation, satisfied either of the tests set forth in paragraphs (i) and (ii) above, but immediately after such transfer, reconstruction, amalgamation, reorganisation, merger or consolidation does not satisfy either such test, such company shall immediately cease to be a Material Subsidiary;

Non-recourse Project Financing means any financing of all or part of the costs of the acquisition, construction, development, improvement, repair or expansion of any project asset (including costs such as escalation, interest during construction and financing and refinancing costs), provided that:

(i) any Security Interest given by the Issuer or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to (1) such project asset; (2) if applicable, any shares in the relevant Finance SPV (as defined below); and (3) if applicable, an assignment of any loans made by the Issuer or any relevant Subsidiary to the relevant Finance SPV;

(ii) the person providing such financing expressly agrees to limit its recourse to the project asset financed and the revenues derived from such project asset (including any Security Interest as described in paragraph (i) of this definition) and, if applicable, the Finance SPV, as the principal source of repayment for the moneys advanced; and

(iii) there is no other recourse to the Issuer or the relevant Subsidiary (unless the relevant Subsidiary is itself a Finance SPV), as the case may be, in respect of any default by any person under the financing (other than in relation to any claim for damages for breach of an obligation, representation or warranty (provided such obligation, representation or warranty does not relate to an obligation to pay or procure a payment of any amount));

For the purposes of this definition, **Finance SPV** means a single purpose entity established specifically for the purpose of the acquisition, construction, development, improvement, repair or expansion of any project asset;

Permitted Security Interest means:

(i) any Security Interest existing on the date on which agreement is reached to issue the first Tranche of the Notes;

(ii) any Security Interest securing Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with, the Issuer or a Subsidiary, as applicable, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer or Subsidiary, as applicable;

(iii) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer or a Subsidiary and not created in contemplation of such acquisition; or

(iv) any renewal of or substitution for any Security Interest permitted by any of paragraphs (i) to (iii) (inclusive) of this definition, provided that with respect to any such Security Interest the nominal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

Relevant Indebtedness means any indebtedness, other than indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market;

Securitisation means any securitisation of existing or future assets and/or revenues, provided that (i) any Security Interest given by the Issuer or the relevant Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to the Issuer or the relevant Subsidiary, as the case may be, in respect of any default by any person under the securitisation; and

Subsidiary means an entity:

(i) which is directly or indirectly controlled by the Issuer, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of such entity or otherwise;

(ii) more than 50 per cent. of whose issued equity share capital (or equivalent) is then beneficially owned by the Issuer; or

(iii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the Issuer.

5. INTEREST

(a) *Interest on Fixed Rate Notes*

This Condition 5(a) applies to Fixed Rate Notes only. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 5(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(i) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes; or

(ii) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rate Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5(a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with this Condition 5(b), the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of Condition 5(b)(ii) shall apply *mutatis mutandis* or, (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

(1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the TARGET2 System) specified in the applicable Final Terms;

(2) if the TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(3) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this Condition 5(b)(ii)(A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this Condition 5(b)(ii)(A), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

If the Rate of Interest cannot be determined because of the occurrence of a Benchmark Event, the Rate of Interest shall be calculated in accordance with the terms of Condition 5(b)(iii).

In these Conditions:

Reference Rate means one of the following benchmark rates (as specified in the relevant Final Terms) in respect of the currency and period specified in the relevant Final Terms:

(i) LIBOR;

(ii) EURIBOR;

(iii) KIBOR;

(iv) SHIBOR;

(v) HIBOR;

(vi) KLIBOR;

(vii) TRLIBOR or TRYLIBOR;

(viii) BBSW;

(ix) SIBOR;

(x) EIBOR;

(xi) TIBOR;

(xii) SAIBOR;

(xiii) CHF LIBOR;

(xiv) GBP LIBOR;

(xv) JPY LIBOR;

(xvi) MIBOR;

(xvii) PRIBOR;

(xviii) BKBM;

(xix) BHIBOR;

(xx) QIBOR; or

(xxi) OMIBOR; and

Relevant Time means the specified time specified as such hereon.

(iii) *Benchmark Replacement*

Notwithstanding the other provisions of this Condition 5(b), if the Issuer, following consultation with the Principal Paying Agent, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Final Terms when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(A) the Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-Off Date**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(B) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(b)(iii));

(C) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); and

(D) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5(b)(iii) and the Independent Adviser (following consultation with the Issuer) determines: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Issuer and subject to delivery of a notice in accordance with Condition 5(b)(iii)(E): (x) the Issuer shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Agents shall (at the Issuer's expense), without any requirement for the consent or sanction of the Noteholders, be obliged to concur with the Issuer in effecting such Benchmark Amendments.

For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person;

(E) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and Adjustment Spread and the specific terms of any Benchmark Amendments, give notice to the Agents and, in accordance with Condition 14, the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) the applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any);

(F) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this Condition 5(b)(iii)(F) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 5(b)(iii); and

(G) the Independent Adviser appointed pursuant to this Condition 5(b)(iii) shall act and make all determinations pursuant to this Condition 5(b)(iii) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Issuer shall have any liability whatsoever to the Principal Paying Agent, the Paying Agents or the Noteholders in connection with any determination made by the Independent Adviser or for any advice given by the Independent Adviser to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5(b)(iii).

For the purposes of this Condition 5(b)(iii):

Adjustment Spread means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

(A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(B) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or

(C) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

(D) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) determines (acting in good faith and in a commercially reasonable manner) in its sole discretion to be appropriate;

Alternative Reference Rate means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer) determines, in accordance with this Condition 5(b)(iii), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser determines in its sole discretion is most comparable to the relevant Reference Rate;

Benchmark Event means: (i) the relevant Reference Rate ceasing to be published or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (v) it has become unlawful for the Issuer, the Principal Paying Agent or any other party responsible for the calculation of the Rate of Interest and Interest Amount (as specified in the applicable Final Terms) to calculate any payments due to be made to any Noteholder using the relevant Reference Rate or (vi) a public statement by the supervisor of the administrator of the relevant Reference Rate that, in the view of such supervisor, such Reference Rate is or will be, by a specified future date, no longer representative of an underlying market, provided that, in the case of (ii), (iii), (iv) and (vi) above, the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, the prohibition of use of the relevant Reference Rate or the Reference Rate ceasing to be so representative, as the case may be, and not the date of the relevant public statement;

Financial Stability Board means the organisation established by the Group of Twenty (G20) in April 2009;

Independent Adviser means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer at the Issuer's expense;

Relevant Nominating Body means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

Successor Rate means the rate that the Independent Adviser (in consultation with the Issuer) or the Issuer, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(iv) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5(b)(ii) is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 5(b)(ii) is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(v) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent or the Calculation Agent, as applicable, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes; or

(B) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

(A) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(F) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(G) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(vi) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(vii) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(viii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b) by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Exempt Notes*

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the reference rate from time to time is specified in the applicable Pricing Supplement as being other than BBSW, BHIBOR, BKBM, CHF LIBOR, EIBOR, EURIBOR, GBP LIBOR, HIBOR, JPY LIBOR, KIBOR, KLIBOR, LIBOR, MIBOR, OMIBOR, PRIBOR, QIBOR, SAIBOR, SHIBOR, SIBOR, TIBOR or TRLIBOR or TRYLIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

(a) *Method of payment*

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Bearer Notes and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6(a) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon the date on which any Fixed Rate Note in definitive bearer form becomes due and repayable prior to its Maturity Date and interest thereon ceasing to accrue in accordance with Condition 5(d) all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

(c) *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note.

(d) *Payments in respect of Registered Notes*

Payments of principal in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of principal in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the 15th day (whether or not such 15th day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the nominal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars unless the participant in DTC with an interest in the Notes has elected to receive any part of such payment in that Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):

(A) in the case of Notes in definitive form only, in the relevant place of presentation; and

(B) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;

(ii) if the TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open;

(iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and

(iv) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has not elected to receive any part of such payment in a Specified Currency other than U.S.

dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) *Interpretation of principal and interest*

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) the Change of Control Redemption Amount (if any) of the Notes;

(vi) the Clean-Up Call Redemption Amount (if any) of the Notes; and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto.

7. REDEMPTION AND PURCHASE

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the applicable Final Terms or, if later, the date the relevant jurisdiction becomes a Tax Jurisdiction (for the avoidance of doubt, the absence of an extension of the Tax Suspension beyond 2025will not be considered to be a change or amendment to laws or regulations, or a change in the application or official interpretation of such laws or regulations, for the purposes of this Condition 7(b)); and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer shall deliver to the Principal Paying Agent to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in Condition 7(g) together with any interest accrued but unpaid to (but excluding) the date of redemption.

For the purposes of this Condition 7(b), **Tax Suspension** means the suspension of withholding tax applicable to dividends and interest on foreign borrowings for a period of three years effective from 6 May 2019, as announced by the Capital Market Authority of Oman on 15 May 2019 on the basis of a royal directive, and as further extended from 2020 to 2025 as part of the Government of Oman's economic stimulus package announced by H.M. the Sultan of Oman and reported by Omani media outlets on 9 March 2021.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together with any interest accrued but unpaid to (but excluding) the relevant Optional Redemption Date. In the case of a partial redemption of Notes, (i) such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms; and (ii) the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

(d) *Redemption at the option of the Noteholders (Investor Put)*

This Condition 7(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contain provisions applicable to any Investor Put and must be read in conjunction with this Condition 7(d) for full information on any Investor Put. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together with any interest accrued but unpaid to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during the normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 7(d) and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or by evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, or Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7(d) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(d) and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A Noteholder may not exercise such Put Notice in respect of any Note which is the subject of an exercise by the Issuer of its Issuer call option.

As long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Bearer Global Note, the option under this Condition 7(d) shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or by any Paying Agent.

(e) *Redemption on a Change of Control*

This Condition 7(e) applies to Notes which are subject to a Change of Control Put. The applicable Final Terms contain provisions applicable to any Change of Control Put and must be read in conjunction with this Condition 7(e) for full information on any Change of Control Put. In particular, the applicable Final Terms will identify the Change of Control Redemption Amount.

If the Change of Control Put is specified as being applicable in the applicable Final Terms and a Change of Control occurs, upon the holder of any Note giving a Change of Control Put Notice in accordance with this Condition 7(e) during the Change of Control Put Period, the Issuer will redeem such Note on the Change of Control Put Date and at the Change of Control Redemption Amount together with any interest accrued but unpaid to (but excluding) the Change of Control Put Date.

Promptly upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a **Change of Control Notice**) to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control.

To exercise the option contained in this Condition 7(e), the holder of this Note must, during the Change of Control Put Period, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar a duly completed and signed Change of Control Put Notice and in which the holder must specify a bank account to which payment is to be made under this Condition 7(e) and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2(b). If this Note is in definitive bearer form, the Change of Control Put Notice must be accompanied by this Note or by evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, or Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Change of Control Put Notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7(e) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7(e) and instead to declare such Note forthwith due and payable pursuant to Condition 10.

A Noteholder may not exercise such Change of Control Put in respect of any Note which is the subject of an exercise by the Issuer of its Issuer call option.

As long as Bearer Notes issued in accordance with TEFRA D are represented by a Temporary Bearer Global Note, the option under this Condition 7(e) shall not be available unless the certification required under TEFRA D with respect to non-U.S. beneficial ownership has been received by the Issuer or any Paying Agent.

In these Conditions:

Change of Control shall occur each time the government of Oman ceases to own, legally and beneficially, directly or indirectly, in aggregate, more than 50 per cent. of the issued share capital of the Issuer;

Change of Control Put Date shall be the tenth Business Day after the expiry of the Change of Control Put Period;

Change of Control Put Notice means (i) a notice in the form available from the Specified Office of the Paying Agents, or, in the case of Registered Notes, the Registrar, which must be delivered to a Paying Agent or the Registrar (as applicable) by any Noteholder wanting to exercise a right to redeem a Note on a Change of Control Put Date, and as set out at Schedule 5 (*Form of Change of Control Notice*) of the Agency Agreement or (ii) such other notice by which Noteholders exercise the Change of Control Put as is given in accordance with the procedures of Euroclear, Clearstream, Luxembourg and/or DTC (as applicable);

Change of Control Put Period shall be the period of 30 days after a Change of Control Notice is given; and

Change of Control Redemption Amount means, in respect of any Note, its nominal amount or such other amount as may be specified in the applicable Final Terms.

(f) *Redemption at the option of the Issuer (Clean-Up Call Right)*

If a Clean-Up Call Right is specified as being applicable in the applicable Final Terms and 75 per cent. or more of the aggregate nominal amount of the Notes then outstanding have been redeemed and/or purchased and cancelled, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the **Clean-Up Call Right Date**)), redeem or, at the Issuer's option, purchase, or procure the purchase of, all but not some only of the Notes then outstanding at the Clean-Up Call Redemption Amount, together with any interest accrued but unpaid to (but excluding) the Clean-Up Call Right Date.

In these Conditions, **Clean-Up Call Redemption Amount** means, in respect of any Note, its nominal amount or such other amount as may be specified in the Final Terms.

(g) *Early Redemption Amounts*

For the purpose of Condition 7(b) and Condition 10:

(i) each Note (other than a Zero-Coupon Note) will be redeemed at its Early Redemption Amount; and

(ii) each Zero-Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such

Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

(h) *Purchases*

The Issuer, or any Subsidiary of the Issuer, may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent or the Registrar for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7(h) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(j) *Late payment on Zero-Coupon Notes*

If the amount payable in respect of any Zero-Coupon Note upon redemption of such Zero-Coupon Note pursuant to Condition 7(a), 7(b), 7(c), 7(d) or 7(e) or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero-Coupon Note shall be the amount calculated as provided in Condition 7(g)(ii) as though the references therein to the date fixed for the redemption or the date upon which such Zero-Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero-Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero-Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in Oman; or

(b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon;

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6(f)); or

(d) presented for payment by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption.

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

(i) **Tax Jurisdiction** means Oman or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer of principal and interest on the Notes become generally subject; and

(ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14).

9. PRESCRIPTION

The Notes (whether in bearer or registered form) and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition 9 or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

10. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) occurs and is continuing with respect to a Series of Notes:

(a) *Non-payment*

default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal or premium and 14 days in the case of interest; or

(b) *Breach of other obligations*

the Issuer defaults in the performance or observance of, or compliance with, any of its other obligations or undertakings in respect of the Notes of such Series, and either such default is not capable of remedy or such default (if capable of remedy) continues unremedied for 45 days after written notice to remedy such default, addressed to the Issuer by any Noteholder or Couponholder of such Series, has been delivered to the Issuer; or

(c) *Cross-acceleration*

(i) any other indebtedness of the Issuer becomes due and payable prior to its stated maturity by reason of default (however so described);

(ii) any indebtedness of the Issuer is not paid when due; or

(iii) any amount payable under any guarantee given by the Issuer of any indebtedness is not paid when due,

and, in the case of either (ii) above or (iii) above, such failure continues beyond any originally applicable grace period, *provided* that the amount of indebtedness referred to in sub-paragraph (i) above and/or (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, as applicable, either alone or when aggregated with all other indebtedness in respect of which any event specified in this Condition 10(c) shall have occurred and be continuing, shall be more than U.S.$50 million (or its equivalent in any other currency or currencies); or

(d) *Unsatisfied Judgment*

one or more judgments or orders for the payment of any sum in excess of U.S.$50 million (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 30 days after the date thereof; or

(e) *Security Enforced*

any Security Interest, present or future, created or assumed by the Issuer and securing an amount which equals or exceeds U.S.$50 million (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person, but excluding the issue of any notification to the Issuer that such Security Interest has become enforceable) unless the full amount of the debt which is secured by the relevant Security Interest is discharged within 30 days of the first date on which a step is taken to enforce the relevant Security Interest; or

(f) *Insolvency and Insolvency Proceedings*

the Issuer is adjudicated or found bankrupt or insolvent or proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official (and such proceedings are not being actively contested in good faith); or

(g) *Consent to Proceedings*

the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or enters into any composition or other similar arrangement with its creditors generally save, in all cases, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders; or

(h) *Winding-up*

an administrator or other receiver, manager, liquidator or other similar official is appointed in relation to the Issuer in relation to all or substantially all of its business or operations, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Issuer (and such proceedings are not being actively contested in good faith by the Issuer), or the Issuer shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, which in each case (other than the appointment of an administrator) is not discharged within 30 days, and except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders; or

(i) *Unlawfulness and invalidity*

(i) it becomes unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Agency Agreement or the Deed of Covenant; or (ii) the validity of such Series of Notes is contested by the Issuer or the Issuer shall deny any of its obligations under such Series of Notes; or

(j) *Analogous Events*

any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(d) to 10(i) (inclusive),

then any Noteholder may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be immediately due and payable whereupon the same shall become immediately due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City; and

(d) there will at all times be a Paying Agent in a jurisdiction within Europe.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). While any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Agency Agreement contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons (including, without limitation, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons or amending the Deed of Covenant), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In addition, the Principal Paying Agent shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5(b)(iii), without the consent or sanction of the Noteholders.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND DISPUTE RESOLUTION

(a) *Governing law*

The Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Deed Poll, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law.

(b) *Agreement to arbitrate*

Subject to Condition 18(c), any dispute, claim, difference or controversy arising out of or having any connection with the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the **LCIA**) (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition.

For these purposes:

(i) the seat of arbitration shall be London;

(ii) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall appoint a further arbitrator who shall be the chairman of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly shall each nominate one arbitrator. If one party or both fails to nominate an arbitrator within the time limits specified by the Rules, such arbitrator(s) shall be appointed by the LCIA. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the appointment of the second arbitrator, such arbitrator shall be appointed by the LCIA; and

(iii) the language of the arbitration shall be English.

(c) *Option to litigate*

Notwithstanding Condition 18(b), any Noteholder may, in the alternative, and at its sole discretion, by notice in writing to the Issuer:

(i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or

(ii) in the event no arbitration is commenced,

require that a Dispute be heard by a court of law. If a Noteholder gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 18(d) and, subject as provided below, any arbitration commenced under Condition 18(b) in respect of that Dispute will be terminated. Each of the Noteholder and the recipient of such notice will bear its own costs in relation to the terminated arbitration.

If any notice to exercise the option to litigate is given after service of any Request for Arbitration in respect of any Dispute, the Noteholder must also promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

(i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;

(ii) his entitlement to be paid his proper fees and disbursements; and

(iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

(d) *Effect of exercise of option to litigate*

In the event that a notice pursuant to Condition 18(c) is issued, the following provisions shall apply:

(i) subject to paragraph (iii) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and the Issuer submits to the exclusive jurisdiction of such courts;

(ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 18(d) is for the benefit of the Noteholders only. As a result, and notwithstanding paragraph (i) above, Noteholders may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Appointment of Process Agent*

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Eighth Floor, 100 Bishopsgate, London EC2N 4AG as its agent for service of process in England in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(f) *Waiver of immunity*

The Issuer, to the full extent permitted by law, irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from suit, jurisdiction, recognition or enforcement and any similar argument in any jurisdiction and (ii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

(g) *Other documents*

The Issuer has in the Agency Agreement, the Deed of Covenant and the Deed Poll submitted to arbitration and the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be used by the Issuer for its general corporate purposes or as otherwise set out in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with "Management's discussion and analysis of financial condition and results of operations".

See also "Presentation of financial and other information" for a discussion of the sources of the numbers contained in this section.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

The table below shows consolidated statement of financial position data of the Group as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December		
	2020	**2019**	**2018**
			Restated
		(OMR thousand)	
ASSETS			
Non-current assets			
Property, plant and equipment	4,243,773	5,162,488	4,827,099
Oil and gas exploration and production and development assets	1,076,046	1,213,944	1,118,688
Right of use assets	175,261	184,623	—
Intangible assets	112,638	153,099	161,409
Goodwill	13,170	12,328	12,474
Investment in associates	147,008	271,514	295,011
Interest in joint ventures	278,174	439,610	236,955
Deferred tax assets	36,602	31,696	31,343
Concession receivables	772,298	610,366	348,644
Lease receivables	250,191	258,961	267,188
Contract assets	146,198	290,268	285,303
Due from related parties	117,036	54,351	49,731
Derivatives	—	—	19,738
Other non-current assets	13,456	17,355	59,132
Total non-current assets	**7,381,851**	**8,700,603**	**7,712,715**
Current assets			
Inventories	546,450	512,324	514,468
Trade and other receivables	746,852	675,016	935,852
Concession receivables – current portion	26,466	20,662	21,685
Lease receivables – current portion	9,157	8,227	7,542
Due from related parties	59,022	252,823	233,822
Investments at fair value through profit and loss	304,279	366,805	386,784
Derivatives	73,714	75,590	28,184
Short-term deposits	203,331	172,563	788,108
Cash and cash equivalents	460,769	567,501	620,463

Total current assets	**2,430,040**	**2,651,511**	**3,536,908**
Assets held for sale	76,418	—	—
Total assets	**9,888,309**	**11,352,114**	**11,249,623**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	3,428,436	3,315,293	3,012,980
Share capital pending registration	194	113,337	194
Shareholder's contribution	—	–	302,313
Statutory reserve	95,730	95,730	91,575
Capital reserve	—	—	—
Other reserve	16,249	16,249	12,827
Fair value reserve	(99,378)	(45,965)	27,113
Translation reserve	12,232	(33,167)	(16,670)
(Accumulated losses)/retained earnings/	(788,834)	921,125	717,842
Equity attributable to equity holders of the parent	**2,664,629**	**4,382,602**	**4,148,174**
Non-controlling interests	39,170	43,770	89,052
Total equity	**2,703,799**	**4,426,372**	**4,237,226**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	4,359,767	3,935,761	4,309,819
Lease liabilities	149,825	157,126	—
Employees' end of service benefits	77,604	70,353	58,238
Provision for site restoration and abandonment cost	134,850	113,392	133,127
Due to related parties	13,440	9,271	—
Deferred tax liabilities	150,183	141,741	157,572
Derivatives	61,212	38,840	—
Other liabilities	25,493	30,207	30,426
Total non-current liabilities	**4,972,374**	**4,496,691**	**4,689,182**
Current liabilities			
Trade and other payables	1,048,480	1,232,128	1,512,940
Loans and borrowings	704,880	836,766	255,155
Lease liabilities	30,819	31,108	—
Derivatives	68,772	64,385	31,190
Due to related parties	284,549	250,042	392,796
Income tax	14,636	14,622	131,134
Total current liabilities	**2,212,136**	**2,429,051**	**2,323,215**
Total liabilities	**7,184,510**	**6,925,742**	**7,012,397**
Total equity and liabilities	**9,888,309**	**11,352,114**	**11,249,623**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME DATA

The table below shows consolidated statement of profit or loss and other comprehensive income data of the Group for each of the years ended 2020, 2019 and 2018.

Year ended 31 December

	2020	2019	2018
			Restated
		(OMR thousand)	
Revenue	5,393,789	7,330,812	8,867,325
Cost of sales	(5,142,171)	(6,838,157)	(8,287,381)
Gross profit	**251,618**	**492,655**	**579,944**
Farm out transaction	—	—	614,457
Investment (loss)/income	(64,881)	8,963	8,784
Share of results of equity accounted investments	(210,275)	34,146	55,488
Other income	47,115	88,333	55,054
Administrative expenses	(255,454)	(263,653)	(258,769)
Impairment losses – (charged)/released	(1,344,003)	34,347	(69,909)
Operating (loss)/profit	**(1,575,880)**	**394,791**	**985,049**
Finance income	16,664	20,023	11,805
Finance expense	(141,694)	(174,896)	(160,845)
Foreign exchange (losses)/ gains – net	(2,599)	1,108	2,552
(Loss)/profit for the year before tax	(1,703,509)	**241,026**	**838,561**
Income tax (expense)	(13,435)	(9,762)	(158,906)
(Loss)/profit for the year	**(1,716,944)**	**231,264**	**679,655**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference relating to subsidiaries	41,936	(10,438)	(16,098)
Foreign currency translation difference on investment in associates	3,463	(6,059)	(7,346)
Share of other comprehensive income of associates and joint ventures	988	(672)	(555)
Effective portion of changes in fair value of cash flow hedges	(50,842)	(72,406)	28,291
Items not to be reclassified to profit or loss in subsequent periods			
Fair value changes due to dilution of a subsidiary	(3,919)	—	—
Transfer to defined benefit plan, actuarial gains and losses	(2,935)	(4,594)	(279)
Other comprehensive loss, net	**(10,949)**	**(94,169)**	**4,013**
Total comprehensive (loss)/income for the year	**(1,727,893)**	**137,095**	**683,668**
(Loss)/profit for the year attributable to:			
Equity holders of the parent	(1,717,588)	229,894	670,492
Non-controlling interests	644	1,370	13,176
(Loss)/profit for the year	**(1,716,944)**	**231,264**	**679,655**
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the parent	(1,728,537)	135,725	670,492
Non-controlling interests	644	1,370	13,176
Total comprehensive (loss)/income for the period	**(1,727,893)**	**137,095**	**683,668**
Earnings per share			
Basic and diluted (loss)/earnings per share	(0.51)	**0.068**	**0.201**

CONSOLIDATED STATEMENT OF CASH FLOWS DATA

The table below summarises the Group's consolidated statement of cash flows for each of the years ended 2020, 2019 and 2018.

	2020	2019	2018
			Restated
		(OMR thousands)	
Operating cash flows before working capital changes.	499,545	870,863	707,848
Net cash from operating activities	528,392	235,698	778,096
Net cash used in investing activities	(770,319)	(292,013)	(1,186,596)
Net cash from/(used in) financing activities	123,533	(12,748)	554,263
Translation adjustments	11,662	16,101	16,406
Cash and cash equivalents at 1 January	567,501	620,463	458,294
Cash and cash equivalents at 31 December	460,769	567,501	620,463

SELECTED CONSOLIDATED RATIOS

The table below shows selected consolidated ratios for the Group as at, and for the years ended, 31 December in each of 2020, 2019 and 2018. Each of these ratios, except gearing as at 31 December in each of 2020, 2019 and 2018, is an APM and is unaudited. See "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

	As at/year ended 31 December		
	2020	2019	2018
			Restated
Performance measures			
Return on average assets[(1)]	(16.17)%	2.05%	1.76%
Return on average equity[(2)]	(48.75)%	5.39%	4.48%
Return on average capital employed[(3)]	0.79%	4.23%	6.71%
Adjusted EBITDA (*OMR thousand*)[(4)]	563,907	885,422	900,051
Liquidity measures			
Free cash flow (*OMR thousand*)[(5)]	(294,644)	(761,237)	(551,827)
Gearing[(6)]	1.90x	1.09x	1.10x

Notes:

(1) (Loss)/profit for the year (excluding the impact of the farm out transaction in 2018) divided by average assets for the year, with average assets calculated as the sum of total assets at the start and end of the year divided by two. The Group's total assets as at 31 December 2017 were OMR 5.8 billion.

(2) (Loss)/profit for the year (excluding the impact of the non-recurring farm out transaction in 2018) attributable to equity holders of the Company divided by average equity attributable to equity holders of the Company for the year, with average equity attributable to equity holders of the Company calculated as the sum of equity attributable to equity holders of the Company at the start and end of the year divided by two. The Group's equity attributable to equity holders of the Company as at 31 December 2017 was OMR 3.0 billion.

(3) Earnings before interest and tax (excluding the impact of the farm out transaction in 2018) (**Adjusted EBIT**) divided by average capital employed. Adjusted EBIT equals (loss)/profit for the year before finance expense, finance income, income tax expense, impairment losses net of reversals and changes in fair value of investments and average capital employed equals the sum of total assets minus total liabilities at the start and end of the year divided by two. The Group's total liabilities as at 31 December 2017 was OMR 2.7 billion.

(4) (Loss)/profit for the year before finance expense, finance income, foreign exchange gains/losses, net, income tax expense, depreciation and amortisation, impairment losses (charged)/released, net, changes in fair value of investments, farm out transaction and certain investment income. See "*Adjusted EBIT and Adjusted EBITDA*" below.

(5) Net cash from operating activities less actual cash outflow for adjusted capital expenditure during the year. Actual cash outflow for adjusted capital expenditure during the year amounted to OMR 823 million for 2020, OMR 997 million for 2019 and OMR 1,330 million for 2018. The Company calculates actual cash outflow for adjusted capital expenditure during the period as the portion of capital expenditure (i.e., acquisition / additions

to property, plant and equipment, investment in equity accounted investees and oil and gas exploration and production assets) for which cash outflow occurred within the year.

(6) Calculated as the ratio of (i) total loans and borrowings divided by (ii) total equity attributable to equity holders of the parent. This ratio appears in the Financial Statements and is not an APM.

ADJUSTED EBIT AND ADJUSTED EBITDA

Adjusted EBIT has been calculated as (loss)/profit for the year adjusted to add back or subtract, as the case may be, finance expense, finance income, foreign exchange gains/losses, net, income tax expense, impairment losses (charged)/released, net, changes in fair value of investments, farm out transaction and certain investment income, all as recorded in the Financial Statements. Adjusted EBITDA has been calculated as Adjusted EBIT for the period adjusted to add back depreciation and amortisation. Adjusted EBIT and Adjusted EBITDA are APMs and are not measures of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The table below shows a reconciliation of the Group's consolidated loss or profit for the year to Adjusted EBIT and Adjusted EBITDA for each of the years ended 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
(Loss)/profit for the year	**(1,716,944)**	**231,264**	**679,655**
Add/(subtract):			
Finance expense	**141,694**	174,896	160,845
Impairment losses – (charged)/released - net	**(1,344,003)**	(34,347)	69,909
Changes in fair value of investments	**66,445**	17,345	15,508
Income tax expense	**13,435**	9,762	158,906
Finance income	**(16,664)**	(20,023)	(11,805)
Foreign exchange losses/(gains), net	**2,599**	(1,108)	(2,552)
Farm out transaction	—	—	(614,457)
Certain investment income[(1)]	**231,239**	—	—
Adjusted EBIT	**65,807**	**377,789**	**456,009**
Depreciation and amortisation[(2)]	498,100	507,633	444,042
Adjusted EBITDA	**563,907**	**885,422**	**900,051**

Notes:

(1) Certain investment income in 2020 comprises OQ's 50 per share of the impairment losses of OQ8, which is an equity accounted investment. The impairment was driven by the COVID-19 pandemic, commodities price volatility and uncertainty, the negative impact on the products and financial markets, oil price pressures and an unprecedented world economic crisis during the reporting period.

(2) The depreciation and amortisation charged in the Group's consolidated statement of profit or loss differs from the amounts disclosed elsewhere in the Group's consolidated financial statements by an immaterial amount. The actual amounts have been reflected in the Adjusted EBITDA reconciliation presented above. The difference amounted to OMR nil million for 2020 (OMR 3.1 million for 2019 and OMR 1.9 million for 2018) compared to the amounts disclosed elsewhere in the Group's consolidated financial statements for the year ended 31 December 2020 as part of the depreciation and amortisation expense presented in the Group's consolidated financial statements included a translation adjustment.

The tables below show reconciliations of the profit of the Group's core entities and Abraj to their respective Adjusted EBITDA for each of 2020, 2019 and 2018. In the 2019 and 2018 Financial Statements, OOMCO was classified as a non-core entity and not included in the downstream segment. However, in line with the Group's updated retail strategy, OOMCO has been presented together with the Group's core entities and included in the downstream segment in the 2020 Financial Statements and in the Base Prospectus and accordingly consistently considered OOMCO under downstream segment for all the reported years.

	Year ended 31 December 2020									
	(*OMR thousand*)									
	OQEP	**Abraj**	**OQGN**	**OQRPI**	**OQ Chemicals**	**OQ Trading**	**OQ Methanol**	**OOMCO**	**OQ LPG**	**OQ8**
Profit / (loss) for the year................	**(19,838)**	**11,275**	**59,349**	**(1,417,984)**	**60,556**	**34,084**	**9,986**	**957**	**471**	**23,872**
Add/(subtract):										
Finance expense ..	20,079	**3,595**	**16,896**	**57,442**	**25,785**	**985**	**4,608**	**1,873**	—	—
Impairment losses – reversed / (charged) - net......	**152,411**	**(123)**	**24**	**1,142,885**	**40,903**	**3,851**	**110**	**35**	—	**231,239**
Income tax expense / (credit) .	**(5,676)**	**2,147**	**8,398**	**1,405**	**6,400**	**642**	—	**383**	—	—
Finance income....	**(2,668)**	**(463)**	**(1,923)**	**(1,448)**	**(10,988**	—	**(2,102)**	**(1,170)**	—	—
Adjusted EBIT...	**144,307**	**16,431**	**82,744**	**(217,702)**	**1,544**	**39,562**	**12,602**	**2,077**	**(471)**	**(8,634**
Depreciation and amortisation	**276,916**	**18,129**	**508**	**125,739**	**54,932**	**6,058**	**13,124**	**10,583**	**101**	—
Adjusted EBITDA	**421,223**	**34,560**	**83,251**	**(91,963)**	**56,475**	**45,620**	**25,725**	**12,661**	**(370)**	**(8,634)**

Notes:

(1) This represents OQEP's consolidated Adjusted EBITDA, which includes Abraj Energy Services SAOC, a consolidated subsidiary of OQEP.

(2) The total Adjusted EBITDA for the Group's core entities for the year ended 31 December 2020 was OMR 509 million and consisted of Adjusted EBITDA for OQEP, OQGN, OQRPI, OQ Chemicals, OQ Trading, OQ Methanol, OOMCO, OQ LPG and OQ8 (i.e., excluding Abraj's Adjusted EBITDA from the above table).

(3) The Group's Adjusted EBITDA for 2020 was OMR 563.4 million. The total Adjusted EBITDA for the Group's non-core entities for 2020 was OMR 54.4 million (calculated by adjusting the Group's Adjusted EBITDA less Adjusted EBITDA for the Group's core entities as determined in footnote 2 above).

	Year ended 31 December 2019									
	(*OMR thousand*)									
	OQEP(1)	**Abraj**	**OQGN**	**OQRPI**	**OQ Chemicals**	**OQ Trading**	**OQ Methanol**	**OOMCO**	**OQ LPG**	**OQ8**
Profit / (loss) for the year............	**251,640**	**7,154**	**47,913**	**(163,502)**	**(6,612)**	**29,831**	**19,554**	**5,623**	**(1,165)**	**(4,770)**
Add/(subtract):										
Finance expense	24,318	4,214	13,456	92,592	25,572	521	6,206	553	–	–
Impairment losses – reversed / (charged) - net..	(65,170)	–	(108)	33,217	–	86	–	1,019	–	–
Income tax expense / (credit)	7,290	1,288	7,413	(7,324)	(2,779)	434	–	1,120	–	–
Finance income	(5,013)	(870)	(1,081)	(2,182)	3,366	238	(1,565)	(476)	–	–
Adjusted EBIT...	**213,064**	**11,786**	**67,592**	**(47,199)**	**19,546**	**31,110**	**24,194**	**7,840**	**(1,165)**	**(4,770)**
Depreciation and amortisation	281,412	19,043	379	137,052	52,621	6,258	13,321	9,337	122	–
Adjusted EBITDA	**494,476**	**30,829**	**67,971**	**89,853**	**72,167**	**37,368**	**37,516**	**17,176**	**(1,043)**	**(4,770)**

Notes:

(1) This represents OQEP's consolidated Adjusted EBITDA, which includes Abraj Energy Services SAOC, a consolidated subsidiary of OQEP.

(2) The total Adjusted EBITDA for the Group's core entities for the year ended 31 December 2019 was OMR 780 million and consisted of Adjusted EBITDA for OQEP, OQGN, OQRPI, OQ Chemicals, OQ Trading, OQ Methanol, OOMCO, OQ LPG and OQ8 (i.e., excluding Abraj's Adjusted EBITDA from the above table).

(3) The Group's Adjusted EBITDA for 2019 was OMR 885 million. The total Adjusted EBITDA for the Group's non-core entities for 2019 was OMR 105 million (calculated by adjusting the Group's Adjusted EBITDA less Adjusted EBITDA for the Group's core entities as determined in footnote 2 above).

	Year ended 31 December 2018 (restated)									
	(*OMR thousand*)									
	OQEP[1]	**Abraj**	**OQGN**	**OQRPI**	**OQ Chemicals**	**OQ Trading**	**OQ Methanol**	**OOMCO**	**OQ LPG**	**OQ8**
Profit / (loss) for the year................	**641,433**	**4,671**	**40,957**	**(107,910)**	**7,925**	**27,540**	**18,261**	**8,088**	**(251)**	**(3,409)**
Add/(subtract):										
Finance expense ..	15,588	4,011	504	90,024	45,099	951	5,319	–	–	–
Impairment losses – reversed / (charged) - net......	54,265	(1,011)	–	–	–	–	–	730	–	–
Non-operational items	–	–	–	3,239	–	–	–	–	–	–
Income tax expense / (credit) .	118,369	837	6,239	22,499	3,925	88	–	1,677	–	–
Finance income....	(2,603)	(1,289)	4,973	(2,054)	(18,250)	–	(897)	(309)	–	–
Farm out transaction............	(614,457)	–	–	–	–	–	–	–	–	–
Adjusted EBIT...	**212,595**	**7,129**	**52,673**	**5,798**	**38,700**	**28,578**	**22,683**	**10,186**	**(251)**	**(3,409)**
Depreciation and amortisation	239,509	17,314	4	117,543	47,299	733	24,211	4,984	15	–
Adjusted EBITDA	**452,104**	**24,443**	**52,676**	**123,341**	**85,999**	**29,311**	**46,894**	**15,170**	**(236)**	**(3,409)**

Notes:

(1) This represents OQEP's consolidated Adjusted EBITDA, which includes Abraj Energy Services SAOC, a consolidated subsidiary of OQEP.

(2) The total Adjusted EBITDA for the Group's core entities for the year ended 31 December 2018 was OMR 778 million and consisted of Adjusted EBITDA for OQEP, OQGN, OQRPI, OQ Chemicals, OQ Trading, OQ Methanol, OOMCO, OQ LPG and OQ8 (i.e., excluding Abraj's Adjusted EBITDA from the above table).

(3) The Group's Adjusted EBITDA for 2018 was OMR 900 million. The total Adjusted EBITDA for the Group's non-core entities for the 2018 was OMR 122 million (calculated by adjusting the Group's Adjusted EBITDA less Adjusted EBITDA for the Group's core entities as determined in footnote 2 above).

CAPITALISATION AND INDEBTEDNESS

The table below shows the Group's capitalisation (which the Group calculates as non-current loans and borrowings plus total equity) and indebtedness as at 31 December 2020. This table should be read together with the 2020 Financial Statements included in this document.

	As at 31 December 2020
	(OMR million)
Cash and cash equivalents and short-term deposits[1]	664,100
Equity:	
Share capital[2]	3,428,630
Reserves[3] and (accumulated losses)/retained earnings	(764,001)
Non-controlling interests	39,170
Total equity	**2,703,799**
Indebtedness	
Current loans and borrowings	704,880
Non-current loans and borrowings	4,359,767
Total indebtedness	**5,064,647**
Total capitalisation[4]	**7,063,566**

Notes:

(1) Comprises cash and bank balances (current and call accounts) and short-term deposits with banks that are readily convertible into cash.

(2) Includes share capital pending registration.

(3) Comprises statutory reserve, other reserve, fair value reserve and translation reserve.

(4) Non-current loans and borrowings plus total equity.

(5) The Group's total equity and net indebtedness (total indebtedness minus cash and cash equivalents and short-term deposits) at 31 December 2020 was OMR 2,704 million & OMR 4,401 million respectively.

Since 31 December 2020, the Group has incurred further indebtedness and repaid certain outstanding indebtedness and the Group's gross loans and borrowings as at 31 March 2021 amounted to OMR 5,213 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Capitalisation and indebtedness", "Selected financial information" and the Financial Statements.

The discussion of the Group's financial condition and results of operations is based upon the Financial Statements. See "Presentation of financial and other information—Presentation of financial information—Historical financial statements". This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Cautionary statement regarding forward-looking *statements*" and "Risk factors".

See "*Presentation of financial and other information—Presentation of financial information—Restatement of 2018 comparative financial information in the 2019 Financial Statements*" and "*Presentation of financial and other information—Presentation of financial information—Sources of financial information*" *for a discussion of the source of the numbers presented in this section and certain other relevant information.*

OVERVIEW

OQ is wholly owned by the Government through the OIA and is Oman's leading integrated energy group with core businesses operating across the oil and gas value chain. OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In September 2019, but with effect from 1 January 2019, the Government transferred to OQ the 75 per cent. of the share capital of OQRPI which it did not already own for the integration of OQRPI with OQ and its subsidiaries (including OQEP, OQGN, OQ Chemicals, OQ Trading, OQ Methanol and OOMCO). By centralising Oman's oil and gas investments with a single leadership team, the intention is to create a national champion with enhanced resilience, project development and delivery, operational excellence, and marketing and financing capabilities, thereby creating a platform for sustained and resilient profitability centred around an optimised energy company.

The Group's core businesses operate in two principal integrated business streams:

- upstream, comprising;

(i) oil and gas exploration, development and production through OQEP; and

(ii) gas transportation throughout Oman through OQGN; and

- downstream, principally comprising;

(i) oil refining and the manufacture of a range of petrochemicals, currently through OQRPI and, in the future, through OQ8's new refinery as well;

(ii) the manufacture of a range of specialty chemical products (principally Oxo intermediates and derivatives) through OQ Chemicals;

(iii) significant trading operations relating to crude oil, refined products, petrochemical products, LNG and dry bulk (principally petroleum coke, sulphur and urea) through OQ Trading;

(iv) the manufacture of methanol from a world-scale plant in south Oman through OQ Methanol; and

(v) retail and commercial fuel and related product distribution, principally in Oman through OOMCO.

The Group's total assets amounted to OMR 9.9 billion as at 31 December 2020. In 2020, the Group generated Adjusted EBITDA of OMR 563.4 million and a loss for the year of OMR 1,717 million. The Group's core upstream activities contributed 83.3 per cent. of its Adjusted EBITDA of OMR 470 million and profit for the year of OMR 28 million in 2020, most of which was attributable to oil and gas exploration, development and production. The Group's downstream activities contributed 7 per cent. of its Adjusted EBITDA of OMR 40 million and a loss for the year of OMR 1,674 million in 2020, with oil refining and petrochemical production accounting for a negative 16.3 per cent., specialty chemical production accounting for 10.0 per cent. and trading accounting for 8.1 per cent., respectively, of the Group's Adjusted EBITDA in that year. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The Group also had a portfolio of 27 non-core assets, comprising subsidiaries, associates and FVTPL investments as well as a few holding and SPV entities of the Group, which contributed 9.7 per cent. of the Group's adjusted EBITDA in 2020, generated dividends of OMR 11.7 million at a consolidated level in 2020 and, in the case of the subsidiaries and associates, contributed to the Group's results of operations. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The Group has a number of significant downstream projects under development. These projects include:

- a new oil refinery and associated facilities under construction in Duqm as part of a joint venture with Kuwait Petroleum (Europe) B.V. (**KPE**);
- a petrochemical complex nearing completion at Liwa and an NGL plant at Fahud and associated NGL pipeline to the Liwa petrochemical plant undergoing pre-commissioning activities;
- an expansion of its methanol plant to enable the production of ammonia;
- an LPG project to extract various components of LPG, such as propane, butane and condensate, from natural gas in the Salalah region which is nearing completion; and
- two projects being undertaken by OQ Chemicals: the construction of a sixth carboxylic acid unit and an additional tricyclodecane dimethanol (**TCD**) alcohol production line.

The Group has received significant support from the Government since it was established, in the form of equity injections, back-in rights (which represent the Government's entitlement to a specified working interest share in an oil or gas field that it has tendered once the original parties have recovered specified costs from production), asset transfers, shareholder loans and guarantees of Group borrowings. The Government also appoints OQ's Board.

PRINCIPAL FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion of the principal factors that have affected the Group's results of operations and financial condition for the three years ended 31 December 2020 and/or are expected to affect the Group's results in future periods.

Impairment losses in 2020

In 2020, reflecting volatility in the markets for the commodities which it produces as a result of Covid-19 and low oil prices, the Group recognised significant impairments at OQRPI and OQEP, in particular.

At OQRPI, the Group recognised an impairment loss of OMR 1,139 million in relation to the plant and and equipment of OQ Plastics which is undertaking the LPIC project. The impairment was due to lower expected future cash flows taking into account forecasted margins and spreads derived from primary market advisers' forward projections updated as at the latest available date and compared to those in OQ Plastics' five-year business plan extrapolated until the end of the useful life of the assets.

At OQEP, the Group recognised an impairment loss of OMR 153 million, which principally related to Block 60 and Block 53 and were driven by lower anticipated oil prices.

In addition to other smaller impairments, including OMR 41 million in respect of intangible assets (reflecting the fact that it had ceased to use the Oxea brand in relation to OQ Chemicals), the Group's impairment losses for 2020 were OMR 1,344 million and were the principal driver of its OMR 1,576 million operating loss in 2020.

Principal sources of Group revenue

The Group reported its revenue in two different ways in the 2020 Financial Statements:

- by reportable segment. The Group has three reportable segments: upstream; downstream; and others; and
- by type. The Group reports revenue from the sale of petroleum products, from services and from other sources.

The tables below show the breakdown of the Group's revenue by segment for the years ended 31 December 2020, 2019 and 2018.

	Years ended 31 December					
	2020		**2019**		**2018 (restated)**	
	(OMR thousand)	*(% of total)*	*(OMR thousand)*	*(% of total)*	*(OMR thousand)*	*(% of total)*
Segment revenue(1)						
Upstream	704,179	13.1	789,143	10.8	783,908	8.8
of which:						
OQEP(1)	*540,197*	*10.1*	*634,417*	*8.7*	*576,687*	*6.5*
OQGN	*163,982*	*3.0*	*154,726*	*2.1*	*207,221*	*2.3*
Downstream...............	4,851,592	89.9	6,740,409	91.9	8,274,705	93.3
of which:						
OQ Trading	*3,365,394*	*62.3*	*4,617,470*	*63.0*	*5,225,225*	*58.9*
OQRPI	*574,706*	*10.7*	*997,723*	*13.6*	*1,763,547*	*19.9*
OQ Chemicals	*469,100*	*8.7*	*541,546*	*7.4*	*660,546*	*7.4*
OOMCO	*442,392*	*8.2*	*583,670*	*8.0*	*625,387*	*7.1*
Others........................	208,814	3.9	252,536	3.4	218,536	2.5
Consolidation adjustments and eliminations(3)	(370,796)	(6.9)	(451,276)	(6.1)	(409,824)	(4.6)
	5,393,789	**100.0**	**7,330,812**	**100.0**	**8,867,325**	**100.0**

Notes:

(1) The figures shown in the table above for the year ended 31 December 2018, and other segmental figures for revenue and cost of sales for that year included in this section differ from those in the 2019 Financial Statements. See "*Presentation of financial and other information—Presentation of financial information—Sources of financial information*".

(2) Excludes Abraj, which is reported under Others.

(3) These principally reflect the fact that OQ Trading sources a significant portion of the products that it trades

from other Group companies, such as OQEP, which is in a different segment.

The Group's upstream reportable segment comprises the oil and gas exploration, development and production activities of OQEP (excluding its consolidated subsidiary Abraj which is reported in the Others reportable segment) and the transportation of natural gas in Oman by OQGN.

The Group's downstream reportable segment comprises the trading activities of OQ Trading (including the sale of methanol produced by OQ Methanol), the refining and petrochemical production undertaken by OQRPI, the specialty chemicals production undertaken by OQ Chemicals and retail sales made by OOMCO.

The Group's Others reportable segment mainly comprises Abraj, and also includes the Group's shipping, marketing, manufacturing and corporate activities worldwide.

The Group's consolidation adjustments and eliminations principally reflect the inter-segment revenue eliminations between OQ Trading and OQEP.

The tables below show the breakdown of the Group's revenue by type for each of the years ended 31 December 2020, 2019 and 2018.

	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
Sale of petroleum products	4,091,132	5,793,949	7,151,788
Services	302,157	287,950	369,106
Other products	1,000,500	1,248,913	1,346,431
Total revenue.................................	5,393,789	**7,330,812**	**8,867,325**

Note:
The figures shown in the table above for 2018 and figures for revenue by type included elsewhere in this section differ from those in the 2019 Financial Statements. See "*Presentation of financial and other information—Presentation of financial information—Sources of financial information*".

- **Revenue from the sale of petroleum products**: The Group's revenue from the sale of petroleum products is principally derived from the trading activities undertaken by OQ Trading and the sale of the refined fuel and petrochemical products produced by OQRPI, each as further described below. The cost of sales associated with this revenue stream principally comprise OQ Trading's cost of purchasing the items which are sold and the production costs associated with the products sold by OQRPI;

- **Revenue from services**: The Group's revenue from services principally reflects service concession revenue from OQGN and services provided by Abraj to other oil and gas companies in Oman; and

- **Revenue from other products**: The Group's revenue from other products is principally derived from the sale of the specialty chemical products produced by OQ Chemicals and the retail and commercial distribution of fuel and related products by OOMCO. In addition, revenue from aluminium products sold by another Group company is also part of other products revenue.

Principal contributors to the Group's results of operations

The Group has businesses at various stage of development and the contribution of these businesses to the Group's Adjusted EBITDA and (loss)/profit for the year varies significantly based on the nature of the business and stage of development.

The table below shows the Group entities that represented more than 5 per cent. of any one or more of the Group's assets as at 31 December 2020 or its revenue, Adjusted EBITDA or (loss)/profit for the year in 2020. The percentages in the table are calculated on a stand-alone basis using each entity's stand-alone (i.e. unconsolidated) assets, revenue, Adjusted EBITDA and (loss)/profit for the year divided by the total of the consolidated assets, stand-alone revenue, consolidated Adjusted EBITDA and consolidated (loss)/profit for the year, respectively, of all Group entities and, in the case of revenue only, on a net basis, that is using each entity's revenue after elimination for inter-company transactions divided by the Group's consolidated revenue.

		Percentage of Group (2020)				
	Reportable segment	**Assets**	**Revenue**		**Adjusted EBITDA**	**(Loss)/profit for the year**
			Stand-alone	**Net**		
				(*per cent.*)		
OQEP	Upstream	17	8	10	69	(1)
OQGN	Upstream	10	2	3	15	3
OQ Trading...	Downstream	6	52	62	8	2
OQRPI..........	Downstream	38	24	11	16	(83)
OOMCO(1)	Downstream	1	6	8	2	—
OQ Chemicals	Downstream	8	7	9	4	(4)
OQ Methanol	Downstream	4	1	—	5	1

Notes:

(1) 49 per cent. owned subsidiary. All other entities 100 per cent. owned as at 31 December 2020.

(2) Apart from the above Group subsidiaries, OQ8, which is part of the "downstream" segment and accounted under the "equity method of consolidation", contributed 14% of the group net losses.

On a net basis (that is, after elimination of intercompany revenue), the two key contributors to the Group's revenue have been OQ Trading and OQRPI, which contributed 62 per cent. and 11 per cent., respectively, in 2020, 63 per cent. and 14 per cent., respectively, in 2019 and 59 per cent. and 15 per cent., respectively, in 2018. Other significant companies, including OQEP, OOMCO and OQ Chemicals, also make significant contributions to the Group's revenue on a net basis.

OQ Trading

OQ Trading's revenue is derived from trading crude oil, refined products, petrochemicals and LNG. Reflecting its business operations, OQ Trading's net revenue is high (for example, it represented 62 per cent. of the Group's consolidated revenue in 2020 after inter-company eliminations) but is substantially matched by its high cost of sales. As a result, OQ Trading contributes significantly less in relation to the Group's profitability. Moreover, as a trading business, OQ Trading's assets are relatively limited compared to its higher revenues.

OQ Trading's stand-alone revenue is significantly higher than its net revenue (for example in 2020 OQ Trading's stand-alone revenue was OMR 3.6 billion compared to OMR 3.3 billion on a net basis). On a stand-alone basis, OQ Trading generates all of its intercompany revenue which is eliminated on consolidation from sales of middle distillate products, gasolines and chemical feedstock to OQRPI.

The amount of OQ Trading's revenue in any year is also substantially dependent on the prices of the products which it trades, most of which are affected by movements in international oil prices, see "—*Oil price volatility*" below. OQ Trading's revenue is also impacted by changes in its product mix and trading volumes. OQ Trading's gross profit reflects the margin which it makes on the products it trades. OQ Trading assesses market conditions on a daily basis to determine its optimal trading strategies. These include arbitrage, cargo procurement, blending values for regional gasoline requirements, contango trades and enhanced margin delivery through multi-grade cargoes. OQ Trading sources products for its own blending and trading requirements from a number of refineries in the region, but also Europe and the United States Gulf Coast. The combination of domestic and international flows allows OQ Trading to optimise its transactions by leveraging size, purchasing power, geographic location and presence in key markets and pricing centres.

OQRPI

OQRPI's stand-alone revenue is derived predominantly from the sale of the refined products produced at its two refineries and the petrochemicals products produced at its Sohar petrochemical complex. In the years ended 31 December 2020 and 31 December 2019, 82 per cent. and 84 per cent., respectively, of OQRPI's revenue on a stand-alone basis was derived from the sale of refined products and 18 per cent. and 16 per cent., respectively, was derived from the sale of petrochemical products. Most of these sales are made through OQ Trading and the revenue from them is therefore eliminated on consolidation, although OQRPI does sell certain petrochemical products directly in the domestic market.

On a net basis, OQRPI's revenue is significantly lower than its stand-alone revenue (for example, in 2020 OQRPI's net revenue was OMR 0.6 billion compared to OMR 1.7 billion on a stand-alone basis). On a stand-alone basis, in 2020 OQRPI generated 75.5 per cent. of its intercompany revenue which was eliminated on consolidation from sales to OQ Trading and 24.5 per cent. from sales of fuel to OOMCO.

OQRPI's revenue is significantly impacted by movements in international refined and petrochemical product prices (see "*—Oil price volatility*" below) as well as by levels of production and utilisation rates (see "*—Levels of production and utilisation rates*" below). In 2021, OQRPI expects to commission a second petrochemicals complex at Liwa that will produce 880,000 MT a year of polyethylene and 300,000 MT a year of polypropylene. OQRPI's results of operations are dependent on (i) its gross refining margins and petrochemical spreads (see "*—Changes in gross refining margins and petrochemical spreads*" below), and (ii) to a lesser extent the cyclicality of the petrochemical industry (see "*—Supply and demand cycle in the petrochemical industry*" below).

OQRPI incurred losses in 2020, 2019 and 2018 which, in addition to a significant impairment at OQ Plastics, reflected lower gross margins in each year due to its lower refining margin which resulted from lower realised spreads, see "*—Changes in gross refining margins and petrochemical spreads*" below.

OQ Chemicals

OQ Chemicals' stand-alone revenue was the same as its net revenue in each period under review.

OQ Chemicals' revenue, which contributed 9 per cent., 7 per cent. and 7 per cent., respectively, to the Group's consolidated revenue in the year ended 31 December 2020, 2019 and 2018, in each case after intercompany eliminations, is generated from the sale of the Oxo derivative and Oxo intermediate specialty chemical products which it produces at six sites in Europe, the United States and China.

OQ Chemicals' revenue is impacted by levels of demand for its products which in turn affects its production and utilisation rates. Factors impacting demand for OQ Chemicals' products include general global economic growth, changes in industrial production, changes in feedstock costs, competitors' behaviour and any limitations in supply (for example those caused by outages). In 2018, OQ Chemicals inaugurated its second n-propanol plant at Bay City which increased its propanol production capacity by 77 per cent. OQ Chemicals is currently engaged in two expansion projects, which are currently expected to complete in 2021 and 2023, respectively. Both projects aim to increase OQ Chemicals' presence in the Oxo derivatives markets strengthening this economically less cyclic and fast-growing branch of its business. OQ Chemicals' revenue is not particularly sensitive to base raw material price movements, reflecting the fact that its contractual arrangements in relation to Oxo intermediates products allow for an effective pass-through of certain key raw material price movements, including propylene, ethylene and natural gas. Oxo derivatives are more specialised downstream products whose pricing is less directly linked to base raw material prices.

OOMCO

OOMCO's stand-alone revenue was the same as its net revenue in each period under review.

OOMCO's revenue, which contributed 8 per cent., 8 per cent. and 7 per cent., respectively, to the Group's revenue in the years ended 31 December 2020, 2019, and 2018, in each case after inter-company eliminations, is primarily derived from the sale of fuel and other products through its network of retail fuel stations in Oman. OOMCO also derives revenue from the sale of fuel on a commercial basis and the sale of a range of lubricants.

OOMCO's revenue is primarily impacted by the volume of fuel and other products sold as well as by the prices it charges on these products. Pump prices of refined petroleum products for domestic use in Oman are regulated by the Government. Prices for gasoline (MOGAS 91 and MOGAS 95) and gas oil (diesel) for domestic use are set on a monthly basis by the Oman Fuel Pricing Committee (the **OFPC**). LPG is sold at a price last set by the Government in March 2017. OQRPI has entered into a Price Differential Agreement (the **PDA**) through which the Government reimburses it for any shortfall resulting from a variance between the prices set by the Government and a set pricing formula. If the wholesale price paid to OQRPI is greater than the formula price, then the excess amount is a payable to the Government; whereas if the wholesale price paid to the Group is lower than the formula price, then this shortfall amount is a receivable from the Government.

OQEP

OQEP's net revenue (that is, after intercompany eliminations), which contributed 10 per cent., 9 per cent. and 7 per cent., respectively, to the Group's revenue in the years ended 31 December 2020, 2019 and 2018, is entirely dependent on the volume of gas which it produces and sells, as all of OQEP's oil and condensate production is sold through an intermediary to OQ Trading and eliminated on consolidation. The gas sold by OQEP is principally produced from three blocks in Oman, Block 61 in which OQEP has a 30 per cent. participation, Block 60 in which OQEP has a 100 per cent. participation and Block 9 in which OQEP has a 45 per cent. participation.

The tables below show OQEP's share of the gas sales for each block in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
		(*scf million*)	
Block 61[(1)]	86,163	92,917	84,618
Block 60	14,167	17,480	22,305
Block 9	1,869	1,520	789
Total	**102,199**	**111,917**	**107,712**

Note:

(1) Reflecting the farm-in transaction, the Group's working interest was 30 per cent. as at 31 December in 2018, 2019 and 2020.

Reflecting the Government's policy of incentivising the exploration of gas in Oman by providing a stable, predictable gas price framework, OQEP sells gas from Blocks 60 and 61 to the Government. The gas offtake is concluded on a paid-as-produced basis for the life of the licence. Both gas supply agreements grant a fixed escalating gas price. The Block 60 reference price started in 2011 with a price of U.S.$2.50-2.80/million Btu escalating at 2 per cent. per annum and the Block 61 reference price started in 2014 at U.S.$3.30/million Btu escalating at 2 per cent. per annum. Gas sales from Block 9 are made under a fixed escalating gas price which started at U.S $0.972/million Btu in 2017 escalating at 2 per cent. per annum.

On a stand-alone basis, OQEP's revenue is significantly higher than its net revenue (for example, in 2020 OQEP's stand-alone revenue was OMR 540 million compared to OMR 169 million on a net basis, both figures excluding Abraj). All of OQEP's stand-alone intercompany revenue which is eliminated on consolidation is derived from the sale of its oil and condensate production to OQ Trading.

OQEP's results of operations in the years ended 2020, 2019 and 2018 were impacted by its net impairment charges and releases, which were a net charge of OMR 153 million in the year ended 31 December 2020, a net release of OMR 43 million in 2019 and a net charge of OMR 32 million in 2018. In addition, in 2018 OQEP sold a participating interest in Block 61 that generated a significant gain, see "*—Significant transactions*" below.

As a result of OQEP's pricing structure, OQEP typically generates a significant portion of the Group's profit/losses and Adjusted EBITDA. OQEP's contribution to the Group's loss was 1 per cent. in 2020 and its contribution to the Group's profit was 106 per cent. and 94 per cent. in each of 2019 and 2018, respectively. OQEP's contribution to the Group's Adjusted EBITDA was 69 per cent., 52 per cent. and 48 per cent. in each of 2020, 2019 and 2018, respectively. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

OQGN

OQGN's stand-alone revenue was the same as its net revenue in each period under review.

OQGN's revenue, which contributed 3 per cent., 2.1 per cent. and 2.3 per cent., respectively, to the Group's revenue in the years ended 31 December 2020, 2019 and 2018, in each case after intercompany eliminations, is derived from the transportation of natural gas in Oman.

The amount of OQGN's revenue is determined in accordance with a regulatory asset base framework which is described under "*Description of the Group—The Group's core businesses—Core upstream businesses—Gas transportation—RAB framework and allowed revenues*". Because OQGN applies IFRIC 12 to its concession from the Government, a part of its revenue is recognised over time by reference to the stage of completion of OQGN's gas transportation infrastructure projects. This means that OQGN's revenue will vary based on OQGN's gas transportation network construction activity.

OQ Methanol

OQ Methanol's stand-alone revenue, which contributed 1 per cent., 0.9 per cent. and 1.3 per cent., respectively, to the Group's revenue in the years ended 31 December 2020, 2019 and 2018, in each case before intercompany eliminations, is derived from the sale of the methanol, all of which it produces for export and sells through OQ Trading. As a result, OQ Methanol did not record any net revenue in any of the periods under review.

OQ Methanol's business is similar to other petrochemical companies and is affected mainly by variations in supply and demand as this is the major contributor in determining the methanol net-back price. OQ Trading sells the methanol mainly to China, Europe and Asia. OQ Trading's revenue from this offtake is based on a fixed percentage fee and incentives which vary with the net-back price achieved. Changes in methanol net-back prices do not necessarily have an equivalent proportionate impact on OQ Methanol's gross margin per unit, which is subject to a partial natural hedge given the price OQ Methanol pays for natural gas (its major raw material) is adjusted based on the average methanol net-back price OQ Methanol receives. OQ Methanol is currently constructing an ammonia plant which, when completed, is expected to increase the contribution of its stand-alone revenue to the Group's revenue before intercompany eliminations. As with the methanol it produces, all of the ammonia produced by OQ Methanol will be sold through OQ Trading.

Changes in gross refining margins and petrochemical spreads

In each of the years ended 31 December 2020, 2019 and 2018, the Group derived 11 per cent., 14 per cent. and 20 per cent., respectively, of its consolidated revenue after intercompany eliminations from the sale of refined petroleum and petrochemical products produced by OQRPI. In each of those periods, OQRPI was loss making on a stand-alone basis, with losses of OMR 1,419 million in 2020, OMR 164 million in 2019 and OMR 108 million in 2018. OQRPI's results of operations are dependent on its gross refining margin (which is calculated as the difference between the average index-based market price of the refined petroleum products produced in the relevant period and the average price of the crude oil and other feedstock consumed in order to produce such products, expressed per barrel of feedstock used). To a lesser extent, OQRPI's results of operations are also dependent on the margin it realises on its petrochemical products, for which few specific market indicators exist, such as petrochemicals spreads (which are calculated as the difference between the market price of the particular petrochemical product produced in the relevant period and the price of the principal feedstock consumed in order to produce such product, expressed per MT of the particular petrochemical product).

OQRPI's gross refining margins and petrochemical spreads are influenced by factors such as variations in demand for the refined petroleum and petrochemical products it produces and changes in refinery and petrochemical plant capacities, as well as market conditions, most importantly those impacting the market prices for crude oil and other feedstock used and the refined petroleum and petrochemical products produced. OQRPI's performance is therefore closely linked to macroeconomic conditions and their impact on demand for both input and output products, which in turn can affect gross refining margins and petrochemical spreads. See "*Risk factors—Risks relating to the Group and its strategy—The Group is exposed to fluctuations in the prices of the commodities that it uses and trades*".

The following table shows OQRPI's average gross refining margin and petrochemical spreads, together with benchmark spreads, for each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
OQRPI gross refining margin (*U.S.$ per barrel*)[(1)]	2.0	2.89	5.40
Singapore gross refining margin (*U.S.$ per barrel*)[(2)]	0.4	3.71	5.83
OQRPI paraxylene (**Px**) – naphtha spread (*U.S.$ per MT*)	161.20	351.89	414.68
Px-naphtha benchmark spread (*U.S.$ per MT*)[(3)]	232.84	404.83	471.90
OQRPI benzene (**Bz**) – naphtha spread (*U.S.$ per MT*)	93.23	105.02	203.05
Bz-naphtha benchmark spread (*U.S.$ per MT*)[(3)]	142.23	147.57	233.09

Notes:
(1) On a restated basis for 2018.
(2) The Group benchmarks its gross refining margin against this industry measure as it believes that the Singapore (SG) gross refining margin is relevant as it pertains to crack refinery and Singapore is the regional trading hub. Source: Reuters
(3) The Group benchmarks its petrochemical spreads for paraxylene and benzene based on the below:
  a. Px-Naphtha: Px (Paraxylene CFR Taiwan/China Marker) – Naphtha FOB Arab Gulf; and
  b. Bz-Naphtha: Bz (FOB Korea Marker WAvg) – Naphtha FOB Arab Gulf.
  Source: Reuters

Although significant correlations exist between OQRPI's realised margins and spreads and the corresponding selected market benchmarks, there are also structural differences between the calculation of the benchmarks and OQRPI's realised margins. The most relevant of these differences are:

Gross refining margin: OQRPI calculates its gross refining margin based on the average price of the refined products sold (gasoline, gas oil, LPG, fuel oil, naphtha and jet fuel) during a relevant period and the average cost of producing those products. OQRPI's cost of refined products sold is calculated based on the cost of raw materials consumed, adjusted for valuation of inventories. OQRPI follows the first-in, first-out basis for valuation for its refined product inventories. Consequently, in an environment of increasing input prices, inventory valuation will have a positive impact on OQRPI's gross refining margin; in an environment of decreasing input prices, inventory valuation will have a negative effect on OQRPI's gross refining margin, in each case reflecting the fact that the inventory is accounted for at the most recently incurred costs. By contrast, the Singapore gross refining margin is calculated using a fixed set of yield estimates for refined products processed from Oman crude oil and their respective prices in Singapore. These yield estimates do not fully correspond to OQRPI's refineries' configuration of the residue fluidised catalytic cracker, which is geared towards maximising the conversion obtained from the characteristics of Oman Export Blend (**OEB**). This difference between the Singapore gross refining margin and OQRPI's refineries' yield structures results in a higher or lower realised refining margin as compared to the benchmark, depending on the relative weight and prevailing prices of the various refined products.

Petrochemical spreads: The benchmark spreads for petrochemical products are based on the relevant naphtha price quotes, which do not reflect OQRPI's sourcing. Being part of a largely integrated complex, the Sohar aromatics plant has access to naphtha produced from the Sohar refinery. OQRPI sources the remaining naphtha quantities from the market, based on the objective of optimising the overall feed for its Sohar aromatics plant. Consequently, the prices for the overall naphtha mix used by the Sohar aromatics plant is not fully reflective of the market benchmark.

Set out below is a brief discussion of the principal market factors affecting the evolution of the benchmark spreads in each of 2018, 2019 and 2020:

2018: In 2018, the world economy slowed (mostly driven by reduced growth in Europe and Japan), but crude oil prices remained strong until October supported by agreed OPEC+ production cuts, an announcement by the United States in May 2018 that it would re-impose sanctions on Iran and continuing declines in Venezuelan crude oil production. According to OPEC's initial assessments as set out in its 2018 World Oil Outlook, global crude oil demand growth averaged 1.3 million bpd in 2018 (0.2 million bpd lower than in 2017). Crude oil prices fell from November as the United States granted waivers to major customers of Iran and the United States production of shale crude (which has a high yield of gasoline) increased significantly compared to previous predictions. Gas oil and jet fuel crack spreads, calculated as the difference between the relevant product price and the crude oil price, each increased compared to 2017 driven by increased demand and in turn contributed to the gross refining margin of U.S.$5.4 per barrel realised by the Group in 2018 compared to its gross refining margin of U.S.$6.7 per barrel in 2017.

Px-naphtha spreads were higher in 2018 as China's total Px demand increased by around 4.4 million MT to 27.4 million MT in 2018 (based on industry estimates). As a result, the Group's Px-naphtha spreads improved from 2017 by U.S.$97 per MT (based on the weighted average final price compared to the arithmetical average naphtha Arab Gulf base price).

During 2018, benzene spreads weakened on slower Chinese and United States demand. The Group's realised spreads of aromatics products followed this trend and its Bz-naphtha spreads were U.S.$112 per MT lower compared to 2017 (based on the Group's weighted average final price compared to the arithmetical average naphtha Arab Gulf base price).

2019: Global economic growth in 2019 was estimated at 2.9 per cent. by the International Monetary Fund, the lowest level in ten years. Global crude oil demand growth slowed in 2019 reflecting lower-than-expected OECD demand and increased refining capacity. China is the most important driver of global crude oil demand growth, accounting for more than 80 per cent. of global crude oil demand growth in 2019 according to the International Energy Agency's Global Energy Review 2019 and, in the fourth quarter of 2019, fears of an economic slowdown (in part driven by the United States-China global trade dispute and India's economy expanding at its slowest pace in more than six years in that quarter) pushed crude oil prices lower. Crude oil prices were volatile throughout 2019, with prices being negatively impacted by the United States production boom and positively impacted by OPEC production cuts and geopolitical tensions in the Middle East. The largest single-day crude oil price spike since 2008 happened on the first trading day following the attacks on Saudi Arabia's oil facilities in the middle of September 2019, which cut off approximately 5 per cent. of the daily world supply for weeks. A new OPEC+ production cut agreement was announced on 5 December 2019 which aimed to cut total output by 2.1 million bpd.

Reflecting the above, refining margins were volatile in 2019 and all refined product crack spreads weakened in 2019 compared to 2018. Reflecting these trends, the Group's gross refining margin fell by 40.7 per cent. in 2019 to U.S.$3.2 per barrel from U.S.$5.4 per barrel in 2018.

Px-naphtha benchmark spreads were weaker in 2019 as the market expected 4.7 MT per year of new, principally Chinese, supply capacity to impact the market while global Px demand growth for 2019 was expected to total 2.8 MT compared to 3.7 MT in 2018 according to Wood Mackenzie. As a result of both oversupply fears and actual oversupply, the Group's Px-naphtha spreads decreased from 2018 by U.S.$63 per MT (based on the weighted average final price compared to the arithmetical average naphtha Arab Gulf base price).

During 2019, benzene spreads weakened on lower downstream styrene prices. The Group's realised spreads of aromatics products followed this trend, with its Bz-naphtha spreads being U.S.$98 per MT lower in 2019 compared to 2018 (based on the weighted average final price compared to the arithmetical average naphtha Arab Gulf base price).

In common with all other refining and petrochemical companies, the Group is exposed to price risks. As the prices of feedstock, intermediates and products are volatile in nature, the value of carried inventory is also subject to fluctuations. Provided that minimum target inventory levels supporting the business are maintained, under normal circumstances these price risks do not require mitigating actions. However, in certain cases, including unforeseen shutdowns and seasonal stock piling, the inventory level may deviate from the target. To manage the price risk exposure in such cases, the Group seeks to manage the physical risk position by financial hedging (i.e. taking an opposite position on the financial derivative markets).

2020: The global GDP growth rate in 2020 was -3.5 per cent. compared to 2.8 per cent. in 2019 according to the IMF's World Economic Outlook, January 2021 update. Crude oil demand is relatively price inelastic and more responsive to shifts in trend regarding income, such as fiscal stimulus, tax incentives and other economic drivers. Crude demand is also highly correlated with the strength of the world economy. Oil demand in 2020 fell by 8 per cent. against 2019 to around 92 million b/d. Jet fuel accounted for the bulk of the loss, followed by gasoline and gas oil, all of which are fuels that meet the world's transportation needs.

Crude prices slumped in early March 2020, after Saudi Arabia and Russia failed to agree on production cuts and Saudi Arabia unilaterally increased supply to the markets and cut the official selling price. The West Texas Intermediate benchmark closed at minus U.S.$37.63 per barrel in April 2020. The oil price war ended with the OPEC+ production cut agreement (the largest output reduction in its history). The first phase was effective from 1 May 2020 and called for a cut of 9.7 million barrels per day in May 2020 and June 2020, and then 7.7 million barrels per day in the second half of 2020 (largely from an October 2018 baseline). On 6 June 2020, OPEC+ agreed to extend the cuts of 9.7 million barrels per day until the end of July 2020 with some countries dissenting. Crude prices generally rebounded from the April 2020 lows. In December 2020, OPEC and its partner countries announced they would voluntarily adjust production by 0.5 million barrels per day from 7.7 million barrels per day to 7.2 million barrels per day starting in January 2021 which has helped support prices in 2021.

Refining margins were weak during the first six months of 2020 in comparison to 2019 and exceptionally weak during the second quarter of 2020. Margins had already been weakened towards the end of 2019 due to an excess refining capacity (particularly in the Asia-Pacific region) and continued to fall into the first quarter of 2020, before the impact of Covid-19, which exacerbated the situation and further hit margins. Jet fuel demand suffered the most (reflecting grounded flights and flight restrictions to contain the spread of the virus). Gas oil and gasoline margins were under pressure due to strict mobility restrictions in many countries. In June 2020, margins started to improve reflecting gradually recovering demand and lower utilisation rates (refining). Gas oil performed better than jet fuel and gasoline during the first half of 2020, although gasoline closed the gap significantly against gas oil from May 2020. In the second half of 2020, refining margins continued to improve. The Singapore refining margin to Dubai crude strengthened from USD +0.15/bbl in the first six months of 2020 to USD +0.64/bbl in the second half of 2020. Naphtha crack spreads improved significantly in the second half of 2020 supported by strong petchem demand, a tight ethylene market, limited naphtha availability and a ramp-up of new steam crackers in China. Gasoline crack spreads also strengthened in the second half of 2020 reflecting increased driving activity and tightening supply due to secondary unit outages in September 2020. Gas oil cracks weakened in the second half of 2020 due to high Chinese refinery runs and a weaker demand outlook caused by high middle distillate stocks in Singapore, smaller scale, localised lockdowns continuing to curb demand and a flooding in China and the monsoon in India. Jet A-1/Kerosene crack spreads also weakened in the second half of 2020 due to poor aviation demand and refiners continuing to maximise naphtha or gas oil yields instead. In general, market crack spreads had recovered by the end of 2020 but remained below the levels seen in 2019.

Px-naphtha benchmark spreads were exceptionally weak in the first half of 2020 (especially in the second quarter) compared to 2019 due to high Asian inventory levels and a supply overhang amid new capacity additions, which were further exacerbated by falling demand due to Covid-19. Excess supply due to a substantial increase in capacity and low demand impacted Px profitability significantly. Margins ended at multi-year lows in June 2020 and spreads reached a level at which none of the producers could break even. Px-naphtha benchmark spreads weakened further as in September 2020 several Chinese producers were operating below capacity due to increased supply and to avoid committing to spot volumes for September 2021 to October 2021 and a slowdown in the polyester operations also negatively affected the spreads.

Benzene-naphtha spreads were volatile during 2020 although the Covid-19 pandemic adversely affected many of the largest benzene consuming sectors (such as construction, automotive and electronics). The benzene market relies on inter-regional trading, with North Asian supply relying heavily on Chinese and US Gulf Coast demand. Key North Asian exporting countries successfully completed annual maintenance in the first six months of 2020, but several turnarounds in Southeast Asia scheduled earlier during the same period were postponed to the second half of the year due to lockdowns.

From the beginning of April to mid-June 2020, the benzene net-back price to China was higher than the net-back price to the US; consequently, Asian benzene producers exported to the Chinese market rather than to the US market. In June 2020, Px margins were extremely low and Px producers started to cut operations and benzene production followed this downward trend. Asian benzene market prices plunged in June 2020 due to the extremely low Chinese benzene price, which decreased due to an extremely high benzene inventory**.** A further weakening occurred in July 2020 when Naphtha prices were pushed up by the increase in crude oil prices, weak styrene margins of stand-alone styrene producers also impacted demand for benzene and commercial storage tanks in East China were almost fully occupied and there was only limited available space to receive imported benzene cargoes. With the upside and downside risks that benzene witnessed during 2020, overall spreads remained relatively close to the 2019 level.

Oil price volatility

World crude oil prices have been and are expected to continue to be volatile. International crude oil prices were relatively constrained in each of 2018 and 2019 and, in 2020, witnessed a significant decline in April and early May and a slow recovery throughout the rest of the year, see "*Risk factors—Risks relating to the Group and its strategy—The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group* ".

In 2018, the average annual price for OEB was U.S.$69.78 per barrel. Prices were supported until October by agreed OPEC+ production cuts, an announcement by the United States in May 2018 that it would re-impose sanctions on Iran and continuing declines in Venezuelan crude oil production. Prices fell from November as the United States granted waivers to major Iranian customers and increased shale crude production significantly against previous predictions.

In 2019, the average annual price for OEB was U.S.$63.97 per barrel. Crude oil prices were volatile throughout 2019, with prices being negatively impacted by the United States production boom and positively impacted by OPEC production cuts and geopolitical tensions in the Middle East.

In 2020, the average price for OEB was U.S.$43.14 per barrel. Crude oil prices fell significantly in April and early May reflecting the impact of the measures taken around the world in response to the Covid-19 pandemic and a dispute between Saudi Arabia and Russia in relation to production cuts and pricing. OPEC+ announced the biggest crude oil production cut in history in April 2020, although this announcement failed to immediately halt the slide in the prices. Prices subsequently recovered to a limited extent later in May and June as OPEC+ and other countries, including the United States and Canada, implemented cuts faster than expected. Prices continue to rise slowly throughout the rest of the year, driven by a recovery in demand from China and increasing fuel demand around the world as countries eased the travel restrictions imposed to address the Covid-19 pandemic. The OEB crude price had its biggest monthly increase in the November 2020 to December 2020 period as Asian crude demand stabilised and factory activity in some of North Asia's biggest export-led economies rebounded (led by China). Covid-19 vaccine optimism raised hopes of an economic recovery and OPEC+ in December 2020 agreed to relax output curbs by 0.5M bbl./d from 1 January 2021 to 7.2M bbl./d and to meet monthly to re-assess the market. The economic stimulus hopes also supported the crude prices and the US number of rigs drilling for crude closed out 2020 at 267 (lowest end-of-year figure since 2005 and down 403 from the same time the previous year).

The price of crude oil impacts the Group's cost of sales of its refined and petrochemical products. OQRPI purchases OEB, which is supplied to it physically by Petroleum Development Oman (**PDO**) pursuant to a long-term supply agreement between OQRPI and the MoEM and priced at the Official Selling Price (**OSP**). The monthly OSP is based on market prices and is the arithmetical average of the daily Oman Marker Price published by the Dubai Mercantile Exchange (**DME**). In each of the years ended 31 December 2020 and 2019 and 2018, OQRPI purchased 193,214 bpd, 214,740 bpd and 220,827 bpd, respectively, of OEB crude oil at its two refineries at the prevailing OSP.

The price of crude oil also correlates to a certain extent with the sales price of the Group's petroleum and petrochemical products. However, the key performance indicator for OQRPI's sales of these products is the crack spread, which is the difference between the product prices versus the crude oil price. The crack spread is a profitability indicator for refining and petrochemical producers as well as a petroleum product demand indicator. For example, the average base price of gas oil (diesel) 0.005 per cent. (50ppm) FOB Arab Gulf Cargo (Platts) was U.S.$48.4 per barrel in 2020, U.S.$76.8 per barrel in 2019 and U.S.$83.7 per barrel in 2018. OQRPI's average product crack spread against OEB for that gas oil was U.S.$5.2 per barrel in 2020, U.S.$12.8 per barrel in 2019 and U.S.$13.9 per barrel in 2018. The decrease in the crack spread both in 2019 compared to 2018 and in 2020 compared to 2019 reflected a general decrease in OQRPI's refining margins in those periods, driven primarily by the relatively greater impact of lower oil and gas prices on its sales of refined products than on its cost of sales of those products.

The tables below show the average price per barrel paid by OQRPI for the crude oil it purchased in 2020, 2019 and 2018.

	2020		**2019**		**2018**	
	Total volume	**Average price per barrel**	**Total volume**	**Average price per barrel**	**Total volume**	**Average price per barrel**
	(*bpd*)	(*U.S.$*)	(*bpd*)	(*U.S.$*)	(*bpd*)	(*U.S.$*)
Crude oil purchased..	193,294	43.14	214,740	63.97	220,827	69.78

Supply and demand cycle in the petrochemical industry

Margins in the petrochemical industry are strongly influenced by industry capacity utilisation rates. As demand for petrochemical products approaches available supply, industry capacity utilisation rates rise, and prices and margins typically increase. Historically, this relationship has been highly cyclical due to fluctuations in supply resulting from the timing of new investments in capacity and general economic conditions affecting the relative strength or weakness of demand. Generally, capacity is more likely to be added in periods when current or expected future demand is strong and margins are, or are expected to be, high. Investments in new capacity can result, and in the past frequently have resulted, in over capacity, which typically leads to a decrease in industry capacity utilisation rates and a reduction of margins. In response, petrochemical producers typically reduce capacity or limit further capacity additions, eventually causing the market to be relatively undersupplied and leading to a rise in industry capacity utilisation and margin expansion.

Demand changes in the petrochemical industry depend on a variety of factors, including industry and economic trends as well as one-off factors, such as the Covid-19 pandemic which significantly reduced demand for petrochemicals resulting in a significant fall in sold volumes and margins throughout the year.

In 2020, PP demand was under 76 million metric tons, flat versus 2019 but still around 28 per cent. of total demand for all major polymers, making PP the world's second-largest polymer family behind PE. In 2020, PP consumption disconnected from its traditional relationship with global GDP, as PP was almost flat despite global GDP falling significantly.

Capital investments in PP facilities focused on countries and regions with advantaged feedstock costs or high demand growth, or both. Examples of projects based on advantaged feedstock include announced projects in Canada taking advantage of stranded propane. Inter Pipeline is expected to start up in the first half of 2022 and return PP production to Canada for the first time since 2008. Examples of high-demand-growth projects can be found in Vietnam, India, Malaysia, and mainland China. All regions remained net importers in 2020 except Malaysia, which has added 1 million MT of nameplate capacity since the end of 2018.

In 2020, average processed PP per capita worldwide was 9.7 kilograms (**kg**), down slightly from 9.8 kg in 2019. Despite negative growth in 2020 in some durable markets such as automotive, Covid-19-induced increases in non-wovens for face masks and food packaging offset shrinking segments. Over the last decade, 2010 to 2020, consumption per capita for the world has increased from 7.3 kg to 9.8 kg in 2020, an increase of 34.2 per cent. Over the same period, 24.4 million MT has been added to global demand.

PE, which comprises LDPE, HDPE and linear low-density (**LLDPE**) grades, represents the single largest category of the world's major thermoplastics, representing 37 per cent. of the 277 million metric ton global thermoplastic market in 2020. PE remains a relatively low-cost and versatile polymer used in a wide range of molded and extruded applications, including household and food containers, toys, food and non-food packaging film and sheet, retail bags, trash bags, geomembranes, pipe, house wrap, pails, totes, crates, caps, closures and bottles.

Over the course of the last decade, global PE demand has typically grown by a factor of about 1.4 times global GDP. However, in 2020 global PE demand declined by only about 0.3 per cent. against 2019. Covid-19 was a demand driver for some key PE demand segments such as food-related packaging, which has benefitted as global consumers shunned restaurants in favour of local grocery stores, ultimately consuming more plastics.

On the supply side, Covid-19 has resulted in delays associated with the start-up of several new PE projects that were anticipated to initiate production during 2020. In addition, the uncertainty related to demand as well as evolving assumptions associated with regional feedstock advantages may have caused a delay in the final investment decisions associated with additional projects around the world that are pending approval.

While the Covid-19–related delays have limited the impact of the capacity overbuild that was previously expected to emerge in 2020, much of this new capacity is now expected to impact global operating rates in 2021 and beyond. The impact of these delays on the global supply/demand balance is limited because a capacity wave that is expected to add more than 30 million metric tons of new capacity to the 2019 total by the end of 2025 is expected to overwhelm projected demand growth.

See *"Risk factors—Risks relating to the Group's oil and gas business—The Group needs to maintain high-capacity utilisation rates in its refineries and petrochemical and specialty chemical plants and is vulnerable to disruption in the supply of feedstocks to those facilities" and "Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business"*.

Levels of production and utilisation rates

The Group's revenue is directly affected by its levels of production of refined petroleum products and petrochemical products, which are in turn dependent on the continued operational performance of its two refineries and its petrochemical plants. To a lesser extent, the Group's revenue is also impacted by its levels of production of Oxo specialty chemicals and methanol.

The Group seeks to operate its production facilities as close to full capacity as is economically viable. The Group believes this allows it to maintain positive margins and cash flows, allowing it to withstand industry downturns more readily. The Group's strategy is to achieve growth in production volumes by improving utilisation rates within the defined availability of an asset, improving the availability of an asset by minimising planned and unplanned facility downtime and, where appropriate, improving the capacity of assets through projects or building additional capacity.

The Group's refineries and production plants are subject to a number of operational and economic factors, including:

- planned activities such as maintenance or shutdowns required to preserve the integrity, reliability and sustainable performance of the various units in each plant. These reduce the availability of those facilities for the duration of the maintenance activities, for example in 2018 OQ Methanol's plant was shut down for 36 days for planned maintenance and planned maintenance at OQ Chemicals' specialty chemicals plant in Oberhausen resulted in 17 of its units being shut down for an average of 44 days each. Similarly, in 2019, OQRPI's Sohar refinery was shut down for 51 days for planned maintenance and planned maintenance at OQ Chemicals' specialty chemicals plants resulted in six of its units at Oberhausen being shut down for an average of 36 days each and five of its units in the United States being shut down for an average of 36 days each. In 2020, there was a planned shutdown of Block 61 for a period of 23 days for a turnaround activity and planned maintenance at OQ Chemicals' European plants which resulted in 56 days of unit shutdown. The Group generally undertakes major maintenance typically on a three- to four-year maintenance cycle;

- unplanned outages which may, for example, be due to equipment or human failure, see further below;

- asset integrity and health, safety, security and environmental incidents;

- the performance of the Group's contractors;

- exposure to natural hazards, such as extreme weather events, pandemic diseases or acts of terrorism or political violence; and

- worsened economic conditions that affect the sales price of the Group's products and/or the Group's feedstock costs to such an extent that it is economically advisable to slow down or shut down all or parts of one of the Group's plants in order to meet the minimum expected product margin levels. Such effect is known as Economic Sparing Impact (**ESI**).

In addition to the planned closures for major maintenance described above, the Group has also experienced a number of unplanned outages in the periods under review which affected its process utilisation rates. In particular:

- in 2020, Block 61 reported a three-day partial shutdown due to challenges encountered during start-up activities following its turnaround. OQRPI's overall process utilisation rate was 69 per cent. as most of the plants were shut down due to low market demand as a consequence of Covid-19. The Mina Al-Fahal refinery's process utilisation rate was 56 per cent. as all units were shut down from 5 May to 25 July. The Sohar refinery's process utilisation rate was 69 per cent. as the plant experienced several shutdowns as a result of the economic consequences of Covid-19. The aromatics plant's process utilisation rate was 73 per cent. as it experienced a number of shutdowns due to maintenance activities. The polypropylene plant's process utilisation rate was 69 per cent. as both lines 1 and 2 experienced shutdowns as a result of a shutdown of the residual fluid catalytic cracker unit. OQ Methanol's process utilisation rate was 89 per cent. as the plant was shut down for 16 days in September due to a primary seal failure in the syngas compressor. OQ Chemicals' plants in Europe reported a cumulative downtime of 240 days across all units due to technical and process issues;

- in 2019, OQRPI's overall process utilisation rate was 81.5 per cent. Its Mina Al-Fahal refinery experienced a number of minor partial shutdowns due to poor purchased crude quality and the unavailability of one crude tank, which was under planned maintenance. Its Aromatics plant experienced a number of shutdowns in 2019 aggregating 32 days in total, with the major one being a 19-day shutdown in March due to an internal power failure followed by a further six days during the start-up for tube bundle replacement. Its Sohar refinery also experienced a number of shutdowns in a variety of units resulting in more than 39 days lost. OQ Methanol's plant was shut down for a total of 19 days across two incidents (replacement of heat exchanger and syngas leakage). OQ Chemicals' specialty chemicals plants in Europe reported a cumulative downtime of 203 days across all units due to technical and process issues; and

- in 2018, OQRPI's overall process utilisation rate was 81.8 per cent. Its Mina Al Fahal refinery experienced a 24-day closure in March as a result of damage to the main column trays in the crude distillation unit. Its Aromatic plant had a 20-day closure in February due to an aromizer tube leak. Its Sohar refinery had a 42-day shut-down due to a leakage in the return sea water pipe for the residual fluid catalytic converter. Its PP plant experienced 12 shutdown events mainly due to feed shortage and issues in the reactor. OQ Methanol's plant experienced a total shutdown of six days across four minor incidents. OQ Chemicals' specialty chemicals plants in Europe reported a cumulative downtime of 206 days across all units due to technical and process issues.

The table below shows the total process utilisation rates for each of the years ended 31 December 2020, 2019 and 2018 for each of OQRPI, OQ Chemicals and OQ Methanol.

	Year ended 31 December		
	2020	**2019**	**2018**
		(per cent.)	
OQRPI	68.9	81.5	81.8
OQ Chemicals	70.1	69.8	79.4
OQ Methanol	99.9	99.9	97.8

In 2021, there are several major and minor maintenance shutdowns planned. These include 33 days in the Sohar refinery in the fourth quarter, 12 days in the Mina Al-Fahal refinery and 25 days in OQ Methanol's plant in May. For OQ Chemicals, the scheduled major maintenance shutdowns in 2021 are dominated by the regular five-year maintenance turnaround at all U.S. sites and other sites will face regular maintenance turnaround and shutdown activity. There are no major shutdowns planned for the Group's upstream business.

Anticipated impact of significant projects

The discussion below includes forward-looking statements regarding the expected completion of projects that involve risks and uncertainties. The timing, cost and results of the Group's projects could differ materially from those anticipated below as a result of certain factors, including the risks discussed in "*Risk factors*". See "*Forward-looking statements*".

The Group has a number of major projects under construction of which the most significant is the LPIC project, which is expected to begin commercial production in 2021. See "*Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business*" and "*Risk factors—Risks relating to the Group's development and investment activities—Implementing projects is inherently risky*". The Group has also completed two key projects in recent years.

The following table summarises the Group's key projects completed in 2018, 2019 and 2020, including the Group entity undertaking the project, a description of the project, the budgeted and actual project cost and the completion date.

Project	**Company**	**Description of the Project**	**Budgeted Project Cost**	**Actual Project Cost**	**Completion Date**
MSPP	OQRPI	Pipeline construction	U.S.$343 million	U.S.$343 million	2017/2018
Propanol expansion	OQ Chemicals	Construction of a new propanol unit	U.S.$128 million	Ù.S.$106 million	2018
SRIP	OQRPI	Refinery improvements	U.S.$2,684 million	U.S.$2,714 million	2019

The following table summarises the Group's key projects in progress, including the Group entity undertaking the project, a description of the project, the estimated project cost (including financing costs), the project funding status as at 31 December 2020 and the estimated completion date.

Project	Company	Description of the Project	Estimated Project Cost	Funding Status	Estimated Completion Date
LPIC	OQRPI	Petrochemical complex	U.S.$6,961 million	75% debt funded, U.S.$3,800 drawn, 25% equity funded	2021
Ammonia project	OQ Methanol	Construction of ammonia plant	U.S.$463 million	100% debt funded, U.S.$297 million drawn	2021
Acid expansion	OQ Chemicals	Construction of new acid unit and debottlenecking	U.S.$58 million	100% cash flow funded, U.S.$17 million spent	2023
TCD Alcohol expansion	OQ Chemicals	New diol reactor to produce TCS-diol	U.S.$31 million	100% cash flow funded, U.S.$11 million spent	2021

In addition, construction of the Duqm Refinery Project is scheduled to be completed in 2022. This project is being undertaken by a joint venture and so will not impact the Group's revenue. However, the Group will recognise its 50 per cent. share of the profit or loss generated by the joint venture in its consolidated statement of profit or loss and other comprehensive income.

Significant transactions

In June 2019, the Group acquired the 30 per cent. of OQ Trading which it did not already own from the SGRF for OMR 53 million, of which OMR 19 million was paid in cash and the balance comprised shares in two other companies. The OMR 15 million excess of the consideration over the net worth of the shareholding acquired is recorded in the Group's statement of changes in equity.

During 2020, the Group sold one of its non-core investments for OMR 37.4 million and recognised a loss of OMR 8.4 million on the divestment.

Significant capital expenditure programmes

The Group is currently undertaking significant capital expenditure programmes, see "—*Anticipated impact of significant projects*" above and "—*Capital expenditure*" below. Many of its ongoing projects have been funded with both debt and equity, and as at 31 December 2020, the Group's total loans and borrowings amounted to OMR 5.1 billion compared to OMR 4.8 billion as at 31 December 2019 and OMR 4.6 billion as at 31 December 2018. The Group's borrowings have resulted in interest expense on borrowings of OMR 123 million in 2020, OMR 149 million in 2019 and OMR 141 million in 2018. These interest costs have typically been funded out of operating cash flow. As the Group's ongoing projects are completed, this is expected to result in a material increase in its fixed assets and, as a result, the Group's depreciation charge in future years is likely to continue to increase. In addition, over time the Group will need to refinance or repay its project-related borrowings. See "*Risk factors—The Group may continue to have material funding requirements*".

Certain of the Group's joint ventures also have significant outstanding borrowings to fund ongoing projects, including OQ8, which is building a refinery at Duqm and had borrowings of OMR 1,176 million outstanding at 31 December 2020. In November 2018, the Company provided a completion guarantee of its 50 per cent. proportionate equity share of OQ8's financing.

To the extent that the Group continues to initiate material projects, its borrowings may continue to increase.

Impact of Covid-19 in 2020

The Covid-19 pandemic significantly impacted the Group's revenue and cost of sales in 2020 as demand for chemicals and refined products was negatively affected by industrial slowdowns and falling demand for transport fuels in light of the travel restrictions imposed around the world to address the pandemic. The margins for the Group's refineries were also adversely impacted and, with the drop in demand, became negative between April and May in 2020.

In addition, given the uncertainties associated with economic recovery, the Group revised downwards its commodity price outlook which resulted in asset impairments in 2020, see "—*Impairment losses in 2020*" above.

Further, the Group's investments at fair value through profit and loss (**FVTPL investments**) were negatively impacted by falling share prices and/or currency devaluations which resulted in an OMR 66 million negative change in the fair value of its FVTPL investments in 2020.

The impact of lockdowns due to Covid-19 has also impacted certain of the Group's projects and has resulted in delayed completion in some cases.

The Group continues to monitor the impact of Covid-19 on its business and has put in place contingency measures. These include reducing or postponing capital and operating expenditure to preserve liquidity and ensuring that its employees are protected. The Group believes that its business continuity measures have enabled robust remote working and minimised business disruption. The Group intends to keep its contingency measures under review as the situation evolves.

COMPOSITION OF THE FINANCIAL STATEMENTS

The Financial Statements present the results of operations and financial position of the Company and its subsidiaries (which are consolidated on a line by line basis), its joint operations (which are consolidated proportionately on a line by line basis) and the Group's proportionate share of the results of its joint ventures and associates (which are accounted for using the equity basis of accounting and are together referred to as **equity accounted investees**). In addition, the Group has certain other investments on its statement of financial position which are held at FVTPL.

The Group's joint operations are its participations in nine oil and gas exploration and/or production assets in Oman. In addition, the Group has two wholly owned oil and gas exploration and/or production assets in Oman. All of these assets are identified in note 2(i) to the 2020 Financial Statements.

Joint ventures comprise the Group's investments in distinct legal entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent of the joint venture partners for strategic financial and operating decisions. As at 31 December 2020, the Group had two joint ventures which generated significant profits, Oman India Fertiliser Company SAOC and Sohar Aluminium Company LLC, see note 12 to the 2020 Financial Statements.

Associates are those entities in which the Group has significant influence over the financial and operating policies but does not exercise absolute control over such policies. Significant influence is presumed to exist when the Group has between 20 per cent. and 50 per cent. of the voting power of another entity. As at 31 December 2020, the Group had 10 associates which are listed in note 11 to the 2020 Financial Statements, of which four were considered to be material for the purposes of disclosure in note 11. Prior to 1 January 2019, the Group's principal associate was OQRPI, which became a subsidiary with effect from 1 January 2019. In 2020, the Group sold two associates and decided to dispose of two other associates which were re-classified as assets held for sale. All four of these associates were considered material for disclosure purposes in 2019.

Equity accounted investees are accounted for using the equity method which means that the investment is initially recognised in the statement of financial position at cost under "*Investment in associates*" and "*Investment in joint ventures*", respectively. The statement of profit or loss and other comprehensive income records the Group's share of the results and other comprehensive income of the equity accounted investees during the period under "*Share of results of* *equity accounted investments*" and the carrying amount on the statement of financial position is adjusted at period end to reflect the results of those entities as well as any dividends, additions, disposals or impairments during the period concerned. Where the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued save to the extent that the Group has a legal or constructive obligation to contribute to such losses.

The Group's other investments as at 31 December 2020 and as at 31 December 2019 were all held at FVTPL. FVTPL investments are initially recognised at fair value on the statement of financial position and are subsequently remeasured at fair value on each reporting date and the resulting unrealised gains and losses in the fair value of these investments are recognised in profit or loss as part of "*Investment income*".

SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with IFRS. For a discussion of the significant accounting policies applied by the Group generally, see note 4 to each of the Financial Statements.

For a discussion of the Group's critical accounting judgements, see "—*Critical accounting judgements, estimates and uncertainties*" below.

RESULTS OF OPERATIONS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019

All financial information for 2020 and 2019 in this section is derived from the Financial Statements or, in certain cases, is unaudited and derived from the Group's accounting records.

Gross profit

The table below shows the breakdown of the Group's revenue by reportable segment and by revenue type for each of 2020 and 2019.

	Years ended 31 December			
	2020		**2019**	
	(*OMR thousand*)	(*% of total*)	(*OMR thousand*)	(*% of total*)
Reportable segment(1)				
Upstream	704,179	13.1	789,142	10.8
Downstream..............................	4,851,592	89.9	6,740,409	91.9
Others.......................................	208,814	3.9	252,537	3.4
Consolidation adjustments and eliminations	(370,796)	(6.9)	(451,276)	(6.1)
	5,393,789	**100.0**	**7,330,812**	**100.0**
Cost of sales (excludes direct depreciation).............................	(4,691,892)		(6,361,894)	
Revenue type				
Sale of petroleum products	4,091,132	75.8	5,793,949	79.1
Services	302,157	5.6	287,950	3.9
Others.......................................	1,000,500	18.6	1,248,913	17.0
	5,393,789	**100.0**	**7,330,812**	**100.0**
Cost of sales..............................	5,142,171		6,838,157	
Gross profit	**251,618**		**492,655**	

Notes:

(1) The figures shown in the table above for segmental figures for revenue and cost of sales for that year included in this section differ from those in the 2019 Financial Statements. See "*Presentation of financial and other information—Presentation of financial information—Sources of financial information*".

Revenue

The Group's total revenue in 2020 amounted to OMR 5,394 million compared to OMR 7,331 million in 2019, a decline of OMR 1,937 million, or 26.4 per cent.

On a reportable segment basis, the decline in the Group's total revenue in 2020 compared to 2019 principally reflected a decline of OMR 1,889 million, or 28.0 per cent., in revenue from the downstream segment, as further described below.

On a product basis, the decline in the Group's total revenue in 2020 compared to 2019 principally reflected:

- a fall of OMR 1,703 million, or 29.4 per cent., in revenue from the sale of petroleum products, which principally related to OQ Trading (OMR 1,252 million) and OQRPI (OMR 423 million) and was driven by lower volumes delivered and depressed commodity prices due to a steep drop in global demand for commodities as a result of Covid-19; and

- a fall of OMR 248 million, or 19.9 per cent., in revenue from other products, which principally related to OQ Chemicals (OMR 72 million) and OOMCO (OMR 141 million) and was driven by reduced demand and a production outage at Oberhausen in the first quarter of 2020 (in the case of OQ Chemicals) and reduced demand for fuel products due to Covid-19-related lockdowns and both road and air travel restrictions (in the case of OOMCO).

These declines were offset by an increase of OMR 14 million, or 4.9 per cent., in revenue from services, which principally related to OQGN (OMR 9 million) driven by the acquisition of gas transportation assets in July 2019 and January 2020, respectively, and OQEP (OMR 12 million).

Cost of sales

The Group's cost of sales in the year ended 31 December 2020 amounted to OMR 5,142 million compared to OMR 6,838 million in the corresponding period of 2019, a decline of OMR 1,696 million, or 24.8 per cent. The decline principally related to OQ Trading due to lower commodity prices, OQRPI due to lower feedstock costs and lower plant utilisation including the Mina Al Fahal refinery shutdown, OQ Chemicals due to lower production levels and feedstock prices and OOMCO due to lower demand and lower product prices.

Gross profit

Reflecting the above factors, the Group's gross profit was OMR 252 million in 2020 compared to OMR 493 million in 2019, a decline of OMR 241 million, or 48.9 per cent. The Group's gross profit margins, calculated as its gross profit divided by its revenue, were 4.7 per cent. in 2020 and 6.7 per cent. in 2019.

Operating loss or profit

The Group's operating loss or profit reflects its gross profit plus its other operating income (which in the Financial Statements comprises investment loss or income, share of results of equity accounted investments and other income) less its administrative expenses and impairment losses charged or released.

The table below shows the breakdown of the Group's operating (loss)/profit for each of 2020 and 2019.

	Years ended 31 December	
	2020	**2019**
	(*OMR thousand*)	

Gross profit	**251,618**	**492,655**
Investment (loss)/income	(64,881)	8,963
Share of results of equity accounted investments	(210,275)	34,146
Other income	47,115	88,333
Administrative expenses	(255,454)	(263,653)
Impairment losses – charged/(released) – net	(1,344,003)	34,347
Operating (loss)/profit	**(1,575,880)**	**394,791**

The Group's operating loss in 2020 amounted to OMR 1,576 million compared to an operating profit of OMR 395 million in 2019.

The principal factors impacting the Group's operating loss in 2020 compared to 2019 were:

- an OMR 1,344 million impairment charge in 2020 compared to OMR 34 million impairment release in 2019 relating primarily to OQ Plastics, see "—*Impairment charges*" below;
- an OMR 210 million negative share of loss of equity accounted investments in 2020 compared to an OMR 34 million share of profit of equity accounted investments in 2019, which principally reflected a significant increase in loss recorded by OQ8 driven by impairment losses recognised;
- an OMR 65 million investment loss in 2020 compared to investment income of OMR 9 million in 2019. The investment loss in 2020 principally reflected an increase of OMR 49 million in negative change in the fair value of investments in 2020 compared to 2019 coupled with an OMR 12 million decline in dividend income on investments in 2020 compared to 2019 and an OMR 10 million net loss on the disposal of investments in 2020 compared to an OMR 2 million gain in 2019; and
- an OMR 41 million, or 46.7 per cent., fall in the Group's other income which principally reflected the fact that in 2019 the Group recorded an OMR 19 million recovery against liquidated damages and an OMR 21 million reversal of site restoration provision, in each case at OQRPI.

Impairment charges

The table below shows the Group's impairment charges and releases for each of 2020 and 2019.

	Years ended 31 December	
	2020	**2019**
	(*OMR thousand*)	
Impairment of investment in associates	3,886	529
Net impairment of property, plant and equipment	1,138,859	56,451
Impairment of intangible assets	40,903	—
Net charge/(release) of impairment relating to an investment in oil exploration and production assets	152,534	(43,974)
Impairment of FVTPL investments	3,880	—
Impairment release of other non-current assets		(21,245)
Impairment of inventory	134	—
Impairment charge/(release) of other assets	3,807	(26,108)
	(1,344,003)	**(34,347)**

The impairment charge of OMR 1,139 million in 2020 related to OQRPI and, together with the impairment charge of OMR 153 million relating to OQEP and the impairment charge of OMR 41 million in relation to OQ Chemicals in

2020, is described under "—*Principal factors affecting the Group's results of operations and financial condition—Impairment losses in 2020*" above.

Administrative expenses

The Group's administrative expenses principally comprise staff-related expenses, depreciation and amortisation, selling and distribution expenses and professional fees.

The table below shows the Group's administrative expenses for each of 2020 and 2019.

	Years ended 31 December	
	2020	**2019**
	(*OMR thousand*)	
Staff-related expenses	103,898	88,481
Depreciation and amortisation	47,821	32,441
Professional fees	25,595	19,629
Exploration expenditure, including write-off	3,116	6,773
Selling and distribution expenses	15,495	17,914
Travelling expenses	2,500	6,974
Corporate social responsibility expenses	4,091	7,159
Research and development	3,393	3,763
IT expenses	6,810	4,683
Insurance costs	8,653	4,827
Repair and maintenance	8,426	20,644
Other administrative expenses	25,656	50,365
Total administrative expenses	**255,454**	**263,653**

The OMR 8 million decrease in total administrative expenses in 2020 compared to 2019 principally reflected decreases of OMR 25 million, or 50.0 per cent., in other administrative expenses and OMR 12 million, or 59.2 per cent., in repairs and maintenance, which were offset principally by increases of OMR 15 million, or 17.4 per cent., in staff-related expenses, OMR 15 million, or 47.4 per cent., in depreciation and amortisation and OMR 6 million, or 30.4 per cent., in professional fees. The increase in staff-related expenses in 2020 compared to 2019 principally relates to the reallocation of cost under operating expense due to movement of some disciplines to operations, however on an overall basis, including employees within non-administrative and project functions, the Group's total staff-related expenses did not increase. The increase in depreciation and amortisation in 2020 compared to 2019 principally related to right of use asset depreciation in OQEP as a result of the implementation of IFRS 16 and the capitalisation of assets in OQRPI.

Net finance cost

The table below shows the Group's net finance cost for each of the years ended 31 December 2020 and 31 December 2019.

	Years ended 31 December	
	2020	**2019**
	(*OMR thousand*)	
Finance income	16,664	20,023
Finance expense	(141,694)	(174,896)
Foreign exchange (losses)/gains, net	(2,599)	1,108
Net finance cost	**(127,628)**	**(153,765)**

The Group's net finance cost amounted to OMR 128 million in 2020 compared to OMR 154 million in 2019, a fall of OMR 26 million, or 17.0 per cent. The Group's finance income is principally derived from interest on its cash and cash equivalents and short-term investments. The Group's finance expense principally represents interest paid on its outstanding borrowings. The Group also records its net realised and unrealised foreign exchange gains and losses in its net finance cost.

The decline in the Group's net finance cost in 2020 compared to 2019 principally represented a combination of:

- OMR 27 million, or 17.8 per cent., lower interest expense on borrowings, which principally resulted from lower LIBOR rates in 2020 compared to 2019. Most of the reduction came from OQRPI and its subsidiaries where the interest expense decreased by OMR 25 million;

- OMR 6 million, or 53.7 per cent., lower other finance charges, which principally reflected no interest on crude price deferment at OQRPI for the year ended 31 December 2020 as compared to 2019 interest on crude price deferment; and

- an OMR 3 million net foreign exchange loss in 2020 compared to an OMR 1 million net foreign exchange gain in 2019.

These factors were offset by OMR 3 million, or 16.8 per cent. lower finance income in 2020 principally due to lower cash and cash equivalent balances at the Company and OQEP.

Profit or loss for the year before tax

Reflecting the above factors and principally its impairment charge in 2020, the Group recorded loss for the year before tax of OMR 1,704 million in 2020 compared to profit for the year before tax of OMR 241 million in 2019. Excluding the impairment charge and a further OMR 231 million impairment loss at OQ8 accounted under share of loss of equity accounted investments, the Group's loss for the year before tax in 2020 would have been OMR 129 million.

Income tax expense

The Group's income tax expense amounted to OMR 13 million in 2020 compared to OMR 10 million in 2019. The Group is subject to both Omani and foreign income taxes. Except as provided below, the applicable tax rate in Oman was 15 per cent. in both years and income tax is payable on an individual company basis only in Oman as there is no concept of group taxation in Oman.

Revenue from the Group's Mukhaizna, Block 9 and Block 61 concessions is taxed at 55 per cent., being the rate specified in the relevant Exploration and Production Sharing Agreement. These amounts are not included in the Group's income tax expense.

Note 41 to the 2020 Financial Statements discusses the Group's tax charge in 2020 and 2019.

Profit or loss for the year

Reflecting its income tax expense, the Group recorded a loss for the year of OMR 1,717 million in 2020 compared to profit for the year of OMR 231 million in 2019.

On a reportable segment basis:

- the upstream segment recorded a profit for the year of OMR 28 million in 2020, a decrease of OMR 264 million, or 90.6 per cent., from profit for the year of OMR 292 million in 2019;

- the downstream segment recorded a loss for the year of OMR 1,673 million in 2020 compared to a loss for the year of OMR 120 million in 2019, an increase in loss of OMR 1,553 million; and

- the others segments recorded a loss for the period of OMR 72 million in 2020 and a profit for the period of OMR 59 million in 2019.

There were consolidation adjustments and eliminations of OMR 0.7 million in 2020 and OMR 1 million in 2019 on a segmental reporting basis.

Other comprehensive loss

The table below shows the Group's other comprehensive (loss)/income for each of 2020 and 2019.

	Years ended 31 December	
	2020	**2019**
	(*OMR thousand*)	
(Loss)/profit for the year	**(1,716,944)**	**231,264**
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference relating to subsidiaries	41,936	(10,438)
Foreign currency translation difference on investment in associates	3,463	(6,059)
Share of other comprehensive income of associates and joint ventures	988	(672)
Effective portion of changes in fair value of cash flow hedges	(50,482)	(72,406)
Items not to be reclassified to profit or loss in subsequent periods		
Fair value changes due to dilution of subsidiary	(3,919)	—
Transfer to defined benefit plan, actuarial gains and losses	(2,935)	(4,594)
Other comprehensive (loss) for the year	**(10,949)**	**(94,169)**
Total comprehensive (loss)/income for the year	**(1,727,893)**	**137,095**

The Group's other comprehensive loss for the year was OMR 11 million in 2020 compared to OMR 94 million in 2019. The principal drivers of this change were an OMR 42 million positive foreign currency translation difference relating to subsidiaries in 2020 compared to an OMR 10 million negative difference in 2019 and OMR 22 million lower effective portion of negative fair value changes on cash flow hedges in 2020 compared to 2019.

Reflecting the Group's loss or profit for the year, the Group's total comprehensive loss for the year was OMR 1,728 million in 2020 compared to total comprehensive income of OMR 137 million in 2019.

RESULTS OF OPERATIONS FOR 2019 AND 2018 (RESTATED)

All financial information for 2018 in this section is restated and derived from the restated comparative information for 2018 in the 2019 Financial Statements. All financial information for 2019 in this section is derived from the comparative information for 2019 in the 2020 Financial Statements, see "*Presentation of financial and other information—Presentation of financial information—Restatement of 2018 comparative financial information in the 2019 Financial Statements*" and "*Presentation of financial and other information—Presentation of financial information—Sources of financial information*".

Gross profit

The table below shows the breakdown of the Group's gross profit by reportable segment and by revenue type for each of 2019 and 2018.

	2019		2018[1]	
	(*OMR thousand*)	(*% of total*)	(*OMR thousand*)	(*% of total*)
Reportable segment				
Upstream	789,142	10.8	783,908	8.8
Downstream	6,740,409	91.9	8,274,705	93.3
Others	252,537	3.4	218,536	2.5
Consolidation adjustments and eliminations	(451,276)	(6.1)	(409,824)	(4.6)
	7,330,812	**100.0**	**8,867,325**	**100.0**
Cost of sales (excludes direct depreciation)	(6,361,894)		(7,866,403)	
Revenue type				
Sale of petroleum products	5,793,949	79.1	7,151,788	80.6
Services	287,950	3.9	369,106	4.2
Other products	1,248,913	17.0	1,346,431	15.2
	7,330,812	**100.0**	**8,867,325**	**100.0**
Cost of sales	(6,838,157)		(8,287,381)	
Gross profit	**492,655**		**579,944**	

Note:

(1) The figures shown in the table above for 2018 and other segmental figures for revenue and cost of sales in 2018 included in this section differ from those in the 2019 Financial Statements, see "*Presentation of financial and other information—Presentation of financial information—Restatement of 2018 comparative financial information in the 2019 Financial Statements*".

Revenue

The Group's total revenue in 2019 amounted to OMR 7,331 million compared to OMR 8,867 million in 2018, a decline of OMR 1,536 million, or 17.3 per cent.

The decline in the Group's total revenue (after consolidation adjustments and eliminations) in 2019 compared to 2018 principally reflected a fall in revenue from the downstream reportable segment, which was principally driven by OQ Trading's lower average selling price in 2019 compared to 2018 (which mainly reflected lower crude oil prices and was offset to an extent by the positive impact of increased volumes traded in 2019 as OQ Trading increased its business) and by lower revenues at OQRPI which principally reflected its lower average selling price in 2019 compared to 2018.

On a product basis, the decline principally reflected:

- a fall in revenue from the sale of petroleum products, which was principally driven by OQ Trading's lower average selling price in 2019 compared to 2018 which was partially offset by the positive impact of increased volumes traded in 2019; and

- a fall in revenue from other products, which was principally driven by reduced sales by OQ Chemicals in 2019 compared to 2018.

Cost of sales

The Group's cost of sales after consolidation adjustments and eliminations and excluding direct depreciation (as required by IFRS 8) amounted to OMR 6,362 million in 2019 and OMR 7,866 million in 2018, a decline of OMR 1,504 million, or 19.1 per cent. On a reportable segment basis, this decline was principally driven by OQ Trading's lower cost of sales in 2019 in line with its lower revenue and by OQRPI as a result of lower average prices paid in 2019 offset to an extent by its increased consumption of raw materials for production.

The Group's total cost of sales in 2019 amounted to OMR 6,838 million compared to OMR 8,287 million in 2018. The decline of OMR 1,449 million, or 17.5 per cent., in the Group's cost of sales in 2019 compared to 2018 principally reflected lower costs of sales at OQ Trading and OQRPI.

Gross profit

Reflecting the above factors, the Group's gross profit was OMR 493 million in 2019 compared to OMR 580 million in 2018, a decline of OMR 87 million, or 15.1 per cent. The Group's gross profit margins, calculated as its gross profit divided by its revenue, were 6.7 per cent. in 2019 and 6.5 per cent. in 2018.

Operating profit

The Group's operating profit reflects its gross profit plus its other operating income (which comprises revenue from a farm out transaction (in 2018 only), see "*Principal factors affecting the Group's results of operations and financial condition—Significant transactions*", investment income, share of results of equity accounted investments and other income) less its administrative expenses and net impairment losses.

The table below shows the breakdown of the Group's operating profit for each of 2019 and 2018.

	2019	**2018**
	(*OMR thousand*)	
Gross profit	**492,655**	**579,944**
Farm out transaction.....................	—	614,457
Investment income	8,963	8,784
Share of results of equity accounted investments...............	34,146	55,488
Other income	88,333	55,054
Administrative expenses.....................	(263,653)	(258,769)
Impairment losses – net of reversals.....................	34,347	(69,909)
Operating profit	**394,791**	**985,049**

The Group's operating profit in 2019 amounted to OMR 395 million compared to OMR 985 million in 2018, a decline of OMR 590 million, or 59.9 per cent.

The principal factors impacting the Group's operating profit in 2019 compared to 2018 were:

- a farm out transaction in September 2018 which generated a gain of OMR 614 million (no equivalent transactions were undertaken in 2019); and

- an OMR 34 million net release of impairment charges in 2019 compared to an OMR 70 million net impairment charge in 2018, see "*Impairment charges*" below.

Other less significant factors impacting the Group's operating profit in 2019 compared to 2018 were:

- an OMR 21 million, or 38.5 per cent., fall in the Group's share of the results of its equity accounted investments. This reflected an OMR 26 million, or 68.9 per cent., decline in the share of profit of joint ventures which was partially offset by an OMR 4 million, or 24.2 per cent., increase in the share of the results of its associates. The decline in relation to joint ventures was driven by lower profits at two Omani joint ventures (which together contributed OMR 23 million to the decrease). The increase in relation to associates principally reflected higher profits at an Indian and an Omani associate (which together contributed OMR 7 million to the increase) offset by a loss at a Chinese associate in 2019 compared to a profit in 2018 (which contributed a decrease of OMR 4 million);

- an OMR 5 million, or 1.9 per cent., increase in the Group's administrative expenses; and

- an OMR 33 million, or 60.4 per cent., increase in the Group's net other income which principally reflected a recovery against liquidated damages and a reversal of a site restoration provision in 2019.

The Group's investment income comprises dividends received on its equity investments at fair value through profit and loss, net gains made on the disposal of investments and changes in the fair value of investments at fair value. These items remained constant, at OMR 9 million in each of 2019 and 2018.

Impairment charges

The table below shows the Group's impairment charges and releases for each of 2019 and 2018.

	2019	2018
	(*OMR thousand*)	
Impairment of investment in associates.............................	529	9,789
Net (release)/charge of impairment relating to an investment in oil exploration and production assets	(43,974)	33,800
Net (release)/charge of impairment of property, plant and equipment...	56,451	(1,116)
Impairment (release)/charge of other non-current assets.....	(21,245)	22,006
(Release)/impairment of other assets.................................	(26,108)	5,430
	(34,347)	**69,909**

The net release of impairment in 2019 principally reflected (i) an OMR 62 million reversal of impairment previously made in respect of Block 60 which was partially offset by an OMR 15 million impairment charge in respect of Block 53, (ii) an OMR 21 million release of impairment in respect of the Group's other non-current assets compared to an OMR 22 million impairment charge taken in 2018, both of which related to the same receivables which were impaired in 2018 and received in 2019 and (iii) an OMR 26 million release of impairment of other assets in 2019 compared to an impairment of OMR 5 million in 2018, with the release in 2019 primarily relating to the relinquishment of the offshore Pearls field in Kazakhstan. These impairment releases in 2019 were partially offset by an OMR 56 million impairment charge against property, plant and equipment (principally at OQRPI (OMR 33 million) and in relation to a project determined to be non-feasible (OMR 23 million)) in 2019 compared to an OMR 1 million release in 2018 that related to property, plant and equipment at OQEP.

Administrative expenses

The table below shows the Group's administrative expenses for each of 2019 and 2018.

	2019	2018
	(OMR thousand)	
Staff-related expenses	88,481	96,996
Professional fees	19,629	17,385
Selling and distribution expenses	17,914	22,301
Amortisation	17,866	17,951
Depreciation	14,575	13,934
Exploration expenditure, including write-offs	6,773	1,585
Travelling expenses	6,974	3,519
Corporate social responsibility expenses	7,159	3,948
Research and development	3,763	4,133
Other administrative expenses	80,519	77,017
Total administrative expenses	**263,653**	**258,769**

Although the Group's total administrative expenses remained substantially flat in 2019 compared to 2018, there were significant movements in a number of individual items of expense. In particular:

- the Group's staff-related expenses, which relate only to employees in administrative functions, fell by OMR 9 million, or 8.8 per cent. On an overall basis, including employees within non-administrative functions, whose costs are recorded under cost of goods sold, the Group's total staff-related expenses increased by OMR 8 million, or 3.9 per cent., from OMR 216 million in 2018 to OMR 225 million in 2019. This increase reflected increased wages and salaries and end of service benefits as a result of the annual incremental increase (OMR 13 million) offset by lower education and training costs (OMR 4 million);

- the Group's selling and distribution expenses fell by OMR 4 million, or 19.7 per cent., principally reflecting lower ship handling and demurrage charges at OQRPI in 2019 due to fewer shipments resulting in reduced tanker charges in line with the reduction in revenue in 2019 compared to 2018;

- the Group's exploration expenditure increased by OMR 5 million, or 327.3 per cent., principally reflecting increased exploration activity at OQEP;

- the Group's travel expenses increased by OMR 3 million, or 98.2 per cent., principally reflecting increases at the Company, OQRPI, OQGN and OQ Chemicals; and

- the Group's corporate social responsibility expenses increased by OMR 3 million, or 81.3 per cent., principally reflecting increases at OQRPI driven by higher donations coupled with increased scholarships provided to students.

Net finance cost

The table below shows the Group's net finance cost for each of 2019 and 2018.

	2019	2018
	(OMR thousand)	
Finance income	20,023	11,805
Finance expense	(174,896)	(160,845)

Net foreign exchange gain	1,108	2,552
Net finance cost	**(153,765)**	**(146,488)**

The Group's net finance cost amounted to OMR 154 million in 2019 compared to OMR 146 million in 2018.

In 2019, the Group's net finance cost was OMR 7 million, or 5.0 per cent., higher than in 2018. This reflected an increase of OMR 14 million, or 8.7 per cent., in finance expenses and a reduction of OMR 1 million, or 56.6 per cent., in net foreign exchange gain which were partially offset by an OMR 8 million, or 69.6 per cent., increase in finance income. The OMR 14 million increase in finance expenses was driven by higher interest expense on borrowings mainly due to increased borrowings as well as increases in LIBOR (which together contributed OMR 8 million to the increase) and interest on lease liabilities recorded as a finance expense in 2019 in accordance with IFRS 16 (which contributed OMR 7 million to the increase).

Profit for the year before tax

Reflecting the above factors and principally the farm out transaction in 2018 discussed above, the Group recorded profit for the year before tax of OMR 241 million in 2019 compared to OMR 839 million in 2018, a decline of OMR 598 million, or 71.3 per cent., in 2019. Excluding the impact of the farm out transaction, the Group's profit for the year before tax for 2018 would have been OMR 224 million.

On a reportable segment basis:

- the upstream segment recorded profit for the year before tax of OMR 306 million in 2019 and OMR 802 million in 2018, a decline of OMR 496 million, or 61.8 per cent. Excluding the farm out transaction in 2018, the upstream segment's profit for the year before tax for 2018 would have been OMR 187 million and the upstream segment's profit for the year before tax would have increased by OMR 119 million, or 63.6 per cent., in 2019 compared to 2018, principally reflecting reversal of impairments recorded in 2019 compared to impairment charges booked in 2018;

- the downstream segment recorded a loss for the year before tax of OMR 129 million in 2019 and a loss for the year before tax of OMR 22 million in 2018, an increase in loss of OMR 107 million, or 486.4 per cent., principally reflecting declining margins, higher impairment losses and an increased depreciation charge in 2019; and

- the others segment recorded profit for the year before tax of OMR 63 million in 2019 and OMR 58 million in 2018, an increase of OMR 5 million, or 8.6 per cent., principally reflecting the reversal of a previously recorded liability which had ceased to be payable.

There were consolidation adjustments and eliminations of OMR 1 million in each of 2019 and 2018 on a segmental reporting basis.

Income tax expense

The Group's income tax expense amounted to OMR 10 million in 2019 and OMR 159 million in 2018, with the decrease principally reflecting the Group's lower profit in 2019. Except as provided below, the applicable tax rate in Oman was 15 per cent. in both 2019 and 2018.

Revenue from the Group's Mukhaizna, Block 9 and Block 61 concessions is taxed at 55 per cent., being the rate specified in the relevant Exploration and Production Sharing Agreement. These amounts are not included in the Group's income tax expense.

Note 41 to the 2019 Financial Statements contains details of the Group's tax charge in 2019 and 2018.

Profit for the year

Reflecting its income tax expense, the Group recorded profit for the year of OMR 231 million in 2019 compared to OMR 680 million in 2018, a decline of OMR 449 million, or 66.0 per cent. Excluding the farm out transaction in 2018 and the related impact on the Group's income tax expense, the Group would have recorded profit for the year of OMR 180 million in 2018.

Other comprehensive (loss)/income

The table below shows the Group's other comprehensive income or loss for each of 2019 and 2018.

	2019	2018
	(*OMR thousand*)	
Profit for the year..	**231,264**	**679,655**
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation difference relating to subsidiaries......	(10,438)	(16,098)
Foreign currency translation difference on investment in associates	(6,059)	(7,346)
Share of other comprehensive income of associates and joint ventures	(672)	(555)
Effective portion of changes in fair value of cash flow hedges.......	(72,406)	28,291
Items not to be reclassified to profit or loss in subsequent periods		
Transfer to defined benefit plan, actuarial gains and losses............	(4,594)	(279)
Other comprehensive (loss)/income for the year	**(94,169)**	**4,013**
Total comprehensive income for the year..................................	**137,095**	**683,668**

The Group's other comprehensive loss for the year was OMR 94 million in 2019 compared to other comprehensive income of OMR 4 million in 2018. The principal driver of this change was the effective portion of changes in fair value of cash flow hedges, which was a negative OMR 72 million in 2019 compared to a positive OMR 28 million in 2018. The main reason for this change was the impact of LIBOR increases on the hedges.

Reflecting the Group's profit for the year, the Group's total other comprehensive income for the year was OMR 137 million in 2019 compared to OMR 684 million in 2018.

ANALYSIS OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Significant assets

As at 31 December 2020, the Group had total assets of OMR 9,888 million compared to OMR 11,352 million as at 31 December 2019 and OMR 11,250 million as at 31 December 2018.

The most significant classes of assets on the Group's statement of financial position are its property, plant and equipment, its oil and gas production and development assets, its concession receivables, its trade and other receivables and its cash and cash equivalents and short-term deposits, which together comprised 76.1 per cent. of the Group's total assets as at 31 December 2020, 74.3 per cent. as at 31 December 2019 and 77.0 per cent. as at 31 December 2018.

Property, plant and equipment

The Group's property, plant and equipment amounted to OMR 4,244 million, or 42.9 per cent. of its total assets, as at 31 December 2020, OMR 5,162 million, or 45.5 per cent. of its total assets, as at 31 December 2019 and OMR 4,827 million, or 42.9 per cent. of its total assets, as at 31 December 2018.

The Group's property, plant and equipment are recorded on its statement of financial position at cost less accumulated depreciation and impairment. The principal items of the Group's property, plant and equipment are:

- plant, equipment and vehicles and furniture and office equipment which had a net book value of OMR 2,129 million as at 31 December 2020 compared to OMR 2,220 million as at 31 December 2019 and OMR 2,438 million as at 31 December 2018;

- capital work in progress which had a net book value of OMR 1,839 million as at 31 December 2020 compared to OMR 2,668 million as at 31 December 2019 and OMR 2,084 million as at 31 December 2018; and

- buildings which had a net book value of OMR 254 million as at 31 December 2020, OMR 253 million as at 31 December 2019, and OMR 268 million as at 31 December 2018.

The decrease in property, plant and equipment of OMR 919 million, or 17.8 per cent., as at 31 December 2020 compared to 31 December 2019 was principally due to the OMR 1,139 million impairment charge against property, plant and equipment in 2020.

The table below shows the Group's capital work in progress as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December		
	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
OQRPI(1)	1,287,338	2,152,216	1,779,080
OQ Methanol(2)	140,923	122,085	77,795
OQGN(3)	—	—	148,310
OQEP	11,162	10,632	1,988
OOMCO	13,195	5,291	7,263
Others	386,509(4)	377,354	69,685
Total capital work in progress	**1,839,127**	**2,667,578**	**2,084,131**

Notes:

(1) Principally relates to the LPIC project discussed under "*Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business*".

(2) Principally relates to the expansion of OQ Methanol's ammonia plant discussed under "*Description of the Group—The Group's core businesses—Core downstream businesses—Methanol production*".

(3) Principally relates to the LPG project at Salalah undertaken by OQ LPG L.L.C. (**OQ LPG**), a subsidiary of Oman Oil Facilities Development Company LLC (**OOFDC**) which was a subsidiary of OQGN until 1 January 2019 when it was sold to OQ. From 1 January 2018, OQGN applied IFRIC 12 to the new concession arrangement under which it had started operating. As a result all of its stand-alone property, plant and equipment was transferred to financial assets and it did not record any depreciation on property, plant and equipment from 1 January 2018.

(4) Of which, OMR 274 million as at 31 December 2020 relates to OOFDC's LPG project.

The Group's depreciation charge for the period in respect of its property, plant and equipment (most of which is recorded as cost of sales) amounted to OMR 186 million in 2020, OMR 204 million in 2019 and OMR 207 million in 2018. The Group's property, plant and equipment is generally depreciated on a straight-line basis over its estimated useful life, although property, plant and equipment held under leases is depreciated over the shorter of the lease terms and its estimated useful life.

As at 31 December 2020, property, plant and equipment with a carrying value of OMR 4,244 million was secured in favour of lenders. See "*Risk factors—Risks relating to the Group and its strategy—The Notes will be structurally* *subordinated to the claims of creditors of OQ's subsidiaries and incorporated joint ventures and a significant portion of the Group's indebtedness is secured*".

Oil and gas production and development assets

The Group's net book value of oil and gas production and development assets amounted to OMR 1,076 million, or 10.9 per cent. of its total assets, as at 31 December 2020, OMR 1,214 million, or 10.7 per cent. of its total assets as at 31 December 2019 and OMR 1,119 million, or 9.9 per cent. of its total assets as at 31 December 2018.

The Group's oil and gas production and development assets are recorded on its statement of financial position at cost less accumulated depreciation and impairment. The Group's principal oil and gas production and development assets are a number of assets in respect of which OQEP has production and development licences, which had an aggregate net book value of OMR 1,064 million as at 31 December 2020, OMR 1,201 million as at 31 December 2019 and OMR 1,108 million as at 31 December 2018. The reduction in the net book value of these assets as at 31 December 2020 compared to 31 December 2019 principally reflected a combination of depreciation and impairment charges in respect of Blocks 60 and 53.

The Group's depreciation charge for the period in respect of its oil and gas production and development assets (all of which is recorded as cost of sales) amounted to OMR 259 million in 2020, OMR 260 million in 2019 and OMR 220 million in 2018. The Group's producing assets are depreciated on a unit of production basis over the total proven and probable reserves of the field concerned (except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied). The total proven and probable reserves of each field are reviewed at least annually. The unit of production rate calculation takes into account expenditures incurred to date, together with sanctioned and projected future development expenditure.

As at 31 December 2020, oil and gas production and development assets with a carrying value of OMR 15 million were secured in favour of lenders.

Concession receivables

The Group's concession receivables amounted to OMR 799 million, or 8.1 per cent. of its total assets, as at 31 December 2020, OMR 631 million, or 5.6 per cent. of its total assets, as at 31 December 2019 and OMR 370 million, or 3.3 per cent. of its total assets, as at 31 December 2018.

The Group's concession receivables comprise the financial assets it has recognised under IFRIC 12 in respect of the new concession under which OQGN has been operating since 1 January 2018. See Note 13 to the 2020 Financial Statements for additional information.

The table below shows movements in the Group's concession receivables in the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
At 1 January..	631,028	370,329	—
Transferred on adoption of IFRIC 12......	—	—	98,112
Acquisition under asset transfer agreements	—	226,286	273,467
Transferred from contract assets	193,491	50,668	15,102
Income during the period/year	56,057	35,263	41,324

Transferred to property, plant and equipment	—	(995)	—
Payments received during the year..........	(81,812)	(50,523)	(57,676)
At 31 December...................................	**798,764**	**631,028**	**370,329**

The Group's concession receivables had an effective annual interest rate of 8.2 per cent. in 2020, 8.1 per cent. in 2019 and 7.7 per cent. in 2018 and will be settled/recovered over the term of the new concession.

For the purposes of impairment assessment, the Group considers that its concession receivables have low credit risk as the counterparty is the Government, which has a Ba3 credit rating from Moody's and a BB- credit rating from Fitch and B+ from Standard & Poor's as at the date of this Base Prospectus. For the purpose of the impairment assessment, the loss allowance is measured at an amount equal to 12-month ECL.

No concession receivables were past due at 31 December 2020 and, taking into account the historical default experience and the current credit rating, the Group has assessed that ECL is insignificant and so has not recorded any loss allowances on its concession receivables.

Trade and other receivables

The Group's trade and other receivables amounted to OMR 747 million, or 7.6 per cent. of its total assets, as at 31 December 2020, OMR 675 million, or 5.9 per cent. of its total assets, as at 31 December 2019 and OMR 936 million, or 8.3 per cent. of its total assets, as at 31 December 2018.

The OMR 72 million, or 10.6 per cent., increase in the Group's trade and other receivables as at 31 December 2020 compared to 31 December 2019 principally reflected increased other receivables.

The OMR 261 million, or 27.9 per cent., decrease in the Group's trade and other receivables as at 31 December 2019 compared to 31 December 2018 principally reflected lower trade receivables.

The table below shows the Group's trade receivables by geographic region and by type of customer as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December		
	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
By geography			
Oman..	187,487	256,193	273,692
Other GCC countries......................	161,977	140,900	316,193
Asian countries	28,935	27,085	49,449
Europe and the United States..........	77,404	65,183	118,809
	455,803	**489,361**	**758,143**
By customer type			
Retail..	4,219	7,994	9,038
Wholesale......................................	451,584	481,367	749,105
	455,803	**489,361**	**758,143**

The OMR 34 million, or 6.9 per cent., decrease in gross trade receivables as at 31 December 2020 compared to 31 December 2019 principally reflected an OMR 30 million, or 6.2 per cent., decrease from wholesale customers. On a geographic basis, customers in Oman contributed OMR 69 million to the decrease with trade receivables from customers in all other areas increasing. The decrease in Oman was principally due to the lower oil prices in 2020 compared to 2019.

The OMR 269 million decrease in gross trade receivables as at 31 December 2019 compared to 31 December 2018 principally reflected an OMR 268 million, or 35.7 per cent., decrease from wholesale customers. On a geographic basis, customers in GCC countries outside Oman contributed OMR 175 million to the decrease and customers in Europe and the United States contributed OMR 54 million to the decrease. The trends principally reflected reduced revenue in 2019 and better capital management.

The table below shows the ageing of the Group's trade receivables as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December					
	2020		2019		2018 (restated)	
	Receivables	Impairment	Receivables	Impairment	Receivables	Impairment
	(OMR thousand)					
Not past due	397,471	793	444,772	919	686,097	6,418
Past due 1-90 days	21,751	228	14,418	28	39,456	28
Past due 91-360 days	16,550	1,302	27,562	968	23,640	968
Past due more than one year	20,031	6,968	2,609	2,502	8,950	1,959
	455,803	**9,291**	**489,361**	**4,417**	**758,143**	**9,373**

As at 31 December 2020, 7.9 per cent. of the Group's trade receivables were more than 90 days past due and 2.0 per cent. were impaired compared to 6.2 per cent. and 0.9 per cent., respectively as at 31 December 2019. By contrast, as at 31 December 2018, 4.3 per cent. of the Group's trade receivables were more than 90 days past due and 1.2 per cent. were impaired. The increase in impairment is primarily due to an increase in trade receivables past due by more than one year. The amount of balances outstanding for more than one year has increased significantly due to the Covid-19 situation, which impacted the customers' ability to make timely payment of their dues.

Cash and cash equivalents and short-term deposits

The Group's cash and cash equivalents and short-term deposits together amounted to OMR 664 million, or 6.7 per cent. of its total assets, as at 31 December 2020, OMR 740 million, or 6.5 per cent. of its total assets, as at 31 December 2019 and OMR 1,409 million, or 12.5 per cent. of its total assets, as at 31 December 2018.

The Group's short-term deposits are denominated in rial and dollars and are held with commercial banks. They either (i) have maturities of between one and 12 months from the reporting date or (ii) longer maturities but with an option for the Group to withdraw the deposit within 12 months from the reporting date. They carried interest at effective rates which ranged between 0.12 per cent. and 5.00 per cent. in 2020, 0.25 per cent. and 4.55 per cent. in 2019 and 0.10 per cent. and 4.35 per cent. in 2018. The Group's short-term deposits amounted to OMR 203 million as at 31 December 2020, OMR 173 million as at 31 December 2019 and OMR 788 million as at 31 December 2018. The reduction in short-term deposits at the end of 2019 principally reflected the investment of proceeds received from the Block 61 farm out transaction in deposits towards the end of 2018.

The Group's cash and cash equivalents include bank, current and call account balances with a maturity of three months or less from the date of acquisition. They carried interest at effective rates which ranged between 0.12 per cent. and 3.50 per cent. in 2020, 0.25 per cent. and 3.50 per cent. in 2019 and 0.25 per cent. and 2.25 per cent. in 2018. The Group's cash and cash equivalents amounted to OMR 461 million as at 31 December 2020, OMR 568 million as at 31

December 2019 and OMR 620 million as at 31 December 2018. A proportion of the Group's cash balances are held in subsidiary companies and there are restrictions on those companies' ability to transfer the cash to OQ, for example under debt service reserve account agreements.

Liabilities

Loans and borrowings

The most significant classes of liability on the Group's consolidated statement of financial position are its loans and borrowings and its trade and other payables which, together, comprised 85.9 per cent. of the Group's total liabilities as at 31 December 2020 compared to 86.7 per cent. as at 31 December 2019 and 86.7 per cent. as at 31 December 2018.

The Group's total loans and borrowings, which amounted to OMR 5,065 million, or 70.5 per cent. of its total liabilities, as at 31 December 2020, OMR 4,773 million, or 68.9 per cent. of its total liabilities, as at 31 December 2019 and OMR 4,565 million, or 65.1 per cent. of its total liabilities, as at 31 December 2018 are described under "*Indebtedness*".

Trade and other payables

The Group's trade and other payables amounted to OMR 1,108 million, or 15.4 per cent. of its total liabilities, as at 31 December 2020, OMR 1,232 million, or 17.8 per cent. of its total liabilities, as at 31 December 2019 and OMR 1,513 million, or 21.6 per cent. of its total liabilities, as at 31 December 2018.

The OMR 124 million, or 10.0 per cent., decrease in trade and other payables as at 31 December 2020 compared to 31 December 2019 principally reflected:

- an OMR 176 million, or 23.5 per cent., decrease in trade payables which principally reflected the payment of OMR 113 million or 15.1 per cent., during 2020 for the assets acquired by OQGN from the Government in 2018;
- an OMR 63 million, or 8.4 per cent., decrease in trade payables which principally reflected the reduction in the Group's cost of sales in 2020; and
- the decrease was partly offset by an OMR 65 million, or 46.3 per cent., increase in other payables which principally reflected other payables for OQRPI. This is primarily due to unearned revenue relating to the price differential from MoF.

The OMR 281 million, or 18.6 per cent., decrease in trade and other payables as at 31 December 2019 compared to 31 December 2018 principally reflected:

- an OMR 243 million, or 63.5 per cent., decrease in other payables, which principally reflected the settlement during 2019 of part of the consideration for the assets acquired by OQGN from the Government during 2018; and
- an OMR 60 million, or 7.4 per cent., decrease in trade payables, which principally reflected the reduction in the Group's cost of sales in 2019.

These decreases were partly offset by an OMR 34 million, or 11.0 per cent., increase in accrued expenses, which was principally due to project expenditures.

Total equity

The table below shows the Group's total equity as at 31 December 2020 and as at 31 December in each of 2019 and 2018.

	As at 31 December		
	2020	2019	2018
			Restated
		(*OMR thousand*)	
Share capital	3,428,436	3,315,293	3,012,980
Share capital pending registration	194	113,337	194
Shareholder's contribution	—	—	302,313
Statutory reserve	95,730	95,730	91,575
Other reserve	16,249	16,249	12,827
Fair value reserve	(99,378)	(45,965)	27,113
Translation reserve	12,232	(33,167)	(16,670)
(Accumulated losses)/retained earnings	(788,834)	921,125	717,842
Equity attributable to equity holders of the parent	**2,664,629**	**4,382,602**	**4,148,174**
Non-controlling interests	39,170	43,770	89,052
Total equity	**2,703,799**	**4,426,372**	**4,237,226**

As at 31 December 2020, the Group's authorised share capital comprised five billion shares of OMR 1 each, of which 3,428,436,000 were issued and paid up. The entire issued share capital is held by the OIA on behalf of the Government.

During 2020, the Company completed the registration process for 113 million shares to the Government in partial consideration for transportation assets transferred to OQGN by the Government in connection with its amended concession.

During 2019, the Company issued 302 million shares to the Government in consideration for the Government's shareholding in OQRPI and agreed to issue a further 113 million shares to the Government in consideration for gas transportation assets received by OQGN from the Government (which were issued in 2020). During 2018, the Company issued 175 million shares to the Government in partial consideration for gas transportation assets transferred to OQGN by the Government in connection with its amended concession.

The Group's statutory reserve represents the Company's legal reserves transferred from retained earnings in the years when profit is recorded, in accordance with Omani law, until such time as the statutory reserve equals at least one third of the Company's capital. This reserve is not available for distribution. As at 31 December 2020, the statutory reserve equalled 2.8 per cent. of the Company's capital.

The Group's fair value reserve includes its hedging reserve, its share of the other comprehensive income of associates and joint ventures and its investment at fair value reserve.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Group's principal uses of cash in the periods under review have been to fund its acquisition of property, plant and equipment (including in particular capital work in progress), its acquisition of oil and gas exploration and production assets, its investment in equity accounted investees and to service its debt obligations. The Group has funded these requirements principally from operating cash flows, debt financing and the sale of certain assets. The Group typically finances its operating expenses out of its operating cash flow. The Company did not pay any dividends to its shareholder in 2020, 2019 and 2018.

As at 31 December 2020, the Group had cash and cash equivalents and short-term bank deposits aggregating OMR 664 million.

Cash flow

The table below summarises the Group's cash flow from operating activities, investing activities and financing activities for each of the years ended 31 December 2020, 2019 and 2018.

	2020	2019	2018
			Restated
		(*OMR thousand*)	
Operating cash flows before working capital changes.......	499,545	870,863	707,848
Net cash from operating activities..................................	528,392	235,698	778,096
Net cash used in investing activities................................	(770,319)	(292,013)	(1,186,596)
Net cash from/(used in) financing activities	123,533	(12,748)	554,263
Translation adjustments..	11,662	16,101	16,406
Cash and cash equivalents at 1 January...........................	567,501	620,463	458,294
Cash and cash equivalents at 31 December	460,769	567,501	620,463

Net cash from operating activities

The Group's operating cash flows before working capital changes amounted to OMR 500 million in 2020, OMR 871 million in 2019 and OMR 708 million in 2018. The Group's operating cash flows before working capital changes principally reflect its profit or loss before tax for the period adjusted to reflect its impairment losses (in 2020), depreciation, finance cost, farm out transaction (in 2018) and share of results of its equity accounted investees.

The OMR 371 million, or 42.6 per cent., fall in the Group's operating cash flows before working capital changes in the year ended 31 December 2020 compared to the year ended 31 December 2019 principally reflected three factors: (i) the Group recorded a loss before tax for the period of OMR 1,704 million in 2020 compared to a profit before tax for the period of OMR 241 million in 2019; (ii) the Group recorded a charge for impairment of OMR 1,344 million in 2020 compared to an OMR 34 million reversal of impairment in 2019; and (iii) the Group recorded a negative share of results of its equity accounted investments of OMR 210 million in 2020 compared to a positive share of OMR 34 million in 2019.

The OMR 163 million, or 23.0 per cent., increase in the Group's operating cash flows before working capital changes in 2019 compared to 2018 principally reflected the fact that there was no farm out transaction in 2019 equivalent to that in 2018 coupled with (i) a positive movement in non-current assets and liabilities in 2019 compared to a negative movement in 2018, (ii) an increase in depreciation and (iii) a lower share of results of equity accounted investees in 2019, which were offset mainly by the Group's lower profit before tax and an impairment reversal in 2019 compared to a charge in 2018 (which together reduced its operating cash flows before working capital changes).

The Group's principal working capital changes relate to its trade payables, trade and other receivables, concession receivables, contract assets and related party dues. Reflecting the changes in these items in each period, the Group's net cash from operating activities was OMR 528 million in 2020, OMR 236 million in 2019 and OMR 778 million in 2018.

Net cash used in investing activities

The Group's net cash used in investing activities amounted to OMR 770 million in 2020, OMR 292 million in 2019 and OMR 1,187 million in 2018. The Group's investing activities principally comprise the purchase of property, plant and equipment, which in turn principally reflects capital work in progress, the acquisition of oil and gas exploration and production assets and its net movement in term deposits.

In 2020, the Group's principal cash outflows were:

- OMR 284 million, spent on the acquisition of oil and gas exploration and production assets, principally incurred by OQEP in relation to capital expenditure additions to Blocks 9, 53, 60 and 61 which together aggregated OMR 254 million; and

- OMR 479 million, spent on the acquisition of property, plant and equipment, principally incurred by OQRPI on the LPIC project and most of the balance related to plant, equipment and vehicles.

In 2019, the Group's principal cash outflows were:

- OMR 595 million, spent on the acquisition of property, plant and equipment, principally incurred by OQRPI on the LPIC project and most of the balance related to plant, equipment and vehicles; and

- OMR 319 million, spent on the acquisition of oil and gas exploration and production assets, principally incurred by OQEP in relation to capital expenditure additions to Block 9, Block 61 and Block 60.

The Group's principal cash inflow in 2019 was OMR 616 million being the net movement in term deposits.

In 2018, the Group principal cash outflows were:

- OMR 1,019 million, spent on the acquisition of property, plant and equipment, principally incurred by OQRPI on the Liwa project and most of the balance related to plant, equipment and vehicles;

- OMR 705 million from movement in term deposits; and

- OMR 288 million, spent on the acquisition of oil and gas exploration and production assets, principally incurred by OQEP in relation to capital expenditure additions to Block 61, Block 9 and Block 53.

The Group's principal cash inflow in 2018 was OMR 780 million from the farm out of a 10 per cent. interest in Block 61.

Net cash used in/from financing activities

The Group's net cash from financing activities amounted to OMR 124 million in 2020. The Group's net cash used in financing activities amounted to OMR 13 million in 2019. The Group's net cash from financing activities was OMR 554 million in 2018. The Group's net cash from or used in financing activities principally comprises the net movement in its loans and borrowings and its interest paid.

In 2020, the Group's principal cash inflow from its financing activities was OMR 297 million from net movement in loans and borrowings its principal cash outflow was OMR 125 million in interest paid.

In 2019, the Group's principal cash outflow from its financing activities was OMR 153 million in interest paid and its principal cash inflow was a net OMR 200 million from the borrowing and repayment of loans.

In 2018, the Group's principal cash inflow was a net OMR 706 million from the borrowing and repayment of loans and its principal cash outflow was OMR 148 million in interest paid.

CAPITAL EXPENDITURE

Historic capital expenditure

The Group's historic capital expenditure amounted to OMR 819 million in 2020, OMR 1,340 million in 2019 and OMR 1,720 million in 2018. The Group's capital expenditure principally reflects investments by its subsidiaries in property, plant and equipment, oil and gas assets, assets acquired under RAB regulations and contract assets.

The OMR 819 million capital expenditure in 2020 principally related to OQRPI's LPIC project (OMR 279 million), oil and gas assets (OMR 284 million) and contract assets (OMR 56 million).

The OMR 1,340 million capital expenditure in 2019 principally related to OQRPI's LPIC project (OMR 427 million), oil and gas assets (OMR 319 million) and RAB assets (OMR 226 million) and the Group's LPG and ammonia projects in Salalah (OMR 222 million).

The OMR 1,720 million capital expenditure in 2018 principally related to OQRPI's LPIC project (OMR 783 million), oil and gas assets (OMR 288 million), RAB assets (OMR 273 million), the Group's LPG and ammonia projects in Salalah (OMR 147 million), the acquisition of contract assets (OMR 132 million) and OQ Chemical's business (OMR 37 million).

Future capital expenditure

The Group's capital and expenditure commitments amounted to OMR 907 million as at 31 December 2020.

The table below shows the Group's capital and expenditure commitments by principal project as at 31 December 2020.

	As at 31 December 2020
	(*OMR million*)
OQRPI	13
OQEP	392
OQ Methanol	343
OQGN	53
OOFDC	89
OOMCO	7
Total capital and expenditure commitments	**897**[(1)]

Note:

(1) This table does not include the OMR 10 million capital commitment for Dunga project as per Dunga's annual work programme and approved budget in 2020.

The Group's budgeted capital expenditure in relation to OQRPI, OQEP, OTTCO, OQGN, OQ Methanol and OQ Chemicals for 2021 is OMR 878 million. Certain other Group companies may also incur capital expenditure in 2021. The timing and amount of capital expenditure is highly dependent on market conditions, the progress of projects, new opportunities that may arise and a range of other factors outside the control of the Group. The Group expects to fund a significant portion of its committed capital expenditure requirements from drawings under existing borrowing facilities.

CONTINGENCIES AND OTHER COMMITMENTS

The table below shows the Group's contingencies and other commitments as at 31 December 2020.

	As at 31 December 2020
	(*OMR thousand*)
Letters of credit	66,962
Performance guarantees and bonds	1,235,340
Total contingencies and other commitments	**1,302,302**

In the ordinary course of business, the Group has entered into long-term supply arrangements for feedstock and raw materials, which are not reflected in the above table. In addition, the obligations of the Group under its borrowings are not included in this table and are described under "*Indebtedness*".

Other commitments and contingent liabilities

In addition to the guarantees of borrowing arrangements described under "*Indebtedness*", Group companies have the following contingent liabilities as at 31 December 2020:

- a payment guarantee on behalf of OQ Trading in favour of the Government pursuant to which the Company guarantees 70 per cent. of any amounts due and payable by OQ Trading to the Government pursuant to the crude oil supply contract entered into from time to time by OQ Trading with the MoEM;

- a guarantee to the banks funding OQ Methanol's ammonia project to fund up to OMR 15 million towards a cost overrun account for a period of 36 months from August 2017;

- a guarantee in the amount of OMR 112 million towards the OQ LPG's LPG project, as required in the agreement signed with the lenders to the project;

- guarantees in respect of the repayment of three standby letter of credit facilities for OQRPI for OMR 19 million in aggregate;

- an undertaking to Bank Muscat to contribute its pro rata share of the funds released from a debt service reserve account (**DSRA**) if Musandam Power Company SAOG (**MPC**) cash flows are not sufficient to service its debt. This undertaking was given by each of MPC's shareholders in consideration for the release of cash from the DSRA account for the purposes of repaying a shareholder loan;

- guarantees in respect of financing obtained by OQGN, see "*Indebtedness—Outstanding borrowings—OQGN*";

- a completion guarantee in respect of financing obtained by a joint venture, OQ8;

- letters of support to OQRPI, Takamul Investment Company SAOC (**Takamul**) and certain other Group companies that state that the Company will continue to provide financial support for a 12-month period to enable those companies to meet their liabilities as they fall due;

- support to Oman Tank Terminals Company LLC (**OTTCO**)'s revenue stream in the event that OQ8 does not fulfil its contractual obligations to OTTCO in the first 12 months after OQ8's commercial operations date; and

- an OMR 115 million debt service reserve account in favour of the lenders to Oman Aluminium Rolling Company LLC (**OARC**).

Oman Oil Company Limited

Oman Oil Company Limited (**OOCL**) is a party to various legal proceedings related to business operations, such as property damage claims and employee claims. OOCL does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the OOCL's financial position or results of operations.

OQRPI

OQRPI companies are party to a take or pay commitment with ALSIG to supply nitrogen to their plants.

OQRPI companies are parties to ongoing labour cases. Management is of the view that no material losses will arise in respect of these claims.

OQRPI is subject to a possible commitment arising from the future activation of the put option by Compañía Logística de Hidrocarburos under the shareholders' agreement in connection with the joint venture, which is based on the profitability of OQ Logistic LLC from inception till 31 December 2020. The put option may be exercised by Compañía

Logística de Hidrocarburos between the six months from April 2023 to September 2023 and gives rise to a contingent liability up to OMR 35.1 million (U.S.$91.2 million) on the option exercise date.

RELATED PARTY TRANSACTIONS

The Group's related party transactions are made with its equity accounted associates and joint ventures, the Government, directors and key management and companies over which any of these exercises significant influence. The pricing and other terms of the Group's related party transactions are approved by management.

Note 31 to each of the Financial Statements summarises the Group's related party transactions, with the most significant being purchase transactions from related parties, principally the Government, which amounted to OMR 2.3 billion in 2020, OMR 2.6 billion in 2019 and OMR 3.5 billion in 2018.

None of the Group's amounts due from related parties, which aggregated OMR 176 million as at 31 December 2020, OMR 307 million as at 31 December 2019 and OMR 284 million as at 31 December 2018, were impaired.

DISCLOSURES ABOUT RISK

In the ordinary course of the Group's business, it is exposed to a range of financial risks. The Group believes that the principal financial risks impacting its business are credit risk, market risk, commodity price risk and liquidity risk.

The Board has overall responsibility for the Group's risk management framework. Under this framework, risks are identified and analysed, appropriate limits and controls are set and policies are implemented to monitor adherence to the limits and other risk controls. The Group's risk management controls are reviewed on a regular basis.

The Group's internal audit function oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures and reports the results to the Board.

Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet its contractual obligations to the Group. This risk arises principally from the Group's cash balances and term deposits with financial institutions and its credit exposures to customers and related parties, including outstanding receivables, debt investments and committed transactions.

As at 31 December 2019, the Group's maximum exposure to credit risk amounted to OMR 3,370 million and principally comprised concession receivables (which are owed by the Government and discussed under "*Analysis of certain consolidated statement of financial position items—Significant assets—Concession receivables*" above), trade and other receivables (which are discussed under "*Analysis of certain consolidated statement of financial position items—Significant assets—Trade and other receivables*" above), cash and cash equivalents and term deposits (which are discussed under "*Analysis of certain consolidated statement of financial position items—Significant assets—Cash and cash equivalents and short-term deposits*" above), FVTPL investments, lease receivables (which are owed by the Government), contract assets (almost all of which are owed by the Government) and those due from related parties (which are identified in note 31 to the 2020 Financial Statements.

The Group seeks to limit its credit risk relating to bank deposits by only dealing with reputable banks, determined on a case by case basis including by reference to each bank's credit ratings. In terms of the Group's maximum exposure to credit risk, the only amounts due to the Group which were overdue as at 31 December 2020 were in the trade and other receivables category, as discussed under "*Analysis of certain consolidated statement of financial position items—Significant assets—Trade and other receivables*" above. The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade and other receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Market risk

Market risk is the risk that changes in market prices, including foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The Group seeks to manage and control its market risk exposures within acceptable limits, while optimising its returns.

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (**IBORs**) with alternative nearly risk-free rates (referred to as **IBOR reform**). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions in which the Group operates. The Group anticipates that IBOR reform will impact its risk management and hedge accounting. Senior management is monitoring and managing the Group's transition to alternative rates by evaluating the extent to which contracts reference IBOR cash flows, determining whether such contracts will need to be amended as a result of IBOR reform and deciding how to manage communications about IBOR reform with counterparties.

The Group holds interest rate swaps for risk management purposes which are designated as cash flow hedging relationships. The interest rate swaps have floating elements that are indexed to U.S. dollar LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (**ISDA**)'s master agreements.

ISDA is currently reviewing its standardised contracts in the light of IBOR reform and plans to amend certain floating rate options in the 2006 ISDA definitions to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs. ISDA is expected to publish an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to facilitate multilateral amendments to include the amended floating rate options in derivative transactions that were entered into before the date of the supplement. The Group currently plans to adhere to the protocol if and when it is finalised and to monitor whether its counterparties will also adhere. If this plan changes or there are counterparties who will not adhere to the protocol, the Group will negotiate with them bilaterally about including new fallback clauses.

The Group has also evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform. The Group's hedged items and hedging instruments continue to be indexed to U.S. dollar LIBOR. The Group applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform. Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

The Group's exposure to U.S. dollar LIBOR designated in hedging relationships was OMR 5.1 billion in nominal amount as at 31 December 2020, representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged U.S. dollar-denominated liability.

Currency risk

The Group's exposures to changes in foreign exchange rates principally relate to its operating activities (when revenue or expense is denominated in a foreign currency) and its net investment in foreign subsidiaries. A significant part of the Group's operating activities are transacted in rial and U.S. dollars, which have had the same fixed exchange rate since 1986.

The Group's FVTPL investments and certain of its other receivables and payables are denominated in euro, Canadian dollars and Hungarian forints. Note 44 to the 2020 Financial Statements shows the Group's gross exposures in these currencies as at 31 December 2020. As at 31 December 2020, a 10 per cent. strengthening of the rial against the Hungarian forint, assuming all other variables remained constant, would have positively affected equity by OMR 17 million and negatively affected profit and loss by OMR 5 million and a 10 per cent. strengthening of the rial against the euro, assuming all other variables remained constant, would have negatively affected equity by OMR 8 million and profit and loss by OMR 2 million. A 10 per cent. strengthening of the rial against the Canadian dollar as at the same date would have had a de minimis effect on the Group's equity and no effect on its profit or loss.

Equity price risk

The Group's FVTPL investments comprise both quoted and unquoted holdings of equity securities. As at 31 December 2020, a 5 per cent. change in the price of its quoted FVTPL equity investments, assuming all other variables remained constant, would have affected the Group's profit or loss by OMR 13 million.

Interest rate risk

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and it has not designated any derivatives as hedging instruments under a fair value hedging model. As a result, a change in interest rates as at 31 December 2020 would not affect the Group's profit or loss.

However, a 1 per cent. change in interest rates at 31 December 2020 would have affected the Group's net loss by OMR 3 million through its impact on the Group's interest-bearing liabilities and financial assets.

The Group may also face increased borrowing costs on some of its borrowings should any lenders invoke their rights under standard market disruption clauses (where included) if the cost to those lenders of obtaining matching deposits exceeds LIBOR for the relevant currency and interest period.

Commodity price risk

The Group maintains a relatively low level of exposure to commodity price risk primarily by entering into offsetting physical or financial instrument contracts whereby the commercial terms of such transactions are broadly matched. The Group does, however, hold some imperfectly hedged positions, subject to certain approved limits. As at 31 December 2020, the Group has open commodity futures and swap contracts to manage its exposure to expected fluctuations in the prices of crude oil and other oil products. The Group has provided deposits as margin requirements for these contracts. The Group uses Value-at-Risk (**VaR**) to measure, monitor and review its exposure to short-term market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Board has approved VaR limits through trading mandates granted and regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk. Based upon VaR, taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The average 95 per cent. trading VaR during 2020 and 2019 was OMR 881 thousand and OMR 638 thousand, respectively, and the 95 per cent. trading VaR at 31 December in each of 2020 and 2019 was OMR 580 thousand and OMR 598 thousand, respectively, in all cases within the Board approved limits.

The Group's revenue is sensitive to the underlying price of a number of commodities, including crude oil, refined oil products, petrochemicals, LNG and dry bulk (and its cash flow is sensitive to the spreads relating to these products) which are dependent on a number of factors and on global supply and demand. Risks relating to open physical positions are managed through commodity futures and cleared swaps wherever such contracts are available.

The Group trades both physical commodity and financial instrument contracts that are treated as derivative instruments within the scope of IFRS 9. These contracts are carried at fair value with changes in fair value recorded in the consolidated statements of profit or loss and other comprehensive income. Physical dry bulk contracts are not financial instruments under IFRS 9 and are accounted for as executory contracts. Changes in fair value of these contracts do not immediately impact profit or equity and, as such, the contracts are not exposed to commodity price risk as defined by IFRS 7 *Financial Instruments – Disclosure*.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they fall due. The Group seeks to ensure, as far as possible, that it retains sufficient liquidity to meet its liabilities as they fall due both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group limits its liquidity risk by ensuring that bank facilities and shareholder advances are available when required. Liquidity requirements are also monitored on a regular basis.

Note 44 to the 2020 Financial Statements contains a table showing the contractual maturities of the Group's financial liabilities, excluding the impact of netting agreements.

Capital management

The Board seeks to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors the Group's liquidity and financial position on a regular basis. The Group periodically reviews its long-term financial commitments.

The Group also uses a gearing ratio to monitor its capital, which is calculated as (i) loans and borrowings divided by (ii) equity attributable to equity holders of the parent. The Group's gearing ratio was 1.90 as at 31 December 2020, 1.09 as at 31 December 2019 and 1.19 as at 31 December 2018.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND UNCERTAINTIES

In preparing the Financial Statements, management is required to make certain estimates, judgements and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, as at the date of the Financial Statements as well as the reported amounts of the Group's revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made, and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgement. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the Financial Statements.

The Group believes that its most significant critical accounting judgements, estimates and uncertainties are:

Control over investments in subsidiaries

Management assesses whether or not the Group has control over its investment in subsidiaries based on whether the Group has the power to direct the relevant activities of the investees unilaterally. Particularly in relation to OOMCO, where the Group's shareholding is 49 per cent., management considers the Group's absolute size of holding in subsidiaries and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of OOMCO.

Impairment of oil producing assets and gas properties

Management performs impairment reviews on the Group's oil and gas properties and other property, plant and equipment at least annually. Where indications of impairment are present and an impairment test is required, the calculation of the recoverable amount requires the estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to:

- commodity prices and the long-term corporate economic assumptions thereafter;
- discount rates that are adjusted to reflect risks specific to individual assets;
- oil and gas reserves; and
- the related cost profiles.

Judgement is also required when establishing the appropriate grouping of assets into cash generating units.

Reserve estimates used in the calculation of depreciation, depletion and amortisation (DD&A) and impairment of oil and gas properties

The determination of the Group's oil and gas reserves requires significant judgement and estimates to be applied. These are regularly reviewed and updated. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques applied by its in-house reserve engineer. The Group's reserve estimates are also evaluated by external reserve engineers every three years, using similar evaluation techniques.

Proven and probable reserves (which are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets) are determined using estimates of oil and gas in place, recovery factors and future commodity prices (which have an impact on the total amount of recoverable reserves) and the proportion of the gross reserves which are attributable to the Government under the terms of the relevant contracts. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Estimates of oil and gas reserves are used to calculate DD&A charges for oil and gas properties. The impact of changes in oil and gas reserves is dealt with prospectively. Oil and gas reserves also have a direct impact on the assessment of recoverability of asset carrying values. If oil and gas reserves are revised downwards, earnings could be affected by changes in depreciation expense or by immediate write-downs of asset carrying values.

Impairment loss on investments in associates and joint ventures

The Group reviews its investments in associates and joint ventures periodically and evaluates whether there is any objective evidence of impairment. Objective evidence includes the performance of an associate or joint venture, the future business model, local economic conditions and other relevant factors. Where there is objective evidence, the Group determines the need for, and the appropriate amount of, an impairment loss on the investment concerned. In 2020, the Group recorded an impairment loss of OMR 4 million on its investment in its associate, Hass Petroleum Group, and in each of 2019 and 2018 the Group recorded impairment losses of OMR 0.5 million and OMR 5 million on its investment in its associate, Muscat Gases Company SAOG.

Income tax

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly, each legal entity in Oman is taxable separately.

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to income tax and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for the possible consequences of finalisation of the Group's tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. As at 31 December 2020, the Company's income tax assessments for all years up to and including 2015 had been closed.

Deferred tax

Deferred tax assets and liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of deferred income tax assets and liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Moreover, deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. As at 31 December 2020, the Group's net deferred tax liabilities (deferred tax assets minus deferred tax liabilities) amounted to OMR 114 million. As at 31 December 2020, the Group had unrecognised deferred tax assets on carried forward tax losses, impairment of property, plant and equipment and fair value changes in derivative financials instruments in the amount of OMR 416 million. Of these, OMR 404 million have no expiry date and OMR 12 million and OMR 1 million expire with five years and nine years, respectively.

Accounting for commodity purchase and sale contracts

At inception, physical commodity purchase and sales transactions which support OQ Trading's principal activities, which are capable of net settlement and are not entered into (or continue to be held) for the purpose of receipt or delivery of a non-financial item in accordance with OQ Trading's expected purchase, sale or usage requirements, are treated as derivatives within the scope of IFRS 9.

Certain physical commodity contracts do not fall within the scope of IFRS 9. These contracts are accounted for as executory contracts. Revenue from the sale of goods and/or the provision of services under these contracts is recognised on an accrual basis as the resources are delivered or the services are provided. The related purchase costs are recognised on an accrual basis within cost of sales.

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property, plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Management recognised impairment on property, plant and equipment of OMR 1,139 million in 2020 and OMR 56 million in 2019 and a reversal of impairment on property, plant and equipment of OMR 1 million in 2018.

Expected credit loss allowance

The Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other, when determining the expected credit loss (**ECL**) on financial assets.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes another key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Judgements are required in assessing the recoverability of overdue trade receivables and lease receivables and determining whether a provision against those receivables is required. Factors considered include the creditworthiness of the counterparty, the timing and value of anticipated future payments and actions that can be taken to mitigate the risk of non-payment.

In 2020, the Group recorded an OMR 5 million provision for ECL on its trade receivables compared to no provision in 2019 and an OMR 6 million provision in 2018.

Certain other accounting judgements, estimates and uncertainties are included in note 5 to the 2020 Financial Statements, which lists the Group's critical accounting judgements, estimates and uncertainties.

INDEBTEDNESS

The following discussion and analysis should be read in conjunction with the information set out in "Presentation of financial and other information", "Capitalisation and indebtedness", "Selected financial information" and the Financial Statements.

The discussion of the Group's indebtedness is based upon the Financial Statements. See "Presentation of financial and other information—Presentation of financial information—Restatement of 2018 comparative financial information in the 2019 Financial Statements" and "Presentation of financial and other information—Presentation of financial information—Sources of financial information" for a discussion of the source of the numbers presented in this section and certain other relevant information.

OVERVIEW

As at 31 December 2020, the Group had outstanding total loans and borrowings of OMR 5,065 million (net of deferred finance expense of OMR 108 million), of which OMR 705 million, or 13.9 per cent., was due for repayment within 12 months. The Group's borrowings are principally denominated in rial and U.S. dollars and have been incurred by subsidiaries to finance projects and other business activities.

The Group's financing strategy is to maintain sufficient funding liquidity and flexibility to support its committed project expenditure and other business requirements through, among others, diversification of financing sources, including conventional and Islamic bank facilities with onshore, regional and international financial institutions. The Group continues to assess opportunities to diversify its sources of financing and the establishment of the Programme is part of this diversification process.

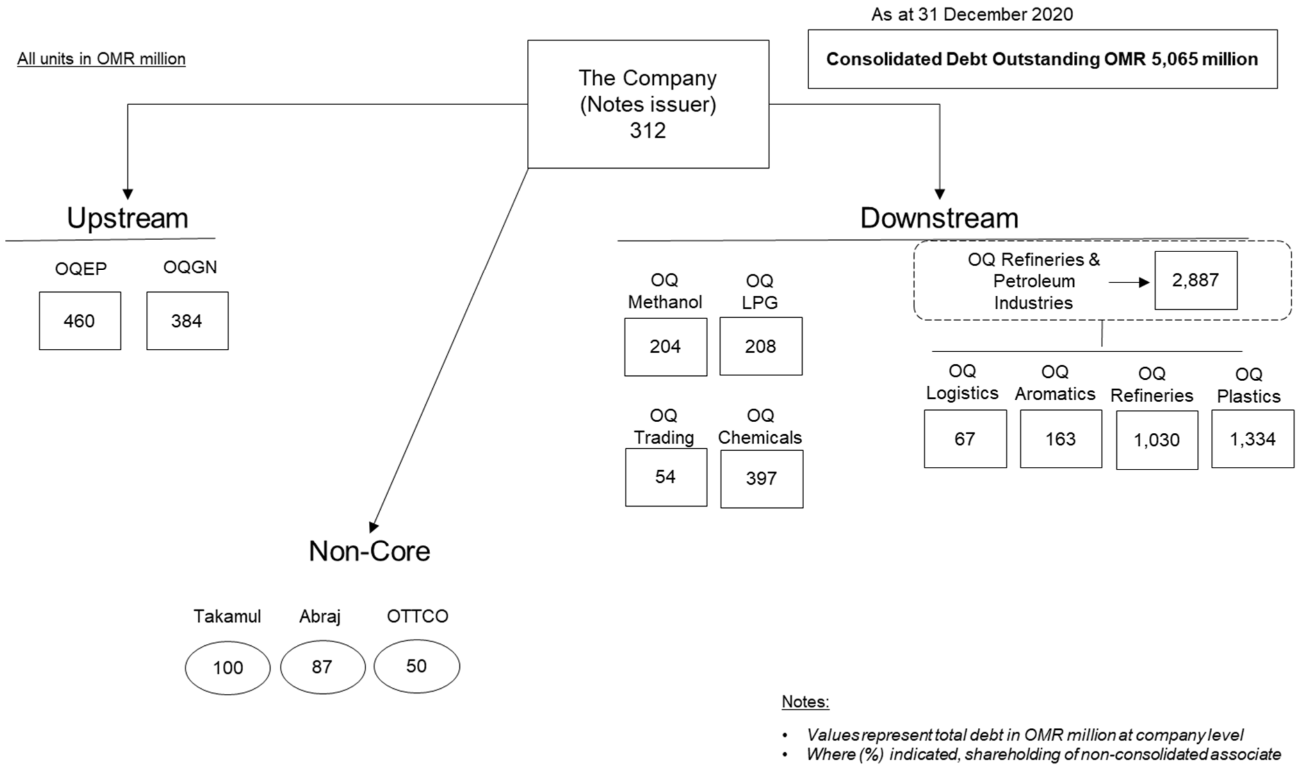
The Group is currently not in material breach of any of the financial or other covenants under its borrowings, although it has breached material covenants in the past and the breaches have either been cured or waived, with the OQ Refineries working capital facility extended and set to expire on 31 May 2021, with ongoing discussions to extend the maturity and certain other terms for a further year and certain terms of the OQ Methanol term loan project finance facility extended to 31 December 2021, see "*Outstanding borrowings—Takamul*" and "*Outstanding borrowings—OQRPI*" and *Outstanding borrowings—OQ Methanol*" below.

OUTSTANDING BORROWINGS

Corporate structure and certain borrowing arrangements

The chart below summarises the Group's corporate and financing structure as at 31 December 2020. Unless otherwise indicated, the entities included in the simplified structure below are fully consolidated in the Financial Statements.

The amounts provided in the chart represent total debt at the relevant company level. All entities in the chart are wholly owned subsidiaries of OQ, save where indicated by percentages in parentheses after a company name. The chart below does not include non-consolidated debt, such as that incurred by OQ8.



* OQ Logistics LLC, OQ Aromatics LLC, OQ Refineries LLC and OQ Plastics LLC are all wholly owned subsidiaries of OQRPI. **Takamul** means Takamul Investment Company SAOC, **Abraj** means Abraj Energy Services SAOC, a subsidiary of OQEP and **OTTCO** means Oman Tank Terminals Company LLC.

The table below summarises the Group's total loans and borrowings by borrower as at 31 December 2020, 2019 and 2018. Each entity's outstanding loans and borrowings as at 31 December 2020 are described further below.

	As at 31 December		
	2020	**2019**	**2018**
			Restated
		(*OMR thousand*)	
The Parent Company[(1)]	312,270	–	231,060
OQ RPI[(2)]	2,886,660	2,986,559	2,856,071
OQEP[(3)]	460,003	461,498	482,698
OQ Gas Network SAOC[(4)]	383,501	422,180	308,432
Oman Oil Holding Europe B.V.[(5)]	397,474	378,419	382,831
Oman Oil Facilities Development Company LLC[(6)]	207,954	216,770	–
OQ Methanol LLC[(7)]	204,066	168,726	145,218
OQ Trading Limited[(8)]	53,602	38,462	55,626
Takamul Investment Company SAOC[(9)]	99,668	99,335	100,725
Oman Oil Marketing Company SAOC	–	578	2313
Oman Tank Terminal Company LLC[(10)]	50,449	–	–
Total loans and borrowings	**5,064,647**	**4,772,527**	**4,564,974**
Less: current portion	(704,880)	(836,766)	(255,155)
Non-current portion	4,359,767	3,935,761	4,309,819

Notes:

(1) Represents drawings under a U.S.$2.5 billion revolving credit facility and other term facilities.

(2) Principally represents drawings under separate facilities, four of which relate to projects, one of which is for working capital, one of which refinanced an existing debt, one of which is an Islamic loan and one of which is a conventional corporate loan.

(3) Represents amounts advanced under a forward sale facility relating to oil production and term loans entered into by a subsidiary of OQEP.

(4) Represents drawings under term loans entered into by OQGN and, in 2018, OOFDC.

(5) A holding company for certain OQ Chemicals group companies. Represents amounts advanced under a senior facilities agreement entered into by the OQ Chemicals group.

(6) A holding company for OQ LPG and other investments. Principally represents a loan to finance an LPG facility under construction.

(7) Represents drawings under a U.S.$728 million syndicated project finance term loan.

(8) Represents short-term loans and overdrafts drawn under a U.S.$700 million uncommitted syndicated borrowing base facility and uncommitted bilateral working capital facilities. Includes Oman Trading Limited's subsidiaries.

(9) Principally represents amounts drawn by a subsidiary under its project financing term loans.

(10) Represents drawing under a U.S.$350 million loan to finance the construction of crude handling facilities.

The Company

In 2017 and 2018, the Company extended an existing two-tranche revolving credit facility. The U.S.$2.5 billion extended facility also has two tranches:

- Tranche A, in an amount of U.S.$1.15 billion for a term of five years expiring in June 2022 with floating rates of interest determined as LIBOR plus a margin which varies depending on the Omani sovereign rating; and

- Tranche B, in an amount of U.S.$1.35 billion for a term of five years expiring in December 2023 with floating rates of interest determined as LIBOR plus a margin which varies depending on the Omani sovereign rating.

The extended facility contains financial covenants including a covenant to maintain a minimum level of consolidated tangible net worth at the end of each measurement period of the OMR equivalent of U.S.$3 billion. In addition, amounts outstanding under the extended facility will become immediately repayable on demand if (i) the Government ceases to own, directly or indirectly, 100 per cent. of the Company's issued share capital or (ii) Oman ceases to be rated by at least one of Moody's and Standard & Poor's.

The extended facility is not guaranteed and is unsecured. As at 31 December 2020, the Company had OMR 173 million outstanding under this facility, representing equal drawings under each tranche.

On 28 July 2020, the Company entered into an additional term facility, which has two tranches:

- Tranche A – a five-year OMR 110.5 million facility with a floating rate of interest set by reference to the Central Bank of Oman's weighted average interest rate for OMR deposits of more than one year plus a fixed margin. As at 31 December 2020, the Company had OMR 9.6 million outstanding under this facility; and

- Tranche B – a five-year U.S.$605 million facility with a floating rate of interest set by reference to U.S. dollar LIBOR plus a fixed margin. As at 31 December 2020, the Company had U.S.$180 million outstanding under this facility.

The facility contains an option for the Company to increase it up to U.S.$1.3 billion or its equivalent.

In addition, on 27 September 2020, the Company entered into a five-year OMR 35 million Islamic facility. Under the facility, the Company pays semi-annual profit which varies and is set by reference to the Central Bank of Oman's weighted average interest rate for OMR deposits of more than one year plus a fixed margin. As at 31 December 2020, the facility was fully drawn.

On 8 November 2020, the Company entered into an additional Islamic facility of U.S.$130 million with a five-year tenor. Under this facility, the Company pays a floating rate of interest set by reference to U.S. dollar LIBOR plus a fixed margin. As at 31 December 2020, the Company had U.S.$65 million outstanding under this facility.

The conventional and Islamic term loan facilities are unsecured and not guaranteed. The only financial covenant under these facilities is to maintain a minimum level of consolidated tangible net worth at the end of each measurement period of OMR equivalent of U.S.$3 billion.

On 24 February 2021, the Company entered into an unsecured additional two-year U.S.$150 million term loan facility with a floating rate of interest set by reference to U.S. dollar LIBOR plus a fixed margin. The only financial covenant under this facility is to maintain a minimum level of consolidated tangible net worth at the end of each measurement period of an OMR equivalent of U.S.$3 billion.

OQRPI

OQRPI and/or its subsidiaries have seven term loans outstanding as follows:

- a U.S.$3.8 billion long-term project financing facilities entered into by OQ Plastics LLC in 2016 with commercial banks and export credit agencies which was used to finance the LPIC project, see "*Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business*". The facilities are not subject to any financial ratio covenants, although the borrower is prohibited from making distributions to its shareholder until after the completion of the LPIC project and then cannot make distributions to its shareholder unless it maintains a prescribed minimum level of debt service coverage and certain other conditions are met. Loans made under the facilities carry interest at LIBOR plus various different margins which, in the case of the commercial bank facilities, vary over time and are repayable in semi-annual instalments extending up to 2030 in the case of commercial facilities and 2031 in the case of export credit agencies' facilities. The facilities are fully guaranteed by the Government under a debt service undertaking, which is released once the LPIC project is completed and the lenders' project completion conditions have been satisfied;

- a U.S.$2.85 billion long-term project financing facilities entered into by OQ Refineries LLC in 2014 with commercial banks and export credit agencies which was used in part to refinance existing debt and in part to finance the SRIP, see "*Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business*". Loans made under the facilities carry interest at LIBOR plus various margins which, in the case of the commercial bank facilities, vary over time. The loans are repayable in semi-annual instalments extending up to 2027. The facilities are not subject to any financial ratio covenants, although the borrower cannot make distributions to its shareholder unless it maintains a prescribed minimum level of debt service coverage and certain other conditions are met. The facilities are not guaranteed. OQ Refineries LLC also has three standby letters of credit facilities, which are used to fund the Debt Service Reserve Accounts (DSRA) that have been subordinated to the project financing debt and are guaranteed by OQ;

- an OMR 350 million corporate loan agreement entered into by OQRPI in 2015 in order to meet its working capital needs. The loan carried fixed interest of 4.2 per cent. for the first three years and thereafter it is reset every three years based on the weighted average of the published three-year OMR fixed deposits rate plus a fixed margin of 2.75 per cent. In 2020, it carried interest at 6.25 per cent. Interest is payable semi-annually. The loan is repayable in semi-annual instalments from June 2018 until December 2025. The loan is not guaranteed, secured or subject to financial ratio covenants;

- a U.S.$450 million long-term facility agreement entered into by OQ Aromatics LLC in 2018 with a commercial bank to refinance an existing loan. The loan carries interest at a variable rate and is fully guaranteed by the Government under a debt service undertaking. The loan is repayable in semi-annual instalments extending up to 2022. The loan is not subject to any financial ratio covenants, but the borrower may only repay shareholder liabilities if no default is outstanding under the facility agreement;

- a U.S.$235 million long-term project financing facility agreement entered into by OQ Logistics LLC in 2014 with a commercial bank to finance the Muscat Sohar Pipeline Project, see "*Description of the Group—The Group's core businesses—Core downstream businesses—Refining and petrochemical production—Existing refining and petrochemicals business*". The loan carries interest at LIBOR plus a margin. The borrower has to pay certain mandatory costs (if any). The loan is repayable in semi-annual instalments extending up to 2029. The loan is not guaranteed. The facility agreement is subject to covenants which require that the borrower's debt to equity ratio shall not exceed 70:30 and its debt service coverage ratio shall not be less than 1.2:1 at any time, and that the Sultanate of Oman's owenership of OQ Logistics LLC, either directly or indirectly, shall be no less than 51 per cent. at all times;

- a U.S.$54.5 million Islamic facility entered into by OQRPI to develop a petroleum coke storage facility at the Sohar refinery. Under the facility, OQRPI pays profit at an annual rate which varies but is expected to be not less than 5.5 per cent. The facility will be repaid in three annual instalments, with the last falling due in February 2024. The loan is not subject to any financial ratio covenants; and

- a U.S.$500 million working capital facility agreement between OQ Refineries and a commercial bank, which currently expires on 31 May 2021 which is under discussion to extend the maturity for a further year. As at 31 December 2020, U.S.$450 million had been drawn. The OQRPI subsidiary is required to comply with certain financial ratios and, for each of the calculation periods ended 31 December 2019 and 31 December 2020, the subsidiary requested and obtained a waiver in respect of a breach of these ratios.

Under each project financing (being the OQ Refineries, OQ Plastics and OQ Logistics loans referred to above), the borrower is obliged to open certain onshore and (except in the case of OQ Logistics) offshore bank accounts and, in each case, the borrower is restricted in the manner and order of priority of application of its operating cash flows. In each case, the borrower's operating revenues must be paid into a specified operating account, and funds in that account applied, broadly, in the following order of priority: operating and maintenance costs as they fall due; debt service due under the relevant project financing; transfers to the debt service reserve account; various other permitted capital and exceptional payments; and finally, if the relevant conditions have been met, distributions to shareholders.

The project financings all contain obligations to, in certain circumstances, prepay the project finance loans in whole or in part. For example, certain insurance proceeds and compensation payments received by the relevant borrower are required to be used to prepay these facilities, and individual project finance lenders may require prepayment in circumstances where it becomes illegal for them to continue to participate in the transaction, if the benefit of ECA-insurance cover or guarantees are lost, or where certain sanctions-related events apply. OQ Plastics' project financing contains an obligation to apply free operating cash flow (after paying operating costs and debt service) in prepayment of certain scheduled repayment instalments under the project financing until such instalments have been fully prepaid.

In addition, each project financing, and, in the case of OQ Aromatics, its facility agreement, imposes a number of positive and negative covenants on the relevant borrower, including:

(i) in the case of OQ Refineries, in each case subject to limited exceptions, restrictions on: (a) selling or otherwise disposing of assets, other than output from the refineries and polypropylene plant and obsolete or replaced assets; (b) incurring additional debt other than working capital facilities and letters of credit facilities up to a specified limit, subordinated shareholder loans or hedging indebtedness; (c) creating security, other than security arising by operation of law or under commercial transactions conducted on a retention of title basis; (d) changing the general scope of its business; (e) entering into mergers or acquisitions or making investments other than in relation to certain limited corporate and social responsibility activities; (f) granting loans or guarantees; and (g) amending or terminating specified project agreements such as material technology licences and feedstock supply contracts;

(ii) in the case of OQ Plastics, in each case subject to limited exceptions, restrictions on: (a) selling or otherwise disposing of assets, other than output from the LPIC facilities and obsolete or replaced assets; (b) incurring additional debt other than working capital facilities and letters of credit facilities up to a specified limit, subordinated shareholder loans or hedging indebtedness; (c) creating security, other than security arising by operation of law or under commercial transactions conducted on a retention of title basis; (d) conducting business other than that relating to the ownership and operation of the LPIC facilities; (e) entering into mergers or acquisitions or making investments other than in relation to certain limited corporate and social responsibility activities; (f) granting loans or guarantees; and (g) amending or terminating specified project agreements and utility supply agreements, such as material technology licences, the marketing and offtake contract and feedstock supply contracts; and

(iii) in the case of OQ Aromatics, in each case subject to limited exceptions, restrictions on: (a) selling or otherwise disposing of assets, other than in the ordinary course of business; (b) incurring additional debt other than working capital facilities up to a specified limit, subordinated shareholder loans or hedging indebtedness; (c) creating security, other than security arising by operation of law or under commercial transactions conducted on a retention of title basis; (d) substantially changing the nature of its business; and (e) entering into mergers or acquisitions.

The events of default under the project financings include (in most cases): a failure to make due payments; misrepresentation; non-compliance with covenants; cross default; insolvency and analogous events; change of control; illegality; termination or breach of certain finance and project documents; expropriation; destruction or abandonment of the project; and the occurrence of certain environmental incidents. In most cases, if an event of default occurs, the intercreditor agent may, and must if so instructed by a specified majority of lenders, accelerate the loans. In most cases, no individual lender can take any independent action to enforce the security for the project financing or initiate any other creditor's process without the consent of the relevant enforcement majority of lenders.

The project financings are secured by security interests over substantially all the assets of the relevant borrower (including bank accounts and insurances), other than in the case of the OQ Aromatics project financing, which is secured by security interests over bank accounts and insurances/reinsurances only.

OQEP

OQEP's facilities are in the form of:

- a crude oil-backed forward sale facility in respect of all of its oil liquid entitlements from Blocks 9, 53, 60 and 61 for a five-year period which was extended to a seven-year period in 2019. Under this structured financing arrangement, an SPV buyer (which is the borrower of the loan facility) advanced U.S.$1 billion in loan proceeds to OQEP as a prepayment for crude deliveries. The loan facility is repayable in 13 equal quarterly instalments from September 2021 to September 2024 and carries interest at a rate of LIBOR plus a fixed margin. Interest and principal are settled through the sales of the crude oil delivered to the buyer, with any surplus being paid by the buyer back to OQEP (conditional on the buyer meeting certain covenants). OQEP is required to deliver crude in sufficient quantities to maintain a 1.25:1 debt service coverage ratio (based on prevailing crude prices at the time of delivery), however, in limited circumstances, OQEP can pay cash to the buyer in lieu of delivering crude oil. The Group has recognised this structured financing arrangement as a financial liability. This facility is not guaranteed, however, in certain circumstances the lenders have recourse to OQEP for the outstanding amount of the debt. The facility is secured by a comprehensive security package over the assets of the buyer (but no security has been provided in respect of assets of the Group); and

- six term loan facilities entered into by Abraj Energy Services SAOC, a subsidiary of OQEP, with commercial banks. These facilities had an aggregate outstanding amount of OMR 88 million as at 31 December 2020, carry interest at LIBOR plus a margin or, in two cases, at a fixed rate, and are repayable in instalments. The final maturities of the facilities range between May 2021 and December 2028. These facilities are not guaranteed but are secured by revenue assignments and negative liens. Under one of the facilities, the obligor's net debt to EBITDA and its leverage (total liabilities divided by tangible net worth) should not exceed 5 times and 2.33 times, respectively, during the tenure of the facility. Two of the Abraj term loans are being restructured in light of the Covid-19 pandemic and low oil prices in 2020.

OQGN

In 2018, OQGN entered into a U.S.$1,100 million (OMR 423.5 million) syndicated term loan bridge facility which bears interest at LIBOR plus applicable margins.

In February 2020, OQGN entered into a seven-year U.S.$800 million syndicated loan facility and used most of the drawings under this facility to repay U.S.$791 million (OMR 305 million) under the bridge facility that was entered into in 2018. Neither of the loans are subject to any financial covenants and both are unsecured and not guaranteed.

In September 2020, OQGN repaid a further U.S.$88 million of the bridge facility and extended the maturity of the remaining U.S.$221 million until November 2021.

Oman Oil Holding Europe B.V.

In 2017, certain OQ Chemicals group companies in Europe and the United States, acting as borrowers and/or guarantors, established a senior facilities agreement comprising:

- a term loan in the amount of €475 million and a term loan in the amount of U.S.$500 million, each with a maturity in October 2024; and

- a revolving credit facility with an amount of €137.5 million with a maturity in October 2023.

The term loans pay interest based on EURIBOR or LIBOR plus a margin based on a reducing margin grid if leverage ratios have reached a defined level. The term loans are secured by pledges over materially all of the assets of the obligors and over equity interests in the obligors. The obligors are subject to a financial leverage ratio of 5.25 times EBITDA (as defined in the relevant agreement), which is tested on the last day of any test period if the aggregate outstanding amount of certain facility utilisations exceeds 35 per cent. of the total revolving credit commitment.

In addition, an OQ Chemicals company in China has local working capital facilities with an outstanding amount of CNY 38 million as at 31 December 2020 and two other OQ Chemicals companies have an asset-backed commercial paper programme which provides a facility for the sale of trade receivables. Customer collections are paid into the bank accounts of the two OQ Chemicals companies under the programme and the outstanding liabilities at 31 December 2020 were €3.4 million and U.S.$6.5 million, representing collections that have not yet been paid.

OOFDC

In 2017, OQ LPG, a subsidiary of OOFDC, entered into OMR 246 million syndicated long-term loan facilities to partly fund construction of an LPG plant, see "*Description of the Group—The Group's core businesses—Core downstream businesses—LPG project*". The loans are repayable in 24 semi-annual instalments with the last instalment payable in June 2032. The loans bear interest at LIBOR plus a margin. The facility agreement contains typical project finance covenants, but OQ LPG is not subject to any financial ratio covenants. The loans are secured by a comprehensive security package covering all of the assets of OQ LPG. The loan is not guaranteed. In June 2017, the Company provided a guarantee of OOFDC's base equity commitment to the extent of OMR 112 million in line with its obligations under the equity subscription, share retention and subordination agreement signed with the lenders to the project.

OQ Methanol

OQ Methanol's borrowings are under a U.S.$728 million syndicated term loan project finance facility which is repayable in 18 semi-annual instalments with the last instalment due in June 2029. The loan bears interest at six-month U.S. dollar LIBOR plus a variable margin which increases over time between 2.80 per cent. and 3.35 per cent. The loan was drawn to finance OQ Methanol's refinancing needs and OQ Methanol's ammonia project, described under "*Description of the Group—The Group's core businesses—Core downstream businesses—Methanol production*". Certain operational and reporting defaults were waived in March 2021 and certain terms, including a construction longstop date, were extended to 31 December 2021.

The loan is secured by a comprehensive security package over all of OQ Methanol's assets. The facility is not subject to any financial ratio covenants. However, it is subject to various financial and information undertakings. In addition, after the completion of the ammonia project OQ Methanol cannot make distributions to its shareholder unless it maintains a prescribed minimum level of debt service coverage and certain other conditions are met. The loan is not guaranteed. A U.S.$40 million cost overrun reserve has been made available in the form of an on demand corporate guarantee from OQ, which shall expire once the ammonia project is complete and certain completion testing conditions are met.

OQ Trading

OQ Trading's borrowings represent funded drawings in the form of overdraft and short-term loans of U.S.$139 million (OMR 53 million) as at 31 December 2020, U.S.$100 million (OMR 39 million) as at 31 December 2019 and U.S.$144 million (OMR 55 million) as at 31 December 2018 under uncommitted secured working capital facilities for the purpose of financing its commodity trading activities.

OQ Trading's primary available borrowing facilities are:

- a U.S.$700 million secured uncommitted syndicated borrowing base facility, which finances OQ Trading's working capital requirements and the issuance of trade finance instruments. The facility has a 12-month term ending in June 2021 with a one-year extension option. The facility carries bank charges and interest at prevailing commercial market rates and is secured by a charge on specific assets of OQ Trading, principally of trade accounts receivables, inventories, bank balances and cash. The facility contains financial covenants, including a requirement for OQ Trading to maintain a minimum tangible net worth and current ratio; and

- uncommitted bilateral trade finance and working capital credit facilities which amounted to approximately U.S.$638 million (OMR 251 million) as at 31 December 2020, U.S.$500 million (OMR 193 million) as at 31 December 2019 and U.S.$425 million (OMR 164 million) as at 31 December 2018. The facility sizes range between U.S.$15 million and U.S.$150 million, with limits being reviewed typically on an annual basis.

OQ Trading's uncommitted borrowing facilities are not guaranteed. Advances under these facilities are secured by transactional security such as pledges of receivables, cash and inventories.

Takamul

In 2011, a subsidiary of Takamul, Oman Aluminium Rolling Company LLC (**OARC**), obtained a syndicated term loan in an amount of U.S.$193 million to finance an aluminium rolling mill project and working capital facilities of U.S.$65 million and OMR 3 million.

In November 2018, the syndicated term loan facility was restructured in light of OARC's liquidity position and its earlier breach of certain covenants. The restructuring resulted in an additional term loan facility of U.S.$59 million which was utilised towards repayment of the amount outstanding under the existing working capital facility and the repayment dates and interest rates of the original syndicated facility were also restructured. The finance expenses related to the loan restructuring of OMR 125 thousand was charged to the consolidated income statement under "finance expense" in 2018. The facilities now comprise:

- a U.S.$198 million term loan facility which bears interest at LIBOR plus a margin; and

- an OMR 22 million base facility which bears interest at a fixed rate of 4.5 per cent. for the first 12 months and at a rate notified by the facility agent for each subsequent 12-month period (which rate will not be less than 4.5 per cent.).

Each loan is repayable in 20 semi-annual instalments with the last instalment due in December 2030.

The loans are secured by a mortgage over all of OARC's assets and an assignment of insurance proceeds relating to project assets. The loans are guaranteed by OQ under a debt service undertaking. OARC is not subject to any financial ratio covenants in its loans.

OARC also has an overdraft facility which carries interest at 4.5 per cent. per annum. As at 31 December 2020, OARC had U.S.$2 million outstanding under this overdraft facility.

OTTCO

In April 2020, OTTCO entered into a U.S.$350 million term loan facility agreement with a commercial bank in Oman for the purpose of financing the construction and development of crude handling facilities for the Duqm refinery at Raz Markaz. Loans made under the facility are repayable in 14 six-monthly instalments starting on the earlier of 8 April 2023 or 12 months after the commercial operations date of the Duqm refinery. The loan bears interest at LIBOR plus a margin. The loan is secured by a pledge over certain accounts. OQ has guaranteed the loan payments until the first anniversary of the Duqm refinery's commercial operations date.

DERIVATIVES

Group companies are party to both held for trading derivative arrangements and cash flow hedging arrangements as described below.

The table below shows the positive fair values (derivative assets) and negative fair values (derivative liabilities) of these arrangements as at 31 December 2020, 31 December 2019 and 31 December 2018.

	Derivative assets			Derivative liabilities		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
			Restated			**Restated**
Derivatives held for trading	73,714	75,590	27,249	45,414	53,688	31,190
Cash flow hedges	—	—	20,673	84,570	49,537	—
	73,714	**75,590**	**47,922**	**129,984**	**103,225**	**31,190**
Current portion	(73,714)	75,590	28,184	(68,772)	64,385	31,190
Non-current portion	—	—	19,738	61,212	38,840	—

Held for trading

The Group's physical and financial commodity contracts, other than those which do not meet the criteria under IFRS 9, are classified as held for trading and are recognised at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The net of these exposures is monitored using value-at-risk techniques.

As part of its business operations, OQ Trading uses derivative financial instruments in order to manage its exposure to fluctuations in commodity prices arising from its physical commodity business. Trading activities are undertaken using a range of contract types, sometimes in combination, to create incremental gains by arbitraging prices between markets, locations and time periods. Within the ordinary course of its business, OQ Trading routinely enters into sale and purchase transactions for commodities. These transactions, which include pricing terms that are based on a variety of commodities and indices, are within the scope of IFRS 9 due to the trading nature of OQ Trading's activities.

The Group also uses various commodity based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. These instruments include financial forwards, futures and swaps. They are also within the scope of IFRS 9.

Cash flow hedges

In 2020, the Company entered into interest rate hedging agreements with various banks for a five-year term. As at 31 December 2020, a notional amount of OMR 1,606 million (U.S.$4,170 million) was covered under these arrangements. Under the arrangements, the Company pays fixed interest amounts on a semi-annual basis.

A subsidiary of OQRPI, OQ Plastics, is party to interest rate hedging agreements of varying terms with a view to capping its exposure to fluctuating interest rates. The swaps have different terms with the last arrangements expiring in December 2031. As at 31 December 2020, a notional amount of OMR 683 million (U.S.$1,774 million) was covered under these arrangements. Under the arrangements, the subsidiary pays fixed interest amounts on a semi-annual basis.

FINANCIAL COVENANTS

Several of the Group's loans are subject to financial covenants, as summarised above. In addition, a number of the Group's borrowings are project finance loans which typically contain extensive covenants as is customary for these types of borrowings, including covenants relating to compliance with laws, negative pledges, disposals, loans or credit, dividends, share redemptions, subordinated shareholder loans, financial indebtedness, merger, change of business and acquisitions.

MATURITY PROFILE

As at 31 December 2020, the maturity profile of the Group's loans and borrowings (including principal and interest) is as follows:

	As at 31 December 2020
	(*OMR thousand*)
Less than one year (current portion of long-term debt)	882,430
One to two years	871,593
Two to five years	2,388,027
More than five years	1,851,326
Total	**5,993,376**

As at 31 December 2020, the maturity profile of the Group's loans and borrowings to maturity (excluding interest and including deferred finance expense of OMR 108 million), per year and per borrower, is as follows.

	Year ending 31 December											
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
	(*OMR thousand*)											
The Company	—	86,648	191,110	20,513	13,999	—	—	—	—	—	—	312,270
OQRPI	435,448	431,242	275,734	292,163	329,129	304,364	334,831	150,886	165,752	162,694	94,954	2,977,197
OQGN	104,862	29,144	30,870	34,536	36,569	38,695	112,144	—	—	—	—	386,820
OQEP	59,246	118,492	118,492	88,870	—	—	—	—	—	—	—	385,100
OQ Chemicals	3,272	1,926	1,926	392,908	—	—	—	—	—	—	—	400,032
OQLPG	12,521	17,019	19,753	18,163	21,607	23,607	26,827	21,146	24,073	22,233	4,979	211,928
OQ Methanol	21,307	14,270	23,830	28,876	32,100	29,409	38,212	20,251	—	—	—	208,255
Takamul	2,353	1,895	2,171	2,605	2,921	3,552	3,888	4,460	6,019	69,803	—	99,667
Abraj	12,269	10,565	39,711	4,394	8,743	3,371	3,371	3,371	1,684	—	—	87,479
OQ Trading	53,602	—	—	—	—	—	—	—	—	—	—	53,602
OTTCO	—	3,841	8,909	10,500	10,891	10,985	5,322	—	—	—	—	50,448
Total	**704,880**	**715,042**	**712,506**	**893,528**	**455,959**	**413,983**	**524,595**	**200,114**	**197,528**	**254,730**	**99,933**	**5,172,798**

As at 31 December 2020, the amount of funding available to the Group under committed but undrawn facilities amounted to OMR 1,268 million.

As at 31 December 2020, 93.8 per cent. of the Group's indebtedness had been incurred by the Company's subsidiaries. A significant portion of the Group's indebtedness is also secured and some of it is guaranteed by other Group companies. As a result, in an insolvency situation affecting the Company and one or more its subsidiaries, holders of any Notes issued under the Programme will be structurally subordinated to creditors of other Group entities which have outstanding borrowings or have guaranteed such borrowings and holders of any Notes issued under the Programme will also rank behind the Group's secured creditors in relation to proceeds raised from the secured assets. See "*Risk factors—Risks relating to the Group and its strategy—The Notes will be structurally subordinated to the claims of creditors of OQ's subsidiaries and incorporated joint ventures and a significant portion of the Group's indebtedness is secured*".

DESCRIPTION OF THE GROUP

OVERVIEW

OQ is wholly owned by the Government through the OIA and is Oman's leading integrated energy group with core businesses operating across the oil and gas value chain. OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In September 2019, but with effect from 1 January 2019, the Government transferred to OQ the 75 per cent. of the share capital of OQRPI which it did not already own for the integration of OQRPI with OQ and its subsidiaries (including OQEP, OQGN, OQ Chemicals, OQ Trading, OQ Methanol and OOMCO). By centralising Oman's oil and gas investments with a single leadership team, the intention is to create a national champion with enhanced resilience, project development and delivery, operational excellence, and marketing and financing capabilities, thereby creating a platform for sustained and resilient profitability centred around an optimised energy company.

The Group's core businesses operate in two principal integrated business streams:

- upstream, comprising:
  - (i) oil and gas exploration, development and production through OQEP; and
  - (ii) gas transportation throughout Oman through OQGN; and
- downstream, principally comprising:
  - (i) oil refining and the manufacture of a range of petrochemicals currently through OQRPI and, in the future, through OQ8's new refinery as well;
  - (ii) the manufacture of a range of specialty chemical products (principally Oxo intermediates and derivatives) through OQ Chemicals;
  - (iii) significant trading operations relating to crude oil, refined products, petrochemical products, LNG and dry bulk (principally petroleum coke, sulphur and urea) through OQ Trading;
  - (iv) the manufacture of methanol from a world-scale plant in south Oman through OQ Methanol; and
  - (v) retail and commercial fuel and related product distribution, principally in Oman through OOMCO.

The Group's total assets amounted to OMR 9.9 billion as at 31 December 2020. In 2020, the Group generated Adjusted EBITDA of OMR 563.4 million and a loss for the year of OMR 1,717 million. The Group's core upstream activities contributed 83.3 per cent. of its Adjusted EBITDA and positive 1.6 per cent. of its loss for the year in 2020, most of which was attributable to oil and gas exploration, development and production. The Group's downstream activities contributed 7 per cent. of its Adjusted EBITDA and 97.5 per cent. of its loss for the year in 2020, with oil refining and petrochemical production accounting for 82.6 per cent. of the Group's loss and a negative 16.3 per cent. of its Adjusted EBITDA, specialty chemical production accounting for 3.5 per cent. of the Group's loss and 10.0 per cent. of its Adjusted EBITDA and trading operations through OQ Trading accounting for positive 2.0 per cent. of the Group's loss and 8.1 per cent. of its Adjusted EBITDA in that year. The Group also has a portfolio of 27 non-core assets, comprising subsidiaries, associates and FVTPL investments as well as a few holding and SPV entities of the Group, which contributed 9.7 per cent. of the Group's Adjusted EBITDA in 2020, generated dividends of OMR 11.7 million at a consolidated level in 2020 and, in the case of the subsidiaries and associates, contributed to the Group's results of operations. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

The Group has a number of significant downstream projects under development. These projects include:

- a new oil refinery and associated facilities under construction in Duqm as part of a joint venture with KPE;
- a petrochemical complex nearing completion at Liwa and an NGL plant at Fahud and associated NGL pipeline to the Liwa petrochemical plant undergoing pre-commissioning activities;
- an expansion of its methanol plant to enable the production of ammonia;
- an LPG project to extract various components of LPG, such as propane, butane and condensate, from natural gas in the Salalah region which is nearing completion; and
- two projects being undertaken by OQ Chemicals: the construction of a sixth carboxylic acid unit and an additional TCD Alcohol production line.

The Group has received significant support from the Government since it was established, in the form of equity injections, back-in rights (which represent the Government's entitlement to a specified working interest share in an oil or gas field that it has tendered once the original parties have recovered specified costs from production), asset transfers, shareholder loans and guarantees of Group borrowings. The Government also appoints OQ's Board.

OQ has been assigned a rating of BB- with a negative outlook by Fitch.

HISTORY

OQ was incorporated in Oman in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. Through its participation in energy and energy-related projects, OQ plays an important role in the Government's efforts to diversify the Omani economy and to promote Omani and foreign private sector investment.

In 2003, OQ acquired British Petroleum's 49 per cent. stake in the publicly listed BP Oman SAOG. Following the acquisition, the acquired company's name was changed to Oman Oil Marketing Company. See "*The Group's core businesses—Core downstream businesses—Retail and commercial fuel and related-product distribution*".

In 2006, OQ established OQ Trading as a joint venture with Vitol Holding S.à.r.l (**Vitol**) in which OQ had a 51 per cent. shareholding. OQ subsequently acquired an additional 19 per cent. shareholding from Vitol in 2011 and the remaining 30 per cent. shareholding in OQ Trading in 2019. See "*The Group's core businesses—Core downstream businesses—Trading*".

OQEP was established in 2009 in Oman. OQEP is 90 per cent. owned by OQ and 10 per cent. owned by Oman Oil (Upstream) Holding Ltd, which is wholly owned by OQ. See "*The Group's core businesses—Core upstream businesses—Oil and gas exploration, development and production*".

In 2012, OQ established OQ8 as a 50:50 joint venture with International Petroleum Investment Company PJSC of Abu Dhabi which subsequently sold its share to KPE, a wholly owned subsidiary of Kuwait Petroleum Corporation, the national oil company of Kuwait. OQ8 is undertaking a project at Duqm which involves the construction of a refinery and related facilities. See "*The Group's core businesses—Core downstream businesses—Refining and petrochemical production*".

In 2013, OQ acquired:

- 100 per cent. ownership of OQ Chemicals, which had been formed in 2007 as a buyout of Oxo derivatives and Oxo intermediates businesses from two international chemical companies. See "*The Group's core businesses—Core downstream businesses—Specialty chemicals production*"; and

- the Government's 80 per cent. shareholding in OQGN. OQGN had been established in 2000 by the Government with a 27-year concession to build and operate natural gas facilities in Oman. OQ held a 20 per cent. shareholding in OQGN when it was incorporated. On incorporation, OQGN received an initial transfer of assets from the Government of approximately 800 kilometres of pipelines and associated facilities. In 2018 and 2019, OQGN acquired all of the remaining Omani gas transportation infrastructure from the Government and its concession has been amended and extended. See "*The Group's core businesses—Core upstream businesses—Gas transportation*".

In September 2019, but with effect from 1 January 2019, OQ acquired the 75 per cent. of the share capital of OQRPI that it did not already hold. OQRPI was created in 2011 as a holding company for the companies which at the time owned:

- the Mina Al-Fahal refinery and the Sohar refinery;

- the polypropylene plant located proximate to the Sohar refinery; and

- the aromatics plant located proximate to the Sohar refinery.

Through the creation of OQRPI and the implementation of the Sohar Refinery Improvement Project (the **SRIP**), which commenced in 2014 and completed in 2019, OQRPI's shareholders aimed to leverage operational and maintenance synergies, introduce cost optimisation measures, address feedstock requirements, commercialise sales and marketing strategies, solve the Sohar refinery's technical constraints and produce additional feedstock for the aromatics and polypropylene plants to reduce reliance on imports.

In 2015, OQRPI commenced construction of the Muscat Sohar Pipeline project (which was completed in December 2017) and, in January 2020, it completed construction of the Liwa Plastics Industries Complex (**LPIC**) project, which had commenced in 2016. See "*The Group's core businesses—Core downstream businesses—Refining and petrochemical production*".

In June 2020, the OIA was formed by Sultani Decree and assumed direct ownership of all Government companies and investments (except for PDO) that were previously owned by the Ministry of Finance. As a result, OQ's direct shareholder is now the OIA.

INTEGRATION AND STRATEGY

Integration

In February 2019, the Board approved the Group's integration strategy. Through 2020, the integration strategy focused on integrating the nine core Group entities listed below, many of which make significant contributions to the Group's Adjusted EBITDA, by organising the core activities conducted by these entities through an integrated management structure focusing on management, assets and value streams across the value chain. These nine entities represented 95.8 per cent. of the Group's loss and 90.3 per cent. of the Group's Adjusted EBITDA in 2020 and were selected because of their potential for unlocking value and their relative ease of integration.

The tablesbelow shows the nine core entities that were the focus of the integration programme and their contributions to the Group's Adjusted EBITDA in each of the years ended 31 December 2020, 2019 and 2018. Where an entity is fully consolidated but not wholly owned (for example OOMCO which is 49 per cent. owned and OQ Trading which was 70 per cent. owned in 2018), 100 per cent. of its Adjusted EBITDA is included in the table. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of* *financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

	2020	2019	2018
			Restated
	(*percentage contribution to Group Adjusted EBITDA*)		
Upstream			
OQEP	68.6	52.4	47.5
OQGN	14.7	7.7	5.9
Downstream			
OQRPI	(16.3)	10.2	13.7
OQ Chemicals	10	8.2	9.6
OQ Trading	8.1	4.2	3.3
OQ Methanol	4.6	4.2	5.2
OOMCO	2.2	1.9	1.7
OQ LPG(1)	(0.1)	(0.1)	0.0
OQ8(1)(2)	(1.5)	(0.5)	(0.4)
	90.3	**88.1**	**86.5**
Other non-core entities(3)	9.7	11.9	13.5
Total	**100.0**	**100.0**	**100.0**

Notes:

(1) Ongoing project.
(2) OQ8 Adjusted EBITDA for each year is based on OQ's 50 per cent. share of the results of OQ8 as it is an equity accounted joint venture.
(3) Adjusted EBITDA for each entity that is equity accounted and included in this calculation is proportional to OQ's shareholding in that entity.

In addition, as part of the integration, OQ established four separate functions which provide support across the integrated Group:

- **commercial**, which combines the trading operations of OQ Trading, a newly established retail business, building on OOMCO and Hass's existing retail network, the hydrocarbon supply chain management, a newly established market intelligence department, and marketing functions of OQRPI and OQ Chemicals' marketing function, and manages supply and trading, global planning, performance chemicals and retail across the integrated core companies;

- **finance and strategy**, which is responsible for finance, treasury, corporate planning, legal, strategy, procurement and asset management across the integrated core companies;

- **people, technology and culture**, which is responsible for human resources, communications and branding, sustainability, administration, digitalisation, IT and business improvement across the integrated core companies; and

- **projects**, which is responsible for health and safety, security and the environment, research and development, innovation and project delivery across the integrated core companies.

To date, the Group has:

- established an integration leadership team (**ILT**) charged with managing the Group's integrated business. The ILT comprises the Group Chief Executive Officer (the **Group CEO**), the CEO of

Alternative Energy, the CEO of the upstream business, the CEO of the downstream businesses, the Chief Executive Officer of Commercial, the Chief Financial Officer (**CFO**), the Chief People, Technology and Culture and Chief Projects, and the Transformation Lead Office, each as identified under "*Management and employees*";

- integrated OQRPI into the Group following the transfer of the Government's 75 per cent. shareholding to OQ in September 2019 but with effect from 1 January 2019. This has allowed the Group full control of OQRPI's management and operations and facilitated its integration with the rest of the Group's activities. OQRPI's management has remained virtually intact as the OQRPI CEO has assumed the role of CEO of the Group's downstream business, of which OQRPI is a part. The OQRPI Board was dissolved following the conversion from an SAOC to an LLC, and OQRPI is now managed by the ILT and OQ's Board; and

- formed and integrated the new commercial operating model. Prior to integration, the businesses had a mix of trading activities (for example, OQ Trading) and independently acting marketing and sales teams (for example, OQRPI sold through OPM and OQ Chemicals had its own sale function), all led by different performance metrics. Under the new model, there is a three step process: (i) global planning centrally prepares the annual and rolling operating plan, (ii) the commercial optimisation team factors the intra-month market dynamics for optimised asset utilisation, and (iii) the trading team and marketing functions optimise market interaction and placements. The marketing and sales group for polymers and Oxo chemicals focuses on capturing synergies across business development, technical support, operational marketing and sales on a global scale. In addition, the central supply chain team drives efforts to optimise cost and positions itself as a centre of excellence for certain feedstock and logistics, procurement activities, customer service and logistics.

The initial primary focus areas of the integration programme, which commenced in December 2018, were to define the Group's aspirations, create an integrated governance model and leadership team, and develop an integrated business structure and appropriate integration master plans.

During 2019, the integration master plan for the finance and strategy function was completed as was the operating model for the commercial function. In addition, a high-level operating model for the people, technology and culture function as well as both the upstream and downstream businesses was developed.

2020 was a year of significant progress in the integration programme. Almost all of the core activities of integration were completed during 2020, such as meeting the 2020 target for quick wins, the completion of detailed organisational design of all OQ's business lines and functions, the staffing of 84 per cent. of the positions, the harmonisation of salaries and benefits for Oman-based assets, increased brand awareness internally and externally, launching the brand internationally, and completion of the one ERP Project.

One of the integration enablers was a common Information and Communication Technologies platform to support the integrated business structure. The "One ERP" project was successfully completed in three phases in less than a year, with the last phase completed at the end of September 2020. The project fulfilled its objective of ensuring business continuity through a unified hub of Enterprise Resource Planning of all Oman-based assets.

Another major initiative achieved during 2020 was "One identity". Following the launch of the new "OQ" brand in December 2019, the Group focused on increasing brand awareness by launching a new OQ website, rebranding OXEA and OTI to OQ Chemicals and OQ Trading, respectively, and increasing social media engagement. The Group surpassed its target of 50 thousand followers on its social media accounts and reached 85 thousand followers, mostly based in Oman.

The ILT believes that cultural transformation is fundamental for the integration to be successful. The Group has therefore focused on co-creation, using a bottom-up approach and an agile process model enabling the majority of results with as little effort and business implications as possible, also known as the 80/20 rule of agility. The aim is to create a distinctive culture that promotes value creation.

By centralising Oman's oil and gas investments with a single leadership team, the intention is to create a national champion with enhanced resilience, project development and delivery, operational excellence, and marketing and financing capabilities, thereby creating a platform for sustained and resilient profitability centred around an optimised energy company.

Strategy

Against the backdrop of an unprecedented and challenging time for the oil and gas industry globally in 2020, mainly resulting from the Covid-19 pandemic, the Group initiated a number of immediate actions, including its divestment strategy and several cost reduction efforts in order to offset the short-term effects of the challenging market condition and revised its corporate strategy.

The Group decided to revise some of its growth plans with the aim of creating a more resilient portfolio incorporating an accelerated energy transition scenario with a business aligned to the Oman Vision 2040 of creating a sustainable and profitable business.

In addition to its nine core integrated businesses identified above, the Group maintains a legacy portfolio of investments in non-core and non-integrated businesses in which the Group has invested a total of U.S.$3.5 billion (OMR 1.3 billion) as at 31 December 2020. It is part of the Group's strategy to rationalise its portfolio of non-core assets and to maximise the value of those assets over the medium term.

The path of this transformation focuses on the six pillars set out below:

Divestment	OQ's divestment strategy aims to reduce the Group's net debt to EBITDA ratio to less than 3.0 by early 2023 by using proceeds from the monetisation of select assets, including through the completion of complete divestments in certain assets or dilution of investments through selling a portion of the equity interests held in certain assets, including through pursuing the privatisation of certain of the Group's operating assets through initial public offerings, partial divestments or sales to investors. The Group's divestment strategy contemplates that the majority of the net proceeds realised through the divestment strategy will be used for debt repayment and the balance of the net proceeds will be used for selective growth opportunities or dividends.
Project delivery	A single steering committee has been established which is responsible for project delivery across the integrated core companies which is intended to eliminate the duplication inherent in each company focusing on its own project as well as enabling the deployment of project specialists on multiple projects and the benefits of shared learning and practices.
Balance sheet optimisation	Funding will be managed at the OQ level across the integrated core companies with a view to optimising both sources of funding and funding opportunities and improving returns on deposits. Where appropriate, project finance and other debt may still be raised at an entity level, although the intention is to develop a deleveraged capital structure that fits a more resilient business. See further "—*Funding strategy*" below.
Downstream margin	Achieving downstream operational and commercial excellence (in particular in refining). The Group's objective is to be in the first quartile for profitability among refining businesses worldwide. A dedicated task force consisting of OQ's management and representatives from different functions has been established to introduce specific initiatives to improve the profitability of the refining business.
New business	Developing new and existing businesses, principally targeting alternative energy, retail and asset-backed trading. In particular, in June 2020 the Group announced the formation of its new AE business unit. OQ's retail and alternative energy teams were staffed and

commenced their work in 2020.

This segment is intended to leverage the Group's broad asset base, its integration capabilities and organic growth to reduce the Group's exposure to oil and gas volatility and reduce its future carbon footprint. The AE operating model is organised around three pillars: power and gas optimisation, energy assets and green molecules.

Initially, AE intends to commercially optimise the Group's general power sourcing for its facilities with a view to increasing the Group's overall energy efficiency. In parallel, AE intends to transform the Group's use of energy, through the use of renewable energy sources, waste-to-energy and/or efficient water treatment projects. AE will initially focus on OQ assets and intends to explore the prospects for both local and international growth. Therefore, the green molecules pillar envisages the delivery of an industrial roadmap for OQ, which may include, for example, the production of green hydrogen and green ammonia.

The Group's existing retail business represents an important potential growth pillar. The retail and commercial fuel network and related product distribution of both OOMCO and Hass Petroleum (which is 40 per cent. owned by OQ through OQ Trading and through which OOMCO sells lubricants) spans 12 countries and supports 345 retail outlets. As part of the energy transition strategy, OQ is seeking to expand its retail and commercial footprint to new markets. The OQ retail team, as part of the new commercial operating model, together with OOMCO is reviewing a number of strategic initiatives, including potential international investment opportunities aiming at expanding in selected countries in the Middle East, Africa and Asia with high growth prospects. See further "*—Retail and commercial fuel and related-product distribution*".

Digitisation

OQ believes that integration of technology across the core businesses is of critical importance. To date, the Group has rolled out a single enterprise resource planning system across the integrated Group, a single corporate portal for all employees in the integrated Group and the rollout of unified communication, video conferencing and e-mail systems across the integrated organisation. During 2020, the digitalisation team identified and executed a series of initiatives aimed at generating immediate benefits, such as the Digital Workplace Program, which aims to reduce energy waste. In the longer term, the Group plans to develop a comprehensive ICT strategy, an enterprise cloud strategy, an ICT security strategy and an innovation/digitisation strategy.

INVESTMENT HIGHLIGHTS

OQ believes that the integration process will, when complete, deliver a fully integrated energy-related Group that is able to leverage a key set of strengths to unlock value for all stakeholders. These strengths include:

Large-scale national champion

The Group is a large-scale, government-owned, national champion operating in the hydrocarbons sector in Oman. It is:

- a significant producer of oil and gas in Oman. The Group has participating interests in four producing blocks, one non-producing block and five exploration blocks both onshore and offshore Oman. The Group has in the past benefitted from, and may continue to benefit from, Government back-in rights. The Government has a back-in right to each exploration block in Oman once declaration of commerciality has been made in respect of that block. The working interest of the back-in right varies between 20 per cent. and 40 per cent. based on the agreement made in relation to each block. When exercising its back-in right, the Government nominates a Government company to represent the

Government's working interest. Historically, this company was OQEP, although there can be no assurance that OQEP will continue to be the beneficiary of any or all future back-in rights exercised by the Government. The Government currently has back-in right on 13 blocks that do not yet have declarations of commerciality in place;

- the owner and operator of both of Oman's refineries and provides all of Oman's domestic market refined petroleum product requirements. It is also, as part of a 50:50 joint venture with KPE, constructing Oman's third refinery and is engaged in expanding the production of Oman's petrochemical products through the construction of a new petrochemical complex, which is nearing completion; and

- the exclusive operator and owner of almost all of Oman's gas transportation system and plays a critical role in the Omani economy by ensuring the transportation of gas to essential industrial sectors, including power and desalination plants and oil-based and other industrial operations (including refineries and petrochemical, fertiliser, steel and cement plants).

A strategic asset for the Government

OQ is wholly owned by the Government, through the OIA, and plays a fundamental role in the stewardship of the Government's oil and gas exploration, development and production, gas transportation and refineries and associated petrochemical plants in Oman. The Group has a critical role within Oman's economy and the Company estimates that the Group's contribution to Oman's nominal GDP in 2019 was 4.4 per cent. The Group's mandate from the Government is to continue to invest with a view to diversifying Oman's economy and promoting Omani and foreign direct investment.

OQ's Board is appointed by its shareholder and its CEO is appointed by the Board.

The Group also plays a significant role in realising the Government's socio-economic objectives in areas such as:

- in country value (for example, the Group provides opportunities to small and medium-sized enterprises across the value chain, increases employment opportunities in Oman and provides skilled job opportunities for Omani nationals);

- environmental impact management through its strong focus on environmental protection;

- achieving balanced development across the various regions in Oman; and

- capabilities development, by introducing technologies and applications previously not deployed in Oman, for example through its LPIC project and through its Duqm refinery project.

Government support for the Group is also significant and includes:

- equity injections into OQ totalling U.S.$8.9 billion (OMR 3.4 billion) to date, back-in rights to a number of producing oil and gas blocks as described under "*—The Group's core businesses—Core upstream businesses—Oil and gas exploration, development and production*", asset transfers including the transfer of 75 per cent. of the share capital of OQRPI as well as the transfer of the Omani gas transportation network to OQGN, interests in various oil and gas blocks to OQEP and shareholder loans provided to OQ and certain of its subsidiaries;

- financial support to the Duqm Refinery project through a backstop guarantee provided by the Ministry of Finance in respect of any obligations of OQ under the completion guarantee, as well as an income tax exemption by the Ministry of Finance estimated to be valued at approximately U.S.$1.5 billion (OMR 580 million) over the life of the project;

- historic support provided to OQRPI in the form of (i) deferred payment terms under its crude oil supply arrangements and (ii) financing support for the debt incurred to construct OQRPI's aromatics plant through a debt service undertaking as well as a guarantee from the Ministry of Finance in the amount of U.S.$490 million (OMR 190 million);

- the provision of equity support both for the LPIC project and the SRIP and other guarantees and indemnities provided by the Ministry of Finance to support OQRPI's projects since 2011 (in total the amount of such support aggregates U.S.$3.5 billion (OMR 1.3 billion)); and

- support for the LPIC project through a debt service undertaking in respect of all payments due under the financing documentation up to project completion and subordination of a part of the payments to be made by the Group to the MoEM for the gas supply to the LPIC project that will be required when that project becomes operational in favour of the lenders to that project.

The Group itself represents a consolidation of a number of separate Government-owned assets with a view to leveraging significant operational and commercial synergies. As a Government-owned entity, the Group is entitled to a number of corporate tax exemptions at the asset level and benefits from higher single obligor limits permitted to domestic banks in relation to such entities.

High quality upstream business

The Group's upstream business principally comprises oil and gas exploration, development and production through OQEP and gas transportation in Oman through OQGN.

OQEP is the principal contributor to the Group's consolidated Adjusted EBITDA, contributing 68.6 per cent. of Adjusted EBITDA in 2020. Adjusted EBITDA is an APM and is not a measure of performance under IFRS, see "*Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information*".

Reflecting the Government's policy of incentivising the exploration of gas in Oman by providing a stable, predictable gas price framework, OQEP sells gas from Blocks 9, 60 and 61 to the Government on a paid-as-produced basis for the life of the licence at fixed escalating gas prices.

OQGN, which is Oman's gas transportation company, has, since 2018, operated under the internationally-recognised RAB framework which is described under "*—The Group's core businesses—Core upstream businesses—Gas transportation*" below. The RAB framework provides a direct payment obligation from the Government. OQGN receives its allowed revenues under the RAB framework on a cost-reflective basis that ensures a guaranteed level of return for it based on its RAB asset value. This provides both certainty of return and eliminates exposure to both volumes transported, reflecting the fact that OQGN charges for the transportation capacity which it makes available, and volatility in gas prices, as OQGN does not own the gas transported, see "*—The Group's core businesses—Core upstream businesses—Gas transportation*" below. The value of the RAB as at 31 December 2020 was U.S.$2.5 billion (OMR 963 million).

However, see also "*Risk factors—Risks relating to the'Group and its strategy—The Group is exposed to fluctuations in the prices of the commodities that it uses and trades*" and "*Risk factors—Risks relating to the Group and its strategy—The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group*".

Strategically integrated across the hydrocarbons value chain

The Group is a diversified and strategically integrated entity operating across the hydrocarbons value chain, including: exploration and production through OQEP; refining and petrochemicals production through OQRPI; specialty chemicals production through OQ Chemicals; methanol production through OQ Methanol; gas transportation in Oman through OQGN; fuel and related product distribution and marketing in Oman through OOMCO; and hydrocarbon product trading internationally through OQ Trading.

The Group's refineries and petrochemical plants in Oman benefit from both security of supply of feedstock and an integrated source of feedstock supply. For example, the supply of the principal feedstocks (including crude oil and natural gas) required for these assets is secured through long-term contractual agreements with the Government and Oman's extensive infrastructure helps to ensure uninterrupted supply of these feedstocks.

In addition, the Group's petrochemical plants benefit from an integrated source of feedstock supply. For example, the primary feedstocks for the Group's polypropylene and aromatics plant (propylene and naphtha, respectively) are produced captively in the Group's Sohar refinery. Upon completion of the LPIC project, all of the rich gas, LPG and refinery dry gas feedstock required by the plant will either be supplied through agreements with the Government or from within the Group's downstream assets in Sohar. The LPIC project will also produce products such as MTBE, which is a component for gasoline blending and may be routed to the Sohar refinery, and Butene-1, which is required by the Group's Sohar petrochemical plant for co-monomer use. Due to the interconnectivity of its assets, the Group is able to achieve many cost saving advantages through economies of scale.

However, see "*Risk factors—Risks relating to the Group's oil and gas business—The Group needs to maintain high-capacity utilisation rates in its refineries and petrochemical and specialty chemical plants and is vulnerable to disruption in the supply of feedstocks to those facilities*".

The Group also benefits from OQ Trading, its well-established trading business that is able to offtake oil production as well as a range of petrochemical and other products from the Group and is also able to source feedstock for the Group, affording the Group significant operational flexibility to react to market conditions and obtain optimal netbacks and margins. OQ Trading also provides input into investment planning for long-term projects with insights locally from demand centres such as China as well as short-term insight into supply and demand changes and market dynamics in different regions.

World-class business development and established strategic partnerships

OQ was incorporated in Oman in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. In the nearly 25 years since then, it established two significant and successful businesses, OQ Trading (in 2006) and OQEP (in 2009), acquired OOMCO (in 2003) and OQ Chemicals (in 2013) and has been granted by the Government two other major Omani businesses, OQGN (in 2013) and OQRPI (in 2019).

In 2012, OQ established OQ8 as a 50:50 joint venture. OQ8 is undertaking a refinery project at Duqm, which is expected to complete construction in 2022. The Group is also undertaking or has completed other significant projects, including a 3,000 MT per day natural gas-based methanol plant located in Salalah (which it completed in 2010), an ammonia plant of 1,000 MT per day capacity which is being built adjacent to the methanol plant and an ongoing project to extract and produce LPG from rich natural gas and re-deliver lean gas in Salalah.

All of the businesses mentioned above are core businesses for the Group.

Many of the Group's investments have been or are being made in conjunction with major international partners, including:

- Oxy, BP, Shell and Eni and other major international oil companies with whom the Group has oil and gas exploration, development and production joint ventures; and

- KPE, with whom the Group is building a new refinery in Oman.

The Group's divestment strategy from 2021 presents an opportunity for the Group to realise certain investments in its assets. A number of the transactions contemplated under the Group's divestment strategy are partial divestments, with the Group retaining a non-controlling interest in the asset. The Group aims to sell equity stakes in such assets to experienced industry partners that can optimise the value from assets or sell down its holding in other assets through initial public offerings.

Diversified international footprint with excellent export market access

The Group has a significant international presence through two of its core businesses: OQ Chemicals, which is the leading producer of Oxo intermediates and derivatives for the merchant market globally[8], and OQ Trading.

OQ Chemicals has a strong global production footprint with six state-of-the-art manufacturing sites on three continents, two in northwest Germany (Oberhausen and Marl), two in the United States Gulf Coast (Bay City and Bishop) and one each in The Netherlands (Amsterdam) and China (Nanjing). In addition, it has six commercial offices, in Houston, Mexico City, Monheim, São Paulo, Singapore and Tokyo. The Group believes that OQ Chemicals' facilities are strategically located in order to ensure a secure supply of raw materials and facilitate the cost-efficient transport of finished goods by truck and rail. Barge and sea vessel transport is enabled through long-term service partners operating OQ Chemicals' logistics hubs in locations such as Antwerp and Houston.

OQ Chemicals' customer base is broad, with close to 1,000 customers and the top ten accounting for approximately one third of the total annual sales volume. In 2020, the majority of OQ Chemicals' sales revenue was generated in its home markets, with Europe representing 46 per cent., North America representing 33 per cent. and the Asia Pacific region representing 17 per cent. OQ Chemicals' customers are currently served by a global sales and marketing team comprising around 40 employees and organised regionally.

OQ Trading is headquartered in the Dubai International Financial Centre and has offices located across key markets and trading hubs, including Shanghai, Singapore, Muscat, Rotterdam and Houston.

In 2020, OQ Trading had over 500 active trade counterparties. Its customer base covers most major industry participants around the world and it deals directly with refiners, international oil companies, national oil companies, government procurement agencies, trading houses, financial institutions, and wholesale and specialised/niche product suppliers.

As a strategic partner to OQRPI, OQ Trading manages all of OQRPI's international trade for refined products and aromatics. This includes procuring all feedstocks, blend components and trading all finished product exports for OQRPI. OQ Trading is also the sole offtaker for all of OQEP's oil and condensate production and all of OQ Methanol's production of methanol.

As part of the integration into the commercial function, the Group is combining the trading operations of OQ Trading, the hydrocarbon supply chain management and marketing functions of OQRPI, which offers differentiated polypropylene and polyethylene products and solutions to markets across the globe, and OQ Chemicals' marketing function, which generated sales of U.S.$1.2 billion (OMR 462 million) in 2020, under a single commercial function that will manage supply and trading, global planning and performance chemicals across the Group's integrated core companies.

Well-defined financial strategy for balance sheet optimisation and deleveraging

The Group's financial strategy is focused on deleveraging and debt sustainability. As at 31 December 2020, OQ's cash and cash equivalents and short-term deposits amounted to OMR 664 million and its net cash from operating activities in 2020 amounted to OMR 528 million.

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8 Management estimate derived from total plant capacity as the total volume OQ Chemicals is able to produce to the demand that is excluding captive precursor volumes within the value chain. The largest producer, BASF, consumes the majority of its production captively meaning that OQ Chemicals has a larger share of direct merchant sales.

Historically, the Group has focused on re-investment in its business rather than the payment of dividends. From 2021, its current focus is on executing the Group's divestment strategy, funding its projects and financial obligations, including refinancing existing indebtedness, with a long-term funding plan of securing funding self-sufficiency, using internally generated cash, raising additional debt or equity through a diversified set of funding resources, including Notes issued under the Programme, divestments of non-core and certain core companies in line with the Group's divestment strategy and partnerships with major international companies.

The Group believes that it will be in a transformative phase for around the five years from and including 2021 to and including 2025 that will be characterised by growth and development throughout the business based on currently anticipated capital expenditure, which is currently expected to be in the region of U.S.$7.9 billion over the period. The financing of this anticipated capital expenditure is currently expected to be achieved both through project finance debt in relation to specific projects undertaken and the Group's long-term funding plan. The Government, as the Group's indirect shareholder through the OIA, is not currently expected to inject equity to support the funding of the Group's capital expenditure or other expenses.

The Group's existing debt is diversified across its portfolio of core and non-core companies which reduces its exposure to any individual company. Although OQRPI accounted for 57 per cent. of the Group's total loans and borrowings as at 31 December 2020, the Group believes that this exposure is mitigated by the fact that a significant proportion of this debt is project finance debt relating to projects that have already been completed and OQRPI's only project currently pending completion, the LPIC project, is expected to complete in 2021.

As the Group's major projects complete in the coming years, the Group expects to accelerate its deleveraging process.

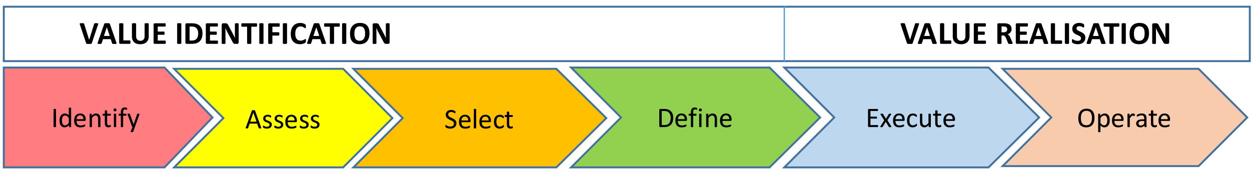
Experienced management team with significant industry experience

The Board comprises six directors, all of whom were appointed in August 2020. Two members, including the chairman, have significant experience in the oil and gas industry and the chairman is also the previous Deputy CEO of OQ, see "*Management and employees—Management—Board of directors*".

The Group's senior management comprises ten members, all of whom have significant experience in the oil and gas industry. The CEO's career in the oil and gas industry spans almost 20 years, including at the initiation and establishment of OQ Trading in 2005. For further details of each member of the Group's senior management team, see "*Management and employees—Management—Senior management*".

INVESTMENT PROCESS

OQ's investment process from initial idea or opportunity through to value realisation comprises six stages which are summarised in the chart below.



Identify

The Group actively seeks business opportunities to consolidate and develop its portfolio. These opportunities may include capital projects development, acquisitions, divestments or any other form of investment that meets the Group's strategy. Once identified, potential investments are first screened by the Business Opportunities Manager for the relevant business line in the Finance and Strategy function. If approved by the business line CEO, the investment proceeds to the second stage.

Assess

Any investment or divestment which has been identified as having potential value and aligning with the Group's strategy is subjected to a more detailed assessment by the project team that identifies the investment or divestment. This is supported by expertise from other functions, such as Projects or Finance and Strategy, or by an internal or external specialist as required. The purpose of the assessment is to ensure that the investment or divestment is both technically and economically viable and commercially attainable and that the investment or divestment is the most appropriate way to proceed.

Select

The aim of the assessment process is to generate and evaluate investment or divestment options which are then presented to the relevant business line CEO, along with a recommendation from the relevant Business Opportunities Manager. If the business line CEO approves any of the options presented, the investment or divestment proceeds to the next stage.

Define

Once a preferred option has been identified, further work is undertaken by the project team. For a capital project, the team is led by a Project Director and focuses on the technical scope and cost of development of the proposed project. In the case of a financial investment, such as an acquisition, the team is led by the Business Opportunities Manager and focuses on the commercial terms of the proposed investment.

Once the proposed transaction is fully defined, it is presented to the Board for a final decision.

Execution and operation

In the case of a development project, this stage involves monitoring the development and ensuring that it progresses in line with the agreed scope and schedule and the development work meets the required quality and safety standards. In the case of a financial investment, this involves any necessary post-acquisition integration work, any necessary rationalisation and execution on any synergies identified at the time of acquisition. Once the project becomes operational and, for a financial investment, the post-acquisition integration is complete, it involves monitoring the business and ensuring that performance is in accordance with the specifications, targets and/or business plans.

FUNDING STRATEGY

The Group's funding strategy is based on its business plan and projects which have passed the final decision milestone. The funding strategy includes incurring capital and investment expenditure to fund its projects and its financial obligations, including refinancing existing indebtedness. The Group's long-term funding plan is developed on the basis of funding self-sufficiency, using internally generated cash, raising additional debt or equity, divestments and partnerships and is focused on diversifying funding sources to execute growth projects while sustaining a sound capital structure, with the aim of creating a more resilient portfolio incorporating an accelerated energy transition scenario with a business aligned to the Oman Vision 2040 of creating a sustainable and profitable business. The establishment of the Programme is an example of the Group diversifying its funding sources.

The Group believes that it will be in a transformative phase for around the five years from and including 2021 to and including 2025 that will be characterised by growth and development throughout the business based on currently anticipated capital expenditure, which is currently expected to be in the region of U.S.$7.9 billion over the period. The financing of this anticipated capital expenditure is currently expected to be achieved both through project finance debt in relation to specific projects undertaken and the Group's long-term funding plan. The Government, as the Group's indirect shareholder through the OIA, is not currently expected to inject equity to support the funding of the Group's capital expenditure or other expenses.

THE GROUP'S CORE BUSINESSES

Introduction

The Group's core businesses are focused on upstream oil and gas exploration, development and production and gas transportation in Oman and downstream oil refining and petrochemical and specialty chemical production. In addition, the Group has a significant oil, petroleum product and petrochemical trading business. Each of these core businesses has historically been independently managed, although see "*—Integration and strategy*" above for a discussion of the Group's ongoing integration project in relation to these businesses.

Core upstream businesses

The Group's upstream business is led by Othoman Al Balushi, who is the Acting CEO of the upstream business. Othoman is supported by an experienced senior management team with responsibility for seven upstream departments: Technical Services, HSE, Surface Facilities, Exploration & Production, Gas Network, Joint Ventures, and Business Development.

The Group has two core upstream businesses: (i) oil and gas exploration, development and production and (ii) gas transportation in Oman. Each of these businesses is described below.

Oil and gas exploration, development and production

Overview

The Group's oil and gas exploration, development and production business is conducted by OQEP and comprises:

- participating interests in four producing blocks in Oman: Block 9, Block 53 (Mukhaizna), Block 60 (Abu Tubul) and Block 61;
- a participating interest in the producing Dunga field in Kazakhstan;
- service contracts in relation to two producing assets in Oman, the Rima and Karim small fields, and a service contract with the Government in relation to Block 8; and
- six exploration assets, Blocks 30, 42, 47, 48, 52 and 65 in Oman.

The table below shows summary information relating to the total gross oil and gas production for each of the four producing blocks in Oman and the Dunga oil field in Kazakhstan in which OQEP participates in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended/as at 31 December		
	2020	**2019**	**2018**
Oil/condensate gross average daily production			
Operated (Block 60) (*bpd thousands*)	15.2	8.3	5.3
Non-operated (*bpd thousands*)	220.5	248.0	248.3
of which:			
Block 9	*83.2*	*88.8*	*87.6*
Block 53	*90.7*	*111.7*	*116.3*
Block 61	*34.1*	*33.0*	*28.9*
Dunga field	*12.5*	*14.5*	*15.5*
Total (*bpd thousands*)	**235.7**	**256.3**	**253.7**

Gas gross average daily production			
Operated (Block 60) (*scfpd millions*)	39	48	61
Non-operated (*scfpd millions*)	956	1,026	936
of which:			
Block 9	*37*	*42*	*40*
Block 61	*920*	*984*	*896*
Total (*scfpd millions*)	**995**	**1,074**	**997**

The table below shows summary information relating to the proved and probable (**2P**) working interest reserves of four producing blocks in Oman and the Dunga oil field as at 31 December in each of 2020, 2019 and 2018.

	Year ended/as at 31 December		
	2020	**2019**	**2018**
Reserves as at 31 December			
2P Working Interest Reserves (*boe millions*)	951	922	917
of which:			
Block 9 (*per cent.*)	13	8	10
Block 53 (*per cent.*)	11	9	11
Block 60 (*per cent.*)	16	17	11
Block 61 (*per cent.*)	58	64	66
Dunga field	2	2	2

The table below shows summary information relating to OQ's working interest oil and gas production for each of the four producing blocks in Oman in which OQEP participates in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended/as at 31 December		
	2020	**2019**	**2018**
Oil/condensate working interest average daily production			
Operated (Block 60) (*bpd thousands*)	15.2	8.3	5.3
Non-operated (*bpd thousands*)	68.3	75.1	77.4
of which:			
Block 9	*37.4*	*40.0*	*39.4*
Block 53	*18.1*	*22.3*	*23.3*
Block 61	*10.2*	*9.9*	*11.6*
Dunga field	*2.5*	*2.9*	*3.1*
Total (*bpd thousands*)	**83.5**	**83.4**	**82.7**
Gas working interest average daily production			
Operated (Block 60) (*scfpd millions*)	38.8	47.9	61.1
Non-operated (*scfpd millions*)	292.5	314.1	376.5
of which:			
Block 9	*16.5*	*18.9*	*18.1*
Block 53	—	—	—
Block 61	*276.0*	*295.2*	*358.4*
Total (*scfpd millions*)	**331.3**	**362.0**	**437.6**

As at 31 December 2020, the Group's 2P entitlement reserves (being the total technical reserves less the Government's share) were approximately 562 million boe.

Principal exploration and production assets

OQEP's principal interests are Blocks 9, 53, 60 and 61 in Oman and the Dunga oil field in Kazakhstan, each of which is described in more detail below.

Block 9

In January 2017, OQEP was granted (by way of free back-in rights from the Government) a 45 per cent. working interest participation in Block 9, which is operated by Oxy which has a 50 per cent. participation. One other partner, Mitsui E&P Middle East B.V., holds the remaining 5 per cent. participation in Block 9. The block, which is located onshore in northern Oman, mainly includes the producing Safah field discovered in 1983 and the Wadi Latham area (Jalal, Rayyan, Al Barakah and Jadwal key fields). The block produces light oil, natural gas and condensate.

The Block 9 licence is an exploration and production sharing agreement (**EPSA**) entered into for 15 years in 2015, expiring on 31 December 2030. Under the licence, the Government purchases all of the natural gas produced in the block.

As at 31 December 2020, the gross 2P reserves of Block 9 amounted to 263 million barrels of oil and 76 billion scf of gas (equivalent to 12.97 million barrels of oil). OQEP's working interest reserves at the same date were 118 million barrels of oil and 34 billion scf of gas (equivalent to 5.84 million barrels of oil).

Block 9 first produced in 1984 and its average daily gross production in 2020 amounted to 83.24 thousand bpd of oil and 37.0 million scfpd of gas. The table below shows OQEP's working interest in the average daily gross production from Block 9 and the amount of its entitlement sales gas and its oil lifted by OQ Trading in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
Working interest oil (*thousand bpd*).....	37.4	40.0	39.4
Working interest gas (*million scfpd*).....	16.7	18.9	18.1
Lifted oil(1) (*thousand bpd*)	22.7	21.3	18.4
Entitlement sales gas(1) (*million scfpd*) .	4.8	4.2	2.2

Note:

(1) Lifted amounts of oil and amounts of entitlement sales gas are significantly lower than the working interest share as the working interest share does not take account of the Government's share of production.

Mukhaizna (Block 53)

Mukhaizna is a thermal heavy oil development located in south eastern Oman in Block 53. In September 2005, the parties to the production sharing agreement (**PSA**) implemented a large-scale steam flood in the field, which is operated by Oxy which has a 47 per cent. working interest in the PSA. OQEP holds a 20 per cent. working interest. The other partners are Indian Oil Company Limited (17 per cent.), Liwa Energy Limited (15 per cent.) and Partex (Oman) Corporation (1 per cent.). The Mukhaizna block licence duration is 30 years, with a ten-year renewal option.

The main oil reserves in the field are located in the Gharif reservoir. Currently, around 842 producer/injector patterns are completed within Gharif with a total steam injection of 580 thousand barrels of steam per day and oil production of 90.8 thousand bpd. Other reservoirs are under development.

As at 31 December 2020, the gross 2P reserves of Block 53 amounted to 503 million barrels of oil. OQEP's working interest reserves as at the same date were 101 million barrels of oil.

Mukhaizna first produced heavy oil in 2005 and its average daily gross production in 2020 amounted to 90.8 thousand bpd. The table below shows OQEP's working interest in the average daily gross production from Mukhaizna and the amount of its entitlement oil lifted by OQ Trading in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
Working interest oil (*thousand bpd*)..	18.1	22.3	23.3
Lifted oil[(1)] (*thousand bpd*)...............	11.8	13.3	12.3

Note:

(1) Lifted amounts of oil are significantly lower than the working interest share as the working interest share does not take account of the Government's share of production.

Block 60

OQEP has entered into a 30-year EPSA which expires in 2041, subject to a ten-year extension if the block is still producing, to hold and operate 100 per cent. of Block 60, which is located onshore in west central Oman and contains the three discovered and producing fields (the Abu Butabul gas and condensate field, the Abu Butabel south oil field and the Bisat oil field). The Abu Butabel gas production facility was commissioned in December 2014 and the Bisat oil station was commissioned in July 2019. Under the licence, the Government purchases all of the natural gas produced by the field.

As at 31 December 2020, the gross 2P reserves of Block 60 amounted to 104 million barrels of oil and 298 billion scf of gas (50.7 million boe). OQEP's working interest reserves at the same date were 104 million barrels of oil and 298 billion scf of gas (50.6 million boe).

Block 60 average gross production in 2020 amounted to 15.2 thousand bpd of oil and 38.8 million scfpd of gas. The table below shows OQEP's working interest in the average daily gross production from Block 60 and the amount of its entitlement sales gas and its oil/condensate lifted by OQ Trading in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
Working interest oil/condensate (*thousand boepd*)	15.2	8.3	5.3
Working interest gas (*million scfpd*).......	38.8	47.9	61.1
Lifted oil/condensate[(1)] (*thousand boepd*)	15.1	8.3	5.3
Entitlement sales gas[(1)] (*million scfpd*) ...	38.8	47.9	61.1

Note:

(1) Lifted amounts of oil and amounts of entitlement sales gas are significantly lower than the working interest share as the working interest share does not take account of the Government's share of production.

The current field development plan aims to increase oil and condensate production to 37 thousand boepd in 2022 and to continue additional oil exploration drilling in the block.

Block 61

Block 61 is a natural gas field located onshore in central Oman. There are four tight gas reservoirs in the field which sit at depths of between 4,000-5,000 metres. BP was awarded the block in 2007 and has a participation of 60 per cent. OQEP holds a 30 per cent. participation and PC Oman Ventures Limited, a wholly owned subsidiary of Malaysian Company Petroliam Nasional Berhad (Petronas), acquired a 10 per cent. interest from OQEP in January 2018.

The Block 61 licence is an EPSA entered into in 2007 and amended in 2013 which has a term of 30 years expiring in 2043 subject to a ten-year extension if mutually agreed. Under the licence, the Government has the right of first refusal over all natural gas produced by Block 61.

As at 31 December 2020, the gross 2P reserves of Block 61 amounted to 280 million barrels of oil and 9,237 billion scf of gas (equivalent to 1,570 million barrels of oil). OQEP's working interest reserves at the same date were 84 million barrels of oil and 2,771 billion scf of gas (equivalent to 471 million barrels of oil).

Block 61 first produced in 2010 and its average gross production in 2020 amounted to 34.1 million boepd of condensate and 920.0 million scfpd of gas. The table below shows OQEP's working interest in the average daily gross production from Block 61 and the amount of its entitlement sales gas and its condensate lifted by OQ Trading in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020(1)	2019(1)	2018(1)
Working interest condensate (*thousand boepd*) .	10.2	9.9	11.6
Working interest gas (*million scfpd*)..................	276.0	295.2	358.4
Lifted condensate(2) (*thousand boepd*)...............	8.9	8.6	9.6
Entitlement sales gas(2) (*million scfpd*)	235.4	254.5	309.0

Notes:
(1) OQEP's working interest share was 30 per cent. in 2019 and 2020 and 40 per cent. in 2018.
(2) Lifted amounts of condensate and amounts of entitlement sales gas are significantly lower than the working interest share as the working interest share does not take account of the Government's share of production.

An extension development plan in relation to Block 61 has been approved by all parties including the MoEM and the final investment decision was approved at the start of 2018. The extension development plan envisages drilling 100 vertical wells and the construction of a third gas train with a 500 million scfpd plateau rate for 11 years. The first natural gas production from Ghazeer was commissioned on 8 October 2020. With its high CGR properties, Ghazeer is expected to produce about 65,000 barrels per day. The extension is expected to add 3,500 billion scf of sales gas and 175 million boe of condensate.

Dunga oil field

The onshore Dunga oil field is located approximately 50 km north of Aktau in western Kazakhstan. Production from the field was initially governed by a 30-year PSA expiring in 2024 to which OQ was a party. In July 2019, the Dunga PSA was granted a 15-year extension until May 2039 which included a phase 3 development programme in the field. Dunga is currently operated by Total E&P Dunga GmbH (60 per cent. participating interest) after acquiring Maersk Oil & Gas A/S in 2017. Both OQ and PTTEP (Kazakhstan) Corporation have 20 per cent. participating interests in the field, with OQ's interest being managed by OQEP.

As at 31 December 2020, the gross 2P reserves of the Dunga oil field amounted to 83 million barrels of oil. OQEP's working interest reserves as at the same date were 17 million barrels of oil.

The Dunga oil field's average daily gross production in 2020 amounted to 12.5 thousand bpd. Oil production in 2020 was affected by the Kazakhstan Ministry of Energy's oil curtailment plan implemented from May 2020 to December 2020 as a result of the OPEC+ agreement. The table below shows OQEP's working interest in the average daily gross production from the Dunga oil field and the amount of its entitlement oil lifted in each of the years ended 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
Working interest oil (*thousand bpd*)..	2.5	2.9	3.1
Lifted oil(1) (*thousand bpd*)	2.1	2.5	2.7

Note:
(1) Lifted amounts of oil are significantly lower than the working interest share as the working interest share does not take account of the Government's share of production.

Other exploration and production assets

OQEP's other exploration and production assets comprise:

- a service contract relating to Karim Small Fields, which produces heavy oil from six fields in southern Oman, and a service contract relating to Rima Satellite Small Fields, which produces heavy oil from seven fields in southern Oman. Under the service contracts, OQEP through its contractors (MedcoEnergi in the case of Karim Small Fields and Petrogas Rima LLC in the case of the Rima Satellite Small Fields) operates on behalf of PDO to develop these marginal fields in order to produce oil and explore any upside potential to increase the reserves in these fields. OQEP receives 25 per cent. of the total profit fees paid to each contractor. Further, should any additional reserves be identified, OQEP will receive 25 per cent. of the reserve award paid to the relevant contractor. The service contracts do not entitle OQEP to any production or reserves of the respective fields;

- a service contract with the Government in relation to Block 8 under which OOPEC's operating costs are reimbursed and it receives a margin fee. This service contract also does not entitle OQEP to any reserves of Block 8. The service agreement with the Government became effective as of January 2019 and is automatically renewed until the Government replaces OQEP with another entity to operate the Block pursuant to the terms of the EPSA;

- Block 30, which is a natural gas field located in northern Oman and is adjacent to Block 62. Oxy was awarded the block in November 2017 and has a participation of 72.86 per cent. OQEP holds the remaining 27.14 per cent. participation. The first exploration phase was extended to April 2021. Development options for the block are currently under assessment;

- Block 42, which is an onshore area located in eastern Oman. OQEP entered the first exploration phase 2012-2017 with a 100 per cent. participating interest and drilled two wells that were dry. In May 2017, OQEP entered a heads of agreement with Shell for a farm-in option for the Block 42 exploration licence. An amended EPSA was entered into in January 2019 which extended the second exploration phase for the Block 42 licence for a period of three years; Shell and OQEP both have 50 per cent. working interest with Shell acting as operator. A Sultani Decree was issued on 23 January 2019 giving effect to the second exploration phase. The amended EPSA also included a recently relinquished sector of Block 3. The phase 2 exploration commitment comprises the acquisition of 1.350 km of 2D seismic data and the drilling of one firmed exploration well and one contingent well. The operator started acquiring the 2D seismic data in October 2019 and this was completed in February 2020. Processing of the seismic data has been completed and drilling activity is currently being prepared;

- Block 47, which is an onshore area located in northern Oman. In early 2019, Eni and OQEP entered into a joint operating agreement with participating interests of 90 per cent. and 10 per cent., respectively. Eni is the operator. The first five-year exploration phase commitments comprise acquiring 750 km of 2D seismic data and drilling one exploration well. Following approval from the MoEM, geological studies have commenced. The Sultani Decree awarding the block was issued on 25 March 2020;

- Block 48, which is onshore in west central Oman and in which the Group has a 100 per cent. participation. OQEP entered into an EPSA in 2017 for a three-year exploration period which was extended for a further three years from 19 March 2020. By 31 December 2019, OQEP had completed all the minimum work obligations of the first exploration period, including seismic reprocessing, geoscience studies and drilling an exploration well. The EPSA minimum work obligation for the second exploration period is to drill two additional exploration wells. OQEP is also planning to commence a 3D seismic survey to better define the commercial prospects of the block. In the event of a declaration of commerciality, the EPSA term is expected to be extended for a period of 15 years from the date of the declaration of commerciality, with an optional extension right for a further five years at the end of the 15-year term;

- Block 52, which is an offshore area located in south eastern Oman that was awarded to Eni (85 per cent. participating interest and operatorship) and OQEP (15 per cent. participating interest) in December 2017. In 2019, Qatar Petroleum purchased a 30 per cent. participating interest from Eni. The three-year first exploration phase commitments comprise acquiring and processing 2,500 km^2 of 3D seismic data and drilling one exploration well. The operator has completed most of the geological and geophysical studies and acquired the full 3D seismic data and additional 2D seismic data beyond the commitment. The first exploration well, which is the first deep water well to be drilled in Oman, was drilled in the first quarter of 2020. The business partners entered the second exploration phase in the fourth quarter of 2020;

- Block 65, which is an onshore area located in northern Oman. In June 2019, the block was awarded to Oxy (72.86 per cent. participating interest and operatorship) and OQEP (27.14 per cent. participating interest). The first three-year exploration phase commitments comprise acquiring and processing 3D seismic data and drilling six wells. The operator acquired the 3D seismic data and is planning to drill commitment exploration wells in 2021; and

- the offshore Pearls block, which is located in the northern part of the Kazakhstan section of the Caspian Sea. Shell is the operator of Pearls through a joint operating company established in Aktau which holds a 55 per cent. participating interest. KazMunaiGas has a 25 per cent. participating interest and OQ holds a 20 per cent. participating interest, which is managed by OQEP. In October 2019, the shareholders determined that the field had ceased to be commercially attractive and they subsequently filed for relinquishment of the Pearls field with the Kazakhstan government in 2020. During 2020, all necessary activities were completed to relinquish Pearls contracting area to the Government. The project partners and the Ministry of Energy of Kazakhstan signed the Pearls PSA Termination Agreement with an effective date as of 31 December 2020.

In addition, OQEP is also monitoring operations in Block 62, which is located in central Oman and operated by Oxy. Block 62 currently produces 90 million scfpd of gas and 1,500 boepd of condensate. The term of the exploration/appraisal phase has gone through multiple extensions with the most recent extending the deadline to April 2021. Negotiations are continuing between the MoEM and Oxy on the terms and conditions of the declaration of commerciality, a new EPSA to be signed between MoEM, Oxy and OQ to reflect agreed amendments. Upon execution of new EPSA, OQ will be granted the right to continue to be a carried participant (20 per cent.) and elect to participate in oil or gas developments with such decision gate extended up to the end of 2024.

Sales and marketing

OQEP seeks to maximise value from the sale of oil, gas and associated products. Production is assessed on a block by block basis. All of its sales and marketing contracts are negotiated on arm's length terms after an economic assessment of the viable options open to OQEP at the time of negotiation. OQEP has in place a long-term arrangement with a sister company, OQ Trading, to provide marketing services where appropriate.

Oil and condensate

Oil and condensate from Blocks 9, 53, 60 and 61 are sold on an arm's length basis to OQ Trading. The contracts cover the entirety of OQEP's liquids production. The price is based on the Oman Official Selling Price adjusted for a differential.

Gas

Oman has been consistently incentivising the exploration of gas in the country by providing a stable, predictable gas price framework.

OQEP sells gas from Blocks 60 and 61 to the Government. The gas offtake is concluded on a paid-as-produced basis for the life of the licence. Both gas supply agreements grant a fixed escalating gas price. The Block 60 reference price started in 2011 with a price of U.S.$2.50-2.80/million Btu escalating at 2 per cent. per annum and the Block 61 reference price started in 2014 at U.S.$3.30/million Btu escalating at 2 per cent. per annum.

Competition

The upstream oil and gas industry is competitive in all its phases. Although OQEP has, to date, benefitted from the grant to it by the Government of significant back-in rights, to the extent that OQEP in the future seeks to conduct independent oil and gas exploration, development and production activities it will need to compete with numerous other oil and gas companies that may possess greater technical, physical and/or financial resources than OQEP, of which Petroleum Development Oman (**PDO**) is one.

In addition, crude oil and natural gas production blocks are typically auctioned by governmental authorities and OQEP may face intense competition in bidding for such production blocks, in particular those blocks with the most attractive crude oil and natural gas potential reserves. Such competition may result in OQEP failing to obtain desirable production blocks or may result in OQEP acquiring such blocks at a price which could result in the subsequent production not being economically viable. OQEP also currently competes with other industries that provide alternative means of energy, such as natural gas, coal and renewable energy sources. See "*Risk factors—Risks relating to the Group's oil and gas business—The oil and gas industry is competitive*".

Gas transportation

Introduction

OQGN is the exclusive operator and owner of Oman's gas transportation system. Under its concession, OQGN has the exclusive concession to own and operate a system of pipelines, metering, compressor and gas supply stations.

Since 2018, OQGN has been operating in accordance with an amended concession agreement approved by Sultani Decree 122/2020 and granted a new 50-year concession giving OQGN the exclusive rights within the Sultanate of Oman to own and operate a system of pipelines, metering, compressor and gas supply stations under a new revenue framework, based on the internationally recognised RAB framework, see "*RAB framework and allowed revenues*" below. The Authority for Public Services Regulation (formerly known as the Authority for Electricity Regulations Oman) is the regulator for gas transportation system.

OQGN transports natural gas to customers through approximately 4,000 km of gas pipelines, almost all of which operate at high pressure. In 2020, OQGN transported 35.1 billion scm of gas in Oman. OQGN plays a critical role in the Omani economy, ensuring the transportation of gas to essential industrial sectors, including power and desalination plants, oil and other industrial operations (including refineries and petrochemical, fertiliser, steel and cement plants).

Business operations

OQGN has six regional operations offices, located in Mabellah, Sohar, Fahud, Nimr, Sur and Salalah. These offices are responsible for all asset inspections and asset operations and maintenance activities in their region, as well as technical and end user support. OQGN has also recently commenced operations in Duqm through a new gas pipeline that will supply the Duqm refinery through a new gas supply station. The new pipeline was commissioned in January 2020, and the gas supply station was recently commissioned in December 2020.

In Oman, natural gas produced is typically required to be sold to the Government in accordance with the terms of the relevant production licence granted. The Government has been consistently incentivising the exploration of gas in Oman by providing a stable, predictable gas price framework for the gas which it purchases from the producers. Reflecting this, currently, OQGN's only shipper of gas is the MoEM. In each of 2018, 2019 and

2020, the MoEM booked 24 billion scm, 46 billion scm and 43 billion scm of capacity, with the significant increase in 2019 principally reflecting the transfer of additional transportation assets to OQGN from the Government.

OQGN anticipates that additional shippers may be added in the future.

As at 31 December 2020, OQGN transported natural gas to 59 connected parties in Oman across various industries including refineries, petrochemical plants, power plants, desalination plants, fertiliser plants, cement plants and manufacturing facilities, among others. OQGN's connected parties are currently primarily located in the Sohar, Muscat, Sur, Mukhaizna and Salalah areas. All gas transportation is undertaken in accordance with OQGN's terms and conditions for its transportation services, which, among other matters, provide that if OQGN fails to make gas available for offtake due to its fault it shall be liable for the value of the aggregate shortfall gas subject to an aggregate liability cap of OMR 3.5 million in any single contract year. To date, no penalties have been applied in this regard by the Regulator.

RAB framework and allowed revenues

The RAB legal framework, which OQGN has been operating under since 1 January 2018, is aimed at supporting OQGN in securing efficient funding from sources of long-term capital through the provision of a predictable tariff setting regime that provides a guaranteed, stable, cost-reflective revenue stream in proportion to OQGN's asset base and approved cost of capital, each as reviewed and set from time to time by the Regulator.

Under the RAB legal framework, OQGN's charges (referred to as its **Allowed Revenues**) are determined by the Regulator through a price control mechanism which is reviewed every three years. The first three-year price control period ended on 31 December 2020. The second price control price period is from 2021 to 2023.

Under the RAB framework, OQGN's Allowed Revenues are determined using a building block approach with the major building blocks being:

- a permitted return on RAB (at an approved weighted average cost of capital or **WACC**), which is based on the average of opening and closing RAB and includes opening fixed assets, opening capital work in progress, new additions and working capital, but excludes capital contributions from customers and asset disposals;
- an operational expenditure (**Opex**) allowance (which includes certain pass-through expenses including fuel gas cost and Regulator fees);
- a depreciation allowance; and
- a tax allowance.

Certain elements of the building blocks, such as the WACC, are fixed for each three-year pricing period and are not subject to reconciliation or adjustment either during a pricing period or between pricing periods. Other elements may be reconciled. For example, Opex is fixed for a three-year pricing period although the assumed and actual pass-through elements of Opex (such as fuel gas cost and Regulator fees) are reconciled at the end of each year within a pricing period and adjusted for in the following year. Another significant element which is subject to adjustment is capital expenditure, which is assumed for an entire three-year pricing period and reconciled with the actual costs at the end of that period. Any difference, other than a difference which is disallowed by the Regulator because it deems the difference to have arisen as a result of inefficiency on OQGN's part, is adjusted for in the following price control period.

In order to incentivise OQGN to operate efficiently, OQGN is permitted to retain efficiency gains (that is, lower Opex (excluding pass-through costs) spent within a three-year pricing period than that assumed at the start of the period) and is required to bear the cost of any Opex (excluding pass-through costs) that is higher than that assumed at the start of the three-year pricing period.

The tariff charged by OQGN is calculated by dividing Allowed Revenues by the capacity booked by the shipper (currently the MoEM is the only shipper). The tariff is expressed in OMR per millions of Btu per day and is currently is invoiced and collected on a monthly basis.

The RAB framework provides a direct payment obligation from the Government, acting through the MoEM. OQGN receives its Allowed Revenues on a cost-reflective basis that ensures a guaranteed level of return for it based on its RAB asset value. As a result, OQGN is not subject to:

- changes in the volume of gas transported, reflecting the fact that OQGN charges for the transportation capacity which it makes available; or
- changes in the price of gas purchased and sold by a shipper, reflecting the fact that OQGN does not have any ownership interest in the gas transported.

Core downstream businesses

The Group's downstream business is led by Ahmed Al Jahdhami, who is the CEO of the downstream business and the former CEO of OQRPI. Ahmed is supported by an experienced senior management team with responsibility for four downstream units: Oman Assets, International Assets, Operational Excellence, and Business Development.

The Group has six core downstream businesses:

- refining and petrochemicals production through two operating refineries and an associated petrochemicals complex, as well as a new refinery under construction as part of a joint venture with KPE and a significant new petrochemicals plant project, which is nearing completion;
- specialty chemicals production through six facilities in Europe, North America and China;
- trading of crude oil, refined products, petrochemicals, LNG and dry bulk;
- retail and commercial fuel and related product distribution;
- methanol production with an associated expansion project to produce ammonia; and
- an LNG project which is nearing completion.

Each of these businesses is described below.

The downstream oil and gas industry is competitive. The Group is currently the only refining business in Oman and supplies all of Oman's domestic petroleum products. Accordingly, the Group is not currently subject to competition in Oman in relation to these sales. The Group does, however, experience significant competition in relation to its exports of refined petroleum and petrochemical products, including polypropylene in particular. If competitors increase their throughput or refining capacity in the future, the Group's refineries could face increased competition, which would put pressure on the prices of certain of the Group's export products. In both the petrochemical and specialty chemical industries, competition is based upon a number of considerations, principally product differentiation and innovation, product quality and quality of logistics, including distribution capability. In addition, in some market segments, the Group's products may be subject to intense price competition due to factors such as overcapacity, competition from low-cost producers and consolidation and globalisation among the Group's customers and competitors. Increased price competition may also occur in certain other product areas as industry segments mature. See "*Risk factors—Risks relating to the Group's oil and gas business—The oil and gas industry is competitive*".

Refining and petrochemical production

The Group's refining and petrochemical business is principally conducted by OQRPI, which is one of the largest downstream companies in Oman, measured by assets. The Group is also, through OQ8, a joint venture with KPE, undertaking a new refinery project which is under construction, see "*—Duqm Refinery project*" below.

Existing refining and petrochemicals business

OQRPI owns and operates both of Oman's existing refineries and the only aromatic and polypropylene plants in Oman. It is also the only domestic supplier of refined petroleum products in Oman and also produces all of the paraxylene, benzene and polypropylene produced in Oman. Since 1 January 2019, OQRPI has been wholly owned by OQ.

OQ Refineries and Petrochemicals Industries (**OQRPI**) is one of OQ's core business entities. The OQRPI Group is the parent of OQ Refineries, OQ Plastics LLC, OQ Logistics, OQ Aromatic, and OQ Marketing. The Group therefore aims to utilise the resources from OQ Refineries in further core downstream business opportunities, allowing OQ to best manage resources to in order to maximise efficiencies through its production cycle.

OQRPI's principal operating assets are:

- the Mina Al-Fahal refinery at Muscat, which commenced operations in 1982. In 2020, 2019 and 2018, the refinery processed an average of 62,134 bpd of feedstock, 94,456 bpd of feedstock and 91,661 bpd of feedstock, equal to 59 per cent., 94 per cent. and 91 per cent., respectively, of its total feedstock capacity of 106,000 bpd. The Mina Al-Fahal refinery produces a range of refined petroleum products, including LPG, gasoline (also known as Mogas), jet fuel and gas oil (also known as red diesel), and also produces long residue which is blended with crude oil and transported as a feedstock to the Group's Sohar refinery by pipeline;

- the Sohar refinery at Sohar, which commenced operations in 2006. In 2020, 2019 and 2018, the refinery processed an average of 158,056 bpd of feedstock, 158,362 bpd of feedstock and 168,865 bpd of feedstock, equal to 80 per cent., 80 per cent. and 85 per cent., respectively, of its total feedstock capacity of 197,648 bpd. The Sohar refinery produces LPG, gasoline, jet fuel and gas oil, among other products;

- a polypropylene plant, located adjacent to the Sohar refinery, which utilises propylene produced by the Sohar refinery to produce polypropylene. In 2020, 2019 and 2018, the plant produced 235,382 MT, 221,136 MT and 258,526 MT of polypropylene, equal to 69 per cent., 65 per cent. and 76 per cent., respectively, of its annual production capacity of 340,000 MT; and

- an aromatics plant, also located adjacent to the Sohar refinery, which utilises naphtha produced in the Sohar refinery as well as imported naphtha to produce paraxylene and benzene. In 2020, 2019 and 2018, the plant produced 567,278 MT, 687,040 MT and 686,521 MT of paraxylene, equal to 69 per cent., 84 per cent. and 84 per cent., respectively, of its annual production capacity of 818,000 MT. In 2020, 2019 and 2018, the plant produced 177,963 MT, 191,652 MT and 246,713 MT of benzene, equal to 90 per cent., 97 per cent. and 125 per cent., respectively, of its annual production capacity of 198,000 MT.

OQRPI also has fuel products storage and distribution facilities at Jifnain, Sohar and Raysut. The Jifnain terminal is connected to the Mina Al-Fahal and Sohar refineries through a multi-product two-way pipeline. The Jifnain terminal has a total storage capacity of 172,000 m^3. The Raysut depot is the main storage facility for the Dhofar region and is a sea-fed depot with supplies coming by ship from the Mina Al-Fahal and Sohar refineries.

The Raysut depot has a storage capacity of 35,000 m^3. The Sohar depot is within the Sohar Refinery complex and has a storage capacity of 13,000 m^3 and predominately supplies Northern Batinah, Al Buraimi, Al Dhahirah and Musandam.

OQRPI principally exports three petrochemical products: polypropylene, benzene and paraxylene. Its principal refined petroleum product exports in terms of volume are LPG, gasoline, jet fuel and gas oil.

In 2020, 2019 and 2018, 67 per cent., 59 per cent. and 61 per cent., respectively, of OQRPI's sales of refined petroleum products (by volume) were domestic, with the remainder being exports, sold exclusively through OQ Trading.

In 2020, 2019 and 2018, all of the Group's paraxylene and benzene were exported and 93 per cent., 92 per cent. and 91 per cent., respectively, of its polypropylene was exported.

As the owner and manager of both of Oman's operating refineries and two associated petrochemical plants, OQRPI is of critical importance to the country's oil-based economy. OQRPI has in the past received, and continues to receive, substantial Government investment and support, including liquidity provision through its historic practice of deferring payment under its crude oil supply arrangements with the MoEM when required (which management believes is likely to continue), and substantial financial support in implementing the major capital projects referred to below. The Government, when it was the owner of OQRPI, historically provided the necessary financial support to OQRPI to enable it to continue its operations and meet its obligations as they fall due, see "*—Investment Highlights—A strategic asset for the Government*" above.

OQRPI has recently completed two significant projects and a third significant project is nearing completion:

- the Sohar refinery improvement project, which was completed in January 2019, involved an 82,000 bpd feedstock distillation processing capacity expansion at the Sohar refinery and an increase in the refinery's complexity (as measured by the Nelson complexity index) in order to enhance production of high value light and middle distillates. The project has eliminated production capacity bottlenecks and significantly increased the yields for key products such as diesel, gasoline, jet fuel, LPG, naphtha and propylene. The total project cost was U.S.$2.7 billion, which was financed by a combination of U.S.$1,745 million of debt and U.S.$938 million of equity. To facilitate the financing of the project, the Government, through the Ministry of Finance and OQ, provided guarantees and indemnities in respect of OQRPI's obligations to fund base and contingent equity in an aggregate amount of U.S.$1.1 billion;

- the Muscat-Sohar products pipeline project, which involved the construction of (i) a 290 km two-way multi-product pipeline between Muscat and Sohar for the transportation of refined products produced at both refineries and (ii) a storage terminal at Jifnain, north of Muscat. The Jifnain storage terminal and the Sohar-Jifnain pipeline were commissioned in August 2017. The Mina Al-Fahal-Jifnain pipeline was commissioned in February 2018. The pipeline also has a branch from the Jifnain terminal to Muscat International Airport, which was commissioned in October 2018 and enables the direct delivery of jet fuel. The total project cost was U.S.$346 million; and

- the LPIC project, which involves the construction of a new petrochemicals plant which includes a steam cracker, a downstream polypropylene plant and two downstream polyethylene plants within the Sohar Industrial Port Area attached to the existing OQRPI plants. The project also includes the construction of an NGL extraction plant at Fahud in central Oman, and a pipeline connection between this plant and the new petrochemicals plant. The LPIC project is intended to enable the production of 880,000 MT a year of polyethylene, and 300,000 MT a year of polypropylene in various grades ranging from HDPE to LLDPE. The project is currently expected to be completed and fully commissioned in 2021. The total estimated project cost is U.S.$7.0 billion, which is being funded by a combination of U.S$3.8 billion of project financed debt, U.S.$454 million in pre-completion revenues and the balance in equity provided by OQRPI. As at 31 December 2020, U.S.$6.0 billion had been invested. To facilitate the financing of the LPIC project, the Government issued a debt service undertaking under which it has fully guaranteed all payments due by OQRPI under the financing documentation up to the completion date, amounting in total to U.S.$3.8 billion, and has agreed that part of the payments to be made by OQRPI to the MoEM for the gas supply to the LPIC project that will be required when the project becomes operational will be subordinated to the project lenders.

OQRPI's vision is to be a recognised and competitive participant in the world polymers market, providing complete value solutions to its existing and new customers and running one of the most integrated oil refining and petrochemical facilities in the world, comprising two refineries, an aromatics plant, an NGL extraction plant, a steam cracker, a downstream polypropylene plant and two downstream polyethylene plants.

In order to drive its polymer strategy, OQRPI created a wholly owned and dedicated sales and marketing subsidiary, OQM, in 2017 to take over the marketing and sales of its polymer output in both the domestic and international markets. OQM is the sole offtaker of all polypropylene grades produced by OQRPI. OQM has established overseas offices or subsidiaries in China, Singapore, India and Turkey to be close to its customers and to build and promote its Luban polymer brand globally. OQ RPI's Luban brand is protected by appropriate registrations in Oman and elsewhere. Under the integrated group structure, OQM forms a significant part of the performance chemicals business line that sits within the Group's commercial function. See "—*Integration and strategy*" above.

Duqm Refinery project

Overview

OQ8 is a limited liability company that was established in 2012 under Omani law to develop, construct, own and operate an export refinery project to be strategically located within the Special Economic Zone at Duqm (the **SEZAD**) on the south eastern coast of Oman (the **Duqm Refinery project**).

The Duqm Refinery project is located at three sites within the SEZAD. A refinery complex, onsite utilities, infrastructure and storage (the **Refinery**) and a product export terminal located at the Port of Duqm (the **Export Terminal**) are being constructed on two separate Duqm sites. In addition, a crude storage facility is being constructed by OQ8 at the Ras Markaz crude oil terminal, which is being developed by OTTCO, a wholly owned Group company, and is 80 km from the Refinery site. A pipeline is also being constructed to transport crude oil from the crude storage facility to the Refinery.

OQ8 is jointly owned by OQ and KPE. OQ8 has a six-member board of directors, three of which are appointed by OQ and three of which are appointed by KPE. Each shareholder is entitled to appoint either the chairman or the deputy chairman of the board on a three-year rotation basis. The current sitting chairman was appointed by KPE and the current sitting deputy chairman by OQ.

The Duqm Refinery project involves the construction of a refinery and related facilities planned by the Group. The Duqm Refinery project is a priority for the Government, aims to support the growth and diversification of the Omani economy and represents one of Oman's most significant undertakings to date in the energy field. It will be one of the first major industrial projects of the SEZAD and will serve as the cornerstone of Duqm's transformation into Oman's next industrial and economic hub (following the success of the Sohar and Salalah free zones).

According to data as at 25 December 2020, the overall progress achieved on the Duqm Refinery project was 76.7 per cent., where the engineering progress achieved was 99.3 per cent. and the procurement progress achieved was 94.7 per cent. The construction progress achieved was 62.1 per cent. as at 25 December 2020. The total estimated cost of the Duqm Refinery Project is U.S.$8.3 billion (OMR 3.2 billion) which is being financed by a combination of debt and equity, with a debt to equity ratio of 55:45. As at 25 December 2020, the Duqm Refinery Project had achieved 93.7 million safe man-hours, including 9.7 million man-hours since last lost time injury reported on 3 November 2020. Construction of the Duqm refinery project is currently expected to be completed in 2022.

Refinery

The Refinery has been designed to have the capacity to process 230,000 bpd of a range of blended crude oils and is being configured as a full-conversion hydrocracker/coking facility. It is expected to have an operational life of at least 25 years and to utilise advanced technology, commercially proven at the scale of the Duqm Project, supplied by leading technology licensors.

The Refinery is designed to produce diesel and jet fuel/kerosene meeting international specifications (Euro V and Jet A-1, respectively) as its primary products, plus naphtha and LPG with no fuel oil production in normal operations and with the flexibility to maximise diesel or jet fuel production.

The Refinery site is strategically located outside the Straits of Hormuz to export refined products to Europe, Africa and the Far East.

The crude storage facility, which is substantially complete, comprises eight crude oil tanks where crude oil will be received and stored before being transported through a newly constructed pipeline to the Refinery.

The export terminal being constructed at the Port of Duqm comprises storage tanks for diesel, jet fuel and naphtha liquid products, as well as storage for sulphur and petroleum coke, plus loading pumps, marine loading arms and berths for product loading and export.

OQ8 will operate the Refinery and the crude pipeline and the Group's current intention is that OTTCO, a wholly owned Group company, will operate the crude storage facility and/or the export terminal.

Contractors and technology

Engineering, procurement and construction (**EPC**) of the Duqm Refinery project is being undertaken under three fixed lump sum turnkey EPC contracts overseen and managed by an integrated project management team comprising OQ8 and Wood plc, a leading project management contractor.

The first EPC package is for the process units of the Refinery and is being executed by Tecnicas Reunidas Daewoo LLC, which is registered in the SEZAD.

The second EPC package is for the utilities and offsites relating to the Refinery and is being executed by a joint venture of Petrofac International Ltd and Samsung Engineering Co Limited acting through separate branch offices registered in the SEZAD.

The third EPC package is for the offsite facilities required by the Refinery including the export terminal, the crude storage facilities at Ras Markaz and the pipeline from the crude storage facilities to the Refinery. The third EPC package is being executed by Saipem SpA and CB&I Europe B.V. (Oman Branch), which is registered in the SEZAD.

All the EPC contracts include the responsibility for commissioning and start-up through to performance testing. Detailed design is nearly complete and construction activities are underway on-site.

The project utilises eight licensed technologies selected following a formal tender process.

Chevron Lummus Global (**CLG**) was selected as a single licensor for the four licensed hydroprocessing technologies (hydrocraker unit (**HCU**), diesel hydrotrating unit (**DHT**), hydrogen production unit (**HPU**) and saturated gas plant (**SGP**)) and is responsible for the process integration of these four units. CLG is a joint venture between Chevron and Chicago Bridge & Iron and is a leading developer and supplier of advanced hydroprocessing technology. According to the licensors, the licensed hydrocracking technologies, used in the HCU, HPU and SGP, incorporate advanced design techniques that significantly reduce investment and operating costs. The process uses a family of proprietary catalyst systems to maximise middle distillate or naphtha yields, depending on client requirements. The process offers lower capital investment, higher derived product yields, better cold flow properties, and better control of poly-nuclear aromatic formation over competing technologies. In addition, CLG isotreating technology will be used in the DHT for ultra-low sulphur diesel production and the HPU process technology is also licensed from CLG.

Wood plc is the technology licensor for the delayed coker technology. Key features of the technology include: feedstock flexibility; the ability to process heavier crudes; conversion of low value residues to high value fuels with moderate investment; safe, reliable and well-proven technology; and higher on-stream time and lower maintenance costs.

UOP is the licensor for the LPG treatment unit and for the kerosene treatment unit and is supplying its Merox™ process technology. This technology is based on mercaptan oxidation, a proprietary catalytic chemical process developed by UOP.

Fluor is the licensor for the sulphur recovery unit. Fluor's sulphur technologies utilise proprietary processes and cost-effective design, balanced with high onstream performance to meet client needs and environmental requirements.

Feedstock supply

Crude oil feedstock for the Refinery is contracted to be supplied by OQ Trading and by Kuwait Petroleum Company (**KPC**) under long-term crude oil supply agreements.

OQ Trading is contracted to supply up to 76,500 bpd of Oman Export Blend (**OEB**) crude oil and up to 52 million barrels per annum (equivalent to approximately 142,466 bpd) of other non-OEB crudes (with American Petroleum Institute specific gravity and sulphur content within a pre-agreed range). KPC is expected to supply between 142,025 bpd and 230,000 bpd of Kuwait Export Crude.

OQ8 will be able to vary and optimise the crude slate processed by the Refinery under the terms of the agreements to maximise profitability of the Duqm Refinery project.

Crude oil is expected to be delivered by OQ Trading and KPC by tanker to the Ras Markaz crude oil terminal, which is being constructed by OTTCO, and unloaded at a single-point mooring (**SPM**) buoy and transported by pipeline to the OQ8 crude storage facility.

The crude oil terminal is strategically located outside the Straits of Hormuz. OTTCO will be the owner and operator of the Ras Markaz crude oil terminal, including the SPM buoy, subsea pipelines and pipeline end manifolds. The current infrastructure facilities are designed to accommodate up to 16 million barrels and aim to provide services primarily to the Refinery initially and other clients in the future. When finished, the crude oil terminal is expected to comprise an offshore facility, based on single point moorings, able to accommodate any tanker size and with the ability to export and import crude oil. The terminal is expected to be operational on a 24/7 basis and to offer both short and long-term commercial storage, strategic storage and value added services such as blending, making bulk, crude swaps and bonded storage.

The Government has entered into a contract to supply the natural gas to be used as feedstock and fuel to the Refinery under customary terms for similar projects in Oman.

Product offtake

OQ Trading is contracted to be a refined product offtaker for the production of the Duqm Refinery project under a long-term offtake agreement on a free on board Port of Duqm basis at the export terminal. Under its contract, OQ Trading must take, purchase and lift 50 per cent. of the base products (diesel, jet fuel and naphtha). In addition, up to the start of the fifth year of operations, it must take, purchase and lift 100 per cent. of the other products (high sulphur fuel oil, sulphur and petroleum coke) and LPG and from the fifth year 50 per cent. of the other products and LPG plus any balance volume that has not been lifted by KPC. KPC is also an offtaker of the Duqm Refinery project's products and can take, purchase and lift 50 per cent. of the base products and, from the fifth year of operations, up to 50 per cent. of the LPG, sulphur and petroleum coke subject to a nomination mechanism.

Financing

The Duqm Refinery project is being financed by a combination of debt and equity. The debt takes the form of U.S.$4,610 million in project finance term loan facilities with OQ8 as the borrower, comprising:

- a U.S.$1,430 million international commercial bank facility;
- a U.S.$490 million onshore commercial bank facility;
- a U.S.$890 million Islamic bank facility; and
- U.S.$1,800 million of export credit agency facilities, comprising (i) a UK Export Finance facility of U.S.$700 million, (ii) a Compañía Española de Seguros de Crédito a la Exportación (CESCE) facility of U.S.$500 million and (iii) an Export-Import Bank of Korea (KEXIM) facility of U.S.$600 million.

Both OQ and KPE have entered into completion guarantees with the lenders which in turn are guaranteed by the Government and KPC, respectively. The commercial bank facility has a scheduled final maturity in 2034, the onshore commercial bank facility has a scheduled final maturity in 2037, the Islamic bank facility has a scheduled final maturity in 2034 and the ECA facilities each have a scheduled final maturity in 2035. As at 31 December 2020, U.S.$3,261 million (OMR 1.3 million) was outstanding (in aggregate) under the loan facilities and U.S.$1,349 million (OMR 526 million) was available for drawing.

Under the finance documentation, each of OQ and KPE has committed to provide a minimum of U.S.$1,834 million in equity prior to the satisfaction of the completion conditions under the financing. This equity commitment may be satisfied through the contribution of share capital and shareholder loans to OQ8, or through the use of OQ8 pre-completion revenues to fund development costs.

As at 31 December 2020, the total costs incurred on the Duqm Refinery project amounted to U.S.$5.3 billion (OMR 2.0 billion), although only U.S.$4.8 billion (OMR 1.85 billion) had been spent in cash terms. The estimated remaining cost to complete the project is U.S.$3.0 billion (OMR 1.2 million), which is intended to be funded by OQ8 as to U.S.$1.35 billion from drawings under its existing committed debt financing, and as to U.S.$2.2 billion from shareholder equity contributions.

Specialty chemicals production

Introduction

Based on the 2018 IHS report on Oxo chemicals, OQ Chemicals is the world's leading Oxo merchant producer and the second largest manufacturer of Oxo chemicals globally as measured by production capacity, with an estimated total volume of over 1.4 million MT per annum[9]. OQ Chemicals has more than 80 years' experience in the production of Oxo chemicals, built upon processes originally invented by predecessor companies. This experience has enabled OQ Chemicals to develop core competencies and proprietary technologies across its entire Oxo chemicals value chain.

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9 Management estimate derived from total plant capacity as the total volume OQ Chemicals is able to produce to the demand that is excluding captive precursor volumes within the value chain. The largest producer, BASF, consumes the majority of its production captively meaning that OQ Chemicals has a larger share of direct merchant sales.

In 2020, OQ Chemicals generated annual sales revenue of U.S.$1.2 billion (OMR 462 million) with a total volume of 942 thousand MT of products sold. Currently none of OQ Chemicals' production is sold to other Group companies. OQ Chemicals is a wholly owned Group subsidiary with an independent board and is financed from a combination of its own cash flows and debt facilities provided by international banks and investor groups supplemented with a shareholder loan provided by OQ.

OQ Chemicals was formed in March 2007 as a buyout of Oxo derivatives and Oxo intermediates businesses from two international chemical companies, Celanese and Degussa (now known as Evonik). It has been a wholly owned Group company since December 2013.

Reflecting its long operating history, OQ Chemicals benefits from integrated production facilities and a well-balanced value chain in Oxo chemicals. OQ Chemicals' flexible production process allows it to manage production flows carefully and react to short-term demand patterns for key products, enabling the allocation of production capacity for the most commercially attractive products at any given time.

OQ Chemicals' product offering consists of more than 70 products that it provides to customers in a wide range of industries for varied end-market applications, including construction, automotive, consumer goods, healthcare and agrochemicals industries, as well as for further uses in the chemicals industry. OQ Chemicals' products are used in a wide range of applications, including coatings, lubricants and plasticisers. This diversity helps to limit OQ Chemicals' exposure to individual end-market cycles.

OQ Chemicals' strategy includes leveraging its leading position in Oxo intermediates and expanding its value chain in Oxo derivatives both organically and by selective acquisitions, such as the 2009 acquisition of its Amsterdam site from Exxon. OQ Chemicals constantly seeks to improve process efficiency, strengthen capacity utilisation and maintain reliability in order to generate strong cash flows.

OQ Chemicals' global headquarters are located at Monheim in Germany.

Facilities

OQ Chemicals has a strong global production footprint with six state-of-the-art manufacturing sites on three continents, two in northwest Germany (Oberhausen and Marl), two in the United States Gulf Coast (Bay City and Bishop) and one each in The Netherlands (Amsterdam) and China (Nanjing). In addition, it has six commercial offices, in Houston, Mexico City, Monheim, São Paulo, Singapore and Tokyo. Typically, the majority of OQ Chemicals' larger production units at its key manufacturing sites at Oberhausen and Bay City are continuously running. In the Oxo derivatives area, traditionally units use their manufacturing capabilities across multiple products and thus exhibit lower utilisation rates depending on the degree of required changeover times. In recent years, OQ Chemicals has focused on strengthening its Oxo derivative assets, optimising the individual product slate per unit, which has allowed OQ Chemicals to yield improved higher capacity utilisation rates for high margin derivative products.

OQ Chemicals demonstrates a strong track record of expanding production capacities and successfully bringing new units on stream. For example, in 2018 OQ Chemicals inaugurated its second world-scale n-propanol plant at Bay City ahead of time and below budget. In order to meet growing global demand, OQ Chemicals announced two new investment projects in June 2019. At Oberhausen, OQ Chemicals' sixth carboxylic acids unit is targeted for completion by 2022 (other manufacturing sites for carboxylic acids are at Bay City and Marl) and an additional production line for TCD alcohol is scheduled to commence operation in the first quarter of 2022. Both expansion projects are part of OQ Chemicals' strategy to increase its exposure to the Oxo derivatives markets, which is an economically less cyclic and fast growing branch of its business.

OQ Chemicals' facilities are strategically located in order to ensure a secure supply of raw materials and facilitate the cost efficient transport of finished goods by truck and rail. Barge and sea vessel transport is enabled through long-term service partners operating OQ Chemicals' logistics hubs in locations such as Antwerp and Houston.

Process

OQ Chemicals' key manufacturing process, known as the Oxo process (and also referred to as the hydroformylation process) transforms olefins, which are unsaturated hydrocarbons such as propylene and ethylene, to aldehydes by adding syngas, a mixture of carbon monoxide and hydrogen.

The aldehydes produced serve as chemical building blocks which are either sold externally or are used internally as precursors to produce Oxo derivative products such as carboxylic acids, polyols, amines or specialty esters.

The majority of Oxo intermediates are typically converted to Oxo derivatives in plants adjacent to the hydroformylation units, with limited volumes of Oxo intermediates being transported for this purpose. The Oxo derivatives produced are sold to customers who typically further refine the Oxo derivatives into various application materials such as coatings, lubricants, plasticisers, additives and other materials.

Key suppliers and feedstock

OQ Chemicals has long-term purchasing agreements and a conservative strategy for sourcing raw materials to ensure that it will be able to meet customer demands. As part of OQ Chemicals' quality management procedures, it maintains long-term relationships with suppliers. When appropriate, OQ Chemicals purchases raw materials from a single source supplier to maximise quality and gain cost improvements, and has developed contingency plans designed to minimise the impact of any supply disruptions from single source suppliers. While temporary shortages of raw materials and energy may occasionally occur, OQ Chemicals generally has access to sufficient raw materials to cover its current and projected requirements.

OQ Chemicals purchases a substantial portion of key raw materials and energy through long-term contracts, generally of three to five years in initial duration with renewal or cancellation options for each party. The principal raw materials and other inputs are propylene, ethylene, natural gas/syngas, acetic acid, butenes and rhodium. Key energy inputs include natural gas and electricity.

Companies like Air Liquide, Celanese, Chevron Phillips, Evonik, Ineos, Lyondellbasell, BP and Shell all form part of OQ Chemicals' key supplier base.

Products

OQ Chemicals produces one of the industry's broadest portfolio of Oxo chemicals, which are used in multiple applications and end-markets. OQ Chemicals conducts business in two segments: Oxo intermediates and Oxo derivatives and holds leading market positions within each segment. Across the more specialised Oxo derivatives segment, OQ Chemicals holds strong market shares across each of its key products, including up to a 100 per cent. share for some highly customised Oxo derivatives such as TCD alcohol. It also produces the broadest product portfolio of all carboxylic acid producers.

Within its Oxo intermediates segment, OQ Chemicals produces three groups of materials:

- alcohols, which are used in downstream production processes like surface coatings in building materials or in the automotive sectors as well as for the production of ink products, fuel additives and detergent products. The coatings market represents one of the largest end-markets for Oxo intermediates;

- aldehydes, which are mainly used captively as building blocks for Oxo derivatives products, including amines, carboxylic acids and polyols. OQ Chemicals' aldehydes are also sold to customers who produce polyols and transparent synthetic polymers for safety glass applications, or as a chain regulator for polyolefin production; and

- acetate esters, which are sold to customers for use in downstream production processes like coatings as well as for the production of pharmaceutical and ink products.

OQ Chemicals also produces five types of Oxo derivatives:

- carboxylic acids, which are used as precursors in synthetic lubricants and specialty esters, and also in animal feed, siccatives, flavours and fragrances and polymer-stabilisers. Carboxylic acids are broadly consumed as raw materials for synthetic lubricants, which are used in specialised areas like jet turbines or refrigerator compressors. Based on its internal market research, OQ Chemicals believes that the application of such lubricants is likely to increase markedly, further boosting demand for carboxylic acids;

- polyols, which have several positive effects on the end product. In coatings, they improve thermal stability, flexibility, ultra violet durability and scratch resistance. In cosmetics and personal care products, these ingredients are used in a broad variety of formulations acting as emollients (skin softeners or smoothers) and humectants (retaining or preserving moisture);

- amines, which are used in agrochemicals and biocides, and also have broad applications in rubber processing chemicals, lubricant additives, corrosion inhibitors, surfactants or dye intermediates and other applications;

- specialty esters, which find application in fast growing markets like synthetic lubricants and as specialty type plasticisers in automotive, safety glass and construction uses; and

- higher aldehydes and specialty derivatives, which are used as building blocks for synthetic lubricants, flotation chemicals, pharmaceuticals and flavours and fragrances and as precursors for vitamins.

Customers

OQ Chemicals' products serve a wide range of industries and applications, including construction, automotive, consumer goods, healthcare and agrochemicals, as well as for further usage within the chemicals industry. Many of its products are "mission critical" inputs for its end users' products with very few or no potential substitutes. Because of customers' need for a dependable supply source and the limited number of producers available due to the consolidated and regional nature of the Oxo chemicals market, customer relationships have historically been long-lasting and are expected to remain so.

OQ Chemicals' customer base is broad, with close to 1,000 customers and the top 10 accounting for approximately one-third of the total annual sales volume. In 2020, the majority of OQ Chemicals' sales revenue was generated in its home markets, with Europe representing 46 per cent., North America representing 33 per cent. and the Asia Pacific region representing 17 per cent. Most of OQ Chemicals' major relationships span decades and include numerous multinational chemical producers such as Allnex, Arkema, Brenntag Lanxess, Lubrizol, Dow Chemical, LyondellBasell, and BASF as well as major consumer products companies such as Henkel.

The majority of OQ Chemicals' revenue is generated pursuant to contractual arrangements, which are typically based on volumes, with prices calculated on a monthly basis using formulae that allow for an effective pass-through of certain key raw-material price movements. Typical Oxo intermediates cost pass-through clauses apply to purchases of propylene, ethylene and natural gas. These pass-through clauses provide a greater degree of protection against raw material price movements. Certain contracts also have cost pass-through clauses for energy, syngas, labour and other costs. Oxo derivatives are more specialised downstream products whose pricing is less directly linked to base raw material prices and are less driven by pass-through clauses.

OQ Chemicals' customers are currently served by a global sales and marketing team comprising around 40 employees and organised regionally. The team is responsible for maintaining daily sales efforts to customers and providing any support necessary, identifying new business development opportunities and continuously gathering market intelligence. A lean commercial structure and daily interactions between the sales and marketing personnel ensure flexibility and the ability to quickly react to any market changes.

Intellectual property

Wherever feasible, OQ Chemicals aims to protect its proprietary manufacturing processes and related products in appropriate countries with patents, trademarks and other intellectual property rights, in order to safeguard its investments. OQ Chemicals monitors its technical and commercial environment and follows up any patent infringements. OQ Chemicals currently holds around 500 unexpired patents, which are registered in all jurisdictions where it believes such registration is necessary. OQ Chemicals filed three inventions in 2020.

OQ Chemicals' predecessors were the inventors of the Oxo process. As such, OQ Chemicals is recognised as a technology leader and holds several proprietary technologies for the manufacture of Oxo chemicals. Its development efforts typically target:

- process development and optimisation initiatives, which lead to production cost savings and efficiencies;
- core growth businesses, including the expansion of its Oxo derivatives product offering, especially within areas that it believes have a superior growth outlook relative to the overall industry; and
- high-return projects which address specific customer needs or support existing technologies.

OQ Chemicals maintains strong ties with customers and universities, strengthening its focus on innovation. It frequently collaborates with customers on product development and research initiatives in order to tailor products for customers' specific needs. Cooperation with universities and other external trade-related parties ensures OQ Chemicals' participation in new developments of its core technologies and also reinforces its reputation as an industry leader.

Trading

The Group's trading business is undertaken by OQ Trading which was established in 2006 as a joint venture between OQ and Vitol, a leading independent oil trader, principally to source, transport, trade and market oil, petroleum products and petrochemicals in the global market-place.

OQ Trading has grown into a large international company through its role as the marketing arm for crude oil, refined products, petrochemicals, LNG bulk (petroleum coke, sulphur and urea) and emissions produced in Oman. It has leveraged this flow to grow its third-party volumes and matured to a best in class operating model for commodity trading, focused equally on enhancing the value of Omani hydrocarbons and entrepreneurial third-party trading.

OQ Trading is headquartered in the Dubai International Financial Centre and has offices located across key markets and trading hubs, including Shanghai, Singapore, Muscat, Rotterdam and Houston. OQ Trading also has a presence in nine countries in Eastern Africa through its ownership of a non-controlling 40 per cent. equity stake in the Hass Petroleum Group, which purchases petroleum products and distributes and sells them to its businesses and retail customers throughout eastern and southern Africa.

OQ Trading has been self-funded since 2009, reflecting growth in its retained earnings. OQ Trading's growth and strong financial position has enabled it to secure substantial external financing to support its trading operations. OQ Trading's working capital requirements are financed primarily through a U.S.$700 million borrowing base facility from a group of international lenders, with further access to uncommitted financing through bilateral working capital credit facilities with multiple lenders.

Ownership and organisational structure

OQ Trading was originally owned 51 per cent. by OQ and 49 per cent. by Vitol. In 2011, OQ exercised an option to acquire an additional 19 per cent. stake from Vitol and in 2015 exercised a further option allowing it to nominate the SGRF to acquire the remaining shares owned by Vitol. In 2019, OQ acquired SGRF's interest in OQ Trading.

OQ Trading is governed primarily by OQ's Trading Oversight Committee (**TOC**), a committee of shareholders formed to oversee the management of OQ's trading activities conducted within the OQ Trading Group companies. The TOC consists of the shareholder-appointed company Directors in addition to independent industry experts in the fields of commodity trading and finance/risk management within the commodity trading business. The TOC is provided with authorities relating to risk management, finance, compliance and new business. In addition to the risk management activities and oversight provided by the TOC, OQ Trading has a five-member executive management team comprising the managing director, the chief financial officer, the executive director for business development and the executive director for Europe and Asia.

Trading operations

Trading operations at OQ Trading are divided into five main product areas:

- crude oil, which accounted for 39.0 per cent. of its traded volumes in 2020;
- refined products, which accounted for 39.0 per cent. of its traded volumes in 2020;
- petrochemicals, which accounted for 16.0 per cent. of its traded volumes in 2020;
- LNG, which accounted for 6.0 per cent. of its traded volumes in 2020; and
- bulk and emissions, which accounted for 3.0 per cent. of its traded volumes in 2020.

In 2020, OQ Trading had over 500 active trade counterparties. Its customer base covers most major industry participants around the world and it deals directly with refiners, international oil companies, national oil companies, government procurement agencies, trading houses, financial institutions, and wholesale and specialised/niche product suppliers.

<u>Crude oil</u>

Crude oil trading is one of OQ Trading's main trading activities. It acts as the preferred offtaker to Oman's crude producers, with traded volumes of approximately 11 million MT and 35 per cent. of this total purchased from third parties. OQ Trading is also one of the largest traders of Oman crude futures on the Dubai Mercantile Exchange. In addition to trading OEB crude, OQ Trading has access to other regional crude grades through annual term contracts and spot transactions.

OQ Trading has extensive experience of supply to refineries, delivering crude over the past few years to customers across the major markets in Asia, including India, China, Taiwan, Korea, Japan, Thailand and the Philippines. It has also sold OEB into the United States.

OQ Trading has continually expanded its crude oil customer and supplier portfolio, by trading Vietnamese, Malaysian, UAE and Iraqi crude oils and with major third-party suppliers such as Total, PTT, Indian Oil Company, Shell and Vitol. OQ Trading was also one of the first suppliers of crude oil into Rongsheng's refinery, a mega-complex in China.

Refined products

OQ Trading trades LPG, naphtha, jet fuel, diesel, gasoline and fuel oil. Additional products traded include various gasoline components, additives and octane boosters, all of which enable OQ Trading to meet customer specifications for products. OQ Trading is one of the largest refined products traders in the Arabian Gulf, Red Sea and Indian sub-continent, a significant east/west arbitrage trader and an active participant on global flows and freight.

OQ Trading has a proven record of blending and trading different components to supply global markets with gasoline, naphtha and distillates. OQ Trading's blending operations are based primarily in Sohar, where OQ Trading leases and manages approximately 230,000 m^3 of clean products storage from OTTCO. Additional storage is taken from time to time at facilities in Fujairah, UAE and blending is also undertaken on-board vessels.

As a strategic partner to OQRPI, OQ Trading manages all of OQRPI's international trade for refined products and aromatics. This includes procuring all feedstocks, blend components and trading all finished product exports for OQRPI. In 2020, OQ Trading traded approximately 10.1 million MT of refined products, with 32 per cent. of these volumes sourced from outside Oman.

OQ Trading assesses market conditions on a daily basis to determine its optimal trading strategies. These include arbitrage, cargo procurement from Europe, blending values for regional gasoline requirements, contango trades (trades where the futures price of the commodity is higher than the spot price) and enhanced margin delivery through multi-grade cargoes. OQ Trading sources products for its own blending and trading requirements from a number of refineries in the region, but also Europe and the United States Gulf Coast. The combination of domestic and international flows allows OQ Trading to optimise its transactions by leveraging size, purchasing power, geographic location and presence in key markets and pricing centres.

Petrochemicals

Petrochemicals trading is an established business area within OQ Trading, having commenced in 2009. In 2020, OQ Trading traded approximately 4.4 million MT of methanol, aromatics (paraxylene and benzene), mixed xylenes, toluene and styrene monomer.

OQ Trading is the sole export offtaker of aromatics and methanol from OQRPI and OQ Methanol. Sales of Oman-sourced petrochemicals are primarily to Asia, with large customer bases for methanol and aromatics in China and Taiwan. OQ Trading is one of the top three importers of methanol into China and has access to nearly 700 thousand MT per annum of paraxylene and 200 thousand MT per annum of benzene from OQRPI. OQ Trading's partnership with OQ Methanol also provides OQ Trading with access to approximately 1.1 million MT per annum of methanol which it sells globally, including significant inland trading in Europe using storage tanks that it leases in Rotterdam.

In addition, OQ Trading trades substantial petrochemical products with third parties, supported by the establishment of an office in the United States in 2017, both to facilitate onshore trading along the United States Gulf Coast and the Mississippi river delta and to capitalise on inter-regional arbitrage opportunities. In 2020, 57.0 per cent. of OQ Trading's petrochemicals trading was with third parties.

LNG

OQ Trading has traded LNG since December 2015 and LNG is now an established business line. OQ Trading is building its brand in the international LNG market, which is becoming an increasingly important part of the global energy market. Since its entry into the market, OQ Trading has offered into and been successful in the world's biggest LNG purchase tender at the time, delivering 16 cargoes to Egas (Egypt) during 2017. OQ Trading has also established a long-term government-to-government (**G2G**) contract with PetroBangla for the supply of 200 cargoes, which began in 2019. Traded volumes in 2020 totalled 1.7 million MT.

As part of its future plans, OQ Trading has expanded its LNG trading team and intends to pursue growth opportunities through increased future cooperation with other Oman entities such as Oman LNG for offtake opportunities while also pursuing G2G discussions and cooperation with multiple state entities, where opportunities arise.

Bulk and Emissions

OQ Trading established a dry bulk desk in 2016 to expand its trading portfolio, given the opportunities within current market dynamics and planned future production in Oman. Bulk and emissions traded products are primarily petroleum coke, sulphur, coal, urea and Certified Emissions Reductions (CERs). OQ Trading is the sole export offtaker from OQ Refineries for pertroleum coke and sulphur. In 2020, this desk was expanded to handle sales of CERs sourced from upstream hydrocarbon projects in Oman and urea contracted under a multi-year deal with Oman India Fertilizer Sompany SAOC (50% joint venture owned by OQ). OQ Trading's bulk and emissions markets include India, China, the United States, South America, the Mediterranean, South East Asia and Africa; and OQ Trading intends to continue to expand its dry bulk desk trading portfolio in the future to include additional complementary products. In 2020, OQ Trading traded 872 thousand MT of bulk and emissions products.

Key clients and suppliers

The Government is OQ Trading's largest supplier and customer, both directly through the MoEM and through its ownership in related companies such as OQRPI, OQEP and OQ Methanol. Together, sales to these entities accounted for 9.9 per cent. of OQ Trading's revenue in 2020 and purchases from them accounted for 52.7 per cent. of OQ Trading's cost of sales in 2020. All of OQ Trading's trading with the Government is on arm's-length terms.

OQ Trading has also built a significant business beyond Omani origin volumes in all key markets with 40 per cent. of all its physically traded volumes in 2020 being with third parties, which include the major international oil companies, national oil companies and other significant participants in the global energy and petrochemicals industries.

In 2020, OQ Trading's 10 largest customers accounted for 51.8 per cent. of its revenue and its 10 largest suppliers accounted for 72.4 per cent. of its cost of sales.

OQRPI is OQ Trading's largest buyer and accounted for 9.7 per cent. of OQ Trading's revenue in 2020. OQRPI is also OQ Trading's largest supplier and accounted for 21.5 per cent. of OQ Trading's cost of sales in 2020.

Shipping and logistics

OQ Trading's logistical capability plays a central role in maximising value and minimising costs to OQ Trading's core trading activities. OQ Trading has a strategic relationship with Oman Shipping Company S.A.O.C. (**OSC**), a wholly owned Government company in which the Group has a non-core 8.8 per cent. shareholding, and has independently built strong ties with ship owners and brokers, ensuring competitive pricing for spot and term charters. As at 31 December 2020, OSC had been reclassified as an asset held for sale reflecting the Board's decision to transfer OQ's investment in OSC to OIA, and the transfer to OIA was completed in March 2021.

OQ Trading currently has two chemical tankers under long-term time charter and supplements these with short-term spot charters to facilitate its trading operations as required. These long-term and spot charters are managed by a dedicated freight team in Dubai and Singapore.

Competition

The commodities trading industry is characterised by strong competition and OQ Trading faces intense competition in securing sources of supply and/or procuring customers for each of the principal products which it trades. This competition principally relates to pricing but may also encompass financial and/or operational aspects. In addition, OQ Trading often competes with other producers, purchasers or traders of commodities or other products for limited storage and berthing facilities at ports and freight terminals. See "*Risk factors—Risks relating to the Group's trading business—The commodities trading industry is competitive and OQ Trading may have difficulty competing effectively with other commodity trading companies*".

Retail and commercial fuel and related-product distribution

Introduction

The Group's retail and commercial fuel and related product distribution business is conducted by its 49 per cent. owned subsidiary, OOMCO, which is a publicly listed company on the Muscat Security Market. OOMCO sells a variety of retail fuels to motorists through a network of 229 fuel service stations, the majority of which operate 24 hours a day and seven days a week across Oman. OOMCO also sells fuels to a wide range of commercial, marine and aviation customers on a business-to-business basis, as well as lubricants and greases in Oman and more than 10 countries abroad. In addition, OQ owns 40 per cent. of Hass Petroleum through OQ Trading which acquired its stake in 2017. Hass Petroleum operates 120 fuel service stations across nine countries in East Africa.

OOMCO's strategy includes plans to expand its retail service network in Saudi Arabia (where it currently operates five fuel service stations) and Tanzania (where it currently operates four fuel service stations) as well as its lubricants business into new countries in East Africa (including through its existing distribution arrangement with Hass Petroleum), Qatar, Bahrain, Egypt and Saudi Arabia. In 2019, OOMCO introduced its innovative concept of MEGA service stations, offering a range of additional facilities such as money exchange outlets, gyms, restaurants, post offices, laundries, playground areas for children and shopping centres.

Retail business

OOMCO's retail business generated 72.5 per cent. of OOMCO's revenue in 2020.

OOMCO is the only fuel marketer in Oman offering Ultimax, an unleaded performance fuel (98 octane). This original fuel is recommended for sport and high-end cars but can be used by any gasoline engine. It protects the engine and improves its performance while cleaning it better than lower octane fuels. Other retail fuels sold by OOMCO are Mogas 91, Mogas 95 and low sulphur diesel.

In addition to fuels, OOMCO's service stations have car care centres, "Optimo Swift", which can perform oil changes and other car checks, such as engine steam wash, under chassis wash, radiator coolant flush, fill and spark plug replacement.

OOMCO's service stations offer two-sided dispensers, debit and credit card payment, as well as smart fuelling solutions such as "e-Fill" and mobile payment options. Other facilities include ATMs, mobile top-up, electrical vehicle charging points and automatic toilets. Food and beverage facilities at OOMCO's service stations include Cafe Amazon, one of the largest cafe chains in Asia, and other brands such as Burger King, Subway, Costa Coffee, KFC, Pizza Hut and Dairy Queen.

OOMCO also operates more than 100 Ahlain convenience stores at its service stations. The majority of these shops, which offer a variety of products for all customers, also open 24 hours a day and seven days a week.

Holders of OOMCO's Basma loyalty card receive 10 points for every 1 rial spent on fuel at one of OOMCO's service stations. These points can be redeemed against future fuel purchases at an OOMCO service station or against shopping at an Ahlain store. In addition, OOMCO accepts the NSS card, which entitles its holder to 200 litres per month of Mogas 91 at a discounted price as part of a national subsidy system implemented by the Government to offset the impact of the liberalisation of fuel prices in Oman.

Commercial business

OOMCO's commercial business generated 22.4 per cent. of OOMCO's revenue in 2020.

OOMCO's commercial fuel business focuses on quality and safe supply of bulk petroleum products to a wide range of government and private commercial customers.

For businesses, OOMCO offers smart fuelling for efficient fleet management either through the use of radio-frequency identification devices in the customer's cars through e-Fill or by using its Ejaba Plus cards which allow for the production of daily reports and can be programmed to restrict their use to identified vehicle numbers, geographical areas, specified days of the week and/or times of day. In addition, OOMCO is able to arrange the installation of private fixed or mobile fuel containers for a smaller quantity fuel distribution.

Other services

These services generated 5.1 per cent. of OOMCO's revenue in 2020.

OOMCO offers a range of lubricants, including Optimo (a high quality multigrade lubricant for passenger cars and commercial vehicles), Maximo (a monograde oil designed for light duty commercial engines) and lubricants designed to protect gears, hydraulic and circulation systems, two-stroke engines and motorcycle engines. OOMCO also sells brake fluid and radiator coolant as well as a multi-purpose grease covering a wide variety of moderate service applications.

OOMCO's export business model in lubricants is built on assigning distributors for targeted countries. Distributor appointments are based on an analysis of the marketing and business capabilities of the distributor and a long-term business plan designed to benefit both parties.

OOMCO also offers aviation fuel to airports across Oman as well as ship to ship, container to ship and truck to ship marine fuelling services.

OOMCO also generates rental income from renting space at its service stations to food and beverage retailers as well as other tenants, including office space.

Suppliers

OOMCO is a fuel marketing company and all of its fuel is currently supplied by OQRPI. Fuel prices in Oman are regulated, see "*Management's discussion and analysis of financial condition and results of operations—Principal factors affecting the Group's results of operations and financial condition—Principal contributors to the Group's results of operations—OOMCO*".

Intellectual property

OOMCO has a wide range of brands which it seeks to protect by appropriate registrations in Oman and other countries where it sells the relevant products.

Senior management

OOMCO's board of directors comprises seven members and its senior management team has ten members, comprising the chief executive officer, the general managers responsible for B2B; retail; supply chain; shared services; strategy, business development, marketing and digital; finance, IT and legal, respectively; and the senior manager responsible for Health, safety, environment and quality – Technical & sustainable development.

Competition

OOMCO is one of four main participants in the fuel marketing industry. Oman Shell, Al Maha and Hormuz Fuel Marketing are the other companies authorised to conduct fuel marketing in Oman. OOMCO and its competitors offer substantially similar products with some differentiation in terms of added services offered by each company. OOMCO believes that its primary competitive advantage is its innovation and diversity of services in its offerings to customers, as it focuses on customer centricity, expertise in marketing and digital transformation to offer customers a hub of integrated services at its service stations.

Methanol production

OQ Methanol operates a 3,000 MT per day natural gas-based methanol plant located in Salalah. The existing facilities include the methanol plant, related utilities and off-sites, as well as export facilities. The utilities include captive power generation, water desalination, boiler feed-water preparation, auxiliary steam generation, condensate/water treatment facilities, instrument air/plant air and nitrogen generations, and other utilities, including a waste water treatment plant. Methanol produced by OQ Methanol is exported from facilities at the Port of Salalah, close to the plant.

The plant was commissioned in May 2010 and, since commercial operations commenced, has generally produced over 1.11 million MT of methanol per annum compared to its nameplate capacity of 1.06 million MT. OQ Trading is the offtaker for all of OQ Methanol's methanol production.

A new project to expand into ammonia production commenced in July 2017 and consists of the following:

- an ammonia plant of 1,000 MT per day capacity which is being built adjacent to the methanol plant; and
- associated utilities and infrastructure.

The new ammonia plant will utilise hydrogen rich purge gas generated by the methanol plant as feedstock making it capable of producing ammonia without sacrificing energy efficiency. By utilising purge gas from the methanol plant, the ammonia plant requires significantly less capital expenditure compared to a greenfield ammonia plant of similar capacity, making it a highly competitive producer globally. OQ Trading will also be the offtaker of all of OQ Methanol's ammonia production for onward sale into the global marketplace.

The ammonia plant is utilising commercially proven technology and has a design life of 20 years. The EPC contractor is SNC Lavalin which is constructing the facilities required for the project on a lump sum turnkey basis.

Typical ammonia plants include a reformer (primary and secondary), using natural gas (or hydrocarbon) feedstock for syngas generation with further purification and compression followed by shift reaction and methanation leading to ammonia generation. In OQ Methanol's case the hydrogen is derived from the purge gas from the methanol plant. Because OQ Methanol is using purge gas as opposed to syngas from a reformer, the need for a reformer is eliminated. This leads to a substantial reduction of capital expenditure as the reformer and its related equipment and infrastructure typically forms around 30 to 35 per cent. of the total fixed investment cost of a typical ammonia plant. Energy efficiency is also increased due to the reformer elimination resulting in only around 78 per cent. of the energy consumption compared to a typical ammonia plant. Additionally, the OQ Methanol site is a brownfield site, which leads to additional cost savings and synergies through shared utilities and off-sites.

As at 31 December 2020, the overall progress achieved on the project was 91.41 per cent., where the engineering progress achieved was 100 per cent. and the procurement progress achieved was 99.79 per cent. The construction progress achieved was 81.07 per cent. as at 25 December 2020. The total estimated EPC cost of the project is U.S.$336 million (OMR 131 million) which is being financed by a senior debt facility. As at 25 December 2020, U.S.$271 million (OMR 104 million) had been invested. As at 25 December 2020, the ammonia project had achieved 8.24 million safe man-hours without a lost-time injury.

LPG project

OQ LPG, a wholly owned subsidiary of OQ, is developing facilities for the extraction and production of LPG from rich natural gas and the re-delivery of lean gas, together with the related processing, storage, transportation and export infrastructure, in Salalah.

The project comprises a gas processing facility, a separate storage site and additional supporting infrastructure. The project is utilising commercially proven technology and has a design life of 25 years. The EPC Contractor is Petrofac E&C Oman LLC and is constructing the facilities required for the project on a lump sum turnkey basis.

The feedstock for the project is rich gas. This is treated by removing the mercury and it will then be dehydrated and subsequently regenerated in a pre-treatment unit. The gas is transferred to an extraction unit which extracts the lean gas. The residual liquids are processed to produce propane, butane and condensates. Part of the propane and butane may be combined to produce appropriate LPG blends. The production capacity is expected to be 304 kilotonnes per year, comprised of 155 kilotonnes per year of propane, 111 kilotonnes per year of butane and 38 kilotonnes per year of condensate.

The Government has agreed to supply all of the rich gas feedstock to OQ LPG on a cost-free basis in return for lean gas and a share of the proceeds of the sale of other products produced according to an agreed payment waterfall. OQ Trading is the exclusive offtaker for the other product produced by the project.

As at 26 December 2020, the overall progress achieved on the project was 97.14 per cent., where the engineering, procurement and construction progress achieved were 100 per cent. The commissioning progress achieved was 75.05 per cent. as at 26 December 2020. The total estimated cost of the project is U.S.$826 million (OMR 318 million) which is being financed by a combination of debt and equity. As at 31 December 2020, U.S.$753 million (OMR 290 million) had been invested. However, due to delays beyond December 2020, mainly resulting from the Covid 19 outbreak, the Board approved an additional cost of approximately U.S.$20.89 million in order to cover the expense up to the first quarter of 2021. The estimated completion is in 2021. As at 31 December 2020, the project had achieved close to 17.2 million safe man-hours without a lost-time injury.

OTHER NON-CORE INVESTMENTS

The Group has a significant portfolio of 24 non-core investments which operate across all sectors of the energy-related industry. This portfolio included 27 non-core investments as at 31 December 2020 (with three having now been sold or transferred, subject to certain customary closing conditions) and includes both Omani and international companies and the Group's interests in its portfolio companies range from 6.8 per cent. to 100 per cent.

Within the oil and gas sector, the Group's non-core investments include:

- a 100 per cent. shareholding in Abraj Energy Services SAOC, an Omani company which provides oil field services to the upstream sector;
- a minority interest in an upstream joint venture (at production phase) and a minority interest in another upstream joint venture (at exploration/appraisal phase) in Kazakhstan;

- a minority interest in an Indian refinery, which was re-classified as held for sale as at 31 December 2020, based on the Board's decision to divest it in 2021, and on 31 March 2021 was sold to BPCL, subject to certain conditions precedent;
- majority and minority interests in crude oil storage and terminals, both existing and under construction;
- a majority investment in one local, and minority investments in one local and two international, conventional power generation plants;
- a minority investment in a local solar photovoltaic powered plant;
- minority investments in an international gas and electricity transmission asset and in a regasification terminal; and
- one wholly owned and three minority investments in assets within the shipping and port logistics business, with OSC, one of the minority investments, being held for sale as at 31 December 2020, and the transfer to OIA was completed in March 2021.

The Group also has non-core investments in companies operating outside the energy-related industries, including fertiliser production, shipping, logistics, aluminium and iron ore.

Certain non-core investments make significant distributions to OQ at a consolidated level. These include MOL PLC, a listed investment held at FVTPL, Oman India Fertiliser Company SAOC, an equity accounted joint venture, Redes Energéticas Nacionais, a quoted investment held at FVTPL, Vale Oman Pelletising Company LLC, an unquoted investment held at FVTPL, and GSEPS Company Limited, an equity accounted associate, which together accounted for 84 per cent. of the consolidated distributions received from non-core investments in 2020.

INFORMATION TECHNOLOGY

The Group provides IT services to all its businesses across the globe, through centralised Information & Digital Solutions (**IDS**) organisations based in Oman, Germany, China and USA. The Group's IDS mission is to support OQ to become a data-driven organisation through secure digital solutions, supporting operational efficiency and revenue growth. This will be achieved by the Group's IDS strategy, which is aimed at ensuring that its IT systems are fully integrated and economically sensible, while business processes are automated with the necessary information and cybersecurity measures in place.

The Group has implemented a centralised and cost-efficient SAP Enterprise Resource Planning system for all its Oman-based assets. The system covers all aspects of the Group's business activity such as customer order management, billing and payment, supply chain management, finance and cost controlling, human resources management and health and safety management. For its international specialty chemicals business, the Group has in place a separate SAP Enterprise Resource Planning system, which is similar to the centralised system for its Oman-based assets.

The Group's network infrastructure is based on servers running Windows operating systems. Servers, applications and databases are regularly backed-up in accordance with IDS' disaster recovery plans. The Group's back-up and disaster recovery systems include separate disaster recovery centres. Industrial control systems are managed according to the operational technology suppliers' best practices. The IDS organisation regularly monitors changes to laws, regulations and IT-related risks and applies mitigation controls to minimise their impact.

The Group relies on a number of IT systems in order to carry out its day-to-day operations. As a result of the increasing complexity of digital information and communication, the Group is exposed to risks, ranging from the loss or theft of data, cyberattacks, stoppages and interruptions of the business, to failure and technical obsolescence of IT system. Therefore, IDS prioritises security measures to prevent unauthorised access or attack and it uses trusted infrastructure protection technologies to ensure a high level of security. Network access security is regularly tested, and weaknesses identified and remedied. Furthermore, cyber security-related internal and external network penetration tests are periodically performed by independent security companies to identify and mitigate security vulnerabilities as soon as possible.

ENVIRONMENT, HEALTH AND SAFETY

The Corporate Health, Safety, Security and Environmental (**HSSE**) function has introduced the HSSE policy, which the Board approved in January 2021. The policy provides the statement of intent and sets out the commitment of OQ towards various aspects of health, safety, security, process safety, environment, risk management and product stewardship. Documents required to establish the HSSE management system have been defined, and the publication of these documents is expected occur over the next two years to provide strategic guidance and direction.

The various business lines will continue to maintain their existing HSSE management systems and certifications while initiating the strategic alignment with the guidance published by HSSE Corporate. Processing and manufacturing facilities are subject to national and international regulatory regimes, including Omani, EU, US federal and state and Chinese laws and regulations.

The Group has incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future HSE laws and regulations impacting the integrated businesses, which tend to become more stringent over time, and the more stringent enforcement of these laws and regulations.

Most of the business lines have HSSE systems that are currently certified to international standards. Some of these include the International Standards Organisation (**ISO**) 14001 for environmental management, ISO 9001 for quality management, ISO 27001 for information security management, and Occupational Health and Safety Assessment Series (**OHSAS**) 18001 for occupational health and safety management and some have achieved smooth transition to the newly introduced ISO 45001 OSH standard. The newly introduced ISO 45001 standard for Integrated HSE Management is a crucial driver for facilitating the integration of HSSE management systems and continued improvement. In general, the Group's HSE systems seek to ensure that the integrated businesses:

- comply with all applicable laws, regulations, and standards;
- design and maintain safe and healthy workplaces, and implement the necessary controls for the safety of people, the protection of the environment and pollution prevention;
- encourage proactive risk mitigation and continuous improvement;
- strive to improve HSE performance by fostering a positive HSE culture; and
- provide transparent communication with affected parties.

The Group's integrated businesses typically have dedicated teams of HSE professionals responsible for driving the implementation of the HSE management systems across their respective activities. In the case of ongoing projects, despite the fact that during construction phases the primary responsibility lies with the EPC contractors, the Group's businesses take an active role in ensuring that the work is performed in line with their standards, best international practices and in accordance with local laws and regulations. In the case of OQEP, for its non-operated assets, even though the primary responsibility lies with the operator, OQEP aims to take an active role by seeking both to ensure that the work is performed according to high standards and in accordance with local regulations and to benefit from the experience to elevate its own standards and maximise knowledge transfer.

INSURANCE

The Group maintains a range of insurance policies that provide coverage in amounts and on terms that are generally consistent with relevant industry practice. OQ arranges and manages an umbrella insurance programme which covers both it and a number of its subsidiaries. The insurance covers the major assets of companies such as OQEP, OQRPI, OQGN and OQ Methanol. The risks covered under these policies include property damage, business interruption and third-party liability and, for OQGN, cyber crime. The policy has a combined single limit of liability of U.S.$1.4 billion with a deductible of U.S.$25 million for each and every loss and a 60-day waiting period for business interruption. OQ Chemicals has a separate insurance programme for property damage, business interruption and third-party liability and OQ expects to integrate the OQ Chemicals insurance programme by the end of 2021.

However, as a result of operating risks and other potential hazards associated with the Group's businesses, the Group may from time to time become exposed to significant liabilities for which there may not be adequate insurance coverage. In addition to natural risks such as earthquakes, floods, lightning, hurricanes and wind, as well as hazards such as fire, explosion, collapse and machinery failure, there are inherent risks that may occur as a result of inadequate internal processes, technological flaws, human error, terrorism or unknown external events. The control and management of these risks depends on adequate development and training of personnel and on the existence of operational procedures, preventative maintenance plans and specific programmes supported by quality control systems which reduce, but do not eliminate, the possibility of the occurrence and impact of these risks. See further, "*Risk factors—Other group risks—The Group's insurance policies may not be sufficient to cover all risks that it faces*".

SUSTAINABILITY

Building upon the legacy that represents OQ's values and culture, and ensuring a Group-wide foundation that relies on transparency, commitment and shared responsibility, OQ released its first sustainability report for 2019. The report follows the Global Reporting Initiative Standards, which is aligned with the 17 Sustainable Development Goals of the United Nations and the United Nations Global Compact. The report seeks to present the Group's environmental, social and governance performance as steps towards demonstrating transparency and accountability. OQ's corporate values, "Care, Share and Dare" encourage its employees to also adopt sustainability behaviours in their daily practices.

OQ defines sustainability as "maximising its contribution to sustainable development through meeting the needs of the country and society for energy in a responsible manner while enhancing its positive social and environmental impact, and enabling future generations to meet their needs". In order to implement this goal, OQ has recently undertaken a rigorous stakeholder engagement process to listen to, map and highlight its stakeholders' expectations and the material issues which they expect the Group to address and pioneer. These topics include climate change, waste management, diversity and inclusion and ethical business practices among many other sustainability areas. This inclusive reporting process is expected to enable OQ to identify the Group's strengths and areas for improvement.

As a step towards going beyond reporting and implementing sustainable practices, OQ's sustainability department has initiated a project to develop OQ's sustainability roadmap and framework, in collaboration with internal and external stakeholders, which have been categorised into the following seven groups:

The roadmap was delivered in accordance with the Global Reporting Initiative, Oman Vision 2040, the Paris Climate Agreement, the UN's Sustainable Development Goals and the UN Global Compact.

The key objective of the roadmap is to create a sustainability strategy to define OQ's direction and scope over the long-term with regards to sustainability commitments and driving key material topics while fulfilling stakeholders' expectations and complying with international sustainability standards. To achieve this task, the roadmap will be developed and integrated across various business functions, setting sustainability targets and outlining initiatives to deliver them, thereby moving closer towards attaining OQ's aspiration of becoming "a global integrated energy company, delivering sustainability and business excellence the Omani way".

As a result of this process three main pillars have been defined. Each pillar of the Sustainability Framework has clear objectives and is reinforced by various initiatives implemented in partnership with the relevant business functions.

- Environmental Pillar: Managing greenhouse gas emissions, helping to mitigate the effects of climate change, and minimizing adverse impacts on biodiversity.

- Social Pillar: Developing human capital and offering diversified equal opportunities in the workplace; improving social well-being of employees, contractors and the communities in which the Group operates; and ensuring that employees and contractors maintain high levels of health and safety.

- Economic and Governance Pillar: Increasing the Group's profitability through innovation, enabling its supply chain to procure services and products; and ensuring a high level of ethics, integrity and corporate governance.

In addition to the three pillars, the Group has identified 29 topics that have been aligned with the Sustainability Development Goals.

MANAGEMENT AND EMPLOYEES

MANAGEMENT

Board of directors

OQ is managed by its board of directors (the **Board**) which currently comprises a chairman and five other directors. On 15 April 2021, Dr. Pailin Chuchottaworn resigned as a director and has not yet been replaced. Each Board member is appointed by the Government and serves for a three-year term. The current members of the Board were appointed in August 2020.

The table below shows the current members of the Board.

Name	Title
Mulham Basheer Al Jarf	Chairman
Said Abdullah Al Hatmi	Deputy Chairman
Dr. Abdullah bin Mohammed Al Lamki	Director
Abdulrahman Salim Al Hatmi	Director
Tore Myrholt	Director
Eng. Omar Khalfan Al Wahaibi	Director

The business address of each Director is Bousher, P.O Box 261, P.C 112, Oman.

The Board conducts OQ's business in accordance with OQ's articles of association and the rules and resolutions adopted by the Board. The articles of association provide that the Board may be convened by the Chairman at any time, and that the Board shall meet at least four times a year with a minimum attendance requirement of a simple majority of its members. The articles of association provide that the Board shall have the power and authority to manage OQ.

The Board sets OQ's strategic direction and regularly reviews OQ's and the integrated Group's operating and financial position. It ensures that the necessary resources are in place to enable OQ to meet its strategic growth objectives, monitors the performance of management and aims to ensure that the strategy, policies and procedures adopted are in line with OQ's mandate. In addition, the Board approves the preparation and auditing of OQ's financial statements, alongside the Board Audit and Risk Committee.

Brief biographies of each of the members of the Board are set out below:

Mulham Basheer Al Jarf, Chairman

Mr. Al Jarf is the acting Deputy President for Investment at the Oman Investment Authority. He has over 25 years' commercial experience in international business and finance. Mr. Al Jarf is responsible for ensuring that OIA's investments achieve long-term sustainable returns and support the diversification of the Omani economy through investment in a diversified portfolio of asset classes worldwide.

Prior to joining OIA, Mr. Al Jarf was Deputy CEO of OQ. Before that he held positions with the MoEM, OQGN and General Telecommunications Organisation.

Mr. Al Jarf holds a Bachelor's degree in Business Administration in International Business from Marymount University, United States, and is a qualified Barrister-at-Law of the Bar of England and Wales.

Said Abdullah Al Hatmi, Director

Mr. Said Al Hatmi has been the CEO of Al Ahli Bank since 2018. Previously, Mr. Said Al Hatmi held various positions at HSBC Bank Middle East in Oman. He has more than 17 years' commercial banking experience in the areas of corporate banking, risk management, finance and banking operations.

Mr. Said Al Hatmi holds a Bachelor's degree in Finance from Sultan Qaboos University and a Masters' in Business Administration from the University of Strathclyde in the United Kingdom. He is also a Certified Management Accountant from the Institute of Management Accountants in the United States.

Dr. Abdullah bin Mohammed Al Lamki, Director

Dr. Al Lamki has 45 years' work experience, 38 of which were spent in the oil and gas industry. In 1973, he joined PDO and was seconded to Shell in The Hague. Dr. Al Lamki developed his career at PDO and Shell through various senior positions, including Head of Well Engineering at Shell Nigeria, Chief Production Technologist and Deputy Petroleum Engineering Manager at PDO, Petroleum Engineering Manager at Norske Shell, Norway and Petroleum Engineering Manager and Technical Director at PDO. Dr. Al Lamki was appointed Deputy Managing Director and Technical Director of PDO in 1998, a position he held until his retirement in 2012. Prior to the integration, Dr. Al Lamki was also a member of the Board of Directors of Orpic.

Dr. Al Lamki holds a PhD in Electron and Nuclear Physics from Trinity College in Dublin, Ireland.

Abdulrahman Salim Al Hatmi, Director

Mr. Abdulrahman Al Hatmi is the Group CEO of ASYAD. Mr. Abdulrahman Al Hatmi was a key participant in the development of Oman's National Logistics Strategy 2040 and, through his current role, he is overseeing its implementation and spearheading the sector's economic growth. He led the inception of ASYAD Group, which consists of 16 companies and covers three major ports and their associated free zones. He also led Oman Shipping, Oman Post, Oman Dry Dock and Oman Rail (which he established to direct and manage the development of the GCC and national rail project in Oman).

Mr. Abdulrahman Al Hatmi worked in the oil and gas industry for 14 years and subsequently founded two successful start-ups.

Mr. Abdulrahman Al Hatmi holds a Bachelor's degree in Engineering from the University of Bradford, United Kingdom.

Tore Myrholt, Director

Mr. Myrholt is currently a senior external advisor to McKinsey based out of Doha, Mr. Myrholt has been with Mckinsey for close to 40 years, and is one of McKinsey's longest-serving partners, with stints leading the firm's Doha and Scandinavian offices and for seven years its Europe, Middle East and Africa division. During his time with McKinsey, Mr. Myrholt also served as Chairman of the Directors Committee and as a long-term board member of the McKinsey Shareholder Council.

Additionally, Mr. Myrholt is Chairman of Trioplast and Antler, a member of the board in Arunda, and a member in three other non-profit boards.

Mr. Myrholt holds a degree in International Economics from Norges Handelshøyskole, Norway and an MBA from Harvard Business School, United States.

Eng. Omar Khalfan Al Wahaibi, Director

Mr. Al Wahaibi is the Group CEO of Nama Group and CEO of Nama Holding. He is also on the board of Redes Energeticas Nacionais SGPS SA, the GCC Interconnection Authority and Haya. He previously held the positions of Chairman of the board of Dhofar Generating Co. SAOC, CEO of Oman Wastewater Services Co. SAOC, Chairman of Al Ghubrah Power & Desalination Co. SAOC and project manager at PDO.

Mr. Al-Wahaibi holds a Bachelor's degree in Mechanical Engineering from the University of Manchester Institute of Science & Technology, United Kingdom.

Senior management

The Group Chief Executive Officer (**Group CEO**) and the senior management of OQ are responsible for the proper management, supervision and direction of the integrated Group's business and affairs. In particular, the CEO is responsible for the integrated Group's technical, administrative and financial affairs and such targets and policies as may be set by the Board.

The table below shows OQ's senior management team.

Name	Title
Talal Al Awfi	Group CEO (Acting)
Hilal bin Ali Al Kharusi	Chief Executive – Commercial (Acting)
Dr. Salim Al Huthaili	CEO – Alternative Energy (Acting)
Othoman Al Balushi	CEO – Upstream (Acting) and VP – Surface Operations
Jan Christiaan van der Wouden.............................	CEO – OQ8 (Acting)
Ahmed Al Jahdhami	CEO – Downstream
Nazar Al Lawati	Chief Financial Officer
Ibtisam Al Riyami	Chief People, Technology and Culture
Shihab Al Barwani	Chief Projects
Muthir Al Kharousi	Leader of IPO Readiness and Transformation Office

Brief biographies of each of the members of senior management are set out below.

Talal Al Awfi, Acting Group CEO

Mr. Al Awfi was appointed as Acting Group CEO in January 2021. Mr. Al Awfi has over 20 years' experience in oil, gas and petrochemical marketing and trading. In his recent role as Chief Executive Commercial, he was primarily responsible for overseeing the marketing functions within the Group. During his career, he has held several key positions in the public and private sectors, including CEO of OQ Trading. He has also served as a member of various boards across the oil and gas industry, Mr. Al Awfi has previously held a series of project management positions, one of which involved the initiation and establishment of OQ Trading in 2005. He holds a B.Sc. in Business and Finance, as well as an M.Sc. in Marketing from Salford University, United Kingdom.

Hilal bin Ali Al Kharusi, Acting Chief Executive – Commercial

Mr. Kharusi was appointed as Acting Chief Executive - Commercial in February 2021. In addition, Mr. Kharusi is the Vice-president for retail at OQ responsible for developing and driving OQ global retail business strategy locally and internationally. Mr. Kharusi has over 29-years of experience in the energy sector and managing energy projects across the Middle East, Africa, and Russia, among others. He had also served as Board Chairman in Oman Oil Marketing Company (OOMCO) and as Chairman of Oman Sustainable Water Services (OSWS). Mr. Kharusi obtained a Bachelor's degree in Geosciences/Economic Geography in 1999 from

Bedfordshire University (United Kingdom) and an MBA in 2007 from Henley Management College (United Kingdom).

Dr. Salim Al Huthaili, Acting CEO – Alternative Energy

Dr. Al Huthaili was appointed as CEO Alternative Energy (Acting) in November 2020. Prior to his current position, Dr. Al Huthaili served as the CEO of OQ8 since December 2018. Prior to that he worked at OQ as Strategy and Performance Director for the downstream business Dr. Al Huthaili also has an extensive experience across various multinational organisations. Some of his previous positions include Royal Dutch Shell, where he led Shell chemicals' operations in the Middle East, and OXEA as CEO and member of the Executive Board. Dr. Al Huthaili holds a Ph.D in Engineering from the University of Nottingham, United Kingdom.

Othoman Al Balushi, Acting CEO – Upstream and VP – Surface Operations

Mr. Al Balushi has been the acting CEO – Upstream since January 2021, and has served as VP of Surface Operations since February 2020. Al Balushi has over 18 years of diverse experience in the oil & gas industry since graduating from the University of Bath (UK) with a Masters degree (MEng) in Mechanical Engineering in 2002 following his completion of the Petroleum Development Oman (PDO) program. Before serving in technical and leadership roles at OOCEP, he held several positions within Schlumberger, including field position, recruitment, and multiple managerial assignments, working in Canada, USA, Qatar, UAE, Brunei and Malaysia.

Jan Christiaan van der Wouden, Acting CEO – OQ8

Mr. Van der Wouden was appointed as Interim CEO of OQ8 in November 2020. Mr. Van der Wouden's career in the hydrocarbon industry spans more than 35 years. Prior to joining Orpic as COO in October 2016, he held various managerial roles in the industry, including Senior Advisor to the Executive VP at Qatar Petroleum and Operations Director (COO) of the Al Karaana petrochemicals project of Qatar Petroleum and Shell. In January 2020, Mr. Van der Wouden was appointed as OQ's COO – Downstream Assets Oman and subsequently assumed the role of VP Operational Excellence – Downstream as of June 2020. He holds a M.Sc in Applied Physics from Technical University Delft, The Netherlands and an MBA from Henley the Management College in the UK.

Ahmed Al Jahdhami, CEO – Downstream

Mr. Al Jahdhami was appointed as OQ's CEO – Downstream as part of the integration February 2019, having been Orpic's CEO since January 2017. Prior to his tenure at Orpic, Mr. Al Jahdhami spent five years in Oman Power & Water Procurement Company first as its Chief Operating Officer then as its Chief Executive Officer. Mr. Al Jahdhami also served as the Chairman of the Omani Staff Committee and a member of the PDO Extended Leadership Team.

Mr. Al Jahdhami started his career in PDO in 1997 where he held a wide range of operational, technical and commercial roles. From 2005 to 2007, Mr. Al Jahdhami worked for the Ministry of National Economy as Project Manager of the Sur Independent Water Project. He then joined Electricity Holding Company where he initially led the restructuring of the Salalah electricity business and subsequently became its Director of Privatisation & Restructuring. In 2010, Mr. Al Jahdhami became the General Manager for Policy & Strategy at the Public Authority for Electricity & Water, leading its privatisation and restructuring, energy efficiency and renewable energy initiatives.

Mr. Al Jahdhami is currently a member of the Board of Directors of the GCC Interconnection Authority, INJAZ Oman and Gulf Petrochemical and Chemicals Association. He holds a Bachelor's degree in Mechanical Engineering from the University of Nottingham, United Kingdom.

Nazar Al Lawati, Chief Financial Officer

Mr. Al Lawati was appointed as OQ's Chief Financial Officer in February 2019, having been Orpic's Chief Financial Officer since 2012. He has 25 years' experience in the Gulf region, in the oil and gas industry and consumer sectors. Mr. Al Lawati started his career in 1995 with PDO as a Petroleum Engineer. In 1998, he joined Unilever as a finance management trainee and progressed to various regional financial management roles in the UAE and Saudi Arabia.

In 2004, Mr. Al Lawati returned to the oil and gas industry by joining Shell in the Middle East. During his time with Shell, he was responsible for governance risk and assurance in the region and was later appointed as Finance Manager for its upstream business in Abu Dhabi and Pakistan. Returning to Oman in 2011, he joined Orpic as Manager of Financial Services and was promoted to Chief Financial Officer the following year.

Mr. Al Lawati holds a Bachelor's degree in Electrical Engineering from the University of Sussex, United Kingdom. He is also a Chartered Management Accountant with the Chartered Institute of Management Accountants in the United Kingdom.

Ibtisam Al Riyami, Chief People, Technology and Culture

Ms. Al Riyami joined the Group in November 2019 from PDO, where she had held the position of People and Change Director from 2013. Her mandate at OQ covers human resources, brand Communications, sustainability and administration, as well as accountability for the Group's transformation through digitalisation and lean and continuous improvement. Ms. Al Riyami's career of more than 30 years included a number of IT roles at PDO and a four-year term at Shell Exploration in Aberdeen, United Kingdom. Ms. Al Riyami holds a Bachelor's degree in Computer Science from the University of Tulsa, United States, an Executive MBA from the University of Aberdeen, United Kingdom, and an Executive Masters in Coaching and Consulting for Change from INSEAD, France.

Shihab Al Barwani, Chief – Projects

Mr. Al Barwani joined the Group in February 2020. He started his career in PDO's instrumentation function in Oman. He subsequently undertook assignments at Shell in the United Kingdom, in Canada, The Netherlands and Nigeria. Mr. Al Barwani then rejoined PDO as head of Engineering for South Oman.

Mr. Al Barwani holds a Bachelor's degree in Measurement & Control from Teesside University, United Kingdom.

Muthir Al Kharousi, Leader of IPO Readiness and Integration Management Office

Mr. Al Kharousi joined the Group in September 2020. He has over 24 years' experience in senior management roles in Oman and globally, having worked with well organisations including PDO and Shell. Most recently, he was President of Rajasthan Oil, Cairn Oil & Gas, India.

Mr. Al Kharousi holds a Bachelor's degree in Chemical Engineering and has also successfully completed the INSEAD Shell Leadership Development course.

Conflicts

There are no conflicts of interest between the duties of the members of the Board and senior management listed above to OQ and their private interests or other duties.

CORPORATE GOVERNANCE

OQ is committed to adopting, applying and continuously improving the highest standards of corporate governance in all its activities and operations. OQ has created a new organisational structure as part of the integration programme and the process of modifying the delegated authorities across the Group is ongoing. OQ is also enhancing the scope of work of its corporate functions and support services to improve efficiency. A number of policies have been and are being developed, including the code of conduct and the tender policy and OQ continues to support the internal audit and risk management function across the new structure.

BOARD AUDIT AND RISK COMMITTEE

The Board Audit and Risk Committee (the **BARC**) assists the Board in fulfilling its oversight responsibilities related to (i) the integrity of the financial reporting process, (ii) the effectiveness of internal control, (iii) the performance and independence of OQ's internal audit function and external auditors, (iv) the systems for compliance with the laws and regulations and (v) the adequacy and effectiveness of risk management.

The BARC has a wide range of responsibilities, including:

- oversight of the external audit, including recommending the external auditors for appointment by the annual general meeting, approving their fees, agreeing the audit approach, evaluating issues arising from the audit and reviewing the performance of the external auditors;

- oversight of the internal audit, including reviewing and approving the internal audit plans, approving the internal audit budget and ensuring that internal audit is appropriately resourced;

- oversight of risk management, including reviewing and recommending to the Board the risk policy and risk appetite, overseeing the implementation of the risk policy, and reviewing periodic risk reports submitted by management;

- oversight of the financial statements, including reviewing and challenging where appropriate management's actions and significant judgments in preparing the financial statements and discussing the financial statements with the external auditors and management before recommending them to the Board for approval; and

- control and compliance, including reviewing all control areas, ensuring that all weaknesses identified by internal and external auditors and third parties such as regulatory agencies are addressed, and reviewing periodic management reports including those relating to fraud prevention, complaints and compliance with the Group's code of conduct.

The BARC meets as frequently as required (as determined by the Chair) and at least twice per year. Its members are appointed by the Board. It currently comprises three non-executive members: Omar Al Wahaibi (as chairman), Said Al Hatmi and Dr. Abdullah bin Mohammed Al Lamki (as members).

NOMINATION AND REMUNERATION COMMITTEE

The Board has recently established a Nomination and Remuneration Committee comprising Eng. Abdulrahman Al Hatmi (Chairman), Dr. Abdullah Al Lamki and Mr. Tore Myrholt. The terms of reference of this committee have not yet been approved by the Board.

STRATEGY COMMITTEE

The Board has recently established a Strategy Committee comprising Mr. Mulham Al Jarf (Chairman) who is also the Acting Deputy President of OIA, Mr. Tore Myrholt and Mr. Said Al Hatmi. The terms of reference of this committee have not yet been approved by the Board.

ETHICS COMMITTEE

OQ's Ethics Committee was established by the CEO in 2020 to support the management and the BARC in their oversight of the Group's code of conduct.

The Ethics Committee is, among other things, responsible for:

- reviewing and investigating violations of the Group's code of conduct brought to its notice and recommending appropriate measures to management;
- acting as an advisory body on all matters relating to the Group's code of conduct including reviewing the procedures and implementation guidelines proposed by the ethics and compliance team; and
- overseeing OQ's whistleblowing programme.

The Ethics Committee currently comprises five members: Abdulrahman Al Harthi, Head of Assurance (as chairman), Dr. Ina Werxhausen, Manager Sustainability at OQ Chemicals, Maryam Al Shaibani, Corporate Identity & Culture CIC, Ashraf Al Mamari, People COE and Murray Done, General Counsel (as members).

EMPLOYEES

As at 31 December 2020, the total workforce directly employed in the Group was 6,616 full-time equivalent employees (this number excludes workers on temporary contracts).

The number of full-time equivalent employees for OQ was 377 as at 31 December 2020, 110 as at 31 December 2019 and 113 as at 31 December 2018.

The table below shows the Group's employees by integrated entity as at 31 December 2020.

Integrated entity	Number of employees
Integration Leadership Team	9
Commercial...	140
Finance and Strategy	371
People, Technology and Culture	633
Projects	1,041
Assurance	23
Alternative Energy	18
OQ Downstream..	2,213
OQ Chemicals...	1,410
OQGN	322
OQ Methanol	259
OQ8...	280
OQEP	189
OQ Trading...	81
Total	**6,616**

OQ believes that its human resources are critical to its business and it seeks to ensure that its staff are provided with career training and development opportunities to address all of its present and future workforce needs. These opportunities include secondments with international oil and gas companies, graduate training positions and internal recruitment opportunities across the Group.

Each member of the Group undertakes initiatives to motivate employees to contribute to its success through programmes managed individually by each company, for example, an annual incentive scheme, benefits and competitive salary scales.

A Group recruitment team seeks to fill vacant positions based on the skills and expertise required for each job, giving priority to internal talent in a fair manner. All candidates are selected based on capability assessments to ensure the best candidate is appointed.

Since December 2018, the integration process has sought to harmonise human resource policies across the integrated Group in terms of salaries, benefits, development, training and recruitment. The People workstream has started and continues to study, benchmark, analyse and integrate the benefits of all integrated companies with a view to developing a common benefits and salaries policy to ensure the attraction and retention of Omani talent to contribute effectively to the success of the integrated Group.

As at 31 December 2020, the Group's Omanisation rate including international assets was 61.03 per cent. and its Omanisation rate for the Omani assets only was 78.96 per cent. As at the same date, approximately 65.82 per cent. of the senior positions within the Group were held by Omani nationals and for the Omani assets only 65.40 per cent. of the senior positions were held by Omani nationals. The Group's headcount in Oman was 5,095 as of 31 December 2020.

All OQ employees, Omani and expatriate workers, are eligible for the approved Performance Incentive Plan.

OQ provides end of service benefits to its non-Omani employees. The entitlement to these benefits is based upon the employee's length of service. The expected costs of these benefits are accrued over the period of employment. See Notes 4.6 and 29 to the 2020 Financial Statements for further details.

Certain of the integrated Group's employees are subject to a collective bargaining agreement. OQ believes that its relationship with its employees is satisfactory.

CODE OF CONDUCT

The Board is responsible for setting ethical standards and values for OQ and ensuring that they are embedded as part of the Group's culture. OQ has a code of conduct that applies to all Group employees and its directors. The Group CEO monitors and oversees the implementation of the code except in respect of matters relating to the Group CEO and his direct reports. The Board decides on code-related matters pertaining to the Group CEO and his direct reports. There is an Ethics Committee appointed by the Group CEO which assists the Group CEO and the BARC in their oversight responsibilities relating to the code.

The code sets standards in a range of areas, including:

- conflicts of interest;
- insider trading;
- gifts and entertainment
- transactions with public officials;

- business integrity (including treating customers, suppliers and consumers fairly, gathering market intelligence only in a legal and ethical manner, complying with trade restrictions and sanctions, not restricting competition and knowing your counterparty);
- confidentiality;
- protecting corporate assets;
- health, safety and environmental protection;
- workplace practices (such as treating other employees with respect and ensuring that personal data laws are observed); and
- whistle blowing.

RELATIONSHIP WITH THE GOVERNMENT

OQ was formed in 1996 by Sultani Decree and is wholly owned by the Government through the OIA. Its mandate is to pursue investment opportunities in the energy sector both inside and outside Oman with a view to diversifying Oman's economy and promoting Omani and foreign direct investment.

The Government, through the OIA, is the sole shareholder of OQ. As the indirect shareholder, the Government controls the appointment of the Board members who are responsible for the overall policy direction, supervision and control of OQ and its subsidiaries.

The Board's role is to be an active participant and a decision maker in fostering the overall success of the Group by enhancing shareholder value, evaluating the performance of senior management, approving and overseeing the implementation of the Group's corporate strategy and plans, measuring corporate performance against plans and targets and acting as a resource for management in matters of planning and policy. The Board plays an active role in reviewing the new investments and projects which have been approved or endorsed by it and approving the Group's strategy, business plans and annual budgets. The Group also updates the Board on the status of its projects and investments on a regular basis.

The Group is a key facilitator of the Oman Vision 2040, which among other aims envisages wealth creation through economic diversification and private sector partnerships, ensuring balanced development across Oman's governorates, preserving environmental sustainability and building world-class infrastructure and liveable cities. The Group contributes to economic diversification and private-sector partnerships particularly through its downstream businesses which reduce the dependency of the economy on crude oil prices, make a significant contribution to Oman's non-oil GDP and help to improve its trade balance. The Group is also contributing to balanced growth across Oman's governorates through its significant projects which are spread across different regions and focus on areas of higher need, for example through the development of OQRPI and various greenfield projects in Sohar, OQ8 in Duqm and OQ Methanol in the south of Oman. The Group's activities also contribute to human capital development through the provision of skilled job opportunities for Omanis. The Group's strong focus on environmental impact management also contributes to the environmental sustainability element of Oman Vision 2040.

The Government has been instrumental in bringing new projects to the Group. For example, in January 2017 OQEP was granted (by way of free back-in rights from the Government) a 45 per cent. working interest in Block 9 and, as part of the Government's strategy of consolidating energy sector activities, in 2019 the Government transferred ownership of 75 per cent. of OQRPI to OQ (giving it 100 per cent. ownership in that company) and OQGN's concession was extended significantly and, in 2018 and 2019, it assumed ownership of almost all of Oman's gas transportation infrastructure network and became the gas transportation system operator in Oman.

The Government has historically provided financial support to the Group in the form of both cash and non-cash equity contributions, particularly in the form of back-in rights and asset transfers, and has also provided financing to certain Group companies, including significant financing to OQRPI before it became a subsidiary of OQ. The financing provided to OQRPI included ongoing liquidity provision in the form of deferred payment terms under its crude oil financing arrangements, financing support for the debt incurred to undertake certain of its projects, equity investments and certain other guarantees and indemnities. For further detail, see "*Description of the Group—Investment Highlights—A strategic asset for the Government*".

The Government views its stake in OQ as a long-term investment. OQ has not paid any dividends to date. Subject to the approval of its Board, OQ anticipates making dividend payments to its shareholder in the future.

INDUSTRY

Certain of the information set forth in this section has been derived from external sources. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but some of the information may have been derived from estimates or subjective judgment or may have been subject to limited audit or validation. While OQ believes this market data and other information to be accurate and correct, it has not independently verified it. Further, such estimates or judgments, particularly as they relate to expectations about OQ's market and industry, involve risks and uncertainties and are subject to change based on various factors, including those discussed under "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements" elsewhere in this Base Prospectus. The projections and other forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Statements".

Overview

- **Despite a short-term reduction in 2020 and potentially 2021, global oil and gas demand is expected to recover, with global GDP being a key driver.**

- **Fossil fuels are expected to remain the primary energy source for meeting increasing global energy demand primarily driven by non-OECD countries**.

- **Oman is the largest non-OPEC oil producer in the Middle East and, due to its substantial oil reserves and low production and development costs, is well-positioned to take advantage of the current low oil price environment and expected growth in global demand in the medium to long-term**.

Global GDP

Global GDP is a key driver of global oil and gas demand. From 2013 to 2019, real global GDP grew at a CAGR of 3.3%. In recent years, real global GDP growth has been mainly driven by countries outside of the Organisation for Economic Co-operation and Development (**OECD**) group, including Oman. From 2013 to 2019, the real GDP of non-OECD countries grew at a CAGR of 4.3%, while the real GDP of OECD countries increased at a CAGR of 2.2%. In particular, China and India contributed a large portion of growth within non-OECD countries, both with a CAGR of 6.8%, from 2013 to 2019.[10]

Over time, global oil and gas demand growth generally tracks global GDP growth trends. However, in recent years global GDP has grown at a higher rate than global oil and gas demand due to several factors, including an increasing use of alternative energy sources, more efficient use of crude oil and the electrification of vehicles. Furthermore, the outbreak of Covid-19 in early 2020 has resulted in a significant decline in oil and gas demand despite a steady rate of growth prior to the outbreak. According to the IMF's World Economic Outlook Update published in January 2021, Covid-19 resulted in a significant contraction of 3.5% in global GDP in 2020.[11] However, a recovery has begun to take place since the second half of 2020, as lockdowns and other restrictions on travel were gradually lifted, with the recovery continuing to improve and expected to further improve as vaccination programmes are being rolled out globally in 2021. In addition, various large-scale fiscal and monetary policy responses implemented by governments around the world, such as the U.S. Federal Reserve and European Central Bank's continuation of accommodative monetary policies in the near to medium term, have provided and are expected to provide further momentum for global economic recovery.

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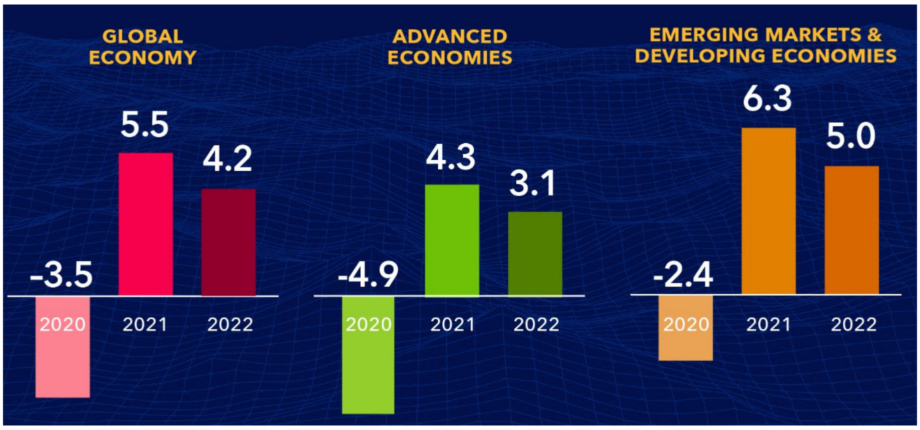
[10] OECD - Economic Outlook, Volume 2020 Issue 2 (December 2020) (https://www.oecd-ilibrary.org/sites/39a88ab1-en/1/3/1/index.html?itemId=/content/publication/39a88ab1-en&_csp_=fd64cf2a9a06f738f45c7aeb5a6f5024&itemIGO=oecd&itemContentType=issue).

[11] IMF – World Economic Outlook Update (January 2021) (*https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update*).

Although real global GDP is not expected to return to pre-Covid-19 levels until late 2021,[12] economic recovery is expected to be led by countries in the Asia Pacific region as a result of a number of factors, including population growth, increasing per capita wealth, a rising number of middle-class consumers and increasing urbanisation.

The following chart shows actual GDP growth in advanced economies and in emerging markets and developing economies, in 2020, as well as growth projections for 2021 and 2022.[13]



Global Energy Consumption

Demand for oil and gas is also influenced by energy consumption. According to industry reports published in September 2020, global primary energy demand is expected to grow by 25% between 2018 and 2050, largely driven by emerging market economies as a result of increasing prosperity and improvements in access to energy. On the other hand, primary energy consumption in developed countries is expected to decline as an increase in energy demand resulting from higher levels of activity is outweighed by improvements in energy efficiency. Emerging market economies are expected to account for approximately 70% of global energy demand by 2050, compared to approximately 50% as of 2008. The significant growth of energy consumption in emerging market economies is expected to be led by India and other Asian countries, which together are expected to account for more than 60% of the overall projected increase in primary energy demand. Growth in China's energy demand is forecasted to slow sharply relative to past trends, reaching a peak in the early 2030s, driven by increased energy efficiency and a continuing shift in the structure of its economy away from energy-intensive industries. However, China is expected to remain the largest energy market, accounting for approximately 20% of the world's energy demand in 2050, almost twice that of India.[14]

The increasing importance of renewable energy is expected to lead to an overall decline in hydrocarbon demand, resulting in a significant decrease in its share of overall primary energy demand from approximately 85% in 2018 to approximately 67% in 2050. Although renewable energy is forecasted to account for approximately 90% of the overall increase in primary energy over the next 30 years,[15] hydrocarbons are still expected to be one of the primary sources of energy over the same period.

Within hydrocarbons, natural gas is projected to be least impacted, with its demand approximately 35% higher compared to 2018. On the other hand, demand for petroleum and other liquid fuels is expected to remain largely flat at around 100 million bpd for the next 20 years, before lowering to around 95 million bpd in 2050. This

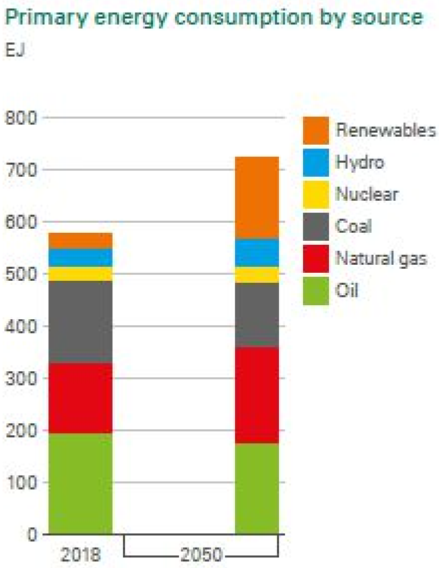
[12] OECD - Economic Outlook, Volume 2020 Issue 2 (December 2020) (https://www.oecd-ilibrary.org/sites/39a88ab1-en/1/3/1/index.html?itemId=/content/publication/39a88ab1-en&_csp_=fd64cf2a9a06f738f45c7aeb5a6f5024&itemIGO=oecd&itemContentType=issue).

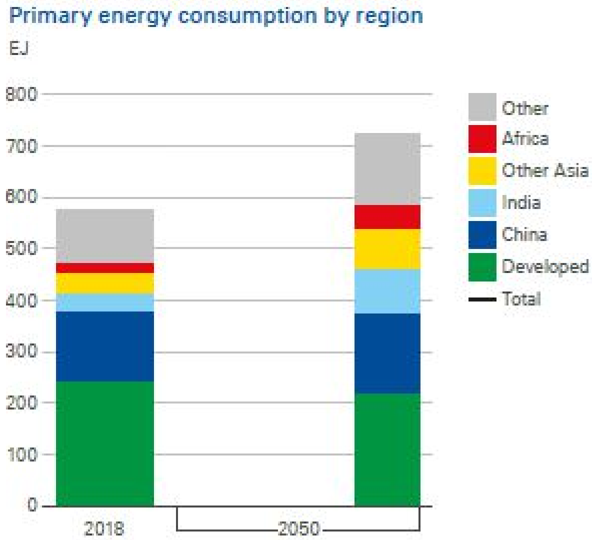
[13] IMF – World Economic Outlook Update (January 2021) (https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update).

[14] BP – Energy Outlook 20V20 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the "Business-as-usual" (**BAU**) scenario.

[15] BP – Energy Outlook 2020 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the BAU scenario.

demand is expected to be driven by an increase in demand from India and other Asian and African countries, offset by a decrease in consumption in developed economies during the same period.[16] The following charts set forth projected global primary energy consumption from 2018 to 2050 by energy source and region.[17]





Source: BP – Energy Outlook 2020

World Liquid Fuels Production and Consumption Balance

Liquid fuels production and consumption balance is an indicator of how the global oil market is performing in terms of supply-demand dynamics. The global supply of liquids products relies on feedstock supply from hydrocarbons, including crude oil, condensate, and NGLs. Conversely, the demand for liquids products, which include refined products, blended biofuels, synthetic fuels, liquid petroleum gases and ethane, differs by region. In non-OECD countries, and particularly in non-OECD Asian Pacific countries, liquids products demand increased at a CAGR of 3.3% and 4.7%, respectively, from 2009 to 2018, while liquids products demand in OECD countries increased at an average rate of 0.3%.

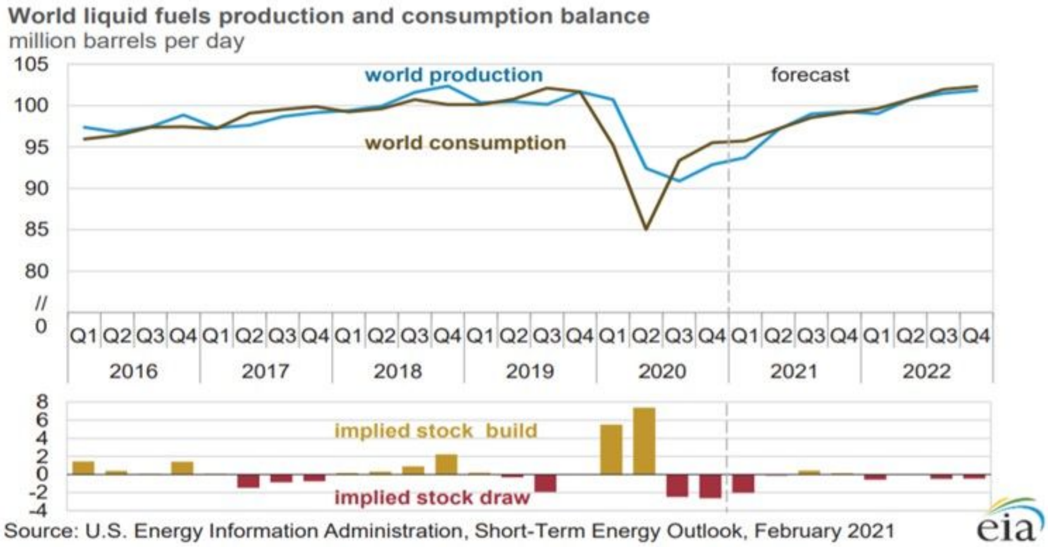
While global liquids products consumption decreased sharply by 8.9 million bpd in 2020 as a result of Covid-19, it is forecasted to then return to positive growth rate, reaching 5.4 million bpd in 2021.[18] The following chart shows the world liquid fuels production and consumption dynamic from 2016 to the last quarter of 2020 and forecasts for the period starting from the third quarter of 2021 to 2022.[19]

16 BP – Energy Outlook 2020 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the BAU scenario.

17 BP – Energy Outlook 2020 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the BAU scenario.

18 EIA – Short-Term Energy Outlook (February 2021) (*https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf*).

19 EIA – Short-Term Energy Outlook (February 2021) (*https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf*).



Any movement in supply or demand for liquids products affects the liquids products balance and, correspondingly, oil prices and production decisions. The most significant recent imbalance was excess supply in liquids products following the outbreak of Covid-19, which exerted downward pressure on oil prices. The outbreak of Covid-19 has caused a significant reduction in global demand. Prolonged factory shutdowns and closures, which were initially concentrated in China and other parts of Southeast Asia, resulted in a reduction in oil and gas consumption, closure of refineries and cancellation of product shipments. However, the global spread of Covid-19 and resulting strict travel restrictions and large-scale lockdowns resulted in a significant impact on oil demand more widely.

On the supply side, with global demand significantly reduced due to Covid-19 and a disagreement between oil producing countries on production cuts in March 2020, the oil industry experienced substantial oversupply in the market during the first half of 2020. On April 12, 2020, OPEC+ reached an agreement to cut global petroleum output by 9.7 million bpd from May 2020, and subsequently further agreed to ease the production cut to 7.7 million bpd since August 2020, which was subsequently eased further to 7.2 million bpd in January 2021. In March 2021, OPEC+ agreed to keep production largely steady through April, with Saudi Arabia extending its 1.0 million bpd voluntary production cut, originally announced in January 2021, into April 2021.

Global Demand for Oil and Gas and Supply Outlook

Crude oil

Crude oil is the world's leading energy source, accounting for more than 33% of global primary energy consumption in 2019.[20] Global crude oil demand grew at an average annual rate of approximately 1.5 million bpd between 2011 and 2019, but declined by 8.5 million bpd in 2020 due to the outbreak of Covid-19.[21] Although forecasts of global crude oil demand post-2021 vary due to differing expectations regarding the structural trends shaping the energy transition, demand is generally expected to recover to its 2019 levels in the next two-to-three years.[22]

Crude Oil Demand

Despite the recent uncertainty in the oil market outlook as a result of the outbreak of Covid-19 and challenges arising from an increased emphasis on energy efficiency (e.g., the new International Maritime Organisation

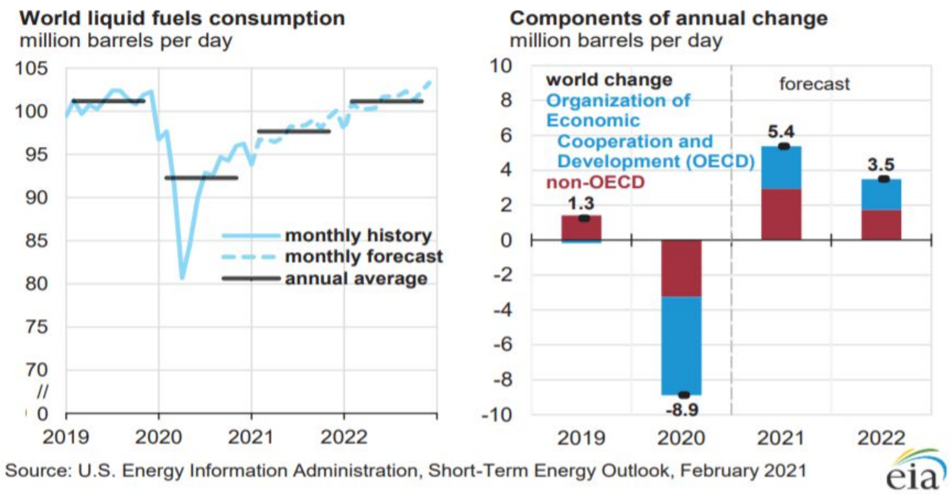
20 BP - Statistical Review of World Energy 2020 - 69th edition (June 2020) (*https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf*).

21 McKinsey Energy Insights Global Energy Perspective.

22 McKinsey Energy Insights Global Energy Perspective

(**IMO**) bunker rules introduced at the beginning of 2020), increased use of natural gas and renewable energy sources such as solar and wind power and the introduction of new technologies such as electric vehicles, oil is expected to remain the primary energy source in the medium term.

According to OPEC, oil demand in the OECD countries contracted by 11.9% in 2020 compared to 2019, to average 42.04 million bpd, despite previous worse projections, due to lesser-than-expected declines in all sub-regions during the second half of 2020. In developing countries, oil demand is contracted by 7.8% compared to 2019, to average 48.2 million bpd for non-OECD countries. Additionally, risks remain elevated and skewed to the downside, particularly in relation to the development of Covid-19 infection cases and potential vaccines. Furthermore, the speed of recovery in economic activities and oil demand growth potential in Asian countries, including India, remain uncertain. As such, EIA forecasts that global oil demand will increase by 5.4 million bpd to 97.7 million bpd in 2021 while OPEC's forecast for 2021 suggests that world oil demand will grow by 6.4% compared to 2020, to 96.1 million bpd.[23]



Crude Oil Supply

In 2020, global oil supply decreased by a record 6.6 million bpd compared to 2019, mainly as a result of the Covid-19 pandemic and the April 2020 OPEC+ agreement mentioned above as well as a further supply reduction by other producers, such as the U.S. and Canada, reduced world oil output by approximately 14 million bpd between April 2020 and July 2020.[24] World oil supply is expected to increase by over 1 million bpd, as the global economy recovers from the Covid-19 pandemic, with OPEC+ expected to add more than those outside the bloc.[25] Global oil supply increased by 590 thousand bpd to 93.6 million bpd in January 2021, as a result of the easing of the OPEC+ production cuts and additional supply from non-OPEC+ producers, but fell by 2 million bpd to 91.6 million bpd due to a cold snap shut in U.S. production and Saudi Arabia's voluntary production cut.[26] While OPEC+ is scheduled to meet on 1 April 2021 to chart policy for May, producers not taking part in the OPEC+ agreement are expected to see their output rise by 700 thousand bpd in 2021 after a decline of 1.3 million bpd in 2020.[27]

According to the industry publications published in February 2021, Brent crude prices averaged U.S.$55 per barrel in January 2021, up from U.S.$5 per barrel from December 2019, although still U.S.$9 lower than the

23 EIA – Short-Term Energy Outlook (February 2021) (*https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf*); OPEC – Monthly Oil Market Report (February 2021) (*https://momr.opec.org/pdf-download/*).

24 IEA – Oil Market Report (January 2021); (https://www.iea.org/reports/oil-market-report-january-2021); IEA – Oil Market Report (July 2020) (*https://www.iea.org/reports/oil-market-report-july-2020*).

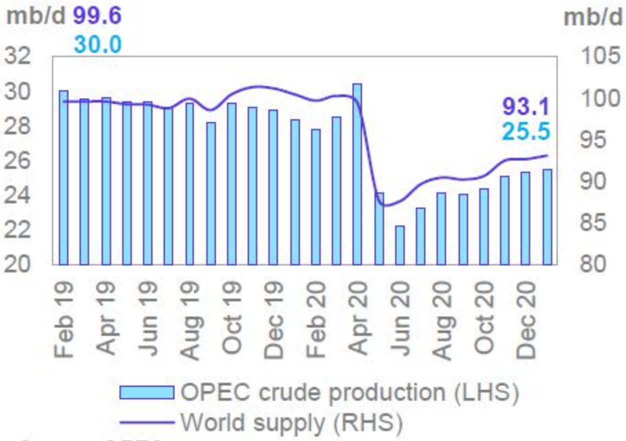
25 IEA – Oil Market Report (January 2021) (https://www.iea.org/reports/oil-market-report-january-2021).

26 IEA – Oil Market Report (February 2021) (https://www.iea.org/reports/oil-market-report-february-2021); IEA – Oil Market Report (March 2021) (https://www.iea.org/reports/oil-market-report-march-2021).

27 IEA – Oil Market Report (March 2021) (https://www.iea.org/reports/oil-market-report-march-2021).

average in January 2020. This increase in January 2021 largely reflected the 5 January 2021 announcement by Saudi Arabia that it would unilaterally cut 1.0 million bpd of crude oil production in February and March, in addition to the reduced production levels on which the OPEC and OPEC+ previously agreed.[28]

The following chart shows OPEC and world oil supply for the period starting February 2019 and until December 2020.[29]



Natural gas

Natural gas is the cleanest burning and fastest growing fossil fuel, accounting for approximately 23% of global primary energy demand and nearly a quarter of electricity generation as of September 2020. Since 2010, 80% of growth has been concentrated in three key regions: the U.S., where the shale gas revolution accelerated growth; China, where economic expansion and air quality concerns have underpinned rapid growth; and the Middle East, where gas has been serving as a gateway to economic diversification from oil. In 2018, natural gas experienced a 4.6% increase in global consumption, accounting for approximately half of the increase in global energy demand.[30]

In 2020, natural gas consumption reversed its upward trend and experienced an unprecedented decrease in demand (a decrease of 2.5% compared to 2019), mainly as a result of the Covid-19 pandemic and exceptionally mild weather in the early months of 2020, although gas demand for power generation remained resilient largely due to fuel switching and the flexibility of global supply chain in adjusting to demand variations. The Covid-19 pandemic and a well-supply market put investment on hold, whereas gas market reforms and clean gas policy initiatives gained momentum in major consuming markets.[31]

In 2021, the gas market opened with price rallies in Asia and Europe as rising winter demand tightened supply. However, market fundamentals for 2021 remain fragile. Global gas demand is expected to recover its 2019 level by increasing by 2.8% in 2021, slightly above the 2020 decline, but with uncertainties around the recovery trajectory of fast-growing markets compared with more mature regions and various risk factors concerning sectoral demand, such as fuel switching, slow industrial rebound and milder weather. The projected increase in demand in 2021 is expected to be driven by growing markets in Africa, Asia, Central and South America, and the Middle East, which collectively are projected to account for approximately 70% of global demand growth in 2021.[32]

According to industry publications published in September 2020, global gas demand is projected to increase throughout the next 30 years, increasing by a third to around 5,300 Bcm by 2050. This growth in gas

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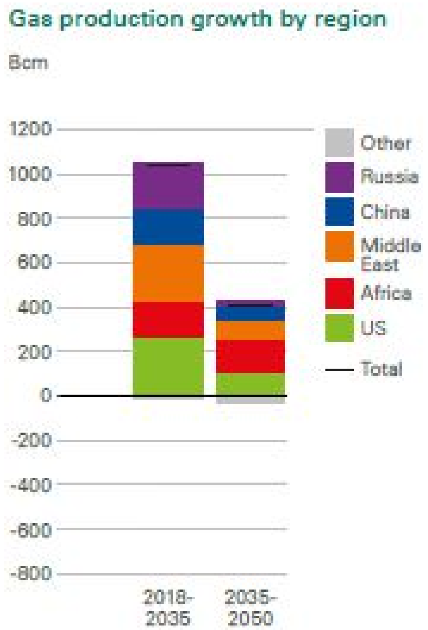
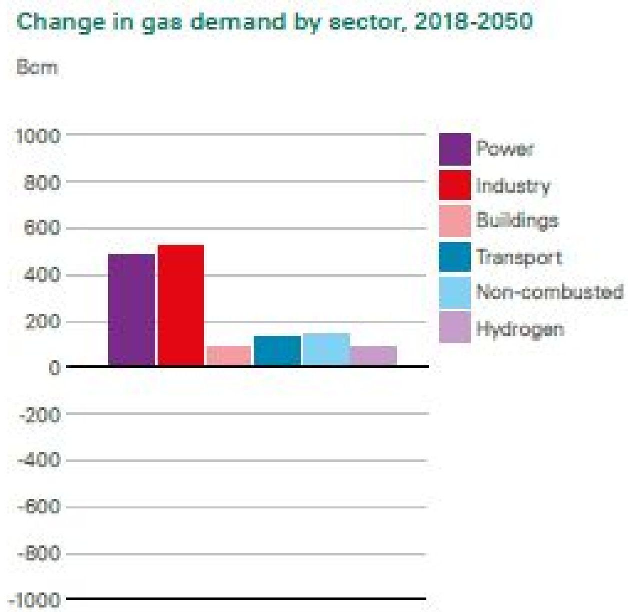
28 EIA – Short-Term Energy Outlook (February 2021) (https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf).
29 OPEC – Monthly Oil Market Report (February 2021) (https://momr.opec.org/pdf-download/).
30 IEA – Gas (https://www.iea.org/fuels-and-technologies/gas).
31 IEA – Gas Market Report, Q1-2021 (https://www.iea.org/reports/gas-market-report-q1-2021).
32 IEA – Gas Market Report, Q1-2021 (https://www.iea.org/reports/gas-market-report-q1-2021).

consumption is expected to be relatively widespread, with particularly strong increases in Asia, Africa and the Middle East. The growth is also expected to be broadly based across various sectors of the economy, led by the industrial and power sectors, which together are expected to account for approximately two-thirds of the increase. The growth in industrial demand is expected to be driven by emerging economies as they continue to industrialise and also supported by significant coal-to-gas switching within China's industrial sector. The stronger demand growth is expected to be largely met by increases in output in the U.S., Middle East and Africa, which together are forecasted to account for around two-thirds of the increase in global supplies.[33]

The following charts illustrate growth in natural gas demand by sector from 2018 to 2050 and gas production growth by region for the same period.[34]





Refined products

Between 2010 and 2018, refined product demand increased globally at a CAGR of 1.3%, mainly driven by growth in Africa, the Middle East and Asia Pacific, which saw refined product demand increase at CAGRs of 2.8%, 1.3% and 2.8%, respectively, between 2010 and 2018.

In 2020, the outbreak of Covid-19 resulted in a sharp decline (a decline of 9.0 million bpd compared to 2019) in consumption of refined products, most notably jet fuel, demand for which is expected to remain below its 2019 level through the end of 2022, although levels in China and the U.S. are expected to return to pre-pandemic levels more quickly than in most other regions.[35] According to recent industry forecasts, global consumption of refined products is expected to average approximately 97.5 million bpd for 2021, up by 5.3 million bpd compared to 2020, followed by another increase of 3.8 million bpd to 101.3 million bpd in 2022.[36] More recently, global consumption of refined products for February 2021 was estimated to be approximately 95.9 million bpd, which was the smallest year-over-year decline since the Covid-19 outbreak began affecting oil consumption in January 2020.[37] Global refinery throughput is expected to rebound by 4.5 million bpd in 2021, following a 7.3 million bpd decline in 2020.[38] Global refinery throughput increased by 440 thousand bpd in

33 BP – Energy Outlook 2020 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the BAU scenario.

34 BP – Energy Outlook 2020 (*https://www.bp.com/en/global/corporate/energy-economics/energy-outlook.html*). Based on the BAU scenario.

35 EIA - Short-Term Energy Outlook (January 2021) (https://www.eia.gov/outlooks/steo/archives/jan21.pdf).

36 EIA - Short-Term Energy Outlook (March 2021) (https://www.eia.gov/outlooks/steo/archives/mar21.pdf).

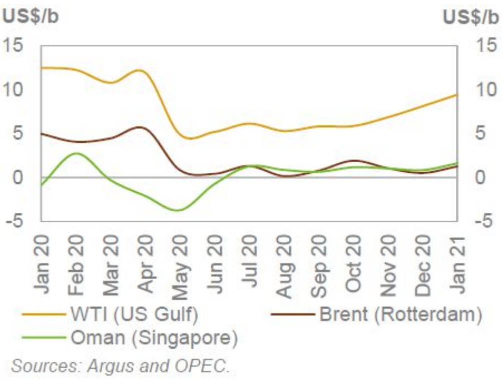
37 EIA - Short-Term Energy Outlook (March 2021) (https://www.eia.gov/outlooks/steo/archives/mar21.pdf).

38 IEA – Oil Market Report (January 2021) (https://www.iea.org/reports/oil-market-report-january-2021).

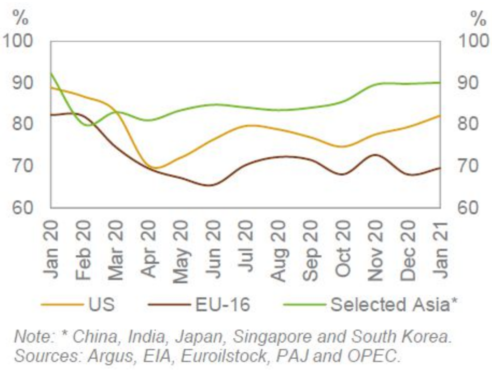
January 2021 but was still 5 million bpd lower year-on-year and declined by 1.9 million bpd in February mainly as a result of artic weather in the U.S., which was partly offset by increased Chinese refinery runs. Global throughput is forecasted to resume growth from the second quarter of 2021.[39]

The following charts show the global refining margins and refinery utilisation rates for the period starting January 2020 and until January 2021.[40]

Refining Margins



Refinery Utilisation Rates



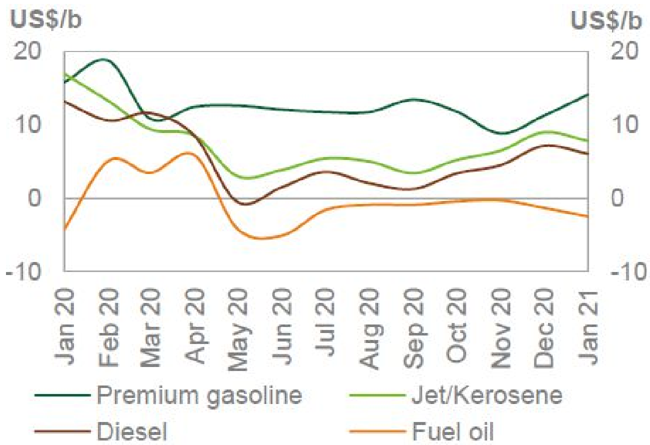
In the medium term, transport fuels demand growth is forecasted to stagnate. For example, demand growth for gasoline and diesel is expected to weaken between 2019 and 2025 as countries around the world implement policies to improve efficiency and reduce CO2 emissions, and as electric vehicles increase in popularity. On the other hand, petrochemical feedstocks are expected to become a more important driver of demand growth and therefore refining margins. Naphtha, LPG and ethane are expected to account for approximately half of all oil products demand growth, helped by continued rising plastics demand and cheap natural gas liquids in North America. Efforts to improve the sustainability of the plastics industry is expected to run up against the steady increase in demand from consumers in developing countries. Bans imposed on single-use plastics and recycling, even if fully implemented, are forecasted to displace only a modest amount of oil products demand.[41]

The transportation sector is forecasted to remain the largest consumer of refined petroleum and other liquid fuels, accounting for more than half of liquid fuels demand, though growth is expected to be concentrated in non-OECD countries with an increase of approximately 50% from 2018 to 2050.[42]

The following charts show crack spreads in the U.S., European and Asian markets for the period starting January 2020 and until January 2021.[43]

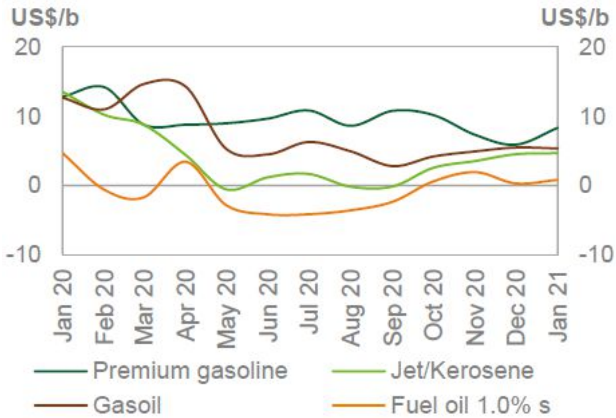
39 IEA – Oil Market Report (March 2021) (https://www.iea.org/reports/oil-market-report-march-2021).
40 OPEC – Monthly Oil Market Report (February 2021) (*https://momr.opec.org/pdf-download/*).
41 IEA – Oil 2020 (March 2020) (*https://www.iea.org/reports/oil-2020*).
42 EIA – International Energy Outlook 2019 (*https://www.eia.gov/outlooks/ieo/pdf/ieo2019.pdf*).
43 OPEC – Monthly Oil Market Report (February 2021) (*https://momr.opec.org/pdf-download/*).

U.S. Gulf crack spread vs. WTI



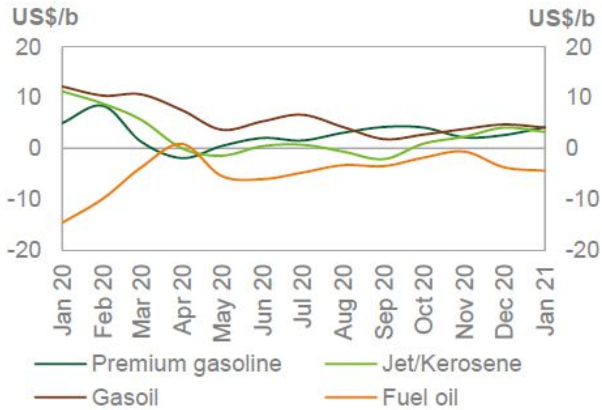
Sources: Argus and OPEC.

Rotterdam crack spreads vs. Brent



Sources: Argus and OPEC.

Singapore crack spreads vs. Dubai



Sources: Argus and OPEC.

Chemicals

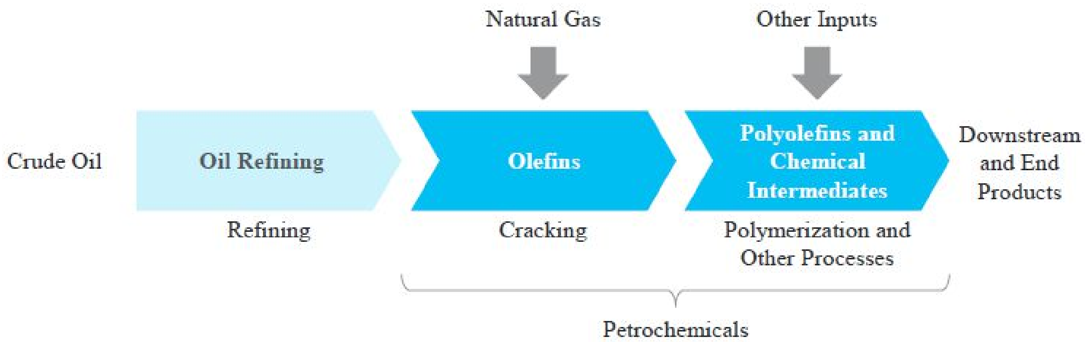
Basic organic and inorganic chemicals represent the largest share of global chemical production and consumption by volume (approximately two-thirds of the industry total). Production of basic chemicals is considered a mature industry: the fundamental products, processes and production technologies have changed little during the past 50 years.

The global inorganic chemicals market is highly concentrated. There are a few very large multiproduct producers. Rising demand for food and cosmetic products is also driving the inorganic chemicals market. The global inorganic chemicals market totalled U.S.$277 billion in 2017. It is estimated that this market will reach U.S.$362 billion by 2022, increasing at a CAGR of 5.5%.

The global organic chemicals market is largely composed of petrochemicals. More than 90% of all organic chemistry products are derived from seven petrochemicals: benzene, toluene and xylene (aromatics); ethylene, propylene and butadiene (olefins); and methanol. Global trade of these seven petrochemicals amounted to 54.3 million metric tons in 2018. While methanol and aromatics can be transported more easily, olefins are mostly moved within the same chemical platform by pipeline to be further transformed into their petrochemical derivatives. Globally, shipments of petrochemicals and their derivatives (e.g., organic intermediates, plastic resins and synthetic fibres) account for the largest share of shipments of basic chemicals.

Petrochemicals

In general, the petrochemicals market comprises products derived from crude oil and natural gas, including olefins, polyolefins and various petrochemical intermediate products directly or indirectly derived from the seven primary petrochemicals, with olefins playing a significant role. Olefins are the basic building blocks used to create a broad range of petrochemical products.



With end-uses ranging from plastics and packaging to construction and cosmetics, petrochemicals are broadly used across the spectrum of consumer and industrial applications. Petrochemicals and their derivatives continue to replace more traditional materials (metal, glass, ceramics, paper, wood etc.) in an expanding list of end-use applications. Growing demand from key applications, including consumer and retail goods, construction, food and industrial packaging, transportation, textile and healthcare, are major growth drivers for the global petrochemical market.

The petrochemical industry has been robust since the start of the century, driven by high demand in emerging economies and increasingly by low cost gas feedstocks.

The global market for petrochemicals is expected to grow at a CAGR of around 8.8% to reach U.S.$975 billion by 2025. Factors influencing this growth include increasing demand for polymer products, favourable regulatory policies in emerging economies, and increasing use of coal and shale gas as major feedstocks for petrochemicals production. (*Source: United Nations Environment Program (2019)*)

Demand for petrochemicals is expected to increase at a greater rate than the increase in demand for crude oil and refined products. Domestic demand for ethylene, a key base product for chemicals, grew at a CAGR of 3.0% globally from 2013 to 2018 and is forecasted to grow at a CAGR of 4.6% from 2018 to 2023. The projected growth in demand for ethylene is expected to be mainly driven by an increase in demand from Northeast Asia, particularly China, and North America at a CAGR of 7.9% and 5.3%, respectively, from 2018 to 2023. The following chart sets forth the global domestic demand for ethylene by region from 2010 to 2018 and expected domestic demand for ethylene from 2019 to 2030.

From a supply perspective, the highest global production capacity for petrochemicals includes ethylene, propylene and methanol, followed by xylenes, benzene and toluene. The petrochemicals industry is capital intensive. Consequently, most major petrochemical operators are large international companies, often with a strong upstream or downstream integration. These large companies are typically involved in several value chains of the chemical industry. However, a significant tail of smaller regional producers are at the more specialized and consumer-focused areas of the value chain. Major global players include Sinopec, BASF, Dow Inc., Ineos, ExxonMobil, LyondellBasell, Reliance Industries, SABIC, Formosa Plastics, and Total, among others.

Specialty chemicals

Specialty chemicals are sold on the basis of their performance or function rather than their composition and are produced by a complex, interlinked industry. They can be single-chemical entities or formulations whose composition sharply influences the performance and processing of the customer's product. They are categorised either as market-oriented products (used by a specific industry or market, such as electronic chemicals or oil field chemicals), or functional products (groups of products that serve the same function, such as adhesives, antioxidants, or biocides). There is considerable overlap in this method of characterisation.

In 2018, the world's five largest specialty chemicals segments (specialty polymers, industrial and institutional cleaners, electronic chemicals, surfactants, and flavours and fragrances) had a market share of 37%; the 10 largest segments accounted for 63% of total annual specialty chemicals sales. Each specialty chemicals business segment comprises several sub-segments, each with individualized product, market, and competitive profiles.

China was the largest consumer of the following specialty chemicals, accounting for 30–50% of global consumption in 2018: antioxidants, construction, feed additives, printed circuit board and semiconductor packaging, plastics additives, paper chemicals, rubber-processing chemicals, specialty coatings, specialty polymers, textile chemicals, and water management chemicals. The country accounted for 50% of the dollar value of the global textile chemicals market in 2018.

North America was the leading consumer of biocides, catalysts, corrosion inhibitors, cosmetic chemicals, food additives, industrial and institutional cleaners, lubricating oil additives, oil field chemicals, printing inks, surfactants, and synthetic lubricants. Western Europe was the leading consumer of nutraceuticals and flavours and fragrances. Japan was the largest consumer of imaging chemicals, while other Asian Pacific countries had the highest consumption value for chemicals used in semiconductor fabrication.

In addition, emerging markets are expected to have higher growth rates than North America, Western Europe, and Japan because they are calculated from a low base, since their per capita consumption of specialty chemicals is still very low compared with that of developed regions. (*Source: IHS Markit June 2019*)

Europe is characterised by high market share in specialty chemicals and pharma ingredients, which is expected to continue to grow in the future. Specialty chemicals are produced in small volumes, but they nevertheless represented 27.2% of total EU chemical sales in 2018. Future growth is expected to be driven by innovation and diversification in materials and components across the manufacturing and construction sectors, as well as consumer goods. (*Source: The European Chemical Industry Facts & Figures 2020 (CEFIC)*)

The Group's main petrochemical products are:

- **Para-Xylene** (**PX**): PX is commonly derived from crude oil sources and is extracted from the mixed xylenes stream. PX is a key raw material used in the production of purified terephthalic acid (**PTA**) and dimethyl terephthalate (**DMT**), which are used almost exclusively in the production of polyethylene terephthalate (**PET**) polymer for the production of polyester fibers, PET solid-state resins, and PET film. The development of the Northeast Asian polyester industry has been a driver for the global PX market, primarily by the significant advancement of the regional textile industry, especially in China. Reliance Industries, ExxonMobil, and Sinopec are the three main global producers of PX.

- **Benzene**: Benzene is a large-volume commodity petrochemical that is primarily produced in oil refineries and steam crackers or as a by-product of PX production. The primary chemicals produced from benzene are ethylbenzene (mainly for the production of styrene), cumene (a key precursor for the production of polycarbonate and other phenol derivatives), cyclohexane and nitrobenzene. Benzene is found in a wide range of downstream applications such as construction, automotive, electronics, and appliances, as well as other durables and consumables. Over the past decade, benzene consumption has shifted from the West, with China becoming an increasingly important player on the global benzene market. Sinopec, ExxonMobil, Royal Dutch Shell, and PetroChina are the main global benzene producers.

- **Polypropylene**: Global polypropylene demand reached 76 million metric tons in 2019 due to stable demand from end-use industries, particularly the packaging industry and the electrical and equipment manufacturing industries, which accounted for 30% and 13% of polypropylene consumption respectively. Polypropylene is a flexible material because it can be heated to its melting point, cooled and re-heated without degradation in terms of quality. This allows polypropylene to be used in a number of extrusion and injection molding applications, and shows good recycling characteristics as a pure material. Sinopec, LyondellBasell, Petrochina, Reliance Industries, and Sabic, are the main global polypropylene producers.

- **Polyethylene** (**PE**): The three main grades of PE are low-density (**LDPE**), high-density (**HDPE**), and linear low-density (**LLDPE**), with HDPE accounting for 45% of total polyethylene demand in 2018, LLDPE accounting for 32% and LDPE accounting for 22%, with the remaining 1% being comprised of other specialty grades. Polyethylene is sometimes known as the most popular plastic in the world because it is used in a wide variety of different applications, such as films, tubes, plastic parts, laminates, etc. in several markets (e.g. packaging, automotive, electrical, etc.). As of 2017, over 100 million tonnes of PE resins were produced annually, accounting for 34% of the total plastics market. Dow, LyondellBasell, Sinopec, ExxonMobil, Borealis are among the leading PE producers.

- **Oxo chemicals:** Oxo chemicals are classified as intermediates and derivatives chemical compounds which are characteristically used in chemical and various manufacturing processes of paints, plasticizers, coatings, adhesives and lubricant additives, among others. The global oxo chemicals industry is projected to develop at a moderate growth rate, similarly to the construction, automotive and original equipment manufacturer (**OEM**) industries. BASF, Dow, Luxi Chemical Group, LG, Eastman and OQ are among the leading Oxo chemical producers.

Demand for Oil and Gas and Supply Outlook in Oman

Oman is the largest non-OPEC oil producer in the Middle East, other than Qatar, with crude and condensate reserves of 45.4 billion barrels as at the end of 2019 and crude oil and condensates output of 970,900 bpd for the year ended 31 December 2019. The principal activity of the Omani economy is the production and export of crude oil and natural gas, contributing 34.4% of nominal GDP in 2019. From 2009 to 2019, Oman's GDP grew from approximately U.S.$48.4 billion to approximately U.S.$77.0 billion.[44] Although the outbreak of Covid-19 is expected to have a negative impact on this trend, with a 10.0% contraction for 2020, Oman's real GDP is forecasted to grow by 0.5% in 2021 according to the IMF.[45]

[44] World Bank (https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=OM).
[45] IMF (https://www.imf.org/en/Countries/OMN).

Oman is expected to see further growth in demand for oil and gas, primarily driven by growth in real GDP and exports and due to planned investments in the refineries and petrochemicals sector, including the development of the Duqm Refinery, Liwa Plastics and the Salalah LPG and ammonia plants. Oman's primary energy consumption grew at an average annual rate of 7.3% from 2008 to 2018, and accounted for 0.3% of global primary energy consumption in 2019. During the same period, domestic consumption of oil and natural gas increased by approximately 8.8% and 6.5% per year, respectively. In 2019, Oil and natural gas accounted for approximately 40% and 60% of Oman's domestic energy consumption, respectively.[46]

Oman has substantial oil and natural gas reserves of approximately 5.4 billion barrels and 0.7 trillion cubic metres, respectively, accounting for 0.3% of global proved oil and natural gas reserves as of 2019. In 2019, Oman produced approximately 971 thousand barrels of crude oil per day, after increasing its crude oil production at an average annual growth rate of 2.6% between 2008 and 2018. Oman's aggregate natural gas production, which increased by approximately 4.1% per year from 2008 to 2018, amounted to 36.3 billion cubic metres in 2019.[47] The following charts illustrate Oman's oil and natural gas production and consumption from 2007 to 2017.[48]

Figure 2. Oman petroleum and other liquids production and consumption, 2007-2017

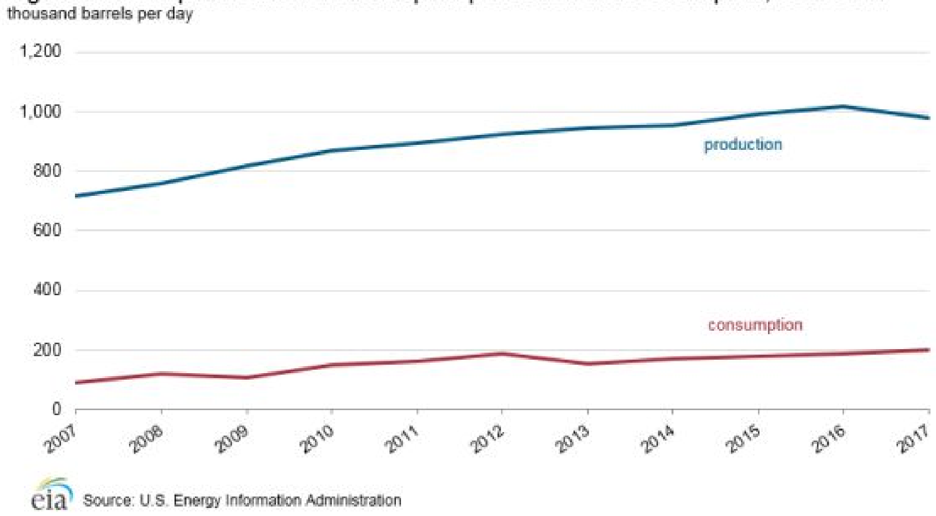
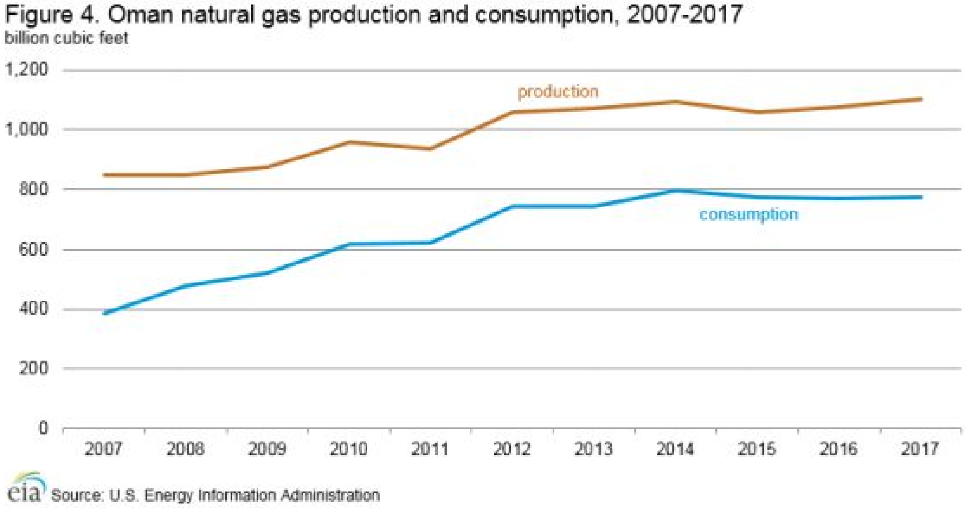


Figure 4. Oman natural gas production and consumption, 2007-2017



46 https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html.
47 https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html
48 EIA Country Analysis Executive Summary: Oman. (*https://www.eia.gov/international/content/analysis/countries_long/Oman/oman_exe.pdf*)

According to the latest available information, Oman's exports of crude oil, which were primarily to Asian markets, accounted for 87.6% of its total production in 2019 compared to 81.0% during 2018, as a result of an increase in utilisation of crude oil for exports of refined products and reduced domestic consumption. China was its largest export market, accounting for approximately 78% of Oman's crude oil exports, followed by Japan and India, which accounted for approximately 8% and 5% respectively. On the other hand, a large share of the natural gas produced, which amounted to 44.240 million cubic meters in 2019, an increase of 1.1% compared to 2018, was used domestically in gas-based industries, oil fields and power generation.[49] Oman's total exports of LNG amounted to 10.6 million mt in 2019 compared to 10.4 million mt in 2018. The following charts illustrate the shares of Omani crude oil exports in total production from 2014 to 2019 and natural gas exports in total production from 2013 to 2018.

Chart 2.11 : Omani Crude Oil Production and Exports

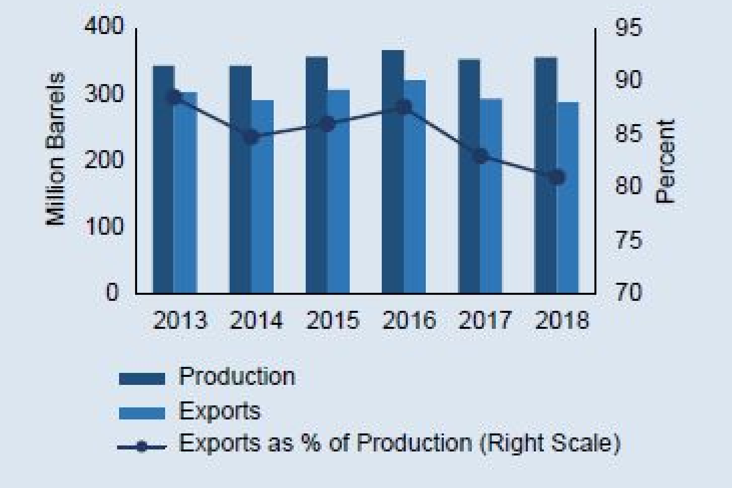
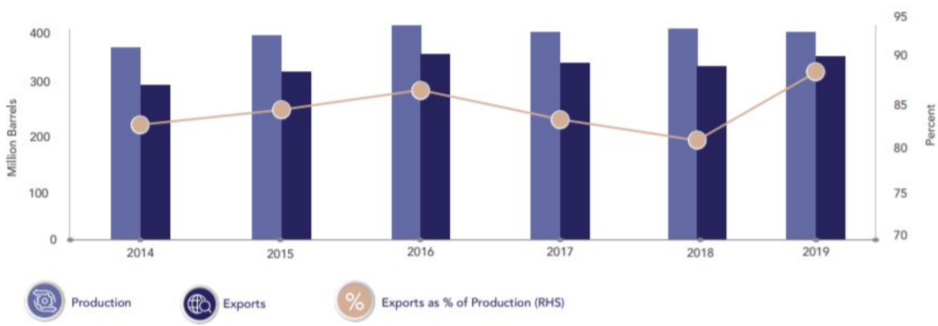
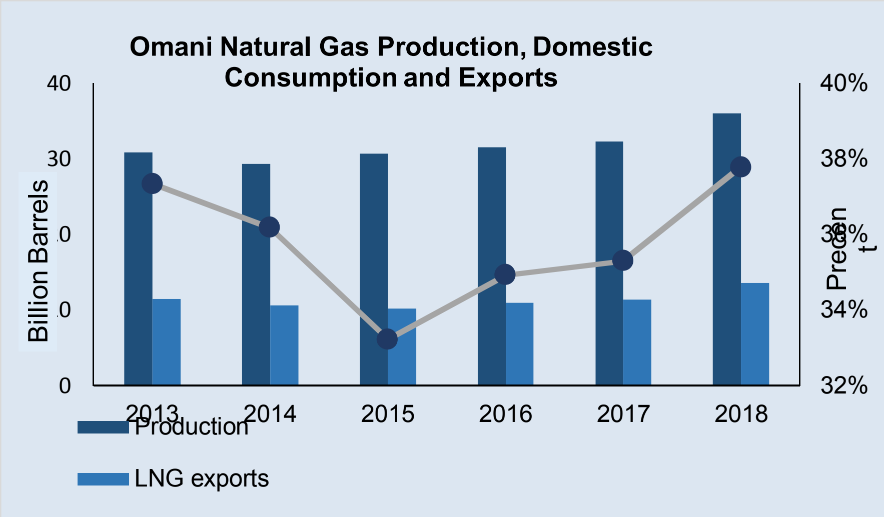


Chart 2.11: Omani Crude Oil Production and Exports



Source: Central Bank of Oman

[49] Central Bank of Oman – Annual Report 2019.



Source: BP Statistical Review of World Energy 2020

Despite the current low oil price environment, Oman, as a net exporter of oil and natural gas and one of the lowest-cost producers globally, is believed to be well-positioned to take advantage of such environment. Although Oman faced steep production declines in the 2000s, it was able to increase production levels by applying advanced extraction techniques and offering attractive contract terms to foreign oil companies such as Conoco, Shell, Total and BP. Oman also has an export advantage over other oil-producing countries in the Gulf in that its export terminals are not located in the Strait of Hormuz. As a result, Oman's ability to export oil is not affected by the periodic instability in the Strait of Hormuz. Oman plans to take further advantage of this strategic location by building a new oil refinery and storage facilities at its Arabian Sea port of Duqm.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ***Clearing Systems****) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Information in this section has been derived from the Clearing Systems.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Base Prospectus.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy (the **Omnibus Proxy**) to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issuer, any Agent, any Arranger or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

TAXATION

GENERAL

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

FATCA DISCLOSURE

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 16) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

OMAN

The statements herein regarding taxation are based on the laws in effect in Oman as at the date of this Base Prospectus and are subject to any changes of law occurring after such date. The following is a summary only of the material Omani tax consequences of ownership of the Notes by beneficial owners who are not Oman Tax Residents (as defined below).

The following summary does not purport to be a comprehensive description of all the tax considerations and is not intended to reflect the individual tax position of any beneficial owner, which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their acquiring, holding, and disposing of the Notes, including in particular the effect of any local laws.

Withholding Taxes in Oman

Pursuant to Article 52 of the Oman Income Tax Law (promulgated by Sultani Decree 28/2009) (the **Oman Income Tax Law**) (as amended by Sultani Decree 09/2017 (issued on 19 February 2017, but which came into force on 27 February 2017) and by Sultani Decree 118/2020, the **Tax Amendments**), withholding tax is payable on the following categories of income earned in Oman:

(a) Royalties;

(b) Remuneration for conducting research and development;

(c) Remuneration for using or the right to use computer programs;

(d) Fees for management or performance of services; and

(e) Payment of dividends on shares, or interest.

Withholding tax shall not be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any Oman-based "tax residents", as such term is defined under Article 18 (bis) of the Oman Income Tax Law as being: "*...(1) a natural person residing in Oman during a fiscal year, provided that they have been present within Oman for a period for 183 consecutive or non-consecutive days during the fiscal year, (2) a corporate person residing in Oman during the fiscal year, provided that it meets any of the following criteria: (a) that it has been established in Oman as per the laws and Sultani Decrees in force therein, or (b) that its main or actual headquarters is located in Oman*" (**Oman Tax Residents**). However, withholding tax shall be levied on the gross amount of the aforementioned categories of income paid or credited to the account of any persons who are not Oman Tax Residents in the cases specified in Article 40 of the Oman Income Tax Law irrespective of whether or not such persons have a permanent establishment in Oman. Additionally, the Tax Amendments extend the requirement to deduct withholding tax payable pursuant to Article 52 to any Ministry, authority, public institution or other public juristic person or unit of the administrative apparatus of Oman. The applicable tax rate is 10 per cent. of the gross amount paid or credited to the account of the persons specified above.

Oman-registered institutional investors are Oman Tax Residents and therefore will not be subject to Omani withholding tax. However, offshore institutional investors who are not Oman Tax Residents shall be subject to withholding tax, regardless of whether or not they are owned by Oman Tax Residents.

The Capital Market Authority of Oman on 15 May 2019 announced that, on the basis of a royal directive, withholding tax applicable to dividends and interest on foreign borrowings were to be suspended for a period of three years effective from 6 May 2019 (the **2019 Tax Suspension**). The Secretariat General for Taxation (currently the Oman Tax Authority) subsequently issued an open letter to Ernst and Young on 11 June 2019 confirming the 2019 Tax Suspension. No copy of the aforementioned royal directive has been available for public inspection. The 2019 Tax Suspension was further extended until 2025 as an incentive component of the economic stimulus plan announced by H.M. the Sultan of Oman on 9 March 2021. While such extension has not been published by way of a Sultani Decree in the Official Gazette of Oman, Omani media outlets have reported on 9 March 2021 that the suspension of the application of the withholding tax on dividend distributions and interest amounts has been extended for a period of five years with effect from 2020 (the **2021 Tax Suspension**, and together with the 2019 Tax Suspension, the **Tax Suspensions**).

As a result of the Tax Suspensions, no withholding tax will be applicable to payments made by the Issuer to Noteholders who are not Oman Tax Residents until an undetermined date in 2025 (or such extended date as may be notified by the relevant authorities). In the event that the 2021 Tax Suspension is not extended beyond 2025 and withholding tax becomes deductible by the Issuer from payments made to persons who are not Oman Tax Residents, the Issuer will, subject to and in accordance with Condition 8, gross-up payments to compensate for any such deduction.

Capital Gains Taxes in Oman

Under the Oman Income Tax Law, gains on the sale or redemption of the Notes made by Noteholders who are residents or are deemed to have a permanent establishment in Oman will be subject to a tax of 15 per cent. of their annual taxable gain from such sale or redemption, if such income (i) forms part of such Noteholder's business profits which are realised in Oman and are recorded as having been realised as such in its financial statements, and (ii) such Noteholders are not otherwise exempted under the Oman Income Tax Law. Consequently, any profit or gain realised by a Noteholder as a result of the sale and/or redemption of Notes shall constitute part of the Noteholder's taxable income in Oman only where such proceeds are attributable to the Noteholder's permanent establishment in Oman. A Noteholder who is neither resident in nor deemed to have permanent establishment in Oman will not be liable for such tax. For the avoidance of doubt, a Noteholder will not be deemed to have a permanent establishment in Oman on the sole basis of its ownership of the Notes.

Value Added Tax in Oman

On 12 October 2020, His Majesty Sultan Haitham bin Tariq Al Said issued Sultani Decree 121/2020 promulgating the law on value added tax (the **VAT Law**). The VAT Law was published in the Official Gazette of Oman on 18 October 2020 and is stated to come into effect 180 days following the date of its publication (that is, on 16 April 2021). The VAT Law imposes a value added tax at a base rate of 5 per cent. on most goods and services exported to or imported from Oman.

Other Taxes in Oman

No stamp, issue, registration fees or similar direct or indirect taxes or duties will be payable in Oman in connection with the issuance, delivery, or execution of the Notes by the Issuer.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder or Non-U.S. Holder (each as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the supplementary Prospectus or the relevant Final Terms (or relevant Pricing Supplement, in the case of Exempt Notes) may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note if appropriate. This summary deals only with initial purchasers of Notes at their issue price (as defined below) that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address the alternative minimum tax, the net investment tax or special tax accounting rules under Section 451(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) generally requiring accrual basis taxpayers to recognise income no later than when such income is reflected on an applicable financial statement or state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, U.S. expatriates and former long-term residents of the United States, or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Notes with a term of 30 years or less and assumes that the Notes it describes will be characterised as debt for U.S. federal tax purposes. The U.S. federal income tax consequences of owning Notes with a longer term, or which are not characterised as debt, may be discussed in the supplementary Prospectus or the relevant Final Terms (or relevant Pricing Supplement, in the case of Exempt Notes), as applicable.

As used herein, the term "U.S. Holder" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has properly elected to be treated as a domestic trust for U.S. federal income tax purposes. A "Non-U.S. Holder" is a beneficial owner of Notes that is not a U.S. Holder.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

The summary is based on the tax laws of the United States including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

PAYMENTS OF INTEREST

General

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a foreign currency), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under "*—Original Issue Discount—General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for tax purposes. Interest paid by the Issuer on the Notes and original issue discount (**OID**), if any, accrued with respect to the Notes (as described below under "*—Original Issue Discount*") generally will constitute income from sources outside the United States.

ORIGINAL ISSUE DISCOUNT

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event the Issuer issues contingent payment debt instruments, the supplementary Prospectus or applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (i.e., an instalment obligation) generally will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is greater than or equal to 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity.

Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "—*Variable Interest Rate Notes*"), applied to the outstanding nominal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method generally before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (accrued OID). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "—*Original Issue Discount—General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, and unstated interest, as adjusted by any amortisable bond premium (described below under "—*Notes Purchased at a Premium*"). This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than a specified de minimis amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in sub-paragraph (a) above).

A **qualified floating rate** is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (for example, two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (that is, a cap) or a minimum numerical limitation (that is, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An **objective rate** is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (for example, one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (for example, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A **current value** of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (that is, at a price below the Note's stated nominal amount) equal to or in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of

OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the supplementary Prospectus or the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Base Rate Amendment

The Issuer may in certain cases replace the reference rate in respect of the Floating Rate Notes with an Alternative Reference Rate or a Successor Rate (such change, **a Base Rate Amendment**). It is possible that a Base Rate Amendment will be treated as a deemed exchange of old notes for new notes, which may be taxable to U.S. Holders and may affect the calculation of OID. U.S. Holders should consult with their own tax advisers regarding the potential consequences of a Base Rate Amendment.

Recently released proposed Treasury regulations describe additional circumstances under which a Base Rate Amendment (or related adjustments to the interest rate on the Notes) would not be treated as a deemed exchange and would not affect the calculation of OID, provided certain conditions are met. It cannot be determined at this time whether the final Treasury regulations on this issue will contain the same standards as the proposed Treasury regulations.

NOTES PURCHASED AT A PREMIUM

A U.S. Holder that purchases a Note for an amount in excess of its nominal amount or, for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*—Original Issue Discount—Election to Treat All Interest as Original Issue Discount*". A U.S. Holder that does not elect to take amortisable bond premium into account currently will recognise a capital loss when the Note matures.

PURCHASE, SALE AND RETIREMENT OF NOTES

A U.S. Holder's adjusted tax basis in a Note will generally be its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. The amount realised does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Original Issue Discount—Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

FOREIGN CURRENCY NOTES

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale of the Note), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Amortisable Bond Premium

Amortisable bond premium on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such amortisable bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date amortisable bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder.

Sale or Retirement

As discussed above under "—*Purchase, Sale and Retirement of Notes*", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable Treasury regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S.

Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (as adjusted for amortised bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to penalties. In addition, the Issuer and its advisers may be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules to the acquisition, holding or disposition of Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

TAXATION OF NON-U.S. HOLDERS

Subject to the discussion above under "*Foreign Account Tax Compliance Act*" and below under "*Backup withholding and information reporting*", a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale or exchange of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of owning Notes.

FUNGIBLE ISSUE

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

BACKUP WITHHOLDING AND INFORMATION REPORTING

In general, payments of interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, the Notes payable to a U.S. Holder by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments and to accruals of OID if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, **established** in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to Title I of ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such employee benefit plans (all of which are hereinafter referred to as **ERISA Plans**), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on plans (as defined in Section 4975(e)(1) of the Code) and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other plans and arrangements are hereinafter referred to as **Plans**). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) if no election has been made under Section 410(d) of the Code, and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar rules under other applicable laws or regulations. Accordingly, assets of such plans may be invested in the Notes without regard to the prohibited transaction considerations under Section 406 of ERISA and Section 4975 of the Code described below, subject to the provisions of other applicable federal, state, local or non-U.S. law or regulation that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (**Similar Law**).

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimise the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in certain transactions with persons that are "parties in interest" under Section 3(14) of ERISA or "disqualified persons" under Section 4975 of the Code with respect to such Plans (collectively, **Parties in Interest**). The types of transactions between Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property; (b) loans or other extensions of credit; and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax and other penalties under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may apply depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to certain transactions between a Plan and a nonfiduciary service provider, provided that neither the service provider nor its affiliate has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than, and receives no less than, "adequate consideration" in connection with the transaction), Prohibited Transaction Class Exemption (**PTCE**) 95-60 (relating to investments by insurance company general accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by an "in-house asset manager"). There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Notes.

Any insurance company proposing to invest assets of its general account in any Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank, 510 U.S. 86 (1993). In particular, such an insurance company should consider the extent of the relief granted by the U.S. Department of Labor in PTCE 95-60, and the effect of Section 401(c) of ERISA as interpreted by the regulations issued thereunder by the U.S. Department of Labor in January 2000.

Under a "look-through rule" set forth in regulations issued by the U.S. Department of Labor at 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA (**Plan Assets Regulation**), if a Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the U.S. Investment Company Act of 1940, as amended, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "Benefit Plan Investors" (as defined below) is not "significant". The Plan Assets Regulation defines equity participation in an entity by "Benefit Plan Investors" as "significant" if 25 per cent. or more of the total value of any class of equity interest in the entity is held by "Benefit Plan Investors", excluding holdings by (i) persons, other than "Benefit Plan Investors", that have discretionary authority or control over the assets of the entity, or that provide investment advice with respect to such assets for a fee, directly or indirectly, or (ii) "affiliates" of the foregoing (i) persons. **Benefit Plan Investors** include any (i) employee benefit plan as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, (ii) plan as defined in Section 4975(e)(1) of the Code, that is subject to Section 4975 of the Code, including without limitation an individual retirement account or Keogh plan, and (iii) entity whose underlying assets include (or are deemed to include for purposes of ERISA or the Code) "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity, including but not limited to, as applicable, an insurance company general account, an insurance company separate account or a collective investment fund.

If the assets of the Issuer were deemed to be "plan assets" of a Plan, the Issuer would be subject to certain fiduciary obligations under ERISA and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

Notes issued by the Issuer should not be considered to be "equity interests" for purposes of the Plan Assets Regulation and will be treated as indebtedness. Nevertheless, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Notes are acquired by a Benefit Plan Investor with respect to which the Issuer is a Party in Interest. Accordingly, each purchaser and subsequent transferee of any Note (or any interest therein) will be deemed by such purchase or acquisition of any Note (or any interest therein) to have represented and warranted, on each day from the date on which the purchaser or transferee acquires the Note (or any interest therein) through and including the date on which the purchaser or transferee disposes of such Note (or any interest therein), that, unless otherwise provided in a supplement to the Base Prospectus, either (i) it is not, is not using the assets of, and shall not at any time hold such Note (or any interest therein) for or on behalf of, a Benefit Plan Investor or a governmental, church or non-U.S. plan subject to any Similar Law or (ii) its acquisition, holding and disposition of such Note (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law. Any purported purchase or transfer of such Note (or any interest therein) that does not comply with the foregoing shall be null and void.

In addition, by its acquisition and holding of the Notes, each holder of the Notes or any interest therein that is a Benefit Plan Investor, including any fiduciary purchasing such Notes on behalf of a Benefit Plan Investor (**Plan Fiduciary**), will be deemed to represent and warrant that (i) none of the Issuer, the Arrangers or the Dealers or any other party to the transactions contemplated by this Base Prospectus or any of their respective affiliated entities Has provided any investment advice within the meaning of Section 3(21) of ERISA to the Benefit Plan Investor or the Plan Fiduciary with respect to the acquisition of the Notes by the Benefit Plan Investor and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the Notes.

Any Plan fiduciary that proposes to cause a Plan to purchase any Notes or any interest therein, should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA or the Code. Similarly, fiduciaries of any governmental, church or non-U.S. plans should consult with their counsel before purchasing any Notes or any interest therein.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement dated 26 April 2021 (the **Programme Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith including liabilities under the Securities Act.

In order to facilitate the offering of any Tranche of the Notes, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under United Kingdom laws and regulations stabilising activities may only be carried on by the Dealer or Dealers acting as the stabilisation manager(s) (or persons acting on behalf of any stabilisation manager(s)) and only for a limited period following the Issue Date of the relevant Tranche of Notes.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States or who are U.S. persons are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold: (i) in the United States only to persons reasonably believed to be QIB's in reliance on Rule 144A of the Securities Act; or (ii) to persons other than U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

Each purchaser of Notes will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is (A) a QIB, (B) purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and (C) aware that any sale to it is being made in reliance on Rule 144A or (ii) it is (A) outside the United States and is not a U.S. person, (B) or at the time Notes are purchased will be, the beneficial owner of such Notes and (C) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(b) that it is not formed for the purpose of investing in the Issuer;

(c) that it, and each account for which it is purchasing, will hold and transfer at last the minimum denomination of the Notes;

(d) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(e) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or any other available exemption from the registration requirement of the Securities Act or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(f) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions applicable to the Notes;

(g) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(h) it understands that before any interest in Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide to each of the Issuer and Principal Paying Agent and the Registrar a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate to the effect that such offer, sale, pledge or other transfer is being made in accordance with Regulation S;

(i) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) ("QIB") PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs IN A MINIMUM NOMINAL AMOUNT OF U.S.$200,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY) (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE

OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENT OF THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITY.

EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) AGREES THAT IT WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF THIS SECURITY (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS SECURITY (OR ANY INTEREST HEREIN), THAT, UNLESS OTHERWISE PROVIDED IN A SUPPLEMENT TO THE BASE PROSPECTUS, EITHER (I) IT IS NOT, IS NOT USING THE ASSETS OF, AND SHALL NOT AT ANY TIME HOLD THIS SECURITY (OR ANY INTEREST HEREIN) FOR OR ON BEHALF OF, AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE) "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

IN ADDITION, BY ITS ACQUISITION AND HOLDING OF THIS SECURITY, EACH HOLDER OF THIS SECURITY OR ANY INTEREST HEREIN THAT IS A BENEFIT PLAN INVESTOR, INCLUDING ANY FIDUCIARY PURCHASING THIS SECURITY ON BEHALF OF A BENEFIT PLAN INVESTOR ("PLAN FIDUCIARY"), WILL BE DEEMED TO REPRESENT AND WARRANT THAT (I) NONE OF THE ISSUER, THE ARRANGERS OR THE DEALERS OR ANY OTHER PARTY TO THE TRANSACTIONS CONTEMPLATED BY THE BASE PROSPECTUS OR ANY OF THEIR RESPECTIVE AFFILIATED ENTITIES HAS PROVIDED ANY INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE

BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY WITH RESPECT TO THE ACQUISITION OF THIS SECURITY BY THE BENEFIT PLAN INVESTOR AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(j) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of all Notes of the Tranche), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN NOR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THE FOREGOING PORTION OF THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.

EACH PURCHASER AND TRANSFEREE OF THIS SECURITY (OR ANY INTEREST HEREIN) AGREES THAT IT WILL BE DEEMED BY SUCH PURCHASE OR ACQUISITION OF THIS SECURITY (OR ANY INTEREST HEREIN) TO HAVE REPRESENTED AND WARRANTED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER OR TRANSFEREE ACQUIRES THIS SECURITY (OR ANY INTEREST HEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER OR TRANSFEREE DISPOSES OF THIS SECURITY (OR ANY INTEREST HEREIN), THAT, UNLESS OTHERWISE PROVIDED IN A SUPPLEMENT TO THE BASE PROSPECTUS, EITHER (I) IT IS NOT, IS NOT USING THE ASSETS OF, AND SHALL NOT AT ANY TIME HOLD THIS SECURITY (OR ANY INTEREST HEREIN) FOR OR ON BEHALF OF, AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF

1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE) "PLAN ASSETS" BY REASON OF ANY SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY (EACH OF THE FOREGOING, A "BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("SIMILAR LAW") OR (II) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW. ANY PURPORTED PURCHASE OR TRANSFER OF THIS SECURITY (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID.

IN ADDITION, BY ITS ACQUISITION AND HOLDING OF THIS SECURITY, EACH HOLDER OF THIS SECURITY OR ANY INTEREST HEREIN THAT IS A BENEFIT PLAN INVESTOR, INCLUDING ANY FIDUCIARY PURCHASING THIS SECURITY ON BEHALF OF A BENEFIT PLAN INVESTOR ("PLAN FIDUCIARY"), WILL BE DEEMED TO REPRESENT AND WARRANT THAT (I) NONE OF THE ISSUER, THE ARRANGERS OR THE DEALERS OR ANY OTHER PARTY TO THE TRANSACTIONS CONTEMPLATED BY THE BASE PROSPECTUS OR ANY OF THEIR RESPECTIVE AFFILIATED ENTITIES HAS PROVIDED ANY INVESTMENT ADVICE WITHIN THE MEANING OF SECTION 3(21) OF ERISA TO THE BENEFIT PLAN INVESTOR OR THE PLAN FIDUCIARY WITH RESPECT TO THE ACQUISITION OF THIS SECURITY BY THE BENEFIT PLAN INVESTOR AND (II) THE PLAN FIDUCIARY IS EXERCISING ITS OWN INDEPENDENT JUDGMENT IN EVALUATING THE INVESTMENT IN THIS SECURITY.";

(k) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(l) that the Issuer, the Registrar, each Dealer and their affiliates, as the case may be, will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

SELLING RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to the registration requirements of the Securities Act.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (**Regulation S Notes**), each Dealer has represented, warranted, undertaken and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant, undertake and agree, that it will not offer, sell or deliver such Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the two preceding paragraphs have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented, warranted, undertaken and agreed and each further Dealer appointed under the Programme will be required to represent, warrant, undertake and agree, that it has offered and sold and will offer and sell the Notes in the United States only to persons whom it reasonably believes are QIBs who can represent that: (a) they are QIBs within the meaning of Rule 144A; (b) each account for which they are purchasing will hold and transfer at least U.S.$200,000 in face amount of Notes at any time and (c) they will provide notice of the transfer restrictions set forth in the Base Prospectus to any subsequent transferees.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate nominal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of this offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

  (ii) a customer within the meaning of Directive (EU) 2016/97, (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (**the Prospectus Regulation).**

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA , each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) in relation thereto to the public in that Relevant State, except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

United Kingdom

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

(A) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(B) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(C) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in paragraphs (A) to (C) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Oman

Each Dealer has represented and agreed that:

(a) this Base Prospectus has not been filed with or registered as a prospectus by it with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Law Sultani Decree 80/98, as amended (**Article 3**), will not be offered or sold by it as an offer of securities in Oman as contemplated by the

Oman Commercial Companies Law or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and

(b) the Notes have not been and will not be offered, sold or delivered, by it and no invitation to subscribe for or to purchase the Notes has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in Oman to any person in Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market the Notes in Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under the Rules on the Offer of Securities and Continuing Obligations as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 (as amended, the **KSA Regulations**), made through an authorised person licensed by the Capital Markets Authority, in each case, in accordance with the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations, or as otherwise required by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Notes by it to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Notes, except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more excluding that person's principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in the State of Qatar (including the Qatar Financial Centre), except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the SFA)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) pursuant to Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than: (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**)or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to any Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes and the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (**FinSA**) and no application has or will be made by it to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

AUTHORISATION

The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 7 October 2020.

LISTING OF NOTES

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche.

Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market. The listing of the Programme in respect of Notes is expected to be granted on or before 26 April 2021. However, Notes may be issued pursuant to the Programme which will not be listed on the London Stock Exchange's main market or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer may agree.

DOCUMENTS AVAILABLE

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from www.oq.com:

(i) the Memorandum and Articles of Association (with an English translation thereof) of the Issuer;

(ii) a copy of this Base Prospectus; and

(iii) any future offering circulars, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated therein by reference.

CLEARING SYSTEMS

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

CONDITIONS FOR DETERMINING PRICE

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

SIGNIFICANT OR MATERIAL CHANGE

Save as disclosed on pages 1-2 of this Base Prospectus under "*The Group is exposed to material and currently not fully quantifiable disruptions arising from the Coronavirus disease 2019 (Covid-19)*" and pages 2-3 of this Base Prospectus under "*The significant decline in international oil prices in 2020 adversely affected the Group and any future significant decline would also be likely to materially adversely affect the Group*", since 31 December 2020 there has been (i) no significant change in the financial performance or financial position of the Issuer or the Group; and (ii) no material adverse change in the prospects of the Issuer or the Group.

LITIGATION

Except for the matter described below, neither the Issuer, nor any other member of the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have had in such period, a significant effect on the financial position or profitability of the Issuer or the Group.

The Group is in the early stages of an arbitration in which Arabian Industries Projects have initiated arbitration proceedings against OQGN under UNCITRAL arbitration rules. These proceedings involve claims of approximately OMR 15.0 million (in the aggregate) for variation related costs, deductions for scope removal and the additional time impact associated with engineering, procurement and construction works related to gas supply stations in Ibri and Sohar. OQGN has filed a counterclaim amounting to a sum of approximately OMR 5.6 million. The parties are currently exchanging their pleadings. The Group believes that it has a strong defense and intends to vigorously defend the proceedings. Given the early stage of the arbitration and the Group's assessment of the claim, no provision has been taken by the Group.

INDEPENDENT AUDITORS

For the financial years ended 31 December 2018 and 2019, the auditors of the Issuer were Deloitte & Touche (M.E.) & Co. LLC (**Deloitte**). The business address of Deloitte is Minaret Al Qurum Building, Al Qurum Area, Muscat 258, Sultanate of Oman. There is no professional institute of auditors in Oman and, accordingly, Deloitte is not a member of a professional body in Oman. The consolidated financial statements of the Issuer as at and for the years ended 31 December 2018 and 2019, have been audited by Deloitte, independent auditors, as stated in their reports appearing herein.

The current independent auditors of the Issuer are KPMG. The business address of KPMG is KPMG LLC, Children's Public Library Building, 4th Floor, P.O. Box 641, P.C. 112, Shatti Al Qurum, Sultanate of Oman. KPMG is regulated in Oman by the Ministry of Commerce and Industry and Investment Promotion, which has issued KPMG a licence to practice as auditors. There is no professional institute of auditors in Oman and, accordingly, KPMG is not a member of a professional body in Oman. All of KPMG's audit partners are members of the institutes from where they received their professional qualification. The consolidated financial statements of the Issuer as at 31 December 2020, and for the year then ended, included in this Base Prospectus, have been audited by KPMG LLC, independent auditors, as stated in their report appearing herein. The report with respect thereto contains another matter paragraph stating that the consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 March 2020.

DEALERS TRANSACTING WITH THE ISSUER

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and its affiliates in the ordinary course of business. They have received, or may in the future receive, customary fees and commission for these transactions. In particular, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer and its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer and its affiliates routinely hedge their credit exposure to the Issuer and its affiliates consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

CERTAIN ADDITIONAL INFORMATION RELATING TO THE ISSUER

The Issuer's address and telephone number are P.O. Box 261, Postal Code 118, Muscat, Sultanate of Oman and +968 2214 4274, respectively. The Issuer's website is www.oq.com.

FINANCIAL STATEMENTS

**OQ SAOC (formerly OMAN OIL COMPANY SAOC)
AND ITS SUBSIDIARIES**

**Report and consolidated financial statements
for the year ended 31 December 2020**

KPMG LLC
Children's Public Library Building
4th Floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
Tel. +968 24 749600, www.kpmg.com/om

Independent Auditors' Report

To the Shareholder of OQ SAOC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of OQ SAOC ("the Company") and its subsidiaries ("the Group") set out on pages 4 to 145, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2020.

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Other Information

Management is responsible for the other information. The other information comprises the Chairman's report incorporated in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group 's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group 's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

We report that these financial statements comply, in all material respects, with the applicable provisions of Commercial Companies Law of 2019.

KPMG

KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

24 March 2021 *KPMG LLC*

CR No. 1358131
Tax Card No. 8063052

Consolidated statement of financial position as at 31 December 2020

	Notes	2020 RO'000	2019 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	4,243,773	5,162,488
Oil and gas production and development assets	7	1,076,046	1,213,944
Right-of-use assets	8	175,261	184,623
Intangible assets	9	112,638	153,099
Goodwill	10	13,170	12,328
Investment in associates	11	147,008	271,514
Interest in joint ventures	12	278,174	439,610
Deferred tax assets	41	36,602	31,696
Concession receivables	13	772,298	610,366
Lease receivables	14	250,191	258,961
Contract assets	15	146,198	290,268
Due from related parties	31	117,036	54,351
Other non-current assets	18	13,456	17,355
Total non-current assets		7,381,851	8,700,603
Current assets			
Inventories	19	546,450	512,324
Trade and other receivables	20	746,852	675,016
Concession receivables – current portion	13	26,466	20,662
Lease receivables – current portion	14	9,157	8,227
Due from related parties	31	59,022	252,823
Investments at fair value through profit and loss	16b	304,279	366,805
Derivatives	21	73,714	75,590
Short-term deposits	17	203,331	172,563
Cash and cash equivalents	22	460,769	567,501
Total current assets		2,430,040	2,651,511
Assets held for sale	16a	76,418	-
Total assets		9,888,309	11,352,114
EQUITY AND LIABILITIES			
EQUITY			
Share capital	23	3,428,436	3,315,293
Share capital pending registration	23	194	113,337
Statutory reserve	24	95,730	95,730
Other reserve	25	16,249	16,249
Fair value reserve	26	(99,378)	(45,965)
Translation reserve		12,232	(33,167)
Retained earnings / (accumulated losses)		(788,834)	921,125
Equity attributable to equity holders of the parent		2,664,629	4,382,602
Non-controlling interests		39,170	43,770
Total equity		2,703,799	4,426,372
Non-current liabilities			
Loans and borrowings	27	4,359,767	3,935,761
Lease liabilities	28	149,825	157,126
Employees' end-of-service benefits	29	77,604	70,353
Provision for site restoration and abandonment cost	30	134,850	113,392
Due to related parties	31	13,440	9,271
Deferred tax liabilities	41	150,183	141,741
Derivatives	21	61,212	38,840
Other liabilities	32	25,493	30,207
Total non-current liabilities		4,972,374	4,496,691
Current liabilities			
Trade and other payables	33	1,108,480	1,232,128
Loans and borrowings	27	704,880	836,766
Lease liabilities	28	30,819	31,108
Derivatives	21	68,772	64,385
Due to related parties	31	284,549	250,042
Income tax	41	14,636	14,622
Total current liabilities		2,212,136	2,429,051
Total liabilities		7,184,510	6,925,742
Total equity and liabilities		9,888,309	11,352,114

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on 23 March 2021.

Chairman

Group Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Notes	2020 RO'000	2019 RO'000
Revenue	34	5,393,789	7,330,812
Cost of sales	34	(5,142,171)	(6,838,157)
Gross profit		251,618	492,655
Investment (loss) / income	35	(64,881)	8,963
Share of results of equity accounted investments	36	(210,275)	34,146
Other income	37	47,115	88,333
Administrative expenses	38	(255,454)	(263,653)
Impairment losses (charged) / released	39	(1,344,003)	34,347
Operating (loss) / profit		(1,575,880)	394,791
Finance income	40	16,664	20,023
Finance expense	40	(141,694)	(174,896)
Foreign exchange gains / (losses) - net	40	(2,599)	1,108
(Loss) / profit for the year before tax		(1,703,509)	241,026
Income tax expense	41	(13,435)	(9,762)
(Loss) / profit for the year		(1,716,944)	231,264
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference relating to subsidiaries		41,936	(10,438)
Foreign currency translation difference on investment in associates	11	3,463	(6,059)
Share of other comprehensive income of associates and joint ventures	26	988	(672)
Effective portion of changes in fair value of cash flow hedges	26	(50,482)	(72,406)
Items not to be reclassified to profit or loss in subsequent periods		-	-
Fair value changes due to dilution of subsidiary		(3,919)	-
Transfer to defined benefit plan, actuarial gains and losses		(2,935)	(4,594)
Other comprehensive loss, net		(10,949)	(94,169)
Total comprehensive (loss) / income for the year		(1,727,893)	137,095
(Loss) / profit for the year attributable to:			
- Equity holders of the parent		(1,717,588)	229,894
- Non-controlling interests		644	1,370
(Loss) / profit for the year		(1,716,944)	231,264
Total comprehensive (loss) / income attributable to:			
- Equity holders of the parent		(1,728,537)	135,725
- Non-controlling interests		644	1,370
Total comprehensive (loss) / income for the year		(1,727,893)	137,095
(Loss) / earnings per share			
Basic and diluted (loss) / earnings per share	42	(0.51)	0.068

The accompanying notes form an integral part of these consolidated financial statements.

OQ SAOC (formerly OMAN OIL COMPANY SAOC) AND ITS SUBSIDIARIES

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital	Share capital pending registration	Statutory reserve	Other reserve	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2020	3,315,293	113,337	95,730	16,249	(45,965)	(33,167)	921,125	4,382,602	43,770	4,426,372
Loss for the year	-	-	-	-	-	-	(1,717,588)	(1,717,588)	644	(1,716,944)
Other comprehensive income for the year, net	-	-	-	-	(53,413)	45,399	(2,935)	(10,949)	-	(10,949)
Total comprehensive income for the year					(53,413)	45,399	(1,720,523)	(1,728,537)	644	(1,727,893)
Transfer to statutory reserve (note 24)	-	-	-	-	-	-	-	-	-	-
Increase in share capital during the year	113,143	(113,143)	-	-	-	-	-	-	140	140
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(1,974)	(1,974)
Movement in investment in subsidiaries and NCI	-	-	-	-	-	-	10,564	10,564	(3,410)	7,154
At 31 December 2020	3,428,436	194	95,730	16,249	(99,378)	12,232	(788,834)	2,664,629	39,170	2,703,799

The accompanying notes form an integral part of these consolidated financial statements.

OQ SAOC (formerly OMAN OIL COMPANY SAOC) & ITS SUBSIDIARIES

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital	Share capital pending registration	Shareholder's contribution	Statutory reserve	Other reserve	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	RO'000	RO'000		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2019	3,012,980	194	302,313	91,575	12,827	27,113	(16,670)	717,842	4,148,174	89,052	4,237,226
Profit for the year	-	-	-	-	-	-	-	229,894	229,894	1,370	231,264
Other comprehensive income for the year, net	-	-	-	-	-	(73,078)	(16,497)	(4,594)	(94,169)	-	(94,169)
Total comprehensive income for the year	-	-	-	-	-	(73,078)	(16,497)	225,300	135,725	1,370	137,095
Transfer to statutory reserve (note 24)	-	-	-	4,155	-	-	-	(4,155)	-	-	-
Increase in share capital during the year	302,313	113,143	(302,313)	-	-	-	-	-	113,143	1,336	114,479
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,634)	(8,634)
Other movements	-	-	-	-	3,422	-	-	(2,605)	817	1,266	2,083
Increase in investment in subsidiaries and NCI	-	-	-	-	-	-	-	(15,257)	(15,257)	(40,620)	(55,877)
At 31 December 2019	3,315,293	113,337	-	95,730	16,249	(45,965)	(33,167)	921,125	4,382,602	43,770	4,426,372

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

	Notes	2020 RO'000	2019 RO'000
Operating activities			
(Loss) / profit before tax		(1,703,509)	241,026
Adjustments for : non-cash and others items:			
Charge / (reversal) of impairment losses – net	39	1,344,003	(34,347)
Share of results of equity accounted investees	36	210,275	(34,146)
Realised gain on sale of investments	35	10,166	(2,422)
Depreciation including right of use assets	6	475,266	491,085
Unwinding of discount on site restoration and abandonment cost	30	8,272	6,729
Amortization of intangible assets	6	22,834	19,621
Accrual for end of service benefits	29	14,297	16,553
Gain on disposal of property, plant and equipment		(1,341)	-
Amortization of deferred financing costs	45	4,832	8,002
Finance cost	40	128,590	159,662
Finance income	40	(16,664)	(20,023)
Unrealized loss on investment	35	66,445	17,345
Employees' end of service benefits paid	29	(7,047)	(4,438)
Other movement in other non-current asset		3,898	(7,659)
Other movements in non-current liabilities		(4,715)	72,464
Concession income	13	(56,057)	(58,589)
Operating cash flows before working capital changes		499,545	870,863
Working capital changes:			
Inventories		(34,124)	2,144
Trade and other receivables		(66,541)	265,332
Concession receivables		(111,679)	(152,437)
Lease receivables		8,609	7,542
Contract assets		144,070	(54,498)
Trade and other payables		(125,646)	(281,031)
Due from related parties		193,801	(146,276)
Due to related parties		34,507	(133,483)
Cash from operations		542,542	378,156
Taxes paid		(14,150)	(142,458)
Net cash from operating activities		528,392	235,698
Investing activities			
Acquisition of property, plant and equipment	6	(479,577)	(594,698)
Proceeds from disposal of property, plant and equipment		3,496	53,326
Additions of investment in equity accounted investees	11 & 12	(59,392)	(83,297)
Acquisition of oil and gas exploration and production assets	7	(284,067)	(318,940)
Proceeds from disposal of equity accounted investments	11 & 12	44,263	4,630
Dividend received from equity accounted investees	11 & 12	21,112	16,040
Payments to related parties		(470)	-
Receipts from related parties		4,169	-
Payment for intangible assets	9	(5,749)	(4,642)
Net movement in term deposits	17	(30,768)	615,545
Finance income received	40	16,664	20,023
Net cash used in investing activities		(770,319)	(292,013)
Financing activities			
Interest paid		(124,540)	(152,933)
Dividends paid to non-controlling interests		(1,974)	(8,634)
Proceeds from loans and borrowings	45	949,314	573,777
Repayment of loans and borrowings	45	(652,400)	(374,226)
Repayment of lease liabilities	28	(46,867)	(31,477)
Payment against purchase of shares from non-controlling interests	2	-	(19,255)
Net cash from financing activities		123,533	(12,748)
Net change in cash and cash equivalents		(118,394)	(69,063)
Translation adjustments		11,662	16,101
Cash and cash equivalents at the beginning of the year		567,501	620,463
Cash and cash equivalents at end of the year	22	460,769	567,501

The accompanying notes form an integral part of these consolidated financial statement.

1 Legal status and principal activities

OQ SAOC, (formerly Oman Oil Company SAOC) ("the Parent" or "the Parent Company") is a closed joint stock company domiciled in the Sultanate of Oman. The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Parent Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates and joint ventures. The Parent Company primarily is involved in the business of identifying, acquiring, managing, operating interests in petroleum and other energy related enterprises and dealing in investments. The Group is primarily engaged in exploration, production, marketing and distribution of petroleum and petroleum by-products. The Group operates in the Sultanate of Oman, United Arab Emirates, India, Pakistan, Korea, China, Hungary, Portugal, Spain, Chile, Germany, United States of America and Kazakhstan. The registered address of the Parent Company is P O Box 261, Postal Code 118, Sultanate of Oman.

The Parent Company is wholly owned by the Oman Investment Authority (2019: Ministry of Finance). During the year, the shareholding of the Parent Company was transferred from Ministry of Finance to Oman Investment Authority (OIA).

With effect from 13 February 2020, the legal name of Oman Oil Company SAOC was changed to OQ SAOC.

2 Group entities

The Group has the following investments in subsidiaries:

Company name	Notes	Country of incorporation	% holding 2020	% holding 2019
Oman Oil Holdings Spain SL (OOHS)		Spain	**100%**	100%
Oman Oil (Hungary) Limited (OOHL)		Cayman Islands	**100%**	100%
Oman Oil (Budapest) Limited (OOBL) (held through OOHL)		Cayman Islands	**100%**	100%
Oman Oil (S.E. Asia) Holdings (OOSEAH)		Cayman Islands	**100%**	100%
Oman Oil (Singapore Holdings) (OOSH) (held through OOSEAH)		Cayman Islands	**100%**	100%
Oman Pearls Company Limited (OPCL)		Cayman Islands	**100%**	100%
Oman Oil (Upstream) Holdings Limited (OOUHL)		Cayman Islands	**100%**	100%
OQ Exploration and Production L.L.C (formerly Oman Oil Company Exploration & Production LLC) (OQEP)	i	Sultanate of Oman	**100%**	100%
Abraj Energy Services SAOC (held through OQEP)		Sultanate of Oman	**100%**	100%
OQEP Holding Limited (held through OQEP)		Cayman Islands	**100%**	100%
Abutubul LLC (held through OQEP)		Sultanate of Oman	**100%**	100%
Musandam Gas Plant LLC (held through OQEP)		Sultanate of Oman	**100%**	100%
Makarim Gas Development LLC (held through OQEP)		Sultanate of Oman	**100%**	100%
Musandam Oil & Gas Company LLC (held through OQEP)		Sultanate of Oman	**100%**	100%
Oman Oil Company Limited (OOCL)		Bermuda	**100%**	100%
Oman Oil Services Limited (OOSL)		Bermuda	**100%**	100%
Oman Energy Trading Company Limited (OETCL)		Bermuda	**100%**	100%
Takatuf Oman LLC	Note 12 (iii)	Sultanate of Oman	**100%**	100%
Oman Oil International Limited (OOIL) (held through OETCL)		Cayman Islands	**70%**	70%
OQ Trading LLC (OQT) (held through OOIL)	ii	United Arab Emirates	**100%**	100%
Musandam Power Company SAOC (held through OQ GN)	11 (x)	Sultanate of Oman	**41.85%**	41.85%
Oman Oil Holding Europe B.V (OOHE)		Netherlands	**100%**	100%
Sumhuram Energy B.V (SE) (held through OOHE)		Netherlands	**100%**	100%
Sumhuram Energy Chile I SpA (SEC I) (held through SE)		Chile	**100%**	100%
Sumhuram Energy Chile II Limitada (SEC II) (held through SEC I)		Chile	**100%**	100%
Mazoon B.V (held through OOHE)		Netherlands	**100%**	100%
Majan Energy B.V (held through OOHE)		Netherlands	**100%**	100%

Notes to the consolidated financial statements for the year ended 31 December 2020

2 Group entities (continued)

Company name	Notes	Country of incorporation	% holding 2020	% holding 2019
OQ Chemical International Holding Drei GmbH (held through Majan Energy B.V		Germany	100%	100%
OQ Chemicals Holding Drei GmbH, Monheim am Rhein/Germany		Germany	100%	100%
OQ Chemicals Holding Zwei GmbH (held through Majan Energy B.V)		Germany	100%	100%
OQ Chemicals GmbH (held through Majan Energy B.V)		Germany	100%	100%
OPG OQ Beteiligungs-GmbH		Germany	100%	100%
OQ Chemicals GmbH (held through Majan Energy B.V)		Germany	100%	100%
OQ Infrastruktur GmbH & Co. KG (held through Majan Energy B.V)		Germany	98%	98%
OQ Chemicals Nederland B.V (held through Majan Energy B.V)		Netherlands	100%	100%
OIG OQ Infrastruktur GmbH (held through Majan Energy B.V)		Germany	100%	100%
OQ Chemicals Japan K.K. (held through Majan Energy B.V)		Japan	100%	100%
OQ Chemicals Singapore Pte. LTD (held through Majan Energy B.V)		Singapore	100%	100%
OQ Chemicals UK LTD. (held through Majan Energy B.V)		United Kingdom	100%	100%
OQ Chemicals Holding Corporation (held through Majan Energy B.V)		United States of America	100%	100%
OQ Chemicals Corporation (held through Majan Energy B.V)		United States of America	100%	100%
OQ Services LLC (held through Majan Energy B.V)		United States of America	100%	100%
OQ Chemical Bishop LLC (held through Majan Energy B.V)		United States of America	100%	100%
OQ Quimicos Brasil Participações LTDA (held through Majan Energy B.V)		Brasil	100%	100%
OQ International GmbH (held through Majan Energy B.V)		Germany	100%	100%
OQ Advanced Derivatives LTD. (held through Majan Energy B.V)		China	100%	100%
OQ Chemicals Production GmbH & Co. KG (held through Majan Energy B.V)		Germany	100%	100%
OQ Services GmbH (held through Majan Energy B.V)		Germany	100%	100%
Oman Pearls Company Limited – UK (OPCL)		United Kingdom	100%	100%
Oman Oil Marketing Company SAOG (OOMCO)	iii	Sultanate of Oman	49%	49%
OQ Methanol(SFZ) L.L.C. formerly (Salalah Methanol LLC) (SMC)		Sultanate of Oman	100%	100%
Takamul Investment Company LLC (TIC)		Sultanate of Oman	100%	100%
Oman Aluminium Rolling Company LLC (held through TIC)		Sultanate of Oman	100%	100%
Rolling Mill Holding Company Limited (held through TIC)		Cayman Islands	100%	100%
Sohar Sulphur Fertilizer LLC (held through TIC)		Sultanate of Oman	68.75%	68.75%
Centralised Utilities Company LLC (held through OOFDC)	Note	Sultanate of Oman	-	100%
Duqm Power Company LLC (DPC) (held through CUC)	12(V)	Sultanate of Oman	-	55%
Sohar Paper Cores LLC (held through TIC)		Sultanate of Oman	100%	100%
Oman Purified Isophthalic Acid Company LLC (held through TIC)		Sultanate of Oman	100%	100%
Duqm Management & Services LLC (held through TIC)		Sultanate of Oman	70%	70%
Takamul Holding Company Limited		Cayman Island	100%	100%
Duqm Petroleum Terminal Company LLC (DPTC)		Sultanate of Oman	100%	100%
Oman Tank Terminal Company LLC (OTTCO)		Sultanate of Oman	100%	100%
OQ Gas Networks S.A.O.C formerly (Oman Gas Company SAOC) (OQ GN)		Sultanate of Oman	100%	100%
Oman Oil Duqm Development LLC		Sultanate of Oman	100%	100%
Oman Oil Facilities Development Company LLC		Sultanate of Oman	100%	100%
Oman International Petrochemical Industry Company LLC		Sultanate of Oman	70%	70%
OQ L P G (SFZ) L.L.C formerly (Salalah LPG SFZCO LLC) (SLPG)		Sultanate of Oman	100%	100%
Oman Gas International		Cayman Island	100%	100%
OQ Refineries and Petroleum Industries L.L.C (formerly Oman Oil Refineries and Petroleum Industries Company LLC) (OQ RPI)		Sultanate of Oman	100%	100%
OQ Refineries L.L.C (formerly ORPIC Refineries LLC)		Sultanate of Oman	100%	100%
OQ Aromatics L.L.C (formerly ORPIC Aromatics LLC)		Sultanate of Oman	100%	100%
OQ Plastics L.L.C (formerly ORPIC Plastics LLC)		Sultanate of Oman	100%	100%
OQ Depots L.L.C (formerly ORPIC Depot LLC)		Sultanate of Oman	100%	100%
OQ Marketing L.L.C (formerly ORPIC Polymer Marketing LLC)		Sultanate of Oman	100%	100%

2 Group entities (continued)

i. The Group has the following material interests, all of which are located within the Sultanate of Oman.

Name	Participating Interest (2020 & 2019)	Operator	Activity
Block 60	100%	OQEP	Exploration and production
Block 48	100%	OQEP	Exploration
Block 42	50%	OQEP	Exploration
Block 9	45%	Occidental	Exploration and production
Block 61	30%	BP	Exploration and production
Block 65	27%	Occidental	Exploration and production
Block 30	27%	Occidental	Exploration and production
Karim	25%	Medco	Production service agreement
Rima	25%	Petrogas	Production service agreement
Block 53	20%	Occidental	Exploration and production
Block 52	15%	ENI	Exploration

All interests of less than 100% are Joint Operations. OQEP also has interests in gas purchase and sale contracts relating to Dolphin field.

ii. On 27 June 2019, Oman Energy Trading Company Limited (OETCL); a wholly owned subsidiary of OQ SAOC, purchased 30% shares of OQ Trading LLC (OQT) from Eagle Properties (No 21) Limited; a wholly owned subsidiary of State General Reserve Fund (SGRF) at a purchase consideration of RO 53 million, which resulted in 100% ownership by the Group in OQT. The settlement of the purchase consideration was made partially in cash and by divesting shares of Mineral Development Oman and Innovation Development Oman Holding Company SAOC. Excess of the purchase consideration (as determined below) is recorded in the statement of changes in equity:

	RO'000
Mineral Development Oman	14,834
Innovation Development Oman Holding Company SAOC	18,910
Cash	19,256
Total purchase consideration	**53,000**
30% of OQT net worth	37,742
Excess	**15,258**

iii. Although the Group owns less than half of the total share capital of OOMCO, the management of the Parent Company assessed that the Group has control over its investment in OOMCO based on whether the Group has the practical ability to direct the relevant activities of OOMCO unilaterally. The management considered the Group's absolute size of holding in OOMCO and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the management, concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of OOMCO.

2 Group entities (continued)

Therefore, the Group has control over OOMCO by virtue of Article 5 of chapter two of OOMCO's Articles of Association, which entitles the holder of multi vote share to two votes at the Annual General Meeting of OOMCO. The Group holds 3,225,000 multi vote shares and 28,380,000 ordinary shares, which give it an overall voting power of 51.43% in OOMCO.

3. Basis of preparation

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB, applicable provisions of the requirements of the Commercial Companies Law of 2019 the Sultanate of Oman.

The consolidated financial statements are prepared under the historical cost convention except for investments at fair value through profit and loss and derivatives, which are measured at fair value.

The Group comprises operations with a number of functional currencies. The Parent Company's functional currency is Rial Omani ("RO"). Management uses RO for controlling and maintaining the performance and financial position of the Group and accordingly the consolidated financial statements are presented in Rial Omani.

All financial information presented in RO has been rounded to the nearest thousand, unless otherwise indicated.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Notes to the consolidated financial statements for the year ended 31 December 2020

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re measured to its fair value, with the change in carrying amount recognised in profit or loss.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Transactions with non-controlling interests (continued)

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not separately tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss and represents share of profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Investment in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Impairment' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Transactions with related parties
The Group has applied the exemption under IAS 24 paragraphs 25 and 26, and have not disclosed the related party transactions and outstanding balances, including commitments related to:

(a) a government that has control or joint control of, or significant influence over, the reporting entity; and

(b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

In applying the exemption, the Group has disclosed the following related to the transactions and related outstanding balances:

(a)the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence) ;

(b)the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

(i) the nature and amount of each individually significant transaction; and

(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

Standards issued and effective
The Group has initially adopted Definition of a Business (Amendments to IFRS 3) and Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) from 1 January 2020. A number of other new standards are also effective from 1 January 2020, but they do not have a material effect on the Group's financial statements.

The Group applied Definition of a Business (Amendments to IFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 4. See also Note 16 for details of the Group's acquisition of subsidiary during the year.

Standards issued but not yet effective
A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives will not be restated.

The Group has determined that all contracts existing at 31 December 2020 will be completed before the amendments become effective.

B. Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

— changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and

— hedge accounting.

i. Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. At 31 December 2020, the Group has OMR 5,064.6 million LIBOR bank loans that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to SOFR in 2021 and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

ii. Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

— Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.

— When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

— When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.

— If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date

At 31 December 2020, the Group has cash flow hedges of USD LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to USD LIBOR will be replaced with SOFR in 2021.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SOFR.

Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SOFR. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.

iii. Disclosure
The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

iv. Transition
The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

C. Other standards
The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.
— COVID-19-Related Rent Concessions (Amendment to IFRS 16).
— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
— Reference to Conceptual Framework (Amendments to IFRS 3).
— Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
— IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

4. Summary of significant accounting policies (continued)

4.1 Oil and natural gas exploration, evaluation and development expenditure (continued)

Licence and property acquisition costs

Exploration licence acquisition costs are capitalised in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount.

Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets.

Exploration and evaluation costs

Exploration and evaluation (E&E) activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Costs directly associated with exploration wells are capitalised as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. Costs include directly attributable to employee remuneration, materials and fuel used, rig costs and payments made to contractors. Geological and geophysical costs are expensed as incurred.

If no potentially commercial hydrocarbons are discovered, the E&E asset is written off. If potentially commercial hydrocarbons are found the costs continue to be carried as an intangible asset while the discovery is appraised. Costs directly associated with appraisal activity are initially capitalised as an intangible asset. All capitalised E&E costs are subject to technical, commercial and management review, as well as a review for indicators of impairment at least once a year. Where it is determined that a discovery is not potentially commercial the costs are written off as an exploration expense. All capitalised E&E costs are subject to technical, commercial and management review, as well as assessment for impairment based on the identification of impairment indicators at least once a year.

On commencement of development capitalised E&E expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to fixed assets. Other than licence costs, no amortisation is charged during the E&E phase.

Farm-outs - in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest.

4. Summary of significant accounting policies (continued)

4.1 Oil and natural gas exploration, evaluation and development expenditure (continued)

Farm-outs - other than in the exploration and evaluation phase

In accounting for a farm-out arrangement other than in the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee.
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor.
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets.
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within fixed assets.

4.2 Oil and gas properties and other property, plant and equipment

Initial recognition

Oil and gas assets and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to asset additions, improvements or new developments.

4. Summary of significant accounting policies (continued)

4.2 Oil and gas properties and other property, plant and equipment (continued)

Major maintenance, inspection and repairs

Expenditure on major maintenance, refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation / amortisation

The net book value of producing assets are depreciated on a unit-of-production basis over the total proven and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The total proven and probable reserves of the field are reviewed at least annually. The unit-of-production rate calculation takes into account expenditures incurred to date, together with sanctioned and projected future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, and major inspection costs are amortised over three to five years, which represents the estimated period before the next planned major inspection. Property, plant and equipment held under finance/capital leases are depreciated over the shorter of lease term and estimated useful life.

Items of property, plant and equipment are measured at cost less accumulated depreciation / depletion and impairment losses.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The consideration receivable on disposal of an item of property, plant and equipment is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

4. Summary of significant accounting policies (continued)

4.2 Oil and gas properties and other property, plant and equipment (continued)

Depreciation / amortisation (continued)

Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost, if it meets the criteria of SPPI test.

The estimated useful lives for other assets are as follows:

	Years
Buildings	5 - 30
Furniture and office equipment	2 - 15
Plant, equipment and vehicles	2 - 30

Useful lives and residual values are reviewed at each reporting date.

Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment losses. When commissioned, capital work-in-progress is transferred to the appropriate plant and equipment category and depreciated in accordance with depreciation policies of the Group.

4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for transaction under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

4. Summary of significant accounting policies (continued)

4.3 Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Transactions under Common Control

The Group follows the predecessor accounting method when there is business combination under common control. Moreover, the Group adopts retrospective presentation method as if both acquirer and acquiree had always been combined or using the results from the date when either entity joined the Group, where such a date is later.

Under predecessor accounting method, the acquirer continues to adopt the value of the assets and liabilities as per the book value in the acquired entity, even after transfer of shareholding. Any excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the book value of the net identifiable assets acquired and liabilities assumed is transferred to other reserves in equity.

4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

4. Summary of significant accounting policies (continued)

4.4 Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Technology, customer relationship and trademarks

As part of the purchase price allocation performed by the Group on the acquisition of OQ Chemicals, the Group had identified and recorded intangible assets relating to trademarks, customer relationships and technology (refer to note 9).

A summary of the policies applied to the Group's major intangible asset classes are as follows:

	Trademarks	**Customer relationships**	**Technology**
Useful lives	Indefinite	Finite (10 years)	Finite (10 – 20) years
Amortisation method used	No amortisation	Amortised on a straight line basis	Amortised on a straight line basis
Internally generated or acquired	Acquired	Acquired	Acquired

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in selling. Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. The cost of the inventory is determined using FIFO method.

4. Summary of significant accounting policies (continued)

4.5 Inventories (continued)

The valuation approach for OQT inventory is based on OQT's specific activities in relation to each product. Physical commodities principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin are held at fair value less costs to sell. These commodities include crude oil, refined products, petrochemicals and liquefied natural gas. Movements in the fair value of inventory between reporting dates are directly recognised in cost of sales. The fair value is measured with reference to observable market prices.

4.6 Employees' end-of-service benefits

The Group's obligation for contributions to defined contribution pension plans are recognised as an expense when due. The Group's obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.
Group entities registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The Group's obligations are limited to these contributions, which are expensed when due.

The Group entities operating in Oman also provide end-of-service benefits to its Omani and expatriate employees. End-of-service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Liabilities for defined benefit plans for OQ Chemicals are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recorded in other comprehensive income. Service costs are classified as administrative expenses. Interest costs are charged to the consolidated statement of comprehensive income. The amounts payable under defined contribution plans are expensed when the contributions are due and classified as administrative expenses. Past service costs are recognized immediately in the consolidated statement of comprehensive income, regardless of vesting requirements. For funded plans, OQ Chemicals offsets the fair value of the plan assets with the benefit obligation.

Remeasurements in the net defined benefit liability comprising actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

4. Summary of significant accounting policies (continued)

4.6 Employees' end-of-service benefits

These defined benefit plans expose OQ Chemicals to actuarial risks, such as longevity risk, currency risk and interest rate risk. For funded plans, OQ Chemicals offsets the fair value of the plan assets with the benefit obligation.

4.7 Foreign currency transactions

Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies (including monetary assets and liabilities considered as a net investment in foreign operation) are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

4.8 Leases

Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Group as a lessee (continued)

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Group as a lessee (continued)

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position. The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss. As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group net investment in the leases.

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Group as a lessor (continued)

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

4.9 Concession arrangement

Infrastructure

As disclosed in note 13, the Group has applied IFRIC 12 in relation to the Concession Agreement with the Government of Sultanate of Oman.

Infrastructures within the scope of the IFRIC 12 are not recognized as property, plant and equipment of the Group. Under the terms of the Concession Agreement the Group acts as an operator. The Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

In accordance with the requirements of the IFRIC 12 a financial asset has been recognised where the Group constructs or upgrades the infrastructure and is permitted to operate it over the concession period for an agreed revenue to be received during the period of operation. This financial asset covers the costs incurred in relation to the construction of the Gas Transmission Network.

In the financial asset model, the amount due from the Government or the shipper meets the definition of a financial asset which is accounted for in line with the accounting policies stated below relating to the financial assets.

The Group recognizes and measures revenue in accordance with IFRS 15 for the services it performs.

Revenue and costs relating to the construction or upgrade are being recognised in income over the construction phase of the arrangement in accordance with International Financial Reporting Standards 15 "Revenue from Contracts with Customers". Therefore, subject to the requirements of IFRS 15, revenue is being recognised by reference to the stage of completion of the construction project. Contract revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. Accounting policy details are stated below in the revenue recognition section.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments

In the normal course of business the Group uses financial instruments, principally investments in equity securities, trade and other receivables, cash and cash equivalents, term deposits, loans and borrowings, trade and other payables and derivatives.

4.10.1 Classification

Financial assets

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The *business* model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.1 Classification (continued)

Financial liabilities

All financial liabilities are classified as "amortised cost" other than negative fair value of derivatives which are carried at "fair value through profit or loss".

4.10.2 Recognition / derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of profit or loss or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

4.10.3 Measurement

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.4 Measurement (continued)

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the consolidated statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to consolidated statement of profit and loss.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by- instrument basis. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the consolidated statement of financial position at fair value.

Changes in fair values and dividend income are recorded in the consolidated statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.3 Measurement (continued)

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

4.10.4 Impairment

Group recognizes ECL for cash and bank balances, due from related parties, contract assets and other assets using the general approach and uses the simplified approach for trade receivables as allowed by IFRS 9.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

4.10.5 Measurement

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.5 Measurement (continued)

The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL

4.10.6 Derivative financial instruments and hedging activities

The Group enters into a derivative financial instrument to manage its exposure to interest rate and commodity price due to market fluctuation. Further details of derivative financial instruments are disclosed in note 21.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.6 Derivative financial instruments and hedging activities (continued)

Hedge accounting

The Group designates derivatives as hedging instruments in respect of interest rate risk in cash flow hedges and commodity price due to market fluctuation.

At the inception of the hedge relationship, the Group entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 21 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in note 26.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.6 Derivative financial instruments and hedging activities (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of Cumulative changes in fair values, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the hedging reserve.

4.10.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

4. Summary of significant accounting policies (continued)

4.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4. Summary of significant accounting policies (continued)

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of this discounting is recognised as finance cost.

Amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Group records a provision for site restoration mainly relating to oil wells and fuel stations. Site restoration costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs and discount rates of site restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

4.13 Fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods.

Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. Summary of significant accounting policies (continued)

4.13 Fair values (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

4.14 Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The process for applying the standard is separated into five steps:

- Step 1 – Identify the contract with a customer
- Step 2 – Identify the separate performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the separate performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group 's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably and is stated net of sales taxes if applicable (such as VAT) and discounts. If advances are received from customers for future contractual services, the revenue is deferred until the services are provided.

Where revenue contains a significant financing element, the financing element is shown as a financing item and revenues are adjusted by a corresponding amount.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company considers the terms of the contracts with customers and the Price Control Maximum Allowed Revenue for the relevant period as approved by the Regulatory Asset Base ("RAB") Joint Management Committee to determine the transaction price.

Revenue from sale of oil and gas

The Group has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligor, and is also exposed to the risk of loss of inventory except in the case of Gas Purchase and Sale agreement with Dolphin Energy.

Revenue from the sale of oil and petroleum products is recognised when the control over the goods or services passed on to the customer.

Revenue for under-/over lifting is recognised based on the actual amount of oil and gas sold regardless of the amount of oil and gas production entitied to the Group accordinging to the working interest. Under-/over lifting balances are accounted for by non-financial receivables/(liabilities), respectively and corresponding adjustment of production/operating costs.

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

Revenue from rendering services

Revenue from rendering services is recognised as the services are rendered, including where they are based on contractual daily rates for providing messing services which include catering services.

Revenue from services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from Oil field services

Revenue from the oil field services are recognised when the control of services passed on to the customer. The customer simultaneously receives and consumes the benefits or performance creates, enhances an asset that the customer controls and recognizes revenue over time.

Revenue from services rendered overtime is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on output method. Stage of completion is assessed by reference to billing sheets prepared by the Group and approved by customers, based on the applicable day rates.

Mobilisation revenue net of delayed startup penalty, if any, for newly commissioned capital assets are recognised over the firm contract period. Mobilisation costs that are expected to be recovered are capitalized and amortised over the firm contract period.

Concession income

The Group recognises finance income on concession receivable and contract assets based on effective interest rate method.

Construction revenue

The Group upgrades or constructs the Gas Transmission Infrastructure (the "Infrastructure") under the Concession Agreement. Under the terms of the Concession Agreement, the infrastructure can only be used by the Shipper and OQ GN has an enforceable right to payment for work done. Revenue from upgrade or construction of the Infrastructure is therefore recognised over time on a surveys of performance completed to date or milestones reached.

The Group consider that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Construction revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group becomes entitled to invoice the Shipper for construction of the infrastructure when the infrastructure asset is commissioned. Under the Concession Agreement and RAB Rules, the Company invoices the Shipper for the revenue allowed under the RAB rules.

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

Concession income (continued)

Construction revenue (continued)

The Group considers all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Expenditures are determined and allowed under the price control with no ex-post adjustment (except for specific events / triggers).

Pass through costs

Pass through cost represents taxation, fuel gas and regulator fees which are reimbursable on actual incurred basis.

Revenue from power generation

Revenue from power generation comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the power purchase agreement entered with Oman Water and Power Procurement Company SAOC.

Capacity charge represents amounts payable to the Group for each hour during which the plant is available for power generation. Capacity charges income is recognised on a straight-line basis over the lease term. Energy charge revenue which compensates the Group for the fuel and variable cost of power is recognised based on the supply of generated power.

Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

4.15 Finance income and expenses

Finance income comprises foreign exchange gains and interest income. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset at the reporting date.

Finance income comprises foreign exchange gains and interest income. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset at the reporting date.

4. Summary of significant accounting policies (continued)

4.15 Finance income and expenses (continued)

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are added to the cost of the respective assets. Interest revenue earned on deposits of borrowed funds is netted off against the cost of the borrowed funds added to the cost of the respective assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

4.16 Investment income

Investment income comprises dividend income, gains and losses on sale of investments and fair value changes on investments held at fair value through profit and loss and held for trading. Dividend income is recognised when the right to receive the dividend is established.

4.17 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided based on relevant laws of the respective countries in which the Group operates. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

4.18 Income tax on subsidiaries, associates and joint ventures

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group entity or an associate or a joint venture operates and its subsidiaries and associates operate and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

4. Summary of significant accounting policies (continued)

4.19 Directors' remuneration

The board of directors' remuneration is accrued within the limits and the requirements of the Commercial Companies Law of the Sultanate of Oman.

4.20 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

4.21 Carry of a partner

In the course of joint operations during exploration and appraisal stage one partner can fund (or carry) the expenditures of another. The interest could be recognised on the funds borrowed which will be capitalised in the main carry. The repayment of carry shall be recognised based on the agreed base from future benefits flowing in from future sales of extracted hydrocarbons. If no commercial discovery occurs, the carrier shall not recover the carry and the funded amount would be expensed in the same accounting period.

4.22 Transferred assets

Government assistance. For assistance provided by the Government of the Sultanate of Oman, an assessment is made as to whether it is acting as a shareholder or as the Government. Assistance is accounted for as a Government Grant or deemed equity contribution accordingly.

Transferred assets. Transferred assets are assets which are acquired by the Group either through transfer from another entity, donation or for no consideration and no issue of shares. Transferred assets are valued at fair value and classified according to the nature of the asset. Transferred assets with a fair value of below a de minimums level are accounted for at nil. For assets or rights transferred to the Group primarily due to Government ownership and without consideration, credit relating to fair valuation (in line with Level 3 of fair value measurement) is maintained in a separate reserve ("other reserve").

4.23 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segment operating results are reviewed regularly by the Group Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Group Chief Executive Officer (Chief Operating Decision Maker), in deciding how to allocate resources and in assessing performance.

4. Summary of significant accounting policies (continued)

4.23 Segmental reporting (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in this note, except that IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the Chief Operating Decision Maker. For further information see note 47.

4.24 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is calculated by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

4.25 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held- for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

4.26 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

4.27 Events after the reporting date

The Group consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are disclosed in the consolidated financial statements when material.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in these consolidated financial statements:

Control over investments in subsidiaries

Management assesses whether or not the Group has control over its investment in subsidiaries based on whether the Group has the power to direct the relevant activities of the investees unilaterally.

Management considers the Group's absolute size of holding in subsidiaries and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of subsidiaries and therefore Group has control over investment in subsidiaries, refer note 2(iii).

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Concession arrangement

The analysis on whether the IFRIC 12 applies to an arrangement involves various factors and depends on the interpretation of contractual arrangement. Therefore, the application of IFRIC 12 requires judgment in relation with, amongst other factors,

(i) the identification of certain infrastructures in the scope of IFRIC 12;

(ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset; and

(iii) the recognition of revenue from construction and concessionary activity.

Changes in one or more of the factors may affect the conclusions as to the appropriateness of the application of IFRIC 12.

Management has evaluated the applicability of IFRIC 12 and concluded that the concession agreement falls within the purview of the "financial assets" model as defined in IFRIC 12, which requires the Group to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15. Accordingly, the Group has applied IFRIC 12 and recognised a financial asset (concession receivables and contract asset) and financial income. If the arrangement had not fallen under IFRIC 12, the Group would have recorded property, plant and equipment and revenue calculated under the RAB rules.

Contract claims

Contract claims are recognised as revenue only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically, and adjustments are made in the future periods, if assessments indicates that such adjustments are appropriate.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of oil producing assets & gas properties and other property, plant and equipment

Carrying value of oil & gas properties and other property, plant and equipment

Management performs impairment reviews on the Group's oil & gas properties and other property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to: commodity prices and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, oil and gas reserves and the related cost profiles. Assumptions reflect all oil and gas reserves that a market participant would consider when valuing the asset. Judgment is also required in establishing the appropriate grouping of assets into cash generating units.

Reserves estimates used in the calculation of Depreciation, Depletion and Amortisation (DD&A) and impairment of oil & gas properties and other property, plant and equipment

The determination of the Group's oil and gas reserves requires significant judgement and estimates to be applied. These are regularly reviewed and updated. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques applied by the in-house reserve engineer.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful lives of oil producing assets & gas properties and other property, plant and equipment

Further, these reserve estimates are evaluated by external reserve engineers every three year. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the government under the terms of the Exploration and Production Sharing Contracts.

Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Estimates of oil and gas reserves are used to calculate depreciation, depletion and amortisation charges for oil and gas properties. The impact of changes in oil and gas reserves is dealt with prospectively. Oil and gas reserves also have a direct impact on the assessment of recoverability of asset carrying values. If oil and gas reserves are revised downwards, earnings could be affected by changes in depreciation expense or by immediate write-downs of asset carrying values.

Useful life of intangible assets

Amortisation is charged so as to write off the cost of the intangible assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as:

- Expected usage of the assets by the Group;
- Typical product life cycle for the asset and public information on estimates of useful lives of similar type of assets used in similar way;
- Technical, technological, commercial or other types of obsolescence and the period of control over the assets.
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. Refer note 4.2 for details.

Notes to the consolidated financial statements for the year ended 31 December 2020

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment loss on investments in associates and joint ventures

The Group reviews its investments in associates and joint ventures periodically and evaluates the objective evidence of impairment. Objective evidence includes the performance of associate, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investments in associates and joint ventures. Refer notes 11 and 12 for details.

Income tax

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Refer note 41 for details.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 41 for details.

Percentage of completion method

The Group uses the output method to recognise revenue on the basis of Group's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring surveys of performance completed to date or milestones reached.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

At each reporting date, the Group is required to estimate stage of completion. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts.

The Group uses its project managers to measure the surveys of performance completed to date or milestones reached. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models

Refer note 16 for details.

Accounting for commodity purchase and sale contracts

At inception, physical commodity purchase and sales transactions which support Group entity's (OQT's) principal activities which are capable of net settlement and are not entered into (or continue to be held) for the purpose of receipt or delivery of a non-financial item in accordance with Group entity's expected purchase, sale or usage requirements fall within the scope of IFRS 9.

Certain physical commodity contracts do not fall within the scope of IFRS 9. These contracts are accounted for as executory contracts. Revenue from the sale of goods and provision of services under these contracts is recognised on an accrual basis as the resources are delivered or the services are provided. The related purchase costs are recognised on an accrual basis within cost of sales. Refer note 21 for details.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Refer note 6 for further details.

Expected credit loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Judgements are required in assessing the recoverability of overdue trade receivables and lease receivables and determining whether a provision against those receivables is required. Factors considered include the creditworthiness of the counterparty, timing and value of anticipated future payments and actions that can be taken to mitigate the risk of non-payment.

Notes to the consolidated financial statements for the year ended 31 December 2020

6. Property, plant and equipment

	Freehold land	Buildings	Furniture and office equipment	Plant, equipment and vehicles	Site restoration cost	Capital spare part	Capital work-in-progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost								
At 1 January 2019	408	377,551	45,259	4,048,869	47,937	6,196	2,094,487	6,620,707
Additions	-	1,439	10,868	15,592	19,711	-	686,696	734,306
Transfers	-	(2,662)	1,364	(20,648)	-	-	(61,441)	(83,387)
Adjustment	-	-	-	-	(47,937)	-	-	(47,937)
Disposals	-	(614)	(747)	(11,646)	-	-	(20,256)	(33,263)
Translation differences	-	(1,676)	(124)	(7,599)	-	-	(170)	(9,569)
At 31 December 2019	408	374,038	56,620	4,024,568	19,711	6,196	2,699,316	7,180,857
At 1 January 2020	408	374,038	56,620	4,024,568	19,711	6,196	2,699,316	7,180,857
Additions	-	923	865	30,923	-	586	457,605	490,902
Transfers	-	8,208	(1,022)	38,300	-	-	(54,149)	(8,663)
Dilution of subsidiary	-	-	-	(222)	-	-	(94,769)	(94,991)
Disposals	-	(1,391)	(1,169)	(28,541)	-	(7)	-	(31,108)
Translation differences	-	6,291	483	27,950	-	-	1,721	36,445
At 31 December 2020	408	388,069	55,777	4,092,978	19,711	6,775	3,009,724	7,573,442
Accumulated depreciation and impairment								
At 1 January 2019	-	109,494	35,602	1,620,394	13,381	4,381	10,356	1,793,608
Charge for the year	-	13,404	4,237	182,701	4,114	-	-	204,456
Transfers	-	(1,437)	(133)	(4,095)	-	-	-	(5,665)
Impairment charge	-	-	-	33,753	-	-	22,569	56,322
Disposals	-	(196)	(615)	(8,381)	-	-	(1,187)	(10,379)
Adjustment	-	-	-	-	(17,495)	-	-	(17,495)
Translation differences	-	(233)	-	(2,245)	-	-		(2,478)
At 31 December 2019	-	121,032	39,091	1,822,127	-	4,381	31,738	2,018,369
At 1 January 2020	-	121,032	39,091	1,822,127	-	4,381	31,738	2,018,369
Charge for the year	-	12,809	4,417	168,063	-	726	-	186,015
Transfers	-	-	(631)	(168)	-	-	-	(799)
Impairment charge	-	-	-	-	-	-	1,138,859	1,138,859
Dilution of subsidiary	-	-	-	(195)	-	-	-	(195)
Disposals	-	(762)	(1,037)	(25,813)	-	-	-	(27,612)
Translation differences	-	1,377	409	13,246	-	-	-	15,032
At 31 December 2020	-	134,456	42,249	1,977,260	-	5,107	1,170,597	3,329,669
Net Book Value								
31-Dec-20	408	253,613	13,528	2,115,718	19,711	1,668	1,839,127	4,243,773
31-Dec-19	408	253,006	17,529	2,202,441	19,711	1,815	2,667,578	5,162,488

6. Property, plant and equipment (continued)

(i) Break up of impairment charge for the year:

	2020 RO'000	2019 RO'000
OQ RPI (ii)	**1,138,859**	32,734
Oman Oil Marketing Company SAOG	-	1,019
Oman International Petrochemical Industries Company LLC	-	22,569
Net impairment charge	**1,138,859**	56,322

(ii) Impairment assessment of OQ RPI

During the current year, the Group entity, OQ RPI has carried out an impairment analysis at CGU level of OQ Aromatics LLC (Aromatics), OQ Plastics LLC (Plastics) and OQ Refineries LLC (Refineries) plant and equipment due the instability in the commodities, products and financial markets, following the COVID pandemic, the Oil price war and the associated unprecedented world economic crisis.

For the purpose of impairment analysis, the Group used the base case model and the following key assumptions were used in the base case model:

Valuation technique

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the respective Cash Generating Units (CGUs), taking into account the expected production rate, demand, maximum capacity of plants, and shutdown period.

Projection period and discount rate

Value in use cash flows have been discounted by applying a post-tax discount rate of 8.09% (2019: 8-10%) for the period from FY21 to the end of the useful life of the underlying assets. The future cash flows are based projected taking into account the forecasted margins/spreads derived from primary market advisors' forward projections, updated at the latest available date. These were compared, for analytical purposes, with prices resulting from the application of the same methodology during the preparation of a 5-year business plan of Aromatics, Plastics and Refineries, extrapolated until the end of the useful lives of the underlying assets.

Inflation

The value in use considers an inflation rate of 2%-3% (2019: 2%-3%) over the life of the underlying assets being assessed.

The impairment analysis has resulted in an impairment in Plastics of RO 1,138 million (USD 2,957 million) (2019: RO nil), RO nil in Aromatics (2019: 32.73 million (USD 85 million)) and RO nil for Refineries (2019: RO nil).

6. Property, plant and equipment (continued)

(ii) Impairment assessment of OQ RPI (continued)

Sensitivity analysis

For the Group entities subjected to impairment analysis and resulting in impairment expense, in the assessment of VIU for the CGU's, management believes that any reasonably possible adverse change in any of the above key assumptions that would cause the carrying value of the CGU to further reduce its recoverable amount.

For the Group entities subjected to impairment analysis but did not incur an impairment charge in 2020 the sensitivity analysis is as follows:

The Aromatics VIU will reduce to match its carrying amount of assets if:

- Discount rate increases by 8.49%, keeping all other variables stable
- Inflation decrease by 6%, keeping all other variables stable
- Oil and gas prices decrease by 1%, keeping all other variables stable

The Refineries VIU will reduce to match its carrying amount of assets if:

- Discount rate increases by 18.69%, keeping all other variables stable
- Inflation decrease by 18%, keeping all other variables stable
- Oil and gas prices decrease by 33%, keeping all other variables stable

(iii) Capital work-in-progress pertains to the following subsidiaries net of impairment:

	2020 **RO'000**	2019 RO'000
OQ Refineries and Petroleum Industries L.L.C	**1,287,338**	2,152,216
Oman Oil facilities development Company	**274,439**	330,318
OQ Methanol(SFZ) L.L.C.	**140,923**	122,085
Oman Tank Terminal Company LLC	**80,171**	25,427
OOC Holding Europe BV	**29,538**	20,099
OQ Exploration and Production L.L.C.	**11,162**	10,632
Oman Oil Marketing Company SAOG	**13,195**	5,291
Takamul Investment Company SAOC	**2,361**	1,456
Takatuf Oman LLC	-	54
	1,839,127	2,667,578

(iv) At 31 December 2020, property, plant and equipment with a carrying amount of RO 4,241.42 million (2019: RO 5,085.87 million) were mortgaged as security for bank borrowings (refer note 27).

(v) During the year, the Group has recognised finance cost of RO 83.76 million (2019: 89.07 million) in the cost of the capital-work-in-progress of qualifying assets.

6. Property, plant and equipment (continued)

(vi) The depreciation and amortization charges for the year are as follows:

	2020 RO'000	2019 RO'000
Total depreciation and amortization charge for the year is as follows:		
Property, plant and equipment	**186,015**	204,456
Intangible assets (note 9)	**22,834**	19,621
Oil and gas producing assets (note 7)	**258,806**	260,490
Right-of-use assets (note 8)	**33,110**	26,139
	500,765	510,706
Analysed as follows:		
Cost of sales (note 34)	**450,279**	475,168
General and administration expenses (38)	**47,821**	32,441
Capitalised in the cost of capital work in progress	**2,665**	3,097
	500,765	510,706

7. Oil and gas production and development assets

The details of the Group's share of oil exploration and production and development assets as of 31 December is as follows:

	OQEP (Mukhaizna Oil field ,Abu Tubul, Malarim Block 9 etc.) (i) RO'000	Dunga oil field (ii) RO'000	Total RO'000
Cost			
At 1 January 2019	2,412,960	36,548	2,449,508
Additions during the year	307,488	3,201	310,689
Change in decommissioning provision	3,436	-	3,436
Transfers	(639)	-	(639)
At 1 January 2020	2,723,245	39,749	2,762,994
Additions during the year	**280,229**	**2,072**	**282,301**
Change in decommissioning provision	**(8,177)**	-	**(8,177)**
Transfers	**1,766**	-	**1,766**
At 31 December 2020	**2,997,063**	**41,821**	**3,038,884**
Accumulated depreciation and impairment			
At 1 January 2019	1,305,332	27,202	1,332,534
Charge for the year	260,490	-	260,490
Impairment (iv)	(43,974)	-	(43,974)
At 1 January 2020	1,521,848	27,202	1,549,050
Charge for the year	**256,453**	**2,353**	**258,806**
Transfers	**2,448**	-	**2,448**
Impairment (iv)	**152,534**	-	**152,534**
At 31 December 2020	**1,933,283**	**29,555**	**1,962,838**
Net book value			
At 31 December 2020	**1,063,780**	**12,266**	**1,076,046**
At 31 December 2019	1,201,397	12,547	1,213,944

Notes to the consolidated financial statements for the year ended 31 December 2020

7. Oil and gas production and development assets (continued)

(i) Note 2 gives details of Group's participating interest in different oil and gas exploration and production sharing agreements in Oman. Oil and gas production and development assets include RO 103.041 million in respect of the fair value recognised on transfer of 45% interest in Block 9 from the Government of Oman (the 'State') at nil consideration. The fair value was determined based on considerations paid by two non-related parties to the State for renewal of their interest in Block 9 (Level 3). As the Group is ultimately owned by the Ministry of Finance of the Sultanate of Oman, the related fair value adjustments arising from the transfer was recorded in the statement of changes in equity.

(ii) The Group has a 20% interest in the exploration rights and license for exploring for oil in an oilfield concession located in Dunga, Kazakhstan. OOCL, a 100% subsidiary of the Group, has entered into a joint operating agreement with Partex (Kazakhstan) Limited and Maersk Oil, wherein Maersk Oil is the operator of the project.

(iii) Impairment (note 39)

	2020	2019
	RO'000	RO'000
Block 53	**62,001**	15,427
Block 9	**(1,891)**	2,213
Block 60	**92,424**	(61,614)
Total impairment charge – net of reversals	**152,534**	(43,974)

During the year, the Group's management carried out impairment analysis for assets where indicators of impairment, or reversal of impairment, are present. Impairment reversals and charges were mainly due to the fluctuations in the expected future commodity prices and development plans at the reporting dates.

The recoverable amount for oil and gas assets is based on their fair value less costs of disposal ('FVLCD') or Value in Use ('VIU'). Where a market transaction reference case is not available, VIU is determined using appropriate discounted cash flow valuation models, incorporating market-based assumptions. The key assumptions for the oil and gas assets VIU calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. The valuation models are life of asset models and therefore no extrapolation assumptions have been necessary or applied. The VIU measurements were categorised as Level 3 fair values based on the inputs to the valuation models.

7. Oil and gas production and development assets (continued)

(iii) Impairment (note 39) {Continued}

The calculation of VIU for oil and gas assets is based upon the following key assumptions:

- Reserves;
- Inflation rates;
- Commodity prices; and
- Discount rates.

Reserves

Reserves form the basis of the production profiles within the discounted cash flow models. Cash flows were projected for each field based on the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets which, in some cases, may be broader in scope than Proved and Probable reserves.

Reserves are verified once in every three years by third party independent reserves valuation experts as per the Group's management policy. During the intermittent period, the management adjusts the verified reserves for the actual production during the period.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publicly available. The inflation rate used for 2020 was 3% (2019: 2%).

Commodity prices

To estimate future oil prices, the Group used Crude Oil Price forward curves and the relevant inflation rate.
Quality differentials were applied on estimated Oman Crude prices to arrive at the estimated Mukhaizna realized oil prices.

The gas price for Block 60, Block 9 and Block 61 are fixed in terms of the EPSA signed with Ministry of Oil and Gas (MOG) and the underlying calculations and terms are considered.

	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Oil price / bbl (USD) 31 December 2020	**N/A**	**45**	**49**	**49**	**50**	**50**
Oil price / bbl (USD) 31 December 2019	58	56	62	63	66	N/A

7. Oil and gas production and development assets (continued)

(iii) Impairment (note 39) {Continued}

Discount rates

Discount rates used reflect the estimated weighted average cost of capital rates specific to the CGU's from market participant's perspective. The cash flows were discounted using a post-tax discount rate of 6.67% (2019: 8.50%).

Sensitivity to changes in assumptions

For the assets subjected to impairment analysis and incurred impairment loss/reversal during the year, in the assessment of VIU for the CGU's, management believes that any reasonably possible adverse change in any of the above key assumptions that would cause the carrying value of the CGU to further reduce its recoverable amount.

For the assets subjected to impairment analysis but did not incur an impairment charge in 2020 the sensitivity analysis is as follows:

Block 9's VIU will reduce to match its carrying amount of assets if:

- Discount rate increases by 14.67%, keeping all other variables stable
- Oil price assumptions decreases by 4.4%, keeping all other variables stable

(iv) At 31 December 2020, oil and gas exploration and production and development assets with a carrying amount of RO 14.69 million (2019: RO 27.79 million) were mortgaged as security for bank borrowings (refer note 27).

8. Right-of-use assets

The Group leases mainly comprise of leasehold lands, plant and machinery, equipment and vehicles. Information about leases for which the Company is a lessee is presented below.

Amounts recognized in statement of financial position

	Land and buildings RO'000	Plant and equipment RO'000	Drilling and rigs RO'000	Vehicles RO'000	Total RO'000
Cost					
at 1 January 2019	101,848	93,841	1,580	5,370	202,639
Additions	9,475	-	-	-	9,475
Exchange difference	2	172	-	2	176
Disposals / termination	(57)	(1,414)	-	(57)	(1,528)
At 31 December 2019	**111,268**	**92,599**	**1,580**	**5,315**	**210,762**
Additions	**16,860**	**5,704**	**4,258**	**4,841**	**31,663**
Exchange difference	**(136)**	**(15)**	**(540)**	**(9)**	**(700)**
Dilution of subsidiary	**(1,853)**	-	-	-	**(1,853)**
Disposals / termination	**(1,233)**	**(1,767)**	**(878)**	**(1,484)**	**(5,362)**
31 December 2020	**124,906**	**96,521**	**4,420**	**8,663**	**234,510**
Accumulated depreciation					
Charge for the year	8,265	16,633	-	1,241	26,139
At 31 December 2019	**8,265**	**16,633**	-	**1,241**	**26,139**
Charge for the year	**9,986**	**17,738**	**3,832**	**1,554**	**33,110**
At 31 December 2020	**18,251**	**34,371**	**3,832**	**2,795**	**59,249**
Net book value					
31 December 2020	**106,655**	**62,150**	**588**	**5,868**	**175,261**
31 December 2019	103,003	75,966	1,580	4,074	184,623

Amount recognised in consolidated statement of profit and loss account

	2020 RO'000	2019 RO'000
Depreciation on right-of-use assets	**(33,036)**	(26,139)
Interest on lease liabilities	**(6,310)**	(9,110)
Variable lease payments not included in the measurement of lease liabilities	**(892)**	(892)
Income from sub-leasing right-of-use assets	**1,017**	28
Expenses relating to short-term leases	**(37,742)**	(46,643)
Expenses relating to low-value assets, excl. short-term leases of low-value assets	**(880)**	(854)

Amounts recognized in statement of cash flows

Total cash outflow for leases	**22,974**	31,477

9. Intangible assets

	ERP and software	Subsoil rights	Technology, customer relationship, trademarks, patents and other intangible assets	Exploration assets - OQEP	Exploration assets - Caspian off shore	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	(i)	(ii)	(iii)		(iv)	
Cost						
At 1 January 2019	10,630	1,411	261,599	1,714	75,172	350,526
Additions	3,124	-	1,518	8,251	-	12,893
At 1 January 2020	13,754	1,411	263,117	9,965	75,172	363,419
Additions	1,280	-	5,749	5,344	1,060	13,433
Translation difference	-	-	9,843	-	-	9,843
At 31 December 2020	15,034	1,411	278,709	15,309	76,232	386,695
Accumulated amortization						
At 1 January 2019	8,519	936	102,776	-	75,172	187,403
Charge for the year	4,152	112	15,357	-	-	19,621
Translation differences	-	-	3,296	-	-	3,296
At 1 January 2020	12,671	1,048	121,429	-	75,172	210,320
Charge for the year	1,418	112	20,244	-	1,060	22,834
Impairment	-	-	40,903	-	-	40,903
At 31 December 2020	14,089	1,160	182,576	-	76,232	274,057
Net book value						
At 31 December 2020	945	251	96,133	15,309	-	112,638
At 31 December 2019	1,083	363	141,688	9,965	-	153,099

(i) The Group has incurred expenditure to upgrade existing ERP software. The intangible assets are amortised over 3 years.

(ii) Subsoil rights relate to Dunga (OOCL) and Pearl (OPCL) oil fields.

(iii) During 2013, Majan Energy B.V., a wholly owned subsidiary of the Parent Company acquired 100% shareholding in OQ Chemicals.

Technology, customer relationship, trademarks, patents and other intangible assets primarily represent intangible assets acquired through acquisition of OQ Chemicals which includes patents and trademarks of RO 40.9 million (2019: RO 37.7 million), customer relationship of RO 25.5 million (2019: RO 23.3 million) and Technology and other intangible assets of RO 64.7 million (2019: RO 59.0 million). Useful life of intangible assets range between 1 to 20 years. None of Group's intangible asset has indefinite useful life, except patents and trademarks.

9. Intangible assets (continued)

During the financial year 2020, the Group rebranded its trademark to "OQ Chemicals". With this name change, an impairment trigger was activated. Based on IAS 36 an asset that you still own, but no longer use, shall be impaired against the highest of indirect realisable value. Currently, no negative impact on the cash flows of OQ Chemicals Group attributable to the name change has been established. However, the trademark "OXEA" name is no longer used to generate income. The income generator now is the "OQ" name.

As a result of the analysis, management has recognised an impairment charge of RO 40.9 million (Euro 87.7 million) in the current year.

(iv) Located in the North Caspian Sea, the Caspian Offshore project is an exploration and production sharing agreement between the Group, Kazakhstan's National Oil Company, KazMunaiGaz, and Shell International E&P. Signed in December 2005, with 20% ownership by Oman Pearls Company Limited, a 100% subsidiary of the Group, 25% by KazMunaiGaz and 55% by Shell International E&P. The production sharing agreement covers an 895sq km exploration license containing a group of exploration prospects known as the "Pearls". During 2017 and 2019 the assets pertaining to this project have been fully impaired.

As at 31 December 2020 the relinquishment of the Pearls contact area was completed. The PSA termination agreement related to the relinquishment was signed with an effective date of 31 December 2020.

10. Goodwill

	OQ Chemicals	OOMCO	Total
Cost	**RO'000**	**RO'000**	**RO'000**
	(i)	(ii)	
At 1 January 2019 & 2020	320,890	3,683	324,573
At 31 December 2019 & 2020	320,890	3,683	324,573
Impairment and translation differences			
At 1 January 2019	312,099	-	312,099
Translation differences	146	-	146
At 1 January 2020	**312,245**	-	**312,245**
Translation differences	**(842)**	-	**(842)**
At 31 December 2020	**311,403**	-	**311,403**
Net book value			
At 31 December 2020	**9,487**	**3,683**	**13,170**
At 31 December 2019	8,645	3,683	12,328

10. Goodwill (continued)

(i) During 2013, the Parent acquired 100% shareholding stake in OQ Chemicals for a total consideration of RO 378 million (Euro 714 million) through its 100% subsidiary, Majan Energy BV from Advent International. The Group, during 2013 had performed a purchase price allocation exercise relating to its OQ Chemicals acquisition and accordingly recorded goodwill and certain intangible assets amounting to RO 311.5 million and RO 264.5 million, respectively. The Group carried out an impairment analysis of its CGU in OQ Chemicals, whose long-term projected cash flows and operating margin had decreased due to multiple reasons including general market and industry downturn. Accordingly, goodwill arising out of acquisition of OQ Chemicals has been fully impaired during 2013 and 2014.

The balance goodwill of RO 9.48 million represents the goodwill which arose on acquisition of OQ Chemicals International GmbH by OQ Chemicals GmbH in 2014. The impairment test resulted in no impairment loss on goodwill in current year.

The annual impairment testing took place in the fourth quarter of the year. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management and covering a five-year period. For the time period after the fifth year, a terminal value was calculated using a forward projection from the last detailed planning year as a perpetual annuity. Forecasting is built on past experience, current performance and management's expectations on the future development of individual parameters such as raw material and future selling prices as well as sales volumes and costs. Market assumptions regarding economic development and market growth were made on the basis of external macroeconomic and industry-related conditions and factors.

The value in use is calculated by discounting the cash flows using a discount rate of 8.32% (2019: 9.52%) and a long term growth rate of 1% (2019: 1%).

The sensitivity analysis revealed that an impairment trigger might occur on goodwill if the OQ Chemicals Group future EBITDA is at least 18.9% less than expected (2019- if the future EBITDA is at least 12.4% less than expected), or WACC is at least 10.8% or higher (2019: 11.1% or higher).

(ii) Goodwill arises on account of the Parent Company acquiring 49% investment in OOMCO measured at fair value based on quoted price (level 1) which is in excess of carrying value.

11. Investment in associates

The Group has the following investment in associates:

Company name	Country of incorporation	Principal activities	Notes	% Holding %		Carrying value	
				2020	2019	**2020 RO'000**	2019 RO'000
GSEPS Company Limited (GSEPS)	Korea	Power generation	i.	**30**	30	**94,995**	88,271
Gulf Energy Maritime PJSC (GEM)	UAE	Investing in subsidiaries	ii.	**30.53**	30.53	**-**	-
Bharat Oman Refineries Limited (BORL)	India	Processing crude oil	iii.	**-**	26	**-**	44,174
Oiltanking Odjfell Terminals & Co. LLC (OOTCO)	Oman	Tank terminal management and storage facilities		**25**	25	**12,776**	12,139
Orient Power (Pvt) Ltd (OPC)	Pakistan	Power generation	iv	**42.8**	42.8	**14,457**	14,173
Quingdao Lidong Chemical	China	Manufacturing petrochemical products	v	**-**	30	**-**	47,469
Quingdao Lixing Logistics	China	Logistics company	v	**-**	30	**-**	6,793
Oman Shipping Company SAOC (OSC)	Oman	Investments in subsidiaries in business of ownership of vessel and ship chartering	vi	**-**	8.8	**-**	27,785
Germany Pipeline Development Company GmbH	Germany	Pipeline development		**30**	30	**2,383**	2,521
Mineral Development Oman	Oman	Mining	ix	**25**	25	**-**	-
Haas Petroleum Group	East Africa	Trading in petroleum products	vii	**40**	40	**12,723**	20,044
Muscat Gases Company SAOG	Oman	Manufacturing and distribution of industrial and cooking gases	viii	**41.84**	41.84	**2,650**	2,140
Lubechem International Industry LLC	Oman	Grease, lubricants & chemical manufacturing and recycling		**40**	40	**144**	216
Innovation Development Oman Holding Company SAOC	Oman	Private equity investment and venture capital funding activates	ix	**35**	35	**-**	-
Amin Renewable Energy Company SAOC	Oman	Operating of independent solar power plant		**30**	30	**505**	76
Musandum Power Company SAOC	Oman	Power generation	x	**42**	42	**4,235**	4,021
Air Liquide Sohar Industrial Gases LLC	Oman	Production and sale of industrial gases	xi	**30**	30	**2,140**	1,692
						147,008	271,514

11. Investment in associates (continued)

31-Dec-20

Summarized financial information of associates

Company name	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit / (loss) for the year	Other comprehensive income	Total comprehensive income	Group's share of results	Dividend received
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
GSEPS	653,719	193,873	433,167	107,325	265,858	23,882	-	23,882	6,537	4,508
OOTCO	111,452	5,935	54,306	11,976	24,268	26,322	(2,277)	24,045	2,094	1,250
OPC	23,304	34,851	-	23,813	16,550	4,357	-	4,357	1,994	1,068
Haas Petroleum Group	52,993	50,320	16,709	56,711	265,933	1,210	2,686	3,896	(881)	-
Disposed investment	-	-	-	-	-	-	-	-	(14,346)	-
Other individually immaterial	-	-	-	-	23,180	4,234	-	4,234	3,108	1,542
	841,468	284,979	504,182	199,825	595,789	60,005	409	60,414	(1,494)	8,368

31-Dec-19

Summarized financial information of associates

Company name	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Profit / (loss) for the year	Other comprehensive income	Total comprehensive income	Group's share of results	Dividend received
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
GSEPS	600,140	116,956	304,200	133,135	307,757	35,579	780	36,359	10,674	4,119
BORL	612,772	417,780	451,311	424,248	2,224,219	16,417	(54)	16,363	4,269	-
OOTCO	116,757	6,117	60,684	13,636	24,268	9,520	(11,340)	(1,820)	2,380	1,000
OPC	25,401	31,294	60	23,520	32,714	6,047	-	6,047	2,588	885
Quingdao Lidong Chemical	175,950	183,355	42,070	199,053	44,788	-7,925	-	(7,925)	(2,378)	-
Quingdao Lixing Logistics	19,941	3,839	0	1,136	6,058	1,709	-	1,709	513	-
OSC	908,882	153,728	627,679	112,254	244,279	42,689	(4,878)	37,811	3,623	-
Haas Petroleum Group	51,090	54,385	12,423	60,699	244,553	907	(318)	589	363	-
Others individually immaterial	-	-	-	-	16,762	1,359	-	1,359	499	120
	2,510,933	967,454	1,498,427	967,681	3,145,398	106,302	(15,810)	90,492	22,531	6,124

11. Investment in associates (continued)

	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	GSEPS	BORL	OOTCO	OPC	Quingdao Lidong Chemical	Quingdao Lixing Logistics	OSC	Haas Petroleum Group
31 December 2020								
Equity attributable to controlling shareholders	307,100	-	51,105	34,342	-	-	-	29,893
Equity at Group's % ownership	30.0%	-	25.0%	42.8%	-	-	-	40.0%
Equity at Group's % ownership	92,130	-	12,776	14,698	-	-	-	11,957
Impairment	-	-	-	-	-	-	-	(3,886)
Goodwill on acquisition	2,864	-	-	-	-	-	-	-
Valuation differences on acquisition	-	-	-	-	-	-	-	5,855
Other adjustment	-	-	-	(241)	-	-	-	-
	94,994	-	12,776	14,457	-	-	-	12,723
31 December 2019								
Equity attributable to controlling shareholders	279,762	154,993	48,554	33,115	118,182	22,644	322,677	32,353
Equity at Group's % ownership	30.0%	26.0%	25.0%	42.8%	30.0%	30.0%	8.8%	40.0%
Equity at Group's % ownership	83,929	40,298	12,139	14,173	35,455	6,793	28,396	12,941
Impairment	-	-	-	-	-	-	(611)	-
Goodwill on acquisition	4,342	3,876	-	-	12,014	-	-	-
Valuation differences on acquisition	-	-	-	-	-	-	-	7,103
	88,271	44,174	12,139	14,173	47,469	6,793	27,785	20,044

Notes to the consolidated financial statements for the year ended 31 December 2020

11. Investment in associates (continued)

The movement in carrying value of investment in associates is as follows:

	2020 RO'000	2019 RO'000
At 1 January	**271,514**	295,011
Divestment during the year	**(47,537)**	(33,687)
Reclassification to disposal group	**(64,133)**	-
Share of results	**(1,494)**	22,531
Dividends received	**(8,368)**	(6,123)
Foreign currency translation	**3,463**	(6,059)
Provision for impairment on associates	**(3,886)**	(529)
Other movements in associates	-	(3,296)
Share of other comprehensive income of associates	**(2,551)**	(363)
Dilution of subsidiary into associate	-	4,029
At 31 December	**147,008**	271,514

(i) For GSEPS, in accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(ii) Investment in GEM is fully impaired and it is the intention of the management to not to invest any further in GEM. The associate is incurring continuous losses and its net assets are negative and the Group has fully impaired its investment in earlier years.

(iii) As of 31 December 2020, Board's intention is to divest its holding in BORL and accordingly this has been reclassified as an asset held for sale in 2020 (Note 16 (a)).

(iv) The shares acquired are pledged to a commercial bank in Pakistan against facilities availed by OPC. In accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(v) During the year, the company has divested entire holding in Quingdao Lidong Chemical and Quingdao Lixing Logistics for sale consideration RO 35.67 million and RO 1.7 million respectively.

(vi) As at 31 December 2020, Board's intention is to transfer its investment in OSC to OIA and accordingly this has been reclassified as an asset held for sale in 2020 (Note 16 (a)).

11. Investment in associates (continued)

(vii) OQT purchased a non-controlling 40% equity stake in the Hass Petroleum Group on 5 December 2017. The investment is held via a holding company, "AAH (BVI) Limited", which is incorporated in the British Virgin Islands. The principal place of business of Haas Petroleum Group is in East Africa. Haas Petroleum Group purchases petroleum products and distributes and sells them to its businesses and retail customers throughout East Africa and the Horn of Africa. Included in the carrying amount is a goodwill amounting to RO 6.31 million (2019: RO 7.79 million). Post-acquisition purchase consideration of AAH (BVI) Limited was adjusted downwards during the year. During the year an impairment loss of RO 3.88 million (2019: Nil) was recognised on investment.

(viii) TIC acquired 13.04% of the share capital of Muscat Gases Company SAOG ("MGC"), listed on Muscat Securities Market, in 2010 and further acquired 19.62% of the share capital in 2012. OOMCO, a subsidiary, also acquired 9.18% of the share capital of MGC in 2012. Consequently, the Group holds 41.84% of the share capital of MGC and has thus, classified the investment as an associate.

(ix) During 2019, Oman Energy Trading Company Limited (OETCL); a wholly owned subsidiary of OOC, purchase 30% shares of OQT from Eagle Properties (No 21) Limited; a wholly owned subsidiary of State General Reserve Fund (SGRF) at a purchase consideration of RO 53 million by divesting Mineral Development Oman and Innovation Development Oman Holding Company SAOC at a fair value of RO 33.7 million as disclosed in note 2 (ii).

(x) During 2019, the Group sold 40% of its shareholding in Musandam Power Company SAOG through IPO. As a result of the divestment, Company's holding in MPC reduced to 41.85% which resulted in the Company losing control of MPC. Accordingly, investment in MPC is classified as an investment in associate.

(xi) On 28 May 2005, OQ Refineries and Petroleum Industries Company SAOC; a wholly owned subsidiary of OQ SAOC, purchase 29.9% of Air Liquide Sohar Industrial Gases LLC.

(xii) Impairment testing of investment in associates was carried out as required under IAS 28 and IAS 36 and the results showed an impairment charge amounting to RO 3.9 million (2019: RO 0.53 million). The 2020 charge relates to the impairment of OQT's investment in Hass Petroleum Group.

12. Interest in joint ventures

Company name	Country of incorporation	Principal activities	Notes	% holding % 2020	% holding % 2019	Carrying value 2020 RO'000	Carrying value 2019 RO'000
Oman India Fertilizer Company SAOC (OMIFCO)	Oman	Manufacturing of fertilizer products		50	50	**90,820**	79,199
Sohar Aluminum Company LLC (SAC)	Oman	Aluminum smelting	*I*	40	40	**127,659**	119,028
OQ8 (formerly known as "Duqm Refinery and Petrochemical Industries Company LLC")	Oman	Processing crude oil		50	50	**48,877**	229,358
Centralised Utilities Company (CUC)	Oman	Water and power	*v*	51	-	**10,215**	-
REFRACO Middle East LLC	Oman	Refectory maintenance services		40	40	-	-
Gulf Specialty Steel Industries LLC (GSSI)	Oman	Manufacturing of galvanised cables	*ii*	-	49	-	-
Omanoil Matrix Marine Services LLC	Oman	Marketing of petroleum products		50	50	**70**	70
Takatuf Petrofac Oman LLC	Oman	Training institute	*iii*	-	60	-	7,743
Capability Development Institute LLC	Oman	Training institute	*iii*	-	60	-	2,972
Al Batinah International School	Oman	Educational institute	*iv*	50	50	**533**	1,240
						278,174	439,610

12. Interest in joint ventures (continued)

Summarised financial information of Joint Ventures

	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	OMIFCO	SAC	OQ 8	CUC	Takatuf Petrofac Oman LLC	CDI	Other individually not material
31-Dec-20							
Non-current assets	143,704	471,375	1,633,235	139,631	-	-	
Current assets	87,144	119,187	13,714	3,882	-	-	
Non-current liabilities	20,239	216,354	1,279,866	3,559	-	-	
Current liabilities	28,969	51,227	269,330	117,616	-	-	
Revenue	174,990	246,125	-	1,553	-	-	450
Profit / (loss) for the year	48,730	22,605	(479,745)	356	-	-	(758)
Other comprehensive income	-	(411)	-	-	-	-	-
Total comprehensive income	48,730	22,194	(479,745)	356	-	-	(758)
Cash and cash equivalents	12,986	12,284	6,907	3,169	-	-	
Current financial liabilities	6,966	9,589	-	116,554	-	-	
Non-current financial liabilities	3,171	-	-	3,092	-	-	
Depreciation and amortization	(11,807)	(43,754)	-	244	-	-	
Interest income	898	86	97	5,662	-	-	
Interest expense	(1,520)	(8,125)	-	(5,770)	-	-	
Total income tax income/expense	(8,740)	(5,087)	-	-	-	-	
Group's share of results	24,365	9,042	(239,872)	(1,048)	-	-	(707)
Dividend received	12,744	-	-	-	-	-	-

12. Interest in joint ventures (continued)

Summarised financial information of Joint Ventures (continued)

	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
	OMIFCO	SAC	OQ 8	CUC	Takatuf Petrofac Oman LLC	CDI	Other individually not material
31-Dec-19							
Non-current assets	153,953	509,008	1,335,207	-	11,339	2,438	
Current assets	50,562	117,317	4,563	-	3,856	5,293	
Non-current liabilities	22,074	254,506	610,053	-	961	452	
Current liabilities	24,043	72,471	275,065	-	1,359	2,325	
Revenue	134,253	274,607	-	-	3,755	459	
Profit / (loss) for the year	20,464	20,117	(9,540)	-	1,123	(846)	(4,600)
Other comprehensive income	(24)	-	-	-	-	-	-
Total comprehensive income	20,440	20,117	(9,540)	-	1,123	(846)	(4,600)
Cash and cash equivalents	11,852	6,782	4,469	-	1,260	1,792	
Current financial liabilities	5,858	47,972	277,390	-	1,227	1,617	
Non-current financial liabilities	4,688	267,031	606,371	-	771	453	
Depreciation and amortisation	(11,974)	(43,796)	(104)	-	(504)	(362)	
Interest income	281	331	-	-	-	-	
Interest expense	(328)	(12,535)	-	-	(46)	(28)	
Total income tax income/expense	(3,612)	(3,906)	-	-	(147)	-	
Group's share of results	10,220	8,047	(4,770)	-	674	(508)	-
Dividend received	9,916	-	-	-	-	-	-

12. Interest in joint ventures (continued)

Reconciliation of net assets to the carrying value of investments - Material Joint Venture entities

	RO'000	RO'000	RO'000	RO'000	RO'000
	OMIFCO	SAC	OQ 8	Takatuf Petrofac Oman LLC	CDI
31 December 2020					
Equity attributable to controlling shareholders	**181,640**	**322,981**	**97,753**	-	-
Equity at Group's % ownership	**50%**	**40%**	**50%**	-	-
Equity at Group's % ownership	**90,820**	**129,192**	**48,877**	-	-
Other adjustment	-	**(1,533)**	-	-	-
	90,820	**127,659**	**48,877**	-	-
31 December 2019					
Equity attributable to controlling shareholders	158,398	299,348	454,652	12,875	4,954
Equity at Group's % ownership	50%	40%	50%	60%	60%
Equity at Group's % ownership	79,199	119,739	227,326	7,725	2,972
Other adjustment	-	(711)	2,032	18	-
	79,199	119,028	229,358	7,743	2,972

Notes to the consolidated financial statements for the year ended 31 December 2020

12. Interest in joint ventures (continued)

(i) As per the Shareholders' agreement, the Group exercise joint control over Sohar Aluminum Company LLC (SAC). Included in the carrying value is a subordinated loan granted by the Parent Company amounting to RO 32 million (2019: RO 32 million) which is considered as net investment in SAC as the loan is interest free and without any repayment schedule. A cash sweep arrangement under the Common Terms Agreement effective on 31 May 2016, restricts SAC from shareholders' distribution until 31 May 2021, or until the relevant Debt Service Account is funded with the required balance for the balloon repayment of SAC's borrowings.

(ii) GSSI's operations were liquidated during the year.

(iii) As at 31 December 2020, the Board's intention is to transfer its holding in Takatuf Oman LLC to OIA. Accordingly, the investment in Capability Development Institute LLC and Takatuf Petrofac Oman LLC held by the Takatuf Oman LLC were reclassified as assets held for sale.

(iv) In 2015, the Group entity OQ Refineries LLC (ORL) and Sohar Aluminum LLC (SAL) has signed a joint venture agreement in ABIS with an equity share ownership of 50% each and an initial investment of RO 1.4 million (USD 3.7 million) each. The objective of this investment is to provide education standard linked with the OQ RPI community scholarship programme with fees comparable to the Sultanate school and to provide international standard education to the employees.

On 31 July 2017, ORL advanced a loan of RO 4.1 million (USD 10.65 million) to Al Batinah International School (ABIS), a 50% JV investment of OQ Refineries LLC which is an OQ RPI group undertaking. This loan carries an interest rate of 3% p.a. payable at an interval of 6 months (These loans are repayable within 3 years from the date of the agreement). During 2019, the ORL advanced interest free loan of RO 1 million (USD 2.6 million) to ABIS. These loans are repayable within 3 years from the date of the agreement.

(v) In June 2020 CUC, the wholly owned subsidiary of OOFDC, acquired the remaining 48.9% holding in DPC. The holding was acquired from OOFDC and GIH Limited of 3.9% and 45% respectively. With this acquisition CUC wholly owns DPC.

Subsequent to the above transaction OOFDC divested 48% of its holding in CUC to GIH Limited. Accordingly the investment in CUC has been reclassified as an investment in joint venture.

12. Interest in joint ventures (continued)

The Parent Company holds 50% stake in OQ8 (Formerly DRPIC). During 2020 the Parent has increased its investment in OQ8 by granting a subordinated loan of RO 59.3 million. During 2020 OQ8 has recognized an impairment loss of RO 464 million.

The movement in carrying value of investment in joint ventures is as follows:

	2020 **RO'000**	2019 RO'000
At 1 January	**439,610**	236,955
Investments during the year	**59,392**	205,952
Dilution of subsidiary (v)	**7,313**	-
Dividends received	**(12,744)**	(9,916)
Share of results (note 36)	**(208,781)**	11,615
Share of changes in other comprehensive loss, net of tax	**3,539**	(309)
Reclassification into assets held for sale (iii)	**(10,155)**	-
Divested during the year	**-**	(4,687)
At 31 December	**278,174**	439,610

13. Concession receivables

	2020 **RO'000**	2019 RO'000
At 1 January	**631,028**	370,329
Acquisition under ATA	**-**	226,286
Transferred from contract assets (note 15)	**193,491**	50,668
Income during the year	**56,057**	58,589
Transferred to property, plant and equipment	**-**	(995)
Payments received during the year	**(81,812)**	(73,849)
At 31 December	**798,764**	631,028
Current / non-current		
Non-current portion	**772,298**	610,366
Current portion	**26,466**	20,662
	798,764	631,028

Concession receivables have an effective interest rate of 8.2% (2019: 8.1%) per annum and will be settled / recovered over the term of the Concession Agreement.

13. Concession receivables (continued)

For the purposes of impairment assessment, the concession receivables are considered to have low credit risk as the counterparty of this receivable is MEM (which is considered as equivalent of the Government of Oman) having Ba3 (2019: Ba1) credit rating. For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

None of the balances at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings, the management of the Group have assessed that ECL is insignificant, and hence has not recorded any loss allowances on these balances. (2019: nil).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

Concession Arrangements

With effect from 1 January 2018, a new revenue and tariff mechanism had been implemented for the Company i.e. Regulatory Asset Base (RAB). This was implemented on a transitional basis by an Amendment dated 31 December 2017, to the 22 August 2000 Tariff and Transportation Agreement ("Amended TTA").

A restated concession agreement was expected to be signed to ratify the RAB agreements. However, during the Ministerial review process of the various RAB agreements, on the instruction of the Ministry of Legal Affairs ("MOLA"), the Company was required to amend the 2000 Concession Agreement rather than to restate the concession as had been originally anticipated, which led to the withdrawal of the previously executed Restated Concession Agreement dated 25th December 2018. During the year 2020, the Amended Concession Agreement (fully approved by MOLA) with the Government of the Sultanate of Oman ("Government" or "GOSO") has been ratified through Royal Decree 122/2020 issued on 28 October 2020. The ratification of the Amended Concession Agreement and associated RAB agreements by Royal Decree 122/2020 means that the Amended TTA has been superseded.

As noted above, the amended TTA is superseded upon issuance of the Royal Decree which fully implemented the RAB system. The Amended Concession Agreement's terms, with respect to the determination and charging of transportation charges, are consistent with those under the Amended TTA, hence, no change in accounting treatment is required upon the application of Amended Concession Agreement.

The Government of the Sultanate of Oman, acting through the Ministry of Energy and Minerals ("MEM" - formerly known as Ministry of Oil and Gas) and the Ministry of Finance (the "Government" or "GOSO"), has entered into the amended concession agreement (the "Amended Concession Agreement") with the Company (acting as an "Operator") whereby it grants exclusively to the Company the right to own, acquire, finance, design, construct, operate, maintain, repair and augment the Natural Gas Transportation Network (the "Concession" or "Infrastructure"). The term of the Amended Concession Agreement is 50 years. At the end of the term of the Amended Concession Agreement, the Infrastructure including assets other than Gas Transportation System assets will be transferred to the Government.

13. Concession receivables (continued)

Concession arrangements (continued)

The following documents form part of revised concession agreement:

RAB Revenue Rules

These rules describe the Price Control / Tariff Setting process, provide regulatory accounting guidelines and provide the computation mechanism of maximum allowed revenues.

RAB Tariff Rules

These rules focus on cost reflectivity and a stable tariff development and establish gas transportation tariff charges payable by the shippers and connected parties.

Transportation Framework Agreement ("TFA")

TFA entered into between the OQ GN (as gas transporter) and the MEM (as the Shipper). The purpose of TFA is to establish the contractual framework between the OQ GN and the shippers making the Transportation Code binding.

Transportation Code

The Transportation Code contains the terms for the transportation services provided for by the Company and the shipper. Transportation Code includes: Description of services provided by the TSO; Obligation on shipper to pay for services provided; Capacity booking regime, capacity charges; Nominations and balancing regime; Capacity expansion regime; Metering and gas quality; Invoicing and payment and Dispute resolution.

Previous concession agreement

The previous concession agreement (the "Previous Concession Agreement") with Government of the Sultanate of Oman was for the period of 27 years stating from 22 August 2000. Under the Previous Concession Agreement, OQ GN was granted a concession for the construction, ownership, operation and maintenance of two gas pipelines from Fahud to Sohar and from Saih Rawl to Salalah and the ownership, operation and maintenance of the Government Gas Transportation System. Under the Previous Concession Agreement, OQ GN was operating as an Agency of the Government.

Notes to the consolidated financial statements for the year ended 31 December 2020

13. Concession receivables (continued)

Asset transfer agreements

The Group has entered into an asset transfer agreement (the "Asset Transfer Agreement" or "ATA") with the Government of the Sultanate of Oman dated 13 May 2018, whereby acquired the ownership of gas transportation facilities from the Government with effect from 1 January 2018. The Group:

(a) acquired certain gas transportation facilities including pipelines, gas supply stations, metering stations and compressor stations;

(b) acquired certain assets under construction;

(c) settled the liabilities of the Government in respect of certain gas transportation assets transferred by the Government to the OQ GN under an asset transfer agreement dated 22 August 2000;

(d) settled the liabilities of the Government in respect of an asset package, procured by the OQ GN from the Government, financed by a commercial loan repaid by the Government; and

(e) settled the liabilities of the Government in respect assets directly financed by the Government pursuant to gas transportation and tariff agreement dated 22 August 2000.

As per the Asset Transfer Agreement purchase price amounting to RO 174,821,600 has been settled by issuing the shares to the Company's shareholders and remaining amount would be settled in cash.

Asset transfer agreement entered in 2019

During 2019, the Company entered into two separate ATAs with the Government of the Sultanate of Oman effective from 1 July 2019 and 31 December 2019 for purchase of gas transportation pipeline system and ancillary assets at a purchase price amounting to RO 183,669,552 and RO 42,616,114 respectively. As per the ATAs, 50% of the purchase price is to be settled by issuing the shares to the Company's shareholders and remaining amount would be settled in cash (note 23). The Parent Company is in the process of issuing share capital (note 23).

Under ATA, the amount of the assets acquired, and liabilities settled in 2019 were as follows:

	2019 RO'000
Gas transportation assets transferred to :	
- Concession receivables (note 13)	226,286
- Contract assets (note 15)	-
	226,286
Liabilities settled	-
Total purchase price payable	226,286
In-kind equity contribution:	
Issuance of share capital against purchase price	(113,143)
Net cash settlement	113,143

13. Concession receivables (continued)

The Group has adopted IFRIC 12 to the revised concession agreement with GOSO. Under the IFRIC 12, financial asset account model has been adopted and IFRS 15 has been followed for the construction or upgrade services undertaken by the Group.

Pursuant to the foregoing and Asset Transfer Agreement, following balances have been transferred from property, plant and equipment to concession receivables and contract assets in 2018:

	Concession receivables	Contract assets	Total
	RO'000	RO'000	RO'000
Property, plant and equipment (note 6)	98,112	83,123	181,235
Receivable from government	-	68,952	68,952
	98,112	152,075	250,187

Previously the Group Entity "OQ GN" entered into an asset transfer agreement (the "Previous Asset Transfer Agreement") with the Government of the Sultanate of Oman dated 22 August 2000, whereby the Government transferred ownership of a major part of its existing gas transportation facilities to OQ GN with effect from 2 December 2000 against a purchase price of RO 26,950,000 (US$ 70,000,000).

The loan was settled against the purchase of assets through the asset transfer agreement entered in 2018. The purchase price payable was converted into an unsecured interest-free loan payable in ten equal semi-annual instalments commencing six months after repayment of all other loans of OQ GN. No assets were transferred during 2020.

14. Lease receivables

The lease income recognized in these consolidated financial statements relates to the Supplementary Tariff Agreement (STA) between the Group and the Government of the Sultanate of Oman. The Group has concluded that the STA is an arrangement which contains a lease and has accounted for the investment in the Plant and revenue from the State accordingly. Under the STA the Group constructed, and now operates, the Musandam Gas Plant (the Plant/MGP), located in the Musandam province of Oman. The State directs the Group to make the processing capacity of the Plant available to third parties. The term of the STA is 20 years from the date of first gas processing, which occurred in early 2016, and at the end of the term the assets of the Plant revert to the State. The Group retains substantially no risk in the underlying asset.

The lease payments to be made to the Group from the State under the revised STA which became effective from 1 Jan 2017, comprise of a number of elements, each payable monthly:

- A Capacity Charge of USD 790 million, to allow the Group to recover costs of construction over a 20-year period;
- An Annual Processing Costs (APC) charge, to allow the Group to recover operating costs up to a contractual cap and recognized in profit or loss (note 5). A credit is given for any amounts recovered from third parties;

14. Lease receivables (continued)

- A Fixed Remuneration Charge, to be paid over 20 years in such a manner to yield an initial internal rate of return to the Group of 7%; and
- Income tax to be paid by the Group.

The lease income is recognized in the statement of profit and loss with an effective interest rate of 9.08%.

	2020 RO'000	2019 RO'000
Lease income		
Finance income on the net investment in lease	**24,996**	25,646

The net investment in the lease constitutes the cost of construction of the underlying assets.

	2020 RO'000	2019 RO'000
Net investment in lease		
Opening	**267,188**	274,730
Repayments	**(7,840)**	(7,542)
Closing	**259,348**	267,188
Presented as		
Current asset	**9,157**	8,227
Non-current asset	**250,191**	258,961
	259,348	267,188
Finance lease receivable		
2020	-	33,188
2021	**33,384**	33,188
2022	**33,279**	33,188
2023	**33,212**	33,188
2024	**33,204**	33,188
2025	**33,188**	-
Remaining	**333,938**	367,027
	500,205	532,967
Less: interest element	**(240,857)**	(265,779)
Net investment in lease	**259,348**	267,188

15. Contract assets

	2020 RO'000 Due from MEM	2020 RO'000 Others	2020 RO'000 Total	2019 RO'000 Due from MEM	2019 RO'000 Others	2019 RO'000 Total
At 1 January	**280,673**	**9,595**	**290,268**	275,266	10,037	285,303
Transferred to concession receivables (note 13)	**(193,491)**	-	**(193,491)**	(50,668)	-	(50,668)
Additions during the year	**56,274**	-	**56,274**	56,075	3,939	60,014
Accrued during the year	-	-	-	-	2,468	2,468
Finance income during the year	**16,779**	-	**16,779**	-	-	-
Invoiced and transferred to related party	-	**(7,857)**	**(7,857)**	-	(6,566)	(6,566)
Received during the year	**(15,775)**	-	**(15,775)**	-	(283)	(283)
At 31 December	**144,460**	**1,738**	**146,198**	280,673	9,595	290,268

(a) A contract asset is recognised for the period in which the construction services are performed to represent the Company's right to consideration for the services rendered to date. Under the RAB rules, the Company receives an allowed rate of return on the work in progress infrastructure asset. Accordingly, contract assets represent balances due from the Shipper under obligation of the Company relating to the construction of the infrastructure under the Concession Agreement and the return on those services under the RAB rules but not invoiced.

(b) Payment becomes due from the Shipper when the infrastructure asset is commissioned and completed and any amount previously recognised as a contract asset is reclassified to concession receivables at the point at which it is commissioned and becomes operational.

(c) For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. None of the amounts due from customers at the end of the reporting period is past due as payments will be made in the form of reimbursement of depreciation once the contract asset is commissioned and transferred to concession receivable.

(d) There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. There were no impairment losses recognised on any contract asset in the reporting period (2019: Nil).

Due from others includes receivable on account of the Pipe rack to be constructed at Salalah Port. As per the correspondence among the OQ group Companies (including Parent Company) and the relevant Ministries, the amount of pipe rack would be ultimately paid by the Government and / or relevant Ministry.

Notes to the consolidated financial statements for the year ended 31 December 2020

16a. Assets held for sale

	2020 RO'000	2019 RO'000
Takatuf Oman LLC	**12,284**	-
Bharat Oman Refineries Limited	**28,637**	-
Oman Shipping Company SAOC	**35,497**	-
	76,418	-

During the year, investments in BORL, Takatuf and Oman Shipping Company has been classified as held for sale. Investments in these entities are expected to be disposed of in the next 12 months.

As at 31 December 2020, the disposal group was stated at carrying value which is less than the fair value less cost to sell of the disposal group.

16b. Investments at fair value through profit and loss

Management assessed that the Group has no significant influence over these companies, hence these investments have been classified as fair value through profit and loss investments. Management has not exercised its irrevocable option to designate these investments at FVOCI on the initial application of IFRS 9.

	2020 RO'000	2019 RO'000
Quoted investments	**255,897**	314,512
Unquoted investments	**57,882**	57,920
	313,779	372,432
Impairment provision	**(9,500)**	(5,626)
	304,279	366,806

The impairment provisions related to unquoted investments (iii) and (iv).

Quoted investments		
MOL PLC (i)	**166,364**	220,672
Redes Energéticas Nacionais (ii)	**89,533**	93,840
	255,897	314,512

(i) In 2008, the Parent Company established OOHL as a 100% subsidiary, registered in the Cayman Islands. OOHL has 100% holding interest in OOBL, which further holds 7% shares of MOL PLC, a company listed in Hungary, designated as an investment at fair value through profit or loss.

The purchase price per share was HUF 1,577 and the market price per share as at 31 December 2020 was HUF 2,190 (2019: HUF 2,940).

16b. Investments at fair value through profit and loss (continued)

Quoted investments (continued)

(ii) During 2012, Mazoon BV, a 100% subsidiary, acquired 15% shares in Redes Energéticas Nacionais, SGPS, S. A (REN). The purchase price per share was Euro 2.56 and the market per share price as at 31 December 2020 was Euro 2.37 per share (2019: Euro 2.72 per share).

Unquoted investments

(iii) During 2012, the Parent Company invested RO 48.138 million under a Shareholder's Agreement between the Parent Company, and Vale International SA and Vale Oman Pelletizing Company LLC ("VOPC") dated 29 May 2010 (the "Shareholder's Agreement").

The fair value of the investment is computed based on inputs not observable in the market using discounted cash flow modelling.

Significant unobservable inputs

- Risk adjusted discount rate of 10% (2019: 10%)
- Average growth in annual production by 1% (2019: 1%)

Inter-relationship between key unobservable inputs and the fair value measurement

The estimated fair value would increase (decrease) if:

- The risk adjusted discount rate was lower (higher)
- The average growth in annual production was higher (lower)

(iv) During 2013, the Parent Company acquired a 16.48% shareholding in Perpetual Global Technologies Limited (PGTL), a company registered in Mauritius for a total consideration of RO 5.20 million.

During 2013, the Group recorded an impairment loss towards its investment of RO 5.20 million on account of significant or prolonged decline in the value of investment. The Company further invested RO 0.43 million in 2015. Due to continued losses, management has fully impaired the investment in 2016 considering the fair value of PGTL to be nil and recognised an impairment loss of RO 5.7 million in previous years.

(v) During 2012, the Parent Company's board approved the acquisition of up to 25% of the issued share capital in Black Rock Metals Inc. subject to a maximum investment of CAD 90 million (RO 34.92 million). Under the agreement the Parent Company subscribed for 6.76% share capital for an amount of CAD 10 million (RO 3.88 million). During 2020 this investment was fully impaired due to significant delay in project construction.

17. Term deposits

	2020	2019
	RO'000	RO'000
Short-term-deposits	**203,331**	172,563

Deposits more than one year are denominated in Rial Omani and US Dollars, classified as short term as the option to break the deposits rests with the Group at not breakage cost and are held with commercial banks, with maturities of more than one year as at reporting date. They carry interest at effective annual rates ranging between 4.5% (2019: between 0.1% to 3.5 %).

Deposits less than one year are denominated in US Dollars and Rial Omani and are held with commercial banks. They carry interest at effective annual rates ranging between 0.12% to 5.00% (2019: 0.25% to 4.55%), with maturities ranging from one to twelve months from the reporting date. Interest on deposits accrues on a monthly basis.

Term deposits are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no significant expected credit loss.

18. Other non-current assets

	2020	2019
	RO'000	RO'000
Staff benefits & staff housing loans	**2,100**	2,321
Receivables and Advances	**9,987**	11,670
Other assets	**1,369**	3,364
	13,456	17,355

Notes to the consolidated financial statements for the year ended 31 December 2020

19. Inventories

	2020 RO'000	2019 RO'000
Finished goods	**119,143**	**133,763**
Oil and lubricants	**172,909**	**143,256**
Stores and spares	**260,914**	**237,363**
	552,966	**514,382**
Allowance for slow-moving and obsolescence inventories	**(6,516)**	**(2,058)**
	546,450	**512,324**

Movement in allowance for slow-moving and obsolescence:

	2020 RO'000	2019 RO'000
At 1 January	**2,058**	**3,111**
Provision written off	**(137)**	**-**
Net charge / (reversal) during the year	4,595	(1,053)
At 31 December	6,516	2,058

Net charge / (reversal) include amount of RO 4.46 million (2019: Reversal of RO 1.05 million) charged to cost of sales. The inventories are wrote down to their net realisable value.

Inventories related to OQ Chemicals amounting to RO 93.3million (2019: RO 94.4 million) have been pledged against loans and borrowings of OQ Chemicals (note 27).

Inventories amounting to RO 126.41 million (2019: RO 88.19 million) are held at fair value less costs to sell. Fair value of inventory is a level 2 fair value measurement (note 44) using observable market prices obtained from reference exchange traded reference indices or market data providers adjusted for location and quality differentials. There are no significant unobservable inputs in the fair value measurement of such inventories.

20. Trade and other receivables

	2020 RO'000	2019 RO'000
Trade receivables	**455,803**	489,361
Less: expected credit losses	**(9,291)**	(4,417)
	446,512	484,944
Other receivables	**208,333**	124,081
Advances to suppliers	**76,535**	48,731
Advances to employees	**1,955**	1,482
Prepaid expenses	**13,517**	15,778
	746,852	675,016

Substantially all receivables of Oman Oil Holding Europe BV amounting to RO 38.4 million (2019: 35.89 million) are either assigned and transferred for security purposes or pledged.

21. Derivatives

	Derivatives assets		Derivatives liabilities	
	2020 RO'000	2019 RO'000	2020 RO'000	2019 RO'000
Derivatives held for trading	**73,714**	75,590	**45,414**	53,688
Cash flow hedges	-	-	**84,570**	49,537
	73,714	75,590	**129,984**	103,225
Less: current portion	**(73,714)**	(75,590)	**(68,772)**	(64,385)
Non-current portion	-	-	**61,212**	38,840

Commodity contracts relating to OQ Trading

As part of its business operations, OQ Trading uses derivative financial instruments ("derivatives") in order to manage exposure to fluctuations in commodity prices arising from its physical commodity business.

Trading activities are undertaken sometimes using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods.

Within the ordinary course of business OQ Trading entity routinely enters into sale and purchase transactions for commodities. These transactions are within the scope of IFRS 9 due to the trading nature of OQ Trading's activities.

As a result, these physical contracts are treated as derivatives in accordance with IFRS 9. These contracts include pricing terms that are based on a variety of commodities and indices. They are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Statements of profit or loss.

21. Derivatives (continued)

Commodity contracts relating to OQ Trading (continued)

OQ Trading also uses various commodity based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. Such instruments include financial forwards, futures and swaps. These are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Statements of comprehensive income.

For OQ Trading, all derivatives are classified as held-for-trading instruments.

Held-for-trading derivatives

The Group's physical and financial commodity contracts, other than those which do not meet the criteria under IFRS 9, are classified as held for trading and are recognised at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The net of these exposures is monitored using VaR techniques.

Cash flow hedges

During the year, the Parent company entered into interest rate swap agreements with commercial banks, at annual fixed interest rates ranging from 0.5030% to 0.5250% to receive interest at LIBOR from the banks. These interest rate swaps are designated as effective cash flow hedge and the fair value thereof is based on market values of equivalent instruments at the reporting date and has been dealt with in equity. The hedging arrangement obliges the Parent Company to pay fixed interest at the rate as below per annum semi-annually.

Bank Name	**Year**	**Amount RO'000**
ABC Bank	5 Year	**126,518**
Deutche Bank	5 Year	**72,296**
First Abu Dhabi Bank	5 Year	**405,484**
Gulf International bank	5 Year	**108,445**
HSBC Bank	5 Year	**72,296**
ING Group	5 Year	**315,113**
Natixis	5 Year	**72,296**
National Bank of Bahrain	5 Year	**144,593**
Societe Generale	5 Year	**144,593**
Mashreq	5 Year	**144,593**
Notional amount as at 31 Dec 2020		**1,606,227**

In accordance with article 8.3 of its Common Terms Agreement for long term loans (note 27), a subsidiary of the Group, OQ Plastics LLC is required to enter into an interest rate hedging agreement with a view to cap the Group's exposure to fluctuating interest rates.

21. Derivatives (continued)

Cash flow hedges (continued)

OQ Plastics LLC has entered into hedging agreements which are designed to cap its exposure to fluctuating interest rates for the period of construction of the LIWA Plastic Plant. Thereafter OQ Plastics LLC will release 44% of the hedging arrangement and maintain approximately that relationship to the outstanding loan balance by reducing the principal covered under the hedging arrangement on a periodic basis until its expiry on 15 December 2031.

As at the reporting date, a principal amount of approximately USD 1,774 million (RO 683 million) [2019: USD 1,842 million (RO 709.38 million)] was covered under this agreement.

The hedging arrangement obliges the Subsidiary to pay fixed interest at the rates ranging 3.22% to 3.36% as below per annum semi-annually.

Bank Name	**Year**	**Amount RO'000**
BNP Paribas	5 Year	**122,405**
BNP Paribas	10 Year	**71,403**
Credit Agricole CIB	5 Year	**142,805**
Credit Agricole CIB	10 Year	**71,403**
Societe Generale	5 Year	**40,802**
Societe Generale	7 Year	**81,603**
HSBC	13 Year	**65,282**
ING Group	13 Year	**16,321**
JP Morgan	7 Year	**40,802**
MUFG	7 Year	**30,601**
Notional amount as at 31 Dec 2020		**683,427**
Notional amount as at 31 Dec 2019		709,381

22. Cash and cash equivalents

	2020 RO'000	2019 RO'000
Bank balances (current and call accounts)	**460,480**	567,365
Cash balance	**289**	136
	460,769	567,501

Cash and cash equivalents included in the consolidated statement of cash flows include bank balances, cash and call deposits with a maturity of three months or less from the date of acquisition.

Call deposits carry annual interest at rates ranging between 0.12% to 3.50% per annum (2019: 0.25% to 3.50% per annum).

Notes to the consolidated financial statements for the year ended 31 December 2020

23. Share capital

	Authorised		Issued and paid up	
	2020	2019	**2020**	2019
	RO'000	RO'000	**RO'000**	RO'000
Ordinary shares of RO 1 each	**5,000,000**	5,000,000	**3,428,435**	3,315,293

The Parent Company is fully owned by Oman Investment Authority (OIA).

During 2019, the Parent Company has issued additional shares of 113.142 million at RO 1 each to the shareholder, which are registered during 2020.

In 2019, the Parent Company issued 302,313,000 shares at a face value of RO 1 each to MOF against acquisition of OQ RPI. The issue of shares and acquisition of OPRIC is accounted for as a transaction under common control.

24. Statutory reserve

Article 132 of the Commercial Companies Law of 2019 requires that 10% of a company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Parent Company's fully-paid share capital. Accordingly, during 2020, nil (2019: RO 4.16 million) of the Parent Company's annual profit was transferred to the legal reserve. The reserve is not available for distribution.

25. Other reserve

Other reserve mainly relates to the following:

- Fair valuation gain amounting to RO 103 million (USD 267 million) on transfer of Block 9 to the Group entity by the Sultanate of Oman for nil consideration in 2016.

- As disclosed in note 48, the Parent Company applied predecessor accounting using the net carrying value resulting in recording the excess of consideration paid over the net carrying value of assets acquired amounting to RO 90.4 million, as an adjustment in consolidated statement of changes in equity under "other reserves".

26. Fair value reserve

	2020 RO'000	2019 RO'000
Hedging reserve	**(97,807)**	(43,406)
Share of other comprehensive income of associates and joint ventures	**(1,571)**	(2,559)
	(99,378)	(45,965)

Movement in fair value reserve during the year is as follows:

	Hedging reserve RO'000	Share of other comprehensive income of associates and joint ventures RO'000	Total RO'000
At 1 January 2019	29,000	(1,887)	27,113
Recycling accumulated fair value reserve to retained earnings on adoption of IFRS 9	(72,406)	-	(72,406)
Share of OCI of joint ventures and associates	-	(672)	(672)
At 1 January 2020	**(43,406)**	**(2,559)**	**(45,965)**
Fair values changes, net of NCI	**(50,482)**	-	**(50,482)**
Share of OCI of joint ventures and associates	-	**988**	**988**
Dilution of subsidiary	**(3,919)**	-	**(3,919)**
At 31 December 2020	**(97,807)**	**(1,571)**	**(99,378)**

27. Loans and borrowings

The following Group entities have availed loans and borrowings which are detailed below:

	2020 RO'000	2019 RO'000
Parent Company (i)	**312,270**	-
OQEP (ii)	**469,003**	461,498
Oman Oil Holding Europe B.V. (iii)	**397,474**	378,419
OQ Trading Limited (iv)	**53,602**	38,462
OQ Methanol LLC (v)	**204,066**	168,726
Takamul Investment Company SAOC (vi)	**99,668**	99,335
OQ Gas Network SAOC (vii)	**383,501**	422,180
Oman Oil Marketing Company SAOG (viii)	-	578
OQ RPI (ix)	**2,886,660**	2,986,559
Oman Oil Facilities Development Company LLC (x)	**207,954**	216,770
Oman Tank Terminal Company LLC (xi)	**50,449**	-
	5,064,647	4,772,527
Less: current portion	**(704,880)**	(836,766)
Non-current portion	**4,359,767**	3,935,761

(i) Parent Company

Revolving credit facility (a)	**173,295**	-
Term loan facilities (b)	**138,975**	-
	312,270	-

a. Revolving credit facility

During 2017, the Parent Company entered into a Revolving Credit Facility ("RCF") agreement amounting to USD 1,150 million for a period of 5 years maturing in 2022. During 2018, the Company signed a supplementary Agreement whereby Facility B was obtained amounting to USD 1,350 million for a period of 5 years maturing in 2023.

As at the reporting date, the RCF consisted of two facilities as follows:

- Facility A: RO 442.87 million (USD 1,150 million) for a period of 5 years at LIBOR plus applicable margin (depending on Oman Sovereign rating) interest per annum; and
- Facility B: RO 519.89 million (USD 1,350 million) for a period of 5 years at LIBOR plus applicable margin (depending on Oman Sovereign rating) interest per annum.
- Furthermore, the Parent Company has to pay utilisation fee ranging from 0.10%, 0.20% and 0.40%, respectively based on the utilisation of facility amount.
- The Parent Company has to pay commitment fees of 35% of the margin on the unutilised portion of the facility amount and payment would be made on quarterly basis.

27. Loans and borrowings (continued)

(i) Parent Company (continued)

a. Revolving credit facility (continued)

The Parent Company has unsecured RCF having total commitment amounting to RO 963 million (USD 2.5 billion). As at the reporting date, the Parent Company has withdrawn amount equivalent to RO 173.295 million, representing equal drawings under each facility. The RCF facilities are repayable in tranches within five years based on the utilisation of the facility.

Covenants:

. The RCF facilities contain the following financial covenants:

- To maintain a minimum tangible net worth of the Parent Company and its subsidiaries; or
- The Government of the Sultanate of Oman shall retain the direct or indirect legal ownership of at least 100% of the issued share capital of the Company; or
- At least one of Standard & Poor or Moody's shall rate the Sultanate of Oman.

Otherwise, the outstanding amounts under RCF will become repayable on demand, if requested by the lenders. The Parent Company has complied with these covenants throughout the reporting period.

b. Term loan facilities

Term Loan I

On 28 July 2020, the Parent Company entered into a five-year unsecured syndicated term loan facility, which has two tranches:

- Tranche A: a five-year RO 110.475 million (USD 286.87 million) facility with a floating rate of interest set by reference to the Central Bank of Oman's weighted average interest rate for RO deposits of more than one year plus applicable margin. As at 31 December 2020, the Parent Company had RO 9.625 million (USD 25 million) outstanding under this facility; and
- Tranche B: a five-year USD 605 million (RO 233 million) facility with a floating rate of interest set by reference to U.S. dollar LIBOR plus a fixed margin of 3.75%. As at 31 December 2020, the Parent Company had USD 180 million (RO 69.318 million) outstanding under this facility.

27. Loans and borrowings (continued)

(i) Parent Company (continued)

b. Term loan facilities (continued)

This term loan contains a financial covenant to maintain a minimum tangible net worth of OQ SAOC and its subsidiaries.

Term Loan II

On 27 September 2020, the Parent Company entered into a five-year unsecured RO 35 million (USD 91 million) Islamic facility. Under the facility, the Company pays semi-annual profit which varies and is set by reference to the Central Bank of Oman's weighted average interest rate for RO deposits of more than one year plus a fixed margin of 1.88%. As at 31 December 2020, the facility was fully drawn.

This term loan contains a financial covenant to maintain a minimum tangible net worth of the Parent Company and its subsidiaries.

Term Loan III

On 8 November 2020, the Parent Company entered into an additional unsecured Islamic facility of USD 130 million with a five-year tenor. Under the facility, the Company pays a floating rate of interest set by reference to U.S. dollar LIBOR plus a fixed margin of 3.75%. As at 31 December 2020, the Company had USD 65 million (RO 25.032 million) outstanding under this facility.

This term loan contains a financial covenant to maintain a minimum tangible net worth of OQ SAOC and its subsidiaries.

(ii) OQ Exploration and Production L.L.C (OQEP)	**2020** **RO'000**	2019 RO'000
Long term borrowings of the OQEP (i)	**380,864**	379,909
Long term borrowings of Abraj Energy Services SAOC (ii)	**75,870**	80,389
Short term borrowings of Abraj Energy Services SAOC	**12,269**	1,200
	469,003	461,498
Short term borrowings	**12,269**	1,200
Current portion of long term loan	**71,515**	40,310
Non-current portion of long term loan	**397,488**	440,743
	469,003	461,498

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(i) Long term borrowings of OQEP

	Effective interest rate	Maturity	2020 RO'000	2019 RO'000
PXF facility	3 Month LIBOR + Margin	September 2021 – September 2024	**385,100**	385,100

	2020 RO'000	2019 RO'000
Term loan	**385,100**	385,100
Less: unamortised financing costs	**(4,236)**	(5,191)
Current portion	**(59,256)**	-
Non-current portion	**321,608**	379,909

As per the Facility Agreement, certain financial institutions advanced the Company, USD 1 billion (the PXF Facility). As per original facility agreement, the advance will be settled in 13 equal quarterly instalments starting from 30 September 2019 to 13 September 2022. During 2019, the Company restructured the facility and extended the term of facility by 2 years. Accordingly, the repayment of the advance will be settled in 13 equal installments starting from 30 September 2021 to 30 September 2024.

Interest charges and principal repayments are settled through the delivery of crude oil over the period of the arrangement. The Company also has entered into a Forward Sales Agreement and other ancillary contracts with OQEP PXF 1 B.V. (the Buyer) to physically deliver all of the Group's oil liquid entitlements from Block 60, Block 9, Block 61 and Block 53 to the Buyer. Under the agreement the Buyer will retain cash received from the ultimate sale of oil to fund its debt service obligations and administrative expenses, with the balance being paid to the Company conditional on meeting certain banks covenants. Where the benefits of such retentions are expected to ultimately flow to the Group they are presented as restricted cash (Note 22).

	2020 RO'000	2019 RO'000
Unamortised Financing costs		
At 1 January	**5,191**	2,937
Incurred in period	-	2,889
Amortised	**(955)**	(985)
Gain on measurement as per IFRS 9	-	350
At 31 December	**4,236**	5,191

27. Loans and borrowings (continued)

(ii) Long term borrowings of Abraj Energy Services SAOC (Abraj)

Term loans	Maturity	2020 RO'000	2019 RO'000
Term loan III	November 2020	-	11,660
Term loan IV	May 2021	**3,033**	3,733
Term loan V	April 2023	**19,580**	20,900
Term loan VI	December 2023	**28,840**	29,723
Term loan VII	December 2025	**9,722**	10,489
Term loan VIII	December 2028	**26,964**	3,884
		88,139	80,389
Less: current portion		**(12,269)**	(19,555)
Non-current portion		**75,870**	60,834

Term loans are provided by various commercial banks and some are denominated in US Dollar, others in Omani Rials. The term loans carry interest at LIBOR plus fixed margins and are repayable in variable instalments.

(a) Term loan III

Tranche I – The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half-yearly instalments of US $ 1,801,544 (RO 693,775) each. The final instalment of US $ 15.61 million (RO 6.01 million), representing 40% of term loan, was repaid in December 2020. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

Tranche II – The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half-yearly instalments US $ 1,093,394 (RO 421,066). The final instalment of US $ 9.48 million (RO 3.65 million), representing 40% of term loan, was paid in October 2020. Interest on term loan was payable at 3 months LIBOR plus fixed margin.

Tranche III –The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half-yearly instalments of US $ 237,383 (RO 91,416) each. The final instalment of US $ 2.05 million (RO 0.79 million), representing 40% of term loan, was repaid in December 2020. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

(b) Term loan IV

The term loan is denominated in US Dollars and 60% of the term loan is repayable in 13 consecutive half-yearly instalments of US $ 908,836 (RO 349,993) each. The final instalment of US $ 7.88 million (RO 3.03 million), representing 40% of term loan, is repayable in May 2021. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

27. Loans and borrowings (continued)

Long term borrowings of Abraj Energy Services SAOC (Abraj) (continued)

(c) Term loan V

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 28 quarterly instalments of RO 660,000 each. The final instalment of RO 12.32 million, representing 40% of term loan, is repayable in year 2023. Interest on term loan is payable at fixed percentage below base lending rate of the lender and to be serviced on monthly basis. Subsequent to 31 December 2020, the term loan is under restructuring.

(d) Term loan VI

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 28 quarterly instalments of RO 882,857 each. The final instalment of RO 16.48 million, representing 40% of term loan, is repayable in year 2023. Interest on the term loan is payable on quarterly basis and the interest rates are reset on annual review basis. Subsequent to 31 December 2020, the term loan is under restructuring.

(e) Term loan VII

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 27 quarterly instalments of RO 255,822 each. The 28th final instalment of RO 4.6 million, representing 40% of term loan, is repayable in year 2025. Interest on the term loan is payable on quarterly basis and the interest rates are reset on annual review basis.

(f) Term loan VIII

In 2019, Abraj has availed the term loan which is denominated in USD to finance the purchase of four Rigs and two Hoists units. The full drawdown will be completed by June 2021. The repayments will commence on Sep 2021. The final maturity of the loan will be on June 2029. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

Security terms for the above loans

Securities for the loans are as follows:

- Assignment of revenues for the assets financed through that commercial bank.
- Negative lien over the assets financed through that commercial bank (note 6).

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(iii) Oman Oil Holding Europe B.V.

OOC Holding Europe BV has the following facilities:

Facilities	2020 RO'000	2019 RO'000	Interest rate
Term loan – First Lien B-1 (Euro)	**223,188**	202,834	Refer note below
Term loan – First Lien B-2 (USD)	**172,048**	172,624	Refer note below
Other loans	**2,238**	2,961	1.0% - 4.85%
	397,474	378,419	

In October 2017, OQ Chemicals Corporation, Houston (TX)/USA, and OQ Chemicals Holding Drei GmbH, Monheim am Rhein/Germany, established a Senior Facilities Agreement comprising: (i) term loans of €475.0 million and US$500.0 million with a maturity in October 2024 and quarterly mandatory repayments (for the US$ tranche only) of 0.25% of the principal, and; (ii) a Revolving Credit Facility of €137.5 million with a maturity in October 2023. In line with the credit agreements, OQ Chemicals made mandatory term loan repayments in an amount against the US$ tranche of US$5.0 million in 2020. The remaining un-utilised amounts at December 31, 2020 are €475.0 million and US$450.0 million. The interest rates of the Term Loans are based on EURIBOR/USD-LIBOR (each subject to a floor of 0%) plus a margin. The margins are reduced according to a margin grid if the leverage ratios have reached a defined level.

OQ Chemicals International Holding GmbH, Monheim am Rhein/Germany, and certain of its subsidiaries (collectively the "Guarantors") guarantee the full and prompt payment of the obligations of the Borrowers and the other Guarantors. All obligations under the Credit Agreement and the Guarantee are secured by a first priority security interest in favor of the Administrative Agent for the benefit of the Lenders. The collateral includes pledges over the equity interests in the Borrowers and certain of the Guarantors. The Borrowers and Guarantors in Germany have pledged substantially all of their capital stock, bank accounts, intellectual property, receivables and moveable assets. The Borrowers and Guarantors in the United States have pledged substantially all of their assets except real estate. All of the collateral is subject to certain exclusions as set forth in further detail in the Credit Agreement.

Furthermore, OQ Advanced Derivatives Nanjing Ltd. has access to local Working Capital facilities of CNY163.0, of which CNY38.0 million were drawn at December 31, 2020, which are in all cases due for repayment one year after issuance but can be renewed.

Additionally, OQ Chemicals GmbH, Monheim am Rhein/Germany and OQ Services, LLC, Houston (TX)/USA maintain an Asset Backed Commercial Paper (ABCP) Program with Landesbank BadenWürttemberg, which provides a facility for the sale of trade receivables. As customer collections are permanently being paid into bank accounts of the Sellers under the ABCP-program, the accounts at year-end show liabilities of €3.4 million (2019: €2.9 million) and US$ 6.5 million (2019: US$ 4.5 million) against the Purchaser resulting mostly from collections that have not yet been passed onward.

27. Loans and borrowings (continued)

(iv) OQ Trading LLC (OQT)

The Group trading activities are primarily financed via a syndicated USD 700m (2019: USD 1,000m) secured uncommitted Borrowing Base Facility to finance the Group's working capital requirements. The facilities have a 12-month term ending June 2021, with a 12-month extension option. The facility carries bank charges and interest at prevailing competitive commercial market rates and is secured by a charge on specific assets of the Group primarily comprised of trade accounts receivables, inventories, bank balances and cash. Applicable financial covenants for the facility include a requirement for a minimum tangible net worth and current ratio of the Group.

The Group also has access to uncommitted financing via bilateral working capital credit facilities totalling approximately USD 637.7m (2019: USD 500.0m).

At 31 December 2020, the Group had loans and overdrafts of RO 53.6m (USD 139.2m) [2019: RO 38.5m (USD 99.9m)] drawn from its facilities, presented as loans and overdrafts in the consolidated statement of financial position. Additional utilisations under the Group's facilities in the form of contingent commitments such as letters of credit are disclosed in Note 43.

(v) OQ Methanol (SFZ) L.L.C

OQ Methanol has syndicated long-term loan facilities ("syndicate facilities") in the aggregate maximum amount of RO 280.35 million (USD 728 million) under a facilities agreement dated 13 July 2017 comprising of term loan facility only. As at 31 December 2020, RO 204.1 million (USD 530 million) is drawn against total loan commitment of RO 280.35 million (USD 728 million). The aggregate amount of new term loan facility is repayable in eighteen semi-annual instalments, in amounts ranging from RO 7.40 million (USD 19.22 million) to RO 43.03 million (USD 111.75 million). Repayment will commence from December 2020. The new term loan facility and standby term loan facility bear interest at US LIBOR rates plus applicable margins, subject to repricing on a semi-annual basis. The margins vary depending upon outstanding facilities and status of the project in relation to completion.

The syndicated loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of OQ Methanol . The syndicated facilities agreements contain certain general and project undertakings pertaining to, amongst other things, compliance with laws, negative pledges, disposals, loans or credit, dividends, share redemption and subordinated shareholder loan, financial indebtedness, merger, change of business and acquisitions. The new syndicated loan facility was obtained to refinance the old term loan facility, repayment of loans provided by the Shareholders and to fund Ammonia Project Costs.

27. Loans and borrowings (continued)

(vi) Takamul Investment Company SAOC

(a) Long term borrowings

	2020 RO'000	2019 RO'000
Term loans	**99,668**	98,970
Less: deferred financing costs	**-**	(5)
	99,668	98,965
Less: current portion of term loan	**(2,353)**	(148)
	97,315	98,817

Oman Aluminium Rolling Company LLC (OARC)

In 2011, the company obtained syndicated term loan facilities from commercial banks in Oman for an amount of US$ 193 million (RO 74.3 million) [US Dollar base facility and Omani Rial base facility]. Further, in 2011 the company obtained working capital facilities denominated in US Dollar amounting to US$ 65 million (RO 25 million) and Omani Rial denominated facilities amounting to US$ 7.8 million (RO 3 million).

Considering the liquidity position of the Company, the commercial lenders have restructured the term loan facilities of the Company on 4 November 2018 and provide an additional term loan facility of US$ 58.6 million towards repayment outstanding amount under existing working capital facility. Further the repayment dates and interest rates have also been restructured as detailed below. The management has assessed the impact of modification as substantial and accordingly derecognized the old facility and recognized the new facility. Further the deferred finance costs have been charged to profit or loss account.

Interest

The term loan facilities bear variable and fixed interest rates as follows:

US Dollar denominated facility and standby facility bears variable interest rate at US$ Libor plus margin of 3 % (2019: US$ Libor plus margin of 3%) and mandatory costs, if any.

Omani Rial denominated facility bears fixed interest rate:

- for the first twelve months following the first drawdown date at a rate of 4.5 % (2019: 4.5%) per annum; and
- for each subsequent twelve-month period, the rate notified by the Facility Agent to the company prior to the commencement of such twelve-month period, provided such rate would not be less than 4.5% per annum.

27. Loans and borrowings (continued)

(vi) Takamul Investment Company SAOC (continued)

Repayment schedule

The loans are repayable in 20 semi-annual instalments commencing from the first repayment date of 30 June 2021. Prior to restructuring, the loans were repayable in 18 semi-annual instalments commencing from earlier of 15 October 2016 or 30 months from the commercial operation date.

Commitment and other fees

Under the terms of the credit facilities, the company is required to pay commitment fees, arrangement fee, security agent fee and facility agent fee. These are considered as costs of borrowings.

Security

The company has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

(b) Short-term borrowings

	2020	2019
	RO'000	RO'000
Loan against trust receipts	-	208
Bank overdrafts	**52**	161
	52	369

Oman Aluminium Rolling Company LLC (OARC)

The company had an overdraft outstanding as of 31 December 2020 of RO 0.77 million (2019 - RO Nil) carrying interest at 4.5% per annum.

The company has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

Sohar Paper Cores LLC (SPC)

The borrowings comprise of overdraft and loans against trust receipts obtained from a local commercial bank at commercial rates. The interest rates are subject to re-negotiation with bank during the renewal of the credit facilities, which generally takes place on an annual basis. Borrowings are secured by the commercial mortgage over the company's assets, assignment of insurance over the assets financed and corporate guarantee of the parent company. The facilities agreement contains certain restrictive covenants which, if violated could permit the bank to cancel or reduce the facilities granted.

27. Loans and borrowings (continued)

(vii) OQ Gas Networks SAOC

The Group entity, OQ Gas Networks SAOC (OQ GN) had obtained the following syndicated term loan facilities:

	2020	2019
	RO	RO
Term loan-I	85,052	423,522
Term loan-II	301,768	-
	386,820	423,522
Less: unamortized transaction cost	(3,319)	(1,342)
At 31 December	383,501	422,180
The unamortized transaction cost is as follows:		
At January	1,342	1,787
Additions during the year	4,078	847
Amortized during the year	(2,101)	(1,292)
At 31 December	3,319	1,342

Term loan I

During the year 2018, the Company had obtained an unsecured syndicated term loan facility ("syndicate facilities") in the aggregate maximum amount of OMR 423.5 million (equivalent to USD 1,100 million) under a facilities agreement dated November 2018 ("the Facilities Agreement"). The facility is obtained to pay for the acquisition of assets from GOSO, repayment of shareholder loan and to fund ongoing capital projects under construction. The term loan facility is unsecured and bears interest at LIBOR rates plus applicable margins.

In February 2020, the Company has obtained a seven-year U.S.$ 800 million syndicated loan facility and used most of the proceeds to repay OMR 304 million (equivalent to USD 791 million) under this facility. In September 2020, out of the outstanding term loan facility of OMR 119 million, the Company repaid OMR 34 million on the original repayment date of November 2020 and extended the maturity of the remaining OMR 85 million until November 2021.

The management intends to re-finance the remaining of the 2018 term loan facility through a long-term bond before its settlement date.

Term loan II

On 24 February 2020, the Company entered into a seven-year U.S.$ 800 million (OMR equivalent 308 million) syndicated loan facility. The Term Loan is unsecured and is repayable in 14 semi-annual unequal instalments commencing from 24 August 2020 and carries an interest rate of LIBOR rate plus applicable margins. The proceeds from the Term Loan II has been used to partially settle Term Loan-I. The Company is not subject to any financial ratio covenant in relation to this facility.

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(viii) Oman Oil Marketing Company SAOG

Term loan facilities availed by Oman Oil Marketing Company SAOG, under credit facilities agreements with a commercial bank are detailed below:

	2020	2019
	RO'000	RO'000
Current portion	**-**	578

These loans are denominated in Rial Omani and represent facilities obtained from a local bank, for the purpose of construction of filling stations. These loans are unsecured and carry interest at commercial rates (2019 - same terms and conditions). The loans were fully repaid during 2020.

(ix) OQ RPI

	RO'000	RO'000
Term loan I	**865,954**	943,332
Term loan II	**273,000**	327,600
Term loan III	**67,874**	75,417
Term loan IV	**1,412,969**	1,443,624
Term loan V	**21,000**	21,000
Term loan VI	**163,104**	168,248
Working capital loan facilities	**173,295**	100,126
	2,977,196	3,079,347
Less: deferred financing costs relating to term loan facility	**(90,536)**	(92,788)
	2,886,660	2,986,559
Less: current portion of term loan facilities	**(435,448)**	(174,885)
	2,451,212	2,811,674

Term loan I

OQ RPI has entered into a long-term facility agreement dated 30 April 2014 with various commercial banks and export credit agencies amounting to USD 2,850 million. The new term loan was utilized partly to repay in full the previous outstanding term loans of ORPC and OPP on 30 June 2014 and the remaining USD 1,819 million was availed for financing the Sohar Refinery Improvement Project (SRIP).

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Interest on new term loans

The loan carries interest at LIBOR plus margin for the following facility:

- Commercial Facility
- K-EXIM Facility
- SACE Facility
- K-Sure Facility
- K-Exim Guaranteed Facility
- Atradius Covered Facility
- UKEF Covered Facility
- Euler Hermes Facility

With the exception of Commercial and K-EXIM covered Facilities, the above margins are fixed up to the first repayment date (which is defined as May 2019) and subsequently the interest rate will be restated as per the market rate.

For the K-EXIM Facilities, the margins will change as follows:

- Fixed margin from 30 April 2014 to but excluding third anniversary of the FRD; and then
- Fixed margin from and including third anniversary of FRD to but excluding sixth anniversary of the FRD; and then
- Fixed margin from and including sixth anniversary of FRD to and including the Discharge Date.

Interest is payable semiannually. If the Subsidiary fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Repayments

The loans are repayable in semi-annual instalments starting from May 2019. The maturity profile of the term loan is as follows:

	2020	2019
	RO'000	RO'000
Amount due:		
Less than 1 year	**183,933**	77,376
From 1 to 2 years	**213,690**	94,169
From 2 to 5 years	**364,272**	318,505
Over 5 years	**193,823**	453,283
	955,718	943,333

Fair value

The term loan facility carries an interest rate which varies with market rates, and therefore the fair value of the loan approximates its carrying value.

Support

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

Term loan II

On 18 May 2015, OQ RPI entered in to a corporate loan agreement for the amount RO 350.0 million (USD 909.0 million) in order to meet the working capital needs of the OQ RPI group. The purpose of the loan is to support its subsidiaries. At 31 December 2020, the Group Company had drawn RO 350.0 million (USD 909.0 million) and had repaid RO 15.4 million (USD 40.0 million).

Interest

The loan carries fixed interest for the first 36 months and will be subsequently reviewed.

Interest is payable semi-annually. If OQ RPI fails to pay any amount payable by it under the facility agreement, the interest will be accrued on the overdue amount at 2% above the rate.

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan II (continued)

Repayments

The loan is repayable in semi-annual instalments starting from June 2019 and the maturity profile of the term loan is as follows:

	2020	2019
	RO'000	RO'000
Amount due:		
Less than 1 year	**54,600**	74,159
From 1 to 5 years	**218,400**	262,641
Over 5 years	-	57,152
	273,000	393,952

Loan Finance Covenant

- Total Borrowing to Total Equity
  - As long as any amount is outstanding under the Finance Documents, the ratio of Total Borrowing to Total Equity shall at all time not exceed 3:1;
  - The Borrower shall on each Calculation Date demonstrate to the Agents satisfaction that it is in Compliance with the ratio of Total Borrowings to Total Equity;
  - For the avoidance of doubt, any shareholder loan to the Borrower (unless expressly subordinated to the amount outstanding at any time under the Facility) shall form part of Total Borrowings for the above ratio.
- Debt to Equity Ratio

  The Debt Service Coverage Ratio shall not be less than 1.2:1 for any Calculation Period, commencing from 31 December 2019.

  On 19 April 2019, the bank and Group Company amended certain clauses of the contract which included removing the limit on financial covenants.

Term loan III

On 16 December 2014, a Group Company entered into a long-term loan facility agreement with a commercial bank with the purpose to support the MSPP project. At 31 December 2020, RO 67.8 million (USD 176.1 million) has been utilized and during the year the Group entity had repaid RO 7.5 million (USD 19.6 million). The loan is denominated in US Dollars.

Interest

The loan carries interest at LIBOR plus margin per annum

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan III (continued)

Repayments

The repayment of loan is in 24 equal instalments on which an amount reduces the outstanding aggregated loan amount by an amount equal to 1/24 of all the loan borrowed at the last day of the availability period. The first payment is 6 months from the last day of availability period or from the project completion date which is the earliest.

	2020	2019
	RO'000	RO'000
Amount due:		
Less than 1 year	**7,542**	7,542
From 1 to 2 years	**7,542**	7,542
From 2 to 5 years	**22,625**	22,625
Over 5 years	**30,167**	37,708
	67,876	75,417

Loan Finance Covenant

- Minimum Debt Service Coverage Ratio

  - Starting from a date falling 6 (six) months after the MSPP Project Completion Date and for as long as any amount is owing by the Borrower to the Finance Parties under the Finance Documents, the Borrower shall ensure that the Debt Service Coverage Ratio at all times shall not be less than 1.2:1;

  - The Debt Service Coverage Ratio shall be calculated on each Test Date starting from a date falling 6 (six) months after the MSPP Project Completion Date until all amounts owing by the Borrower to the Finance Parties under the Finance Documents are paid in full.

- Debt to Equity Ratio

  - For as long as any amount is owing by the Borrower to the Finance Parties under the Finance Documents, the Borrower shall ensure that the Debt-to-Equity Ratio shall not exceed a ratio of 70:30;

  - The Debt-to-Equity Ratio shall be calculated on each Test Date until all amounts owing by the Borrower to the Finance Parties under the Finance Documents are paid in full.

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan IV

A subsidiary of the Group entity has entered into long term facility agreements dated 3 March 2016 with various commercial banks and export credit agencies amounting to USD 3,800 million. The new term loan is availed for financing the Liwa Plastics Industrial Complex (LPIC) project. At 31 December 2020, RO 52,701.1 million (USD 136,850.4 million) [2019:RO 1,143.6 million (USD 2,969.5 million)] has been utilised.

	2020 RO'000	2019 RO'000
Commercial Facility	**521,086**	546,842
Atradius Covered Facility	**219,598**	225,669
K-Sure Covered Facility	**112,422**	115,530
SACE Covered Facility	**314,782**	308,217
UKEF Covered Facility	**58,834**	60,461
K-EXIM Facilities Direct	**94,435**	97,045
K- Exim Covered Facility	**40,472**	40,971
Euler Hermes Facility	**51,340**	48,889
Interest on new term loans	**1,412,969**	1,443,624

The loan carries interest at LIBOR plus margin for the following facility:

- Commercial Facility
- Atradius Facility
- K-Sure Facility
- SACE Facility
- UKEF Facility
- K-EXIM Facility
- K-EXIM Covered Facility
- Euler Hermes Facility

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan IV (continued)

With the exception of Commercial Facility, the above margins are fixed up to the first repayment date (which is defined as the earlier of (i) the first date after the Actual Completion Date; and (ii) 15 June 2020) and subsequently the interest rate will be restated as per the market rate.

For the Commercial Facility, the margins will change as follows:

- 3 March 2016 to and including Scheduled Completion Date (SCD); and then
- from and excluding SCD to and including fourth anniversary of the SCD; and then
- from and excluding fourth anniversary of SCD to and including eighth anniversary of the SCD; and then
- from and excluding eighth anniversary of SCD until the Discharge Date.

Interest is payable semiannually. If the subsidiary fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

Repayments

The loans are repayable in semi-annual instalments starting from the earlier of (i) the first date after the Actual Completion Date; and (ii) 15 June 2020, hence has been classified as non-current at the statement of financial position. The maturity profile of the term loan is as follows:

	2020	2019
	RO'000	RO'000
1 to 2 years	**94,911**	143,360
2 to 5 years	**195,830**	316,702
More than 5 years	**1,122,228**	983,562
	1,412,969	1,443,624

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan IV (continued)

Fair value

The term loan facilities carry an interest rate which varies with market rates, and therefore the fair value of the loan approximates its carrying value.

Support

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

Term loan V

On 10 April 2017, OQ RPI entered in to an Islamic Facility "Wakala Investment" agreement for an amount of RO 21.0 million (USD 54.5 million) in order to develop a petroleum coke storage facility within Sohar Refinery complex. At 31 December 2020, the Group company had drawn RO 21.0 million (USD 54.5 million) [2019: RO 21.0 million (USD 54.5 million)].

Tenor

7 years (2 years availability period, 2 years moratorium and 3 years repayment).

Expected profit rate reset mechanism

Al Izz Islamic Bank will use its current one-year wakala deposit investment rate plus margin to determine the new profit rate for the new run period.

Floor expected wakala profit rate to remain at 5.5% in case the new wakala profit rate comes up lower than fixed rate.

Expected profit rate

The Group expects fixed profit rate per annum to be fixed for the first one year and reset annually thereafter as per expected profit rate reset mechanism.

Repayment

Repayment mode will be based on "end of year installment". Repayment of principle amount to be over 3 annual instalments as below:

- End of 5th year (2022) RO 4.0 million
- End of 6th year (2023) RO 6.0 million
- End of 7th year (2024) RO 11.0 million

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan V (continued)

Profit component will be accrued during the availability period of 2 years and will be due for settlement at the end of first quarter of the 3rd year. After availability period, profit to be serviced on quarterly basis.

	2020	2019
	RO'000	RO'000
2 to 5 years	4,000	10,000
More than 5 years	17,000	11,000
	21,000	21,000

Term loan VI

On 2 August 2019, a subsidiary of the Group has entered into a long-term loan facility agreement with a commercial bank for the amount of RO 173.3 million (USD 450.0 million) in order to refinance the old OQ RPI Aromatics LLC loan. During the year ended 31 December 2020, the loan has been fully utilized and the Group entity had repaid RO 5.1 million (USD 13.2 million).

Interest

This carries interest at a variable rate as given for the below periods:

a) From the date of this Agreement 2 August 2019 and ending 30 Months after the date of this Agreement

b) From the day after the end of the period in point (a) ending on the Initial Termination Date.

Repayments

The classification of the term loans based on the remaining period to maturity from the reporting date is as follows:

	2020	2019
	RO'000	RO'000
Less than 1 year	5,147	5,147
1 to 2 years	6,932	6,932
2 to 5 years	144,020	156,173
	156,099	168,252

Notes to the consolidated financial statements for the year ended 31 December 2020

27. Loans and borrowings (continued)

(ix) OQ RPI (continued)

Term loan VI (continued)

Working Capital loan facilities

A subsidiary of the Group entity renewed its working capital facility agreement with a commercial bank as per agreement dated 28 February 2019 whereby the amount available to draw down was increased to RO 173.3 million (USD 450 million) valid for 24 months.

Interest
Interest is payable at LIBOR plus agreed margin.

Financial covenants
The Group entity is required to comply with the Debt Service Cover Ratio of 1:3, maximum gearing ratio of 4 and current ratio of 1:1, associated with the term loan as at 31 December 2020. The Group entity obtained a waiver of the breach of the covenant in for the calculation period ending 31 December 2020.

(x) Oman Oil Facilities Development Company LLC

OQLPG

	2020	2019
	RO'000	RO'000
At 1 January	**194,050**	118,586
Loan obtained during the year	**20,024**	75,464
Repayments during the year	**(2,146)**	-
At 31 December	**211,928**	194,050
Unamortised transaction cost	**(3,974)**	(4,102)
Carrying amount at 31 December	**207,954**	189,948

Syndicated facility

The Group entity has syndicated long-term loan facilities ("syndicate facility") from the consortium of the financial institutions in the aggregate maximum amount of RO 246.41 million (2019: RO 246.41 million) under a facilities agreement dated 17 May 2017 ("the Facilities Agreement").

Facilities repayments

The aggregate amount of the term loan facility and standby term loan facility is repayable in 24 semi-annual installments. Repayment under the term loan facility will commence from 31 December 2020.

Interest
The term loan facility and standby term loan facility bear interest at US LIBOR rates plus applicable margins (2019: US LIBOR rates plus applicable margins).

27. Loans and borrowings (continued)

(x) Oman Oil Facilities Development Company LLC (continued)

OQLPG (continued)

Security

The syndicated loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Group entity. The NGSA waterfall mechanism ensures priority rights of lenders on revenue. The Government further secures the lenders right if the Group entity is unable to meet the obligations whereby full liability transferred to the Government.

Covenants

The syndicated facility agreement contains certain general and project covenants pertaining to, amongst other things, project finance ratios, liquidation and merger, entering into material new agreements, negative pledges, change of business, loans and guarantees. The syndicated loan facility was obtained to finance the total construction cost of the LPG plant, which is to be shared between the bank creditors and the Company's shareholders in the ratio of 77.5 % and 22.5 % (2019: 77.5% and 22.5%), respectively.

(xi) Oman Tank Terminal Company LLC

The Group entity has signed a facilities agreement dated 8 April 2020 ("the Facilities Agreement"), expiring 10 years from the date of the agreement, to draw upon financing to construct and develop the Crude Handling Facilities. The aggregate maximum amount of USD 350.0 million is made available under the facilities agreement. At 31 December 2020 RO 50.4 million (USD 127.8 million) has been drawn.

Facilities repayments

The loan is repayable in 14 semi-annual instalments and a balloon payment on the termination date. The repayment commences from earlier of April 2023 or 12 months from the commercial operation date of Duqm Refinery.

Interest

The term loan bears interest at US LIBOR rates plus applicable margins.

Covenants

The bank will only be obliged to make a loan available to the Borrower if the Debt to Equity Ratio is and will not be more than 76:24. The Company can only pay dividends if its debt service cover ratio is equal to or more than 1:1.

Other than those disclosed above there are no other further covenant breaches during the year.

28. Lease liabilities

	2020 RO'000	2019 RO'000
Gross lease liability related to right-of-use assets	**278,806**	287,628
Future finance charges on finance leases	**(98,162)**	(99,394)
Present value of lease liabilities	**180,644**	188,234
As at 1 January	**188,235**	-
On adoption	-	201,126
Addition during the year	**33,664**	9,475
Interest charged	**6,310**	9,110
Terminations	**(698)**	-
Payment of lease liabilities	**(46,867)**	(31,477)
As at 31 December	**180,644**	188,234

29. Employees' end-of-service benefits

	2020 RO'000	2019 RO'000
At 1 January	**70,353**	58,238
Accrued during the year	**14,296**	16,553
End-of-service benefits paid	**(7,045)**	(4,438)
At 31 December	**77,604**	70,353

i) Oman Oil Holding Europe B.V

OOHE provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds. The manner in which these benefits are provided varies according to the legal, fiscal and economic conditions of each country. The benefits are generally based on the employees' remuneration and years of service. The obligations relate both to existing retirees' pensions and to pension entitlements of future retirees. Group companies provide retirement benefits under defined contribution and/or defined benefit plans. The defined benefit obligations are basically regulated by "Ordnung der betrieblichen Zusatzversorgung". Benefit payments depend on the pensionable income. The monthly payment is between 11.5% and 15% of that part of the pensionable income that exceeds the income threshold in the German statutory pension insurance. Condition precedent to receive the benefit payments is leaving the company at the age of 63 (normal case) or at the age of 60 (early retirement). In addition, the pension scheme also provides benefits in the case of incapacity and for surviving dependants. The adjustment of the regular benefit payments is made in accordance with § 16 of the German Company Pension Act (Betriebsrentengesetz).

29. Employees' end-of-service benefits (continued)

i) Oman Oil Holding Europe B.V (continued)

These defined benefit plans expose OOHE to actuarial risks, such as longevity risk, currency risk and interest rate risk.

The actuarial valuations using the projected unit credit method per IAS 19 were undertaken using the following assumptions:

	2020	2019
Discount rate	**0.60%**	0.90%
Projected salary increase	**2.50%**	2.50%
Projected pension increase	**1.75%**	1.75%
The actuarial losses recognised in separately in Consolidated Statement of Comprehensive Income	**(2,935)**	(4,594)

Sensitivity analysis 2020

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	RO 000's	
Defined benefit obligation as at 31 December 2020		**39,283**
	Increase	Decrease
Discount rate (0.50% points)	**35,583**	**43,586**
Projected salary (0.50% points)	**39,553**	**39,032**
Projected pension (0.50% points)	**42,525**	**36,396**

30. Provision for site restoration and abandonment cost

	2020	2019
	RO'000	RO'000
At 1 January	**113,392**	133,127
Additions / (reversals) - net	**13,186**	32,273
De-recognition of site restoration cost	**-**	(58,737)
Unwinding of discount	**8,272**	6,729
At 31 December	**134,850**	113,392

30. Provision for site restoration and abandonment cost (continued)

The Group makes full provision for the future cost of site restoration and abandonment oil and gas assets by discounting the future expected cash flows at a pretax rate that reflect current market assessment of the time value of money and the risk specific to the liability. The site restoration and abandonment provision represent the present value of site restoration and abandonment costs relating to oil and gas assets, which are expected to be incurred up to the point when the producing oil and gas assets are expected to cease operations. These provisions have been created based on the Group's internal estimates.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 December 2020 were in range from 6.67% to 8.09% (2019: 4% to 10%). The change in discount rate resulted in an additional provision of RO 16.54 million as at 31 December 2020.

31. Related party transactions and balances

Related parties represent associated companies, shareholder, directors and key management personnel of the Group, and companies over which they are able to exert significant influence. Pricing policies and terms of these transactions are approved by the Group's Management.

The aggregate value of transaction with related parties is as follows:

	2020 RO '000	2019 RO '000
Purchases		
- Ministry of Energy and Minerals and Ministry of Finance	**2,325,055**	2,551,961
- Other common control entities	**191,043**	85,719
Revenue		
- Ministry of Energy and Minerals	**162,477**	149,353
- Associates		
- Other common control entities	**16,539**	42,368
Interest expense		
- Other common control entities	**271**	95
Board setting fee	**149**	88
Directors' remuneration	**300**	214

Notes to the consolidated financial statements for the year ended 31 December 2020

31. Related party transactions and balances (continued)

	2020 RO'000	2019 RO'000
Amount due to related parties – current		
Ministry of Finance	**222,937**	212,262
Ministry of Energy and Minerals	**38,500**	34,862
Other entities under common ownership	**21,241**	1,077
Takatuf	**-**	1,252
Others	**1,871**	589
	284,549	250,042
Amount due to related parties – non-current		
Ministry of Finance	**9,242**	9,271
CUC (Joint Venture partner)	**4,198**	-
	13,440	9,271
Amount due from related parties – non-current		
Sohar Aluminium Company LLC (SAC)	**46,886**	46,583
KazMunai Teniz Company (Joint Venture partner)	**5,100**	5,100
CUC, DPC and Amin (Joint Venture partner)	**62,037**	2,668
OQ8 (Joint Venture partner)	**2,457**	-
Others	**556**	-
	117,036	54,351
Amount due from related parties – non-current		
Ministry of Finance	**5,969**	236,462
MEM	**38,433**	-
OQ8	**-**	3,933
Associates	**13,310**	12,198
Due from MPC and OQ8	**-**	50
Others	**1,310**	180
	59,022	252,823

Interest on SAC loan is charged at an annual rate equal to the lowest rate of interest payable on the Phase 1 Senior Debt less a discount of 5 bp as approved by the shareholders' representatives. There is no fixed repayment schedule.

Amounts due from related parties are unsecured. The loan does not have a fixed repayment schedule and the management does not expect repayments in the next twelve months. Accordingly, these amounts are classified as non-current.

31. Related party transactions and balances (continued)

The remuneration of key management of the group during the year was as follows:

	2020 RO'000	2019 RO'000
Short-term benefits	**6,688**	11,060
Employees' end of service benefits	**347**	1,215

As a result of Group's realignment of its operating strategies, the Integration Leadership Team (ILT) was constituted at the start of the group integration process, which consists of representatives of all group Business Lines and Functions. The members of ILT were considered as key management personnel for the purpose of this note.

32. Other liabilities – non-current

	2020 RO'000	2019 RO'000
Deferred payment obligation	**3,012**	2,962
Deferred income	**2,116**	3,405
Payable to the joint operator (i)	**15,508**	19,714
Other payables	**4,857**	4,126
	25,493	30,207

i. During 2014, the Group entity OQ RPI and Compañía Logística de Hidrocarburos CLH, S.A. ("CLH") set up a joint operation company, OQ Logistics LLC (OLC) with a equity share ownership of 60% and 40%, respectively.

OQ Logistics LLC purpose was to, at its cost and expense, design, develop, finance (including any third party financing), construct and implement, acquire or have, on its behalf, designed, developed, constructed and implemented the Muscat Sohar Pipeline Project ("MSPP").

The contractual arrangement provides OQ RPI and CLH rights to control OQ Logistics LLC as the decisions about the relevant activities require unanimous resolutions to be passed at a duly convened meeting of the board of directors. CLH will provide staff members who shall locate in Oman for the operation of the OQ Logistics LLC.

Accordingly considering the requirements of IFRS 11, it has been concluded that the joint arrangement between OQ RPI and CLH is a joint operation. In accordance with IFRS 11 the joint operator recognises its:

- assets, including its share of any assets held jointly
- liabilities, including its share of any liabilities incurred jointly

32. Other liabilities – non-current

Shareholders' agreement specifies minimum period of stay of CLH within the share capital of OLC as 5 years post commissioning of the MSPP project which happened in March 2019. This will open an "option period" of six months during April to September 2023 where either OQ RPI can activate a call option or CLH can activate a put option.

At the moment of execution of the call option, OQ RPI will pay to CLH an amount in cash that ensures that the equity invested by CLH compared to the annual dividends received by CLH provides a profitability of 15% (per annum). Similarly, in the event of CLH exercising a put option, OQ RPI will guarantee a profitability of 12% (per annum) return to CLH on its equity invested in OLC.

In accordance with the contractual agreement, OQ RPI and CLH collectively have rights to it's respective net assets of OLC. Considering the nature of the logistic assets they can only be used by OQ RPI as it the sole refinery in Sultanate of Oman and in accordance with the Government mandate the marketing companies can procure oil only from OQ RPI.

Therefore OQ RPI has the rights to substantially all of the economic benefits of the assets of the joint arrangement. OQ RPI will pay rentals to OLC for using logistics assets. The rental paid by OQ RPI to OLC would be the only source of cash flows for the OLC, which will be utilized by OLC to pay its operating expenses and bank debt. In accordance with IFRS 11, OQ RPI shall recognise all assets and liabilities to the extent of its holding including the funds provided by CLH would also need to be presented as liabilities of OQ RPI.

Summarised financial information of the Group's share of assets and liabilities which have been included in consolidated statement of financial position are set out below:

	2020	2019
	RO'000	RO'000
Non-current assets	**117,405**	123,088
Current assets	**10,746**	10,997
Current liabilities	**(12,007)**	(14,019)
Non-current liabilities	**(63,507)**	(70,713)
	52,637	49,353
CLH Share in OQ Logistics LLC (40%)	**(22,839)**	(19,714)
Investment by OQ RPI in OQ Logistics LLC (60%)	**29,798**	29,639

It is possible but not probable that CLH will activate their put option in OLC. The possible commitment arising from the future activation of the put option, based on the profitability of OLC from inception till December 2020, gives rise to a contingent liability up to RO 35.07 million (USD 91.16 million) on option exercise date.

33. Trade and other payables

	2020 RO'000	2019 RO'000
Trade payables	**571,929**	748,090
Accrued expenses	**332,036**	344,293
Other payable	**204,515**	139,745
	1,108,480	1,232,128

34. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2020 RO'000	2019 RO'000
Products transferred at a point in time		
Sale of petroleum products	**4,091,132**	5,793,949
Products and services transferred over a period of time		
Services	**302,157**	287,950
Others	**1,000,500**	1,248,913
	5,393,789	7,330,812
Cost of sales		
Cost of materials	**4,318,325**	5,923,167
Depreciation charged (Note 6)	**450,279**	475,168
Other overheads	**373,567**	439,822
	5,142,171	6,838,157

Information about the geographical location of the revenue is disclosed in note 47.

35. Investment (loss) / income

Dividend income on investments	**11,730**	23,886
Net loss on disposal of investments	**(10,166)**	2,422
Changes in fair value of investments	**(66,445)**	(17,345)
	(64,881)	8,963

36. Share of result of equity accounted investments

	2020 RO'000	2019 RO'000
Share of results of associates (note 11)	**(1,494)**	22,531
Share of results of joint ventures (note 12)	**(208,781)**	11,615
	(210,275)	34,146

37. Other income / expenses - net

Lease income (note 14)	**24,996**	25,646
Recovery against liquidated damages	**-**	19,255
Reversal of site restoration provision	**-**	21,000
Other operating income	**22,119**	22,432
	47,115	88,333

38. Administrative expenses

	2020 RO'000	2019 RO'000
Staff related expenses	**103,898**	88,481
Depreciation and amortization (Note 6)	**47,821**	32,441
Professional fees	**25,595**	19,629
Exploration expenditure, including write offs	**3,116**	6,773
Selling and distribution expenses	**15,495**	17,914
Traveling expenses	**2,500**	6,974
Corporate social responsibility (CSR) expenses	**4,091**	7,159
Research and development	**3,393**	3,763
IT expenses	**6,810**	4,683
Insurance costs	**8,653**	4,827
Repair and maintenance	**8,426**	20,644
Other administration expenses	**25,656**	50,365
	255,454	263,653

Staff related expenses of the Group included in administrative expenses comprise the following:

Wages and salaries	**79,724**	53,300
Performance bonus	**4,968**	10,686
Contributions to defined contribution scheme	**8,383**	5,537
Other	**10,823**	18,958
	103,898	88,481

Notes to the consolidated financial statements for the year ended 31 December 2020

39. Impairment losses - (released) / charged - net

	2020 RO'000	2019 RO'000
Impairment of investment in associates (Note 11)	**3,886**	529
Net impairment of property, plant and equipment (Note 6)	**1,138,859**	56,451
Impairment of intangible assets (Note 9)	**40,903**	-
Net (release) / charge of impairment relating to investment in oil exploration and production assets (Note 7)	**152,534**	(43,974)
Impairment of investments – fair value through profit and loss (Note 16)	**3,880**	-
Impairment release of other non-current assets (note 18)	-	(21,245)
Impairment of inventory	**134**	-
Impairment charge/ (release) of other assets (i)	**3,807**	(26,108)
	1,344,003	(34,347)

(i) The impairment charge for the year includes RO 3.8 million of allowance of expected credit losses. Release of last year impairment charge mainly represents amounts payable to JV partner in OPCL who has carried the Group's share of exploration cost of RO 26.96 million.

40. Net finance cost

	2020 RO'000	2019 RO'000
Finance income		
Interest income	**16,664**	20,023
Finance expense		
Interest expense on borrowings	**122,671**	149,218
Unwinding of discount on site restoration provision	**8,272**	6,729
Interest on lease liabilities	**6,311**	7,232
Other finance charges	**4,440**	11,717
	141,694	174,896
Foreign exchange gains / (losses) – net		
Realised exchange loss	**(1,225)**	(177)
Unrealised exchange (loss)/ gain	**(1,374)**	1,285
	(2,599)	1,108
Net finance cost	**127,629**	153,765

41. Income tax

Taxation in respect of the Group's taxable entities represents the aggregate of the Omani and foreign income taxes applicable to the Parent Company and subsidiary companies in accordance with the relevant fiscal regulations. The tax rate applicable to the Group companies operating in the Sultanate of Oman is 15% (2019: 15%). The tax authorities in the Sultanate of Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly, each legal entity is taxable separately.

For the purpose of determining the taxable result for the year, the accounting results of the individual Group entities have been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Management believes that additional taxes, if any, assessed in respect of the open tax years of the Parent Company and its subsidiaries would not be material to the Group's financial position at 31 December 2020 or to its results for the year then ended.

	2020	2019
	RO'000	RO'000
Current liabilities		
Current year	**13,321**	13,198
Prior year	**1,315**	1,424
	14,636	14,622

	2020	**2020**
	RO'000	**RO'000**
Profit or loss		
Current tax expense		
Current year	**12,281**	18,155
Prior year	**1,882**	1,013
	14,163	19,168
Deferred tax benefit	**(728)**	(9,406)
Tax expense for the year	**13,435**	9,762
Movement in net deferred tax (liability) / asset		
At 1 January	**(110,045)**	(126,229)
Movement during the year (statement of profit or loss)	**728**	9,406
Movement during the year (statement of other comprehensive income)	**(4,264)**	6,778
	(113,581)	(110,045)

41. Income tax (continued)

The deferred tax (liabilities) / assets are attributable to the following:

	At 1 January 2020 RO'000	Movement RO'000	At 31 December 2020 RO'000
Investment in associates	**13,322**	**-**	**13,322**
Provisions	**32,435**	**(13,807)**	**18,628**
Un-realised exchange differences on loans to related parties	**-**	**2,224**	**2,224**
Tax losses of subsidiaries	**49,588**	**16,538**	**66,126**
Property, plant and equipment	**(221,634)**	**6,657**	**(214,977)**
Others	**16,244**	**(15,148)**	**1,096**
	(110,045)	**(3,536)**	**(113,581)**

	At 1 January 2019 RO'000	Movement RO'000	At 31 December 2019 RO'000
Investment in associates	12,635	687	13,322
Provisions	26,119	6,316	32,435
Un-realised exchange differences on loans to related parties	(2,907)	2,907	-
Tax losses of subsidiaries	-	49,588	49,588
Property, plant and equipment	(210,566)	(11,068)	(221,634)
Others	48,490	(32,246)	16,244
	(126,229)	16,184	(110,045)

This is presented in the consolidated statement of financial position as follows:

	2020 RO'000	2019 RO'000
Deferred tax assets	**36,602**	31,696
Deferred tax liabilities	**(150,183)**	(141,741)
	(113,581)	(110,045)

The group has not recognised deferred tax assets on carried forward tax losses, impairment of property, plant and equipment and fair value changes in derivatives financials instruments in the amount of RO 416.19 million (2019: RO 24.1 million). Un-recognised deferred tax asset of RO 404.19 million (2019: RO 8.3 million) have no expiry date. Un-recognised deferred tax asset of RO 12.0 million (2019: RO 14.1 million) and RO 0.95 million (2019: Nil) have carried forward of 5 years and 9 years, respectively.

Notes to the consolidated financial statements for the year ended 31 December 2020

41. Income tax (continued)

	2020 **RO'000**	2019 RO'000
(Loss)/ profit before tax	**(1,703,065)**	241,026
Income tax on Parent and subsidiaries in Oman at 15%	**(256,972)**	36,154
Effect of tax in foreign jurisdictions	**(5,409)**	(3,618)
Overseas withholding tax credit not available due to excess rates	**-**	(871)
Tax exempt revenue	**(22,719)**	(43,308)
Under provision in earlier years	**5,371**	1,493
Unrecognised deferred tax asset	**260,467**	12,721
Non-deductible expenses	**32,698**	7,191
Tax expense for the year	**13,436**	9,762

Parent Company
The income tax assessments for the Parent Company for the years up to 2015 have been completed by the Secretariat General for Taxation (SGT).

Management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Group's financial position as at 31 December 2020.

Subsidiaries
The tax assessments of subsidiaries are at different stages of completion. Management does not expect any additional tax liabilities to be incurred relating to the open tax years.

For the Netherlands' subsidiaries, the deferred taxes as of the reporting date were calculated with a tax rate of 25% (2019: 25%).

Tax rate on Mukhaizna and Block 9 concession
Revenue from certain Exploration Production Sharing Agreements (EPSAs) are taxed at the rate specified in the relevant EPSA, is excluded from the Group's income tax expenses and paid by the Government from their share of profit oil. The tax rate on profit oil and gas from Block 53, Block 9 and Block 61 is 55% (2019: is 55%).

42. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares in issue during the year as follows:

	2020	2019
(Loss) / profit attributable to shareholders (RO'000)	**(1,716,944)**	229,894
Weighted average number of shares for basic and diluted EPS	**3,428,628,924**	3,372,059,924
Basic and diluted (loss)/earnings per share (RO)	**(0.501)**	0.068

Notes to the consolidated financial statements for the year ended 31 December 2020

43. Contingencies and commitments

The following contingent liabilities have not been provided for in the consolidated financial statements, as it is not anticipated that any material liabilities will arise from these contingencies:

	2020 RO'000	2019 RO'000
Letter of credit	**66,962**	211,727
Performance guarantees and bonds	**1,235,340**	1,698,292
	1,302,302	1,910,019
Capital and expenditure commitments	**906,908**	1,009,697

Following are the contingent liabilities specific to each Group entity:

OQEP

OQEP has contingent liabilities in respect of claims made on it under certain construction contracts. It is a part of the normal course of business for contractors to make claims for additional payments and for the clients to dispute such claims or file counterclaims.

As of 31 December 2020, the Company claim has been settled at RO Nil (2019: RO 16.17 million [USD 42 million]) and the liability accrued is Nil (2019: RO Nil). Management does not expect the ultimate liabilities to differ from the liability accrued.

OOCL

Capital commitments

The capital commitment for Dunga project as per Dunga's annual work program and approved budget in 2020 is RO 10.35 million (USD 26.87 million) (2019: RO 7.2 million (USD 18.7 million).

Contingent liabilities

OOCL is a party to various legal proceedings related to business operations, such as property damage claims and employee claims. OOCL does not believe that pending or threatened claim of these types, individually or in aggregate, are likely to have any material adverse effect on the OOCL Branch's financial position or results of operations.

OQ RPI

The possible commitment arising from the future activation of the put option by CLH, based on the profitability of OLC from inception till December 2020, gives rise to a contingent liability up to RO 35.07 million (USD 91.16 million) on option exercise date (Note 32).

43. Contingencies and commitments (continued)

OQ RPI (continued)

Nitrogen supply agreements

OQ RPI Group was having two agreements with ALSIG to supply nitrogen to its plants. During the year the agreements have been unified under one agreement to all its plants including Aromatics, PP, Refinery and SRIP. Under the Agreement, OQ RPI undertake to purchase from ALSIG all its nitrogen requirements from the first cubic meter of nitrogen required by all its plants up to the NCQs set forth in the agreement. Quantity to be purchase maximum at 9,720 normal metric cube per hour.

Contingent liabilities

The OQ RPI Group have ongoing trial for various labor cases filed. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

44. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Commodity price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has entrusted the Management with the responsibility of development and monitoring the Group's risk management policies and procedures and its compliance with them.

The Group Internal Audit oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Notes to the consolidated financial statements for the year ended 31 December 2020

44. Financial risk management (continued)

Credit risk (continued)
As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated below:

Break down of financial assets	Classification	2020 RO'000	2019 RO'000
Due from related parties	Amortised cost	**176,058**	307,174
Trade and other receivables	Amortised cost	**746,852**	675,016
Concession receivables	Amortised cost	**798,764**	631,028
Lease receivables	Amortised cost	**259,348**	267,188
Contract assets	Amortised cost	**146,198**	290,268
Cash and cash equivalents	Amortised cost	**460,769**	567,501
Term deposits	Amortised cost	**203,331**	172,563
Investments - at fair value through profit and loss	FVTPL	**304,279**	366,805
Derivatives	FVOCI	**73,714**	75,590
Other non-current assets	Amortised cost	**13,456**	17,355
		3,182,769	3,370,488

Contact assets are all arising from Sultanate of Oman.

	2020 RO'000	2019 RO'000
Details of trade receivables by geographic region		
Sultanate of Oman	**187,487**	256,193
Other GCC	**161,977**	140,900
Other Asian countries	**28,935**	27,085
Europe and US	**77,404**	65,183
	455,803	489,361
Details of trade receivables by type of customer		
Retail customers	**4,219**	7,994
Wholesale customers	**451,584**	481,367
	455,803	489,361

44. Financial risk management (continued)

Credit risk (continued)

The ageing trade receivables at the reporting date was:

	2020					2019				
	Weighted average loss rate %	Receivables RO'000	Impairment RO'000	Net carrying amount RO'000	Credit impaired	Weighted average loss rate %	Receivables RO'000	Impairment RO'000	Net carrying amount RO'000	Credit impaired
Not Past due	0.20%	397,471	793	396,678	No	0.21%	444,772	919	443,853	No
Past due 1-90 days	1.0%	21,751	228	21,523	No	0.19%	14,418	28	14,390	No
Past due 91-360 days	7.9%	16,550	1,302	15,248	No	3.51%	27,562	968	26,594	No
More than one year	34.8%	20,031	6,968	13,063	Yes	95.90%	2,609	2,502	107	Yes
		455,803	9,291	446,512			489,361	4,417	484,944	

Movement in impairment provisions is as follows:

	2020	2019
	RO'000	RO'000
At 1 January	**4,417**	9,373
Provided during the year	**4,790**	-
Currency translation adjustment	**84**	106
Written off during the year	**-**	(120)
Reversal during the year	**-**	(4,942)
At 31 December	**9,291**	4,417

In determining the recoverability of trade receivables the Group considers any change in the credit quality of trade receivable from the date the credit was initially granted up to the end of the reporting period.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position. As at 31 December 2020, no impairment allowance is recognised on bank balances as it is not material (2019: Nil).

44. Financial risk management (continued)

Credit risk (continued)

As at 31 December 2020 the status of past due balances of financial assets are as follows:

31 December 2020	Carrying amount	Not due	Upto 90 days	Upto 360 days	Over 365 days	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Gross carrying amount:						
Due from related parties	176,058	176,058	-	-	-	176,058
Trade and other receivables	746,852	688,521	21,751	16,550	20,030	746,852
Concession receivables	798,764	798,764	-	-	-	798,764
Lease receivables	259,348	259,348	-	-	-	259,348
Contract assets	146,198	146,198	-	-	-	146,198
Cash and cash equivalents	460,769	460,769	-	-	-	460,769
Term deposits	203,331	203,331	-	-	-	203,331
Investments	304,279	304,279	-	-	-	304,279
Derivatives	73,714	73,714	-	-	-	73,714
Other non-current assets	13,456	13,456	-	-	-	13,456
	3,182,769	3,124,438	21,751	16,550	20,030	3,182,769
31 December 2019						
Gross carrying amount:						
Due from related parties	307,174	307,174	-	-	-	307,174
Trade and other receivables	675,016	630,426	14,418	27,562	2,610	675,016
Concession receivables	631,028	631,028	-	-	-	631,028
Lease receivables	267,188	267,188	-	-	-	267,188
Contract assets	290,268	290,268	-	-	-	290,268
Cash and cash equivalents	567,501	567,501	-	-	-	567,501
Term deposits	172,563	170,655	-	1,908	-	172,563
Investments	366,805	366,805	-	-	-	366,805
Derivatives	75,590	75,590	-	-	-	75,590
Other non-current assets	17,355	17,355	-	-	-	17,355
	3,370,488	3,323,990	14,418	29,470	2,610	3,370,488

The Group has applied the general approach in IFRS 9 to measure the loss allowance at lifetime ECL on it's financial assets. The expected credit losses on these items by using a PD rating approach model where internal ratings is developed which are mapped to determination of probability of default, based on the external credit rating agencies such as Moody's. Where the external rating of a financial instrument is not available, the Group reviews the ability of the counterparty by reviewing their financial statements and other publicly available information and consider a proxy rating benchmarking sovereign external rating of the country where customers resides. The expected credit losses as at 31 December 2020 and 2019 is not accounted as the amount is not significant except for trade receivables.

Notes to the consolidated financial statements for the year ended 31 December 2020

44. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All financial liabilities are carried at amortised cost except for certain derivative financial liability, which are carried at fair value through other comprehensive income and derivatives held for trading accounted through profit or loss. Details of maturities of financial liabilities and excluding the impact of netting agreements, are as follows:

31 December 2020	Carrying amount RO'000	6 months or less RO'000	6 to 12 months RO'000	1 to 2 years RO'000	2 to 5 years RO'000	More than 5 years RO'000
Loans and borrowings	5,064,647	252,940	629,490	871,593	2,388,027	1,851,326
Lease liability	180,644	30,817	30,819	61,637	180,522	57,489
Other liabilities	25,493	-	-	25,493	-	-
Due to related parties	297,990	284,549	-	13,440	-	-
Trade and other payables	1,108,280	1,108,280	-	-	-	-
Interest rate swaps used for hedging	129,984	60,094	12,367	23,374	24,947	6,030
Total	**6,807,038**	**1,736,680**	**672,676**	**995,537**	**2,593,496**	**1,914,845**
31 December 2019						
Loans and borrowings	4,772,527	178,894	636,850	474,889	1,886,050	1,595,844
Lease liability	188,234	15,554	15,554	34,218	102,654	20,254
Other liabilities	30,207	9,151	405	699	-	19,952
Due to related parties	259,313	250,042	9,271	-	-	-
Trade and other payables	1,232,128	1,230,861	1,267	-	-	-
Interest rate swaps used for hedging	103,225	27,331	26,324	24,560	16,850	8,160
Total	6,585,634	1,711,833	689,671	534,366	2,005,554	1,644,210

44. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, equity prices, foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting. The company's senior management monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The management reports to the Company's board of directors on periodic basis and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated as cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to USD LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

ISDA is currently reviewing its standardised contracts in the light of IBOR reform and plans to amend certain floating-rate options in the 2006 ISDA definitions to include fallback clauses that would apply on the permanent discontinuation of certain key IBORs. ISDA is expected to publish an IBOR fallback supplement to amend the 2006 ISDA definitions and an IBOR fallback protocol to facilitate multilateral amendments to include the amended floating-rate options in derivative transactions that were entered into before the date of the supplement. The Group currently plans to adhere to the protocol if and when it is finalized and to monitor whether its counterparties will also adhere. If this plan changes or there are counterparties who will not adhere to the protocol, the Group will negotiate with them bilaterally about including new fallback clauses.

44. Financial risk management (continued)

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to USD LIBOR. The Group applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform. Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

The Group's exposure to USD LIBOR designated in hedging relationships is RO 5.06 billion nominal amount at 31 December 2020, representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged USD-denominated secured bank loan liability.

Commodity price risk

The Group maintains a relatively low level of exposure to market risk primarily by entering into offsetting physical or financial instrument contracts whereby the commercial terms of such transactions are broadly matched. The Group however does hold some imperfectly hedged positions, subject to certain approved limits. At the reporting date, the Group has open commodity futures and swap contracts to manage its exposure to expected fluctuations in the prices of crude oil and other oil products. The Group has provided deposits as margin requirements for these contracts. The Group uses Value-at-Risk ("VaR") to measure, monitor and review its exposure to short-term market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Board of Directors has approved VaR limits through trading mandates granted and regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk. Based upon VaR, taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The 95% trading VaR during the year was:

Group	**2020**		2019	
	Average RO'000	**Year End RO'000**	Average RO'000	Year End RO'000
Trading VaR	**881**	**580**	638	598

These VaR values are within the limits approved by the Group's Board of Directors.

The Group's revenues and cash flows are sensitive to the underlying price of a number of commodities, including crude oil, refined oil products, petrochemicals, LNG and dry bulk (and related spreads) which are dependent on a number of factors and on global supply and demand. The Group is exposed to a relatively low level of commodity price risk because the timing and volumes of purchase and sale contracts are matched wherever possible. Risks relating to open physical positions are managed through commodity futures and cleared swaps wherever such contracts are available.

Notes to the consolidated financial statements for the year ended 31 December 2020

44. Financial risk management (continued)

Equity price risk

The Group trades both physical commodity and financial instrument contracts that are treated as derivative instruments within the scope of IFRS 9. These contracts are carried at fair value with changes in fair value recorded in the Statements of comprehensive income. Physical dry bulk contracts are not financial instruments under IFRS 9 and are accounted for as executory contracts. Changes in fair value of these contracts do not immediately impact profit or equity and as such, the contracts are not exposed to commodity price risk as defined by IFRS 7: Financial Instruments - Disclosure.

Equity price risk arises from equity securities. The Group has maintained the portfolio of investments. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Sensitivity analysis – equity price risk – quoted investments

The following table demonstrates the sensitivity of the Company's equity to a 5% change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	2020	2019
	RO'000	RO'000
Effect on equity	**12,795**	15,726
Effect on profit or loss	**12,795**	15,726

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group financial instruments are consisting of various currencies and the exposure to various currencies based on notional amounts is as detailed below:

	31 December 2020			31 December 2019		
	Euro	**Canadian Dollar**	**HUF**	Euro	Canadian Dollar	HUF
	'000	**'000**	**'000**	'000	'000	'000
Investments at fair value through profit and loss	**202,551**	**10,000**	**128,181,471**	218,185	10,000	172,079,235
Cash and bank	**112,082**	**-**	**-**	76,823	-	-
Other receivables	**228,738**	**-**	**-**	127,496	-	-
Other payables	**(727,007)**	**-**	**-**	(345,681)	-	-
Gross / net exposure	**(183,636)**	**10,000**	**128,181,471**	76,823	10,000	172,079,235

44. Financial risk management (continued)

Currency risk (continued)

	31 December 2020		31 December 2019	
	Average rate	**Spot rate**	Average rate	Spot rate
Foreign currency				
Euro	**0.4517**	**0.4726**	0.4271	0.4307
HUF	**0.0013**	**0.0013**	0.0013	0.0013
Canadian Dollar	**0.296**	**0.301**	0.2900	0.2900

As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal.

A 10% strengthening of the RO against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity		**Profit and loss account**	
	2020		**2020**	
	Strengthening RO'000	**Weakening RO'000**	**Strengthening RO'000**	**Weakening RO'000**
Euro	**(7,990)**	**7,990**	**(1,706)**	**1,706**
Canadian Doller	**301**	**(301)**	**-**	**-**
HUF	**16,636**	**(16,636)**	**(5,431)**	**5,431**
	8,947	**(8,947)**	**(7,137)**	**7,137**

	Equity		Profit and loss account	
	2019		2019	
	Strengthening RO'000	Weakening RO'000	Strengthening RO'000	Weakening RO'000
Euro	(10,319)	10,319	486	(486)
Canadian Doller	290	(290)	-	-
HUF	22,067	(22,067)	(1,590)	1,590
	12,038	(12,038)	(1,104)	1,104

Notes to the consolidated financial statements for the year ended 31 December 2020

44. Financial risk management (continued)

Interest rate risk

The Group adopts a policy of ensuring that between 50 and 70% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:
— the effect of the counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
— differences in repricing dates between the swaps and the borrowings.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' above.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group has not designated any derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

44. Financial risk management (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and loss	
	100bps increase RO'000	**100 bps decrease RO'000**
2020		
Interest bearing liabilities	**2,750**	**(2,750)**
Financial assets	**(42)**	**42**
	2,708	**(2,708)**
2019		
Interest bearing liabilities	2,613	(2,613)
Financial assets	42	(42)
	2,655	(2,655)

The Group may face increased borrowing costs on some of its Group borrowings, should lenders invoke their rights under standard market disruption clauses (where applicable), if the cost to lenders of obtaining matching deposits exceeds LIBOR for the relevant currency and interest period.

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instrument was:

	Carrying amount	
	2020 RO'000	2019 RO'000
Variable rate instruments		
Financial assets	**41,578**	41,578
Financial liabilities		
-Variable financial liabilities	**4,770,647**	4,423,928
-Variable financial liabilities – Project financing	**(1,883,600)**	(1,810,969)
	2,887,047	2,612,959

Financial instruments comprise financial assets, financial liabilities and derivatives. Financial assets consist of cash and bank balances, investments, lease receivables, due from related parties and trade and other receivables. Financial liabilities consist of payables, loans and borrowings and accrued expenses. Derivatives consist of interest rate swaps contracts.

Notes to the consolidated financial statements for the year ended 31 December 2020

44. Financial risk management (continued)

Interest rate risk (continued)

	Currency	Nominal interest rate %	Year of maturity	2020 Fair value	2020 Carrying amount	2019 Fair value	2019 Carrying amount
				RO'000	**RO'000**	RO'000	RO'000
Secured bank loan	USD	Libor + margin	2029	**208,255**	**204,066**	173,295	168,726
Secured bank loan	USD / OMR	Libor + margin	2030	**99,667**	**99,667**	117,290	99,335
Secured bank loan	USD	Libor + margin	2020-2028	**87,479**	**87,479**	81,589	81,589
Secured bank loan	USD	Libor + margin	2024	**385,100**	**381,525**	385,100	379,909
OQ Chemicals - First Lien B-1	Euro	Libor + margin	2024	**224,498**	**223,188**	204,591	202,998
OQ Chemicals - First Lien B-2	USD	Libor + margin	2024	**173,295**	**172,048**	174,449	172,764
Secured bank loan	Euro	1.0% - 4.9%	2021	**2,239**	**2,239**	2,644	2,657
Secured bank loan	USD	Libor + margin	2029	**50,448**	**50,448**	38,462	38,462
Secured borrowing facility	USD	Commercial Rate	2020	**53,602**	**53,602**	423,522	422,180
Unsecured bank loan	OMR	Libor + margin	2021	**84,902**	**84,703**	-	-
Unsecured bank loan	OMR	Libor + margin	2027	**301,918**	**298,798**	-	-
Unsecured bank loan	USD	Libor + margin	2022-23	**173,295**	**173,295**	-	-
Unsecured bank loan	USD	Libor + margin	2025	**69,318**	**69,318**	-	-
Unsecured bank loan	OMR	Libor + margin	2025	**9,625**	**9,625**	-	-
Unsecured Islamic facility loan		Libor + margin	2025	**25,032**	**25,032**	-	-
Unsecured Islamic facility loan		Libor + margin	2025	**35,000**	**35,000**	-	-
Secured bank loan	OMR	Commercial Rate	2020	**-**	**-**	578	578
Secured bank loan	USD	Libor + margin	2027	**865,954**	**856,981**	943,331	932,726
Unsecured bank loan	OMR	4%	2025	**273,000**	**270,885**	327,600	325,051
Secured bank loan	USD	Libor + margin	2029	**67,874**	**67,308**	75,415	74,804
Secured bank loan	USD	Libor + margin	2031	**1,412,969**	**1,334,086**	1,443,624	1,364,600
Secured bank loan	OMR	Libor + margin	2023	**21,000**	**21,000**	21,000	21,000
Secured bank loan	USD	Libor + margin	2022	**163,105**	**163,105**	168,252	168,252
Unsecured Working capital loan	USD	Libor + margin	2021	**173,295**	**173,295**	100,126	100,126
Secured syndicated loan facilities	USD	Libor + margin	2032	**211,928**	**207,954**	194,050	189,948
Loan from shareholder	USD	5%		**-**	**-**	30,254	26,822
				5,172,798	5,064,647	4,905,172	4,772,527

44. Financial risk management (continued)

Interest rate risk (continued)

The fair values of the financial instruments, with the exception of certain loans and borrowings carried at cost are not materially different from their carrying values. Their fair values cannot be determined in the absence of repayment period.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31-Dec-20		31-Dec-19	
	Fair value	**Carrying amount**	Fair value	Carrying amount
	RO'000	**RO'000**	RO'000	RO'000
Investments at fair value through profit or loss	**304,279**	**304,279**	366,805	366,805
Concession receivables	**798,764**	**798,764**	631,028	631,028
Lease receivables	**259,348**	**259,348**	267,188	258,961
Contract assets	**146,198**	**146,198**	290,268	290,268
Term deposits	**203,331**	**203,331**	170,655	172,563
Due from related parties	**176,058**	**176,058**	510,998	307,174
Trade and other receivables	**746,852**	**746,852**	675,015	675,016
Cash and Cash equivalents	**460,769**	**460,769**	567,501	567,501
Loans and borrowings	**(5,172,798)**	**(5,064,647)**	(4,772,528)	(4,772,527)
Due to related parties	**(297,990)**	**(297,990)**	(259,313)	(259,313)
Other liabilities	**(25,493)**	**(25,493)**	(30,208)	(30,207)
Derivative financial instruments	**(56,270)**	**(56,270)**	(27,635)	(103,225)
Trade and other payables	**(1,108,280)**	**(1,108,280)**	(1,231,926)	(1,232,128)
	(3,565,232)	**(3,457,081)**	(2,842,152)	(3,128,084)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. Financial risk management (continued)

Fair value hierarchy (continued)

	31 December 2020			31 December 2019		
	RO'000	**RO'000**	**RO'000**	RO'000	RO'000	RO'000
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investments in equity securities	**255,897**	**-**	**48,382**	314,512	-	52,294
Derivatives held for trading (financial assets) (note 21)	**-**	**73,714**	**-**	-	75,590	-
Derivatives held for trading (financial liabilities) (note 21)	**-**	**(45,414)**	**-**	-	(53,688)	-
Cash flow hedges (note 21)	**-**	**(84,570)**	**-**	-	(49,537)	-
Inventory (note 19)	**-**	**126,415**	**-**	-	88,187	-
	255,897	**70,145**	**48,382**	314,512	60,552	52,294

Movement in level 3 fair value is as follows:

	2020	2019
	RO'000	RO'000
Balance as at 1 January	**52,294**	52,319
Impairment charge for the year	**(3,873)**	-
Changes included in OCI	**(39)**	(25)
Balance at 31 December	**48,382**	52,294

Investments at fair value through profit or loss amounting to RO 48.38 million (2019: RO 52.29 million) are carried at fair value which approximates their cost. During the year ended 31 December 2020, there were no transfers between the levels for fair value measurement of the financial instruments held by the Group (2019: None). The assumptions used in the calculation of fair value are disclosed in note 16b.

Capital management

The Board seeks to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors the Group's liquidity and financial position on a regular basis. The Group periodically reviews its long term financial commitments. There were no changes in the Group's capital management policy during the year. The Group also uses gearing ratio to monitor its capital, which is calculated as debt divided by total capital. The Group includes within debt, interest bearing loans and borrowings. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves.

	2020	2019
	RO'000	RO'000
Interest bearing borrowings	**5,064,647**	4,772,527
Share capital	**3,428,435**	3,315,293
Share capital pending registration	**194**	113,337
Accumulated (losses) / earnings	**(852,500)**	940,046
Statutory reserve	**152,243**	95,730
Other reserves	**(63,744)**	(81,804)
Total capital	**2,664,628**	4,382,602
Ratio of debt to equity	**1.90**	1.09

45. Reconciliation of liabilities arising from financing activities

The below table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	At 1 Jan 2020	**Financing cash inflows**	**Financing cash outflows**	**Non-cash transactions**	**As at 31 December 2020**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Term loans	**4,772,527**	**949,314**	**(652,400)**	**(4,794)**	**5,064,647**

	At 1 Jan 2019	Financing cash inflows	Financing cash outflows	Non-cash transactions	As at 31 December 2019
	RO'000	RO'000	RO'000	RO'000	RO'000
Term loans	4,564,974	573,777	(374,226)	8,002	4,772,527

46. Summarised financial information of subsidiaries with material non-controlling interest

Summarised statement of financial position

	OOMCO	
	2020	2019
	RO'000	RO'000
Current		
Assets	**65,021**	89,732
Liabilities	**(51,642)**	(65,651)
Total current net assets	**13,379**	24,081
Non-current		
Assets	**77,452**	63,084
Liabilities	**(17,185)**	(10,607)
Total non-current net assets	**60,267**	52,477
Net assets	**73,646**	76,558

46. Summarised financial information of subsidiaries with material non-controlling interest (continued)

Summarized statement of profit or loss and other comprehensive income

	OOMCO	
	2020	2019
	RO'000	RO'000
Revenue	**442,392**	583,670
Profit before income tax	**1,339**	6,743
Income tax expense	**(383)**	(1,120)
Profit for the year	**956**	5,623
Other comprehensive income	**-**	-
Total comprehensive income for the year	**956**	5,623
Total comprehensive income allocated to non-controlling interests	**487**	2,868
Dividends paid to non-controlling interests	**1,974**	1,974

Summarised statement of cash flows

	OOMCO	
	2020	2019
	RO'000	RO'000
Cash flows from operating activities		
Operating activities	**14,439**	9,569
Investing activities	**(12,720)**	(8,143)
Financing activities	**(7,873)**	(9,004)
Net change in cash and cash equivalents	**(6,154)**	(7,578)
At 1 January	**19,654**	27,232
At 31 December	**13,500**	19,654

The information above is before inter-company eliminations.

47. Operating segments

Basis for segmentation

The Group's organizational structure reflects various activities in which it is engaged. At 31 December 2020, the Group had two reportable segments: Upstream and Downstream.

Upstream's activities include oil and natural gas exploration, field development and production; midstream transportation, storage and processing of oil and natural gas.

Downstream's activities include the refining, manufacturing, marketing, transportation, and supply and trading of crude oil, petroleum, petrochemicals products and related services to wholesale and retail customers.

Other businesses and corporate mainly comprises of the Group's shipping, marketing, manufacturing and corporate activities worldwide. None of these segments met the quantitative thresholds for reportable segments in 2020 or 2019.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. However, IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For the Group, this measure of performance is profit or loss before tax.

Sales between segments are made at prices substantially in line with market prices, taking into account the volumes involved. Segment revenues and segment results include transactions between business segments.

These transactions and any unrealized profits and losses are eliminated on consolidation, unless unrealized losses provide evidence of an impairment of the asset transferred. Sales to external customers by region are based on the location of the Group subsidiary which made the sale.

Information about reportable segments and reconciliation

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

As a result of the Group's realignment of its operating strategies, the chief decision maker of Group has assessed the strategy on downstream operations and in 2020 has included OOMCO as downstream segment. Previously OOMCO was being reported under the other segment category. This resulted in a change in the presentation of the reportable segments. Accordingly, the Group has restated the previously reported segment information for the year ended 31 December 2019.

47. Operating segments (continued)

Information about reportable segments and reconciliation (continued)

2020 RO'000	**Reportable segments**		**All other**	**Consolidation adjustment and**	
	Upstream*	**Downstream****	**segment**	**eliminations**	**Total**
External revenues	**333,383**	**4,851,592**	**208,814**		**5,393,789**
Inter-segment revenues	**370,796**	**-**	**-**	**(370,796)**	**-**
Segment revenue	**704,179**	**4,851,592**	**208,814**	**(370,796)**	**5,393,789**
Cost of sales (excludes direct depreciation)	**(230,733)**	**(4,569,789)**	**(185,749)**	**294,379**	**(4,691,892)**
Depreciation & amortization	**(259,295)**	**(210,435)**	**(26,434)**	**735**	**(495,429)**
Share of profit (loss) of equity accounted investees	**-**	**(240,775)**	**30,500**	**-**	**(210,275)**
- Impairment losses	**(152,434)**	**(1,187,784)**	**(3,880)**	**-**	**(1,344,098)**
Net other operating income / (expenditure)	**(4,422)**	**(227,997)**	**(74,573)**	**76,417**	**(230,575)**
Interest income	**4,129**	**5,640**	**9,084**	**(2,189)**	**16,664**
Interest expense	**(33,348)**	**(84,859)**	**(25,675)**	**2,189**	**(141,693)**
Profit (loss) before tax	**28,076**	**(1,664,407)**	**(67,913)**	**735**	**(1,703,509)**
Taxation	**(575)**	**(8,828)**	**(4,032)**	**-**	**(13,435)**
Profit (loss) after tax	**27,501**	**(1,673,235)**	**(71,945)**	**735**	**(1,716,944)**
Segment assets	**2,123,043**	**3,184,467**	**4,580,799**	**-**	**9,888,309**
Segment liabilities	**1,178,424**	**5,340,146**	**665,940**	**-**	**7,184,510**
2019 RO'000					
External revenues	337,866	6,740,409	252,537	-	7,330,812
Inter-segment revenues	451,276	-	-	(451,276)	-
Segment revenue	789,142	6,740,409	252,537	(451,276)	7,330,812
Cost of sales (excludes direct depreciation)	(255,603)	(6,245,048)	(182,781)	321,538	(6,361,894)
Depreciation & amortization	(262,748)	(218,589)	(27,370)	1,074	(507,633)
Share of profit (loss) of equity accounted investees	-	(1,851)	35,997	-	34,146
- Impairment losses	-	(33,303)	(22,569)	-	(55,872)
- Reversal of impairment losses	65,279		24,940	-	90,219
Net other operating expenditure	(2,127)	(251,728)	(9,764)	129,738	(133,881)
Interest income	5,321	4,823	17,397	(7,517)	20,024
Interest expense	(33,451)	(123,437)	(25,524)	7,517	(174,895)
Profit (loss) before tax	305,813	(128,724)	62,863	1,074	241,026
Taxation	(13,415)	8,549	(4,896)	-	(9,762)
Profit (loss) after tax	292,398	(120,175)	57,967	1,074	231,264
Segment assets	2,188,491	4,424,594	4,739,029	-	11,352,114
Segment liabilities	1,242,665	5,376,750	306,327	-	6,925,742

47. Operating segments (continued)

Geographic information

The upstream and downstream segments are managed on a worldwide basis. The geographic information analyses the Group's revenue and non-current assets by the Group entity's country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	Domestic		Foreign	
	2020	2019	**2020**	2019
	RO'000	RO'000	**RO'000**	RO'000
Revenue	1,549,231	2,154,865	3,844,559	5,175,947
Non-current assets	7,446,460	7,932,851	305,627	767,757

The Group's sales to customers of crude oil and oil products were substantially made by the Downstream segment. No customer individually contributed to 10% or more of the Group's total revenue.

The geographic information analyses the Group's revenue is as follows:

	2020	2019
	RO'000	RO'000
Europe	**437,563**	655,985
NAFTA (North American Free Trade Agreement)	**297,796**	405,157
APAC (Asia-Pacific)	**2,591,621**	3,484,796
SAM (South American)	**16,370**	15,838
Middle east	**1,933,964**	2,593,771
Rest of the world	**116,475**	175,265
	5,393,789	7,330,812

48. Comparative amount

Following corresponding figures for 2019 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported profit, shareholder's equity or net cash flows.

	As previously reported RO'000	**Reclassification RO'000**	**As currently reported RO'000**
Intangible assets	143,134	9,965	**153,099**
Oil and gas exploration and production and development assets	1,223,909	(9,965)	**1,213,944**

The reclassification relates to transfer of oil and exploration assets into intangibles.

Notes to the consolidated financial statements for the year ended 31 December 2020

49. COVID-19

On 11 March 2020, the World Health Organization declared the coronavirus outbreak a pandemic, and the Oman government declared lockdowns in 2020. Responding to the potentially serious threat the COVID-19 presents to public health, the Oman government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments which is evolving as the days progress. Some businesses in Oman have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Oman, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Oman and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Group operates in energy sector that has been significantly affected by the outbreak of COVID-19. The Group realized relatively stable or temporarily decrease in sales and its operations including supplies. Based on the publicly available information at the date these financial statements were authorized for issue, management has considered the potential development of the outbreak and its expected impact on the Group and economic environment, in which the Group operates, including the measures already taken by the Oman government and governments in other countries, where the Group's major operations, business partners and customers are located.

In order to safeguard reliable and sustainable operating activities and the Group's liquidity position, management has implemented a number of measures, which notably include:

- implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments;
- employees in production department have been trained to adhere to very strict precautionary standards including social distancing;
- adjustment to the scale of the Group's operations to respond to the possible decrease in demand for the products offered by the Group;
- reducing non-essential capital expenditure and deferring or cancelling all discretionary spend; and
- initiating the process of extending existing and securing additional credit lines.

49. COVID-19 (continued)

Based on currently publicly available information, the Group's current KPI's and in view of the actions initiated by management, the Group does not anticipate a direct immediate and significant adverse impact of the COVID-19 outbreak on the Group, its operations, financial position and operating results. The Group however cannot preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Group operate in may have any adverse effect on the Group, and its financial position and operating results, in the medium and longer term. The Group continue to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

50. Approval of consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 23 March 2021.

OQ SAOC (formerly OMAN OIL COMPANY SAOC) AND ITS SUBSIDIARIES

Report and consolidated financial statements for the year ended 31 December 2019

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Independent auditor's report
to the Shareholder of
OQ SAOC (formerly Oman Oil Company SAOC) and its subsidiaries

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **OQ SAOC** [formerly known as Oman Oil Company SAOC] ("the Company"), **and its subsidiaries** (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board ("the IASB").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and the applicable provisions of Oman Commercial Companies Law and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Deloitte.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Deloitte.

Independent auditor's `report to the Shareholder of OQ SAOC (formerly Oman Oil Company SAOC) and its subsidiaries (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

We report that the consolidated financial statements of the Group as at and for the year ended 31 December 2019, in all material respects, comply with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
23 March 2020

ديلويت آند توش (الشرق الأوسط) وشركاه ش.م.م
C.R. No. 1736256
Deloitte.
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Deloitte & Touche (M.E.) & Co. LLC.

Consolidated statement of financial position as at 31 December 2019

	Notes	2019 RO'000	2018 (restated) RO'000	1 January 2018 (restated) RO'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	5,162,488	4,827,099	4,142,016
Oil and gas exploration and production and development assets	7	1,223,909	1,118,688	1,375,178
Right-of-use assets	8	184,623	-	-
Intangible assets	9	143,134	161,409	181,760
Goodwill	10	12,328	12,474	13,051
Investment in associates	11	271,514	295,011	288,580
Interest in joint ventures	12	439,610	236,955	205,391
Deferred tax assets	41	31,696	31,343	33,513
Concession receivables	13	610,366	348,644	-
Lease receivables	14	258,961	267,188	275,194
Contract assets	15	290,268	285,303	-
Due from related parties	31	54,351	49,731	47,348
Derivatives	21	-	19,738	-
Other non-current assets	18	17,355	59,132	16,837
Total non-current assets		8,700,603	7,712,715	6,578,868
Current assets				
Inventories	19	512,324	514,468	577,815
Trade and other receivables	20	675,016	935,852	990,302
Concession receivables – current portion	13	20,662	21,685	332
Lease receivables	14	8,227	7,542	6,458
Due from related parties	31	252,823	233,822	100,161
Investments - at fair value through profit or loss	16	366,805	386,784	405,299
Derivatives	21	75,590	28,184	11,936
Short-term deposits	17	172,563	788,108	82,881
Cash and cash equivalents	22	567,501	620,463	458,294
Total current assets		2,651,511	3,536,908	2,633,478
Assets held-for-sale		-	-	30,808
Total assets		11,352,114	11,249,623	9,243,154
EQUITY AND LIABILITIES				
EQUITY				
Share capital	23	3,315,293	3,012,980	2,838,159
Share capital pending registration	23	113,337	194	194
Shareholder's contribution		-	302,313	364,324
Statutory reserve	24	95,730	91,575	89,490
Other reserve	25	16,249	12,827	12,827
Fair value reserve	26	(45,965)	27,113	(623)
Translation reserve		(33,167)	(16,670)	6,774
Retained earnings / (accumulated losses)		921,125	717,842	(8,200)
Equity attributable to equity holders of the parent		4,382,602	4,148,174	3,302,945
Non-controlling interests		43,770	89,052	78,818
Total equity		4,426,372	4,237,226	3,381,763
Non-current liabilities				
Loans and borrowings	27	3,935,761	4,309,819	3,425,364
Lease liabilities	28	157,126	-	-
Employees' end-of-service benefits	29	70,353	58,238	50,523
Provision for site restoration and abandonment cost	30	113,392	133,127	150,420
Due to related parties	31	9,271	-	277
Deferred tax liabilities	41	141,741	157,572	136,074
Derivatives	21	38,840	-	3,105
Other liabilities	32	30,207	30,426	101,632
Total non-current liabilities		4,496,691	4,689,182	3,867,395
Current liabilities				
Trade and other payables	33	1,232,128	1,512,940	1,011,089
Loans and borrowings	27	836,766	255,155	428,192
Lease liabilities	28	31,108	-	-
Derivatives	21	64,385	31,190	32,557
Due to related parties	31	250,042	392,796	470,274
Income tax	41	14,622	131,134	51,884
Total current liabilities		2,429,051	2,323,215	1,993,996
Total liabilities		6,925,742	7,012,397	5,861,391
Total equity and liabilities		11,352,114	11,249,623	9,243,154

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on 23 March 2020.

Deputy Chairman

Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	Notes	2019 RO'000	2018 (restated) RO'000
Revenue	34	7,330,812	8,867,325
Cost of sales		(6,838,157)	(8,287,381)
Gross profit		492,655	579,944
Farm out transaction	35	-	614,457
Investment income	35	8,963	8,784
Share of results of equity accounted investments	36	34,146	55,488
Other income	37	88,333	55,054
Administrative expenses	38	(263,653)	(258,769)
Impairment losses (released) / charged - net	39	34,347	(69,909)
Operating profit		394,791	985,049
Finance income	40	20,023	11,805
Finance expense	40	(174,896)	(160,845)
Foreign exchange gains / (losses) - net	40	1,108	2,552
Profit for the year before tax		241,026	838,561
Income tax expense	41	(9,762)	(158,906)
Profit for the year		231,264	679,655
Other comprehensive (loss) / income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference relating to subsidiaries		(10,438)	(16,098)
Foreign currency translation difference on investment in associates	11	(6,059)	(7,346)
Share of other comprehensive income of associates and joint ventures	26	(672)	(555)
Effective portion of changes in fair value of cash flow hedges	26	(72,406)	28,291
Items not to be reclassified to profit or loss in subsequent periods			
Transfer to defined benefit plan, actuarial gains and losses		(4,594)	(279)
Other comprehensive (loss) / income for the year, net		(94,169)	4,013
Total comprehensive income for the year		137,095	683,668
Profit for the year attributable to:			
- Equity holders of the parent		229,894	666,479
- Non-controlling interests		1,370	13,176
Profit for the year		231,264	679,655
Total comprehensive income attributable to:			
- Equity holders of the parent		135,725	670,492
- Non-controlling interests		1,370	13,176
Total comprehensive income for the year		137,095	683,668
Earnings per share			
Basic and diluted earnings per share	42	0.068	0.201

The accompanying notes form an integral part of these consolidated financial statements.

OQ SAOC (formerly OMAN OIL COMPANY SAOC) AND ITS SUBSIDIARIES

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital	Share capital pending registration	Shareholder's contribution	Statutory reserve	Other reserve	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	RO'000	RO'000		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2019 - restated	3,012,980	194	302,313	91,575	12,827	27,113	(16,670)	717,842	4,148,174	89,052	4,237,226
Profit for the year	-	-	-	-	-	-	-	229,894	229,894	1,370	231,264
Other comprehensive income for the year, net	-	-	-	-	-	(73,078)	(16,497)	(4,594)	(94,169)	-	(94,169)
Total comprehensive income for the year	-	-	-	-	-	(73,078)	(16,497)	225,300	135,725	1,370	137,095
Transfer to statutory reserve (note 24)	-	-	-	4,155	-	-	-	(4,155)	-	-	-
Increase in share capital during the year	302,313	113,143	(302,313)	-	-	-	-	-	113,143	1,336	114,479
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(8,634)	(8,634)
Other movements	-	-	-	-	3,422	-	-	(2,605)	817	1,266	2,084
Increase in investment in subsidiaries and NCI	-	-	-	-	-	-	-	(15,257)	(15,257)	(40,620)	(55,878)
At 31 December 2019	3,315,293	113,337	-	95,730	16,249	(45,965)	(33,167)	921,125	4,382,602	43,770	4,426,372

The accompanying notes form an integral part of these consolidated financial statements.

OQ SAOC (formerly OMAN OIL COMPANY SAOC) & ITS SUBSIDIARIES

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital	Share capital pending registration	Shareholder's contribution	Statutory reserve	Other reserve	Fair value reserve	Translation reserve	(Accumulated losses) / retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	RO'000	RO'000		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2018	2,838,159	194	-	89,490	103,227	71,997	6,774	(71,621)	3,038,220	78,818	3,117,038
Adjustment due to common controlled transaction (note 48)	-	-	364,324	-	(90,400)	-	-	-	273,924	-	273,924
Recycling accumulated fair value reserve related to available-for sale investments to retained earnings on adoption of IFRS 9	-	-	-	-	-	(72,620)	-	72,620	-	-	-
Other movement	-	-	-	-	-	-	-	(9,199)	(9,199)	-	(9,199)
At 1 January 2018 - restated	2,838,159	194	364,324	89,490	12,827	(623)	6,774	(8,200)	3,302,945	78,818	3,381,763
Profit for the year	-	-	(62,011)	-	-	-	-	728,490	666,479	13,176	679,655
Other comprehensive income for the year, net	-	-	-	-	-	27,736	(23,444)	(279)	4,013	-	4,013
Total comprehensive income for the year	-	-	(62,011)	-	-	27,736	(23,444)	728,211	670,492	13,176	683,668
Transfer to statutory reserve (note 24)	-	-	-	2,085	-	-	-	(2,085)	-	-	-
Increase in share capital during the year	174,821	-	-	-	-	-	-	-	174,821	(968)	173,853
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(1,974)	(1,974)
Other movements	-	-	-	-	-	-	-	(84)	(84)	-	(84)
At 31 December 2018 – restated	3,012,980	194	302,313	91,575	12,827	27,113	(16,670)	717,842	4,148,174	89,052	4,237,226

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2019

	Notes	2019 RO'000	2018 (restated) RO'000
Operating activities			
Profit before tax		**241,026**	838,561
Adjustments for : non-cash and others items:			
(Reversal) / charge of impairment losses – net	39	**(34,347)**	69,909
Share of results of equity accounted investees	36	**(34,146)**	(55,488)
Farm out transaction	35	**-**	(614,457)
Realised gain on sale of investments	35	**(2,422)**	(2,083)
Depreciation including right of use assets	6	**491,085**	426,785
Provision for site restoration and abandonment cost	30	**6,729**	6,632
Amortization of intangible assets	6	**19,621**	19,146
Accrual for end of service benefits	29	**16,553**	7,732
Amortization of deferred financing costs	45	**8,002**	5,841
Finance cost	40	**159,662**	150,426
Finance income	40	**(20,023)**	(11,805)
Unrealized gain on investment	35	**17,345**	15,508
Employees' end of service benefits paid	29	**(4,438)**	(1,509)
Other movements in non-current assets and liabilities		**64,805**	(106,026)
Concession income	13	**(58,589)**	(41,324)
Operating cash flows before working capital changes		**870,863**	707,848
Working capital changes:			
Inventories		**2,144**	60,859
Trade and other receivables		**265,332**	(78,116)
Concession receivables		**(152,437)**	(98,646)
Lease receivables		**7,542**	6,922
Contract assets		**(54,498)**	(146,804)
Trade and other payables		**(281,031)**	528,767
Due from related parties		**(146,276)**	(137,044)
Due to related parties		**(133,483)**	(16,904)
Cash from operations		**378,156**	826,882
Taxes paid		**(142,458)**	(48,786)
Net cash from operating activities		**235,698**	778,096
Investing activities			
Acquisition of property, plant and equipment	6	**(594,698)**	(1,019,392)
Proceeds from disposal of property, plant and equipment		**53,326**	9,531
Acquisition of investment in equity accounted investees	11 & 12	**(83,297)**	(22,728)
Acquisition of oil and gas exploration and production assets	7	**(318,940)**	(287,803)
Proceeds from disposal of oil and gas exploration and production assets		**-**	780,041
Proceeds from assets held-for-sale		**-**	30,808
Proceeds from disposal of equity accounted investments	11 & 12	**4,630**	-
Dividend received from equity accounted investees	11 & 12	**16,040**	22,449
Payment for intangible assets	9	**(4,642)**	(6,079)
Net movement in term deposits		**615,545**	(705,228)
Finance income received	40	**20,023**	11,805
Net cash used in investing activities		**(292,013)**	(1,186,596)
Financing activities			
Interest paid		**(152,933)**	(148,372)
Proceeds from share capital introduced by non-controlling interests		**-**	(968)
Dividends paid to non-controlling interests		**(8,634)**	(1,974)
Proceeds from loans and borrowings	45	**573,777**	1,136,850
Repayment of loans and borrowings	45	**(374,226)**	(431,273)
Repayment of lease liabilities	28	**(31,477)**	-
Payment against purchase of shares from non-controlling interests	2	**(19,255)**	-
Net cash from financing activities		**(12,748)**	554,263
Net change in cash and cash equivalents		**(69,063)**	145,763
Translation adjustments		**16,101**	16,406
Cash and cash equivalents at the beginning of the year		**620,463**	458,294
Cash and cash equivalents at end of the year (note 22)	22	**567,501**	620,463

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2019

1 Legal status and principal activities

OQ SAOC, (formerly Oman Oil Company SAOC) ("the Parent" or "the Parent Company") is a closed joint stock company domiciled in the Sultanate of Oman. The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Parent Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the Group's interest in associates and joint ventures. The Parent Company primarily is involved in the business of identifying, acquiring, managing, operating interests in petroleum and other energy related enterprises and dealing in investments. The Group is primarily engaged in exploration, production, marketing and distribution of petroleum and petroleum by-products. The Group operates in the Sultanate of Oman, United Arab Emirates, India, Pakistan, Korea, China, Hungary, Portugal, Spain, Chile, Germany, United States of America and Kazakhstan. The registered address of the Parent Company is P O Box 261, Postal Code 118, Sultanate of Oman.

The Parent Company is wholly owned by the Ministry of Finance of the Sultanate of Oman.

With effect from 13 February 2020, the legal name of Oman Oil Company SAOC is changed to OQ SAOC.

2 Group entities

The Group has the following investments in subsidiaries:

Company name	**Notes**	**Country of incorporation**	**% holding 2019**	% holding 2018
Oman Oil Holdings Spain SL (OOHS)		Spain	**100%**	100%
Oman Oil (Hungary) Limited (OOHL)		Cayman Islands	**100%**	100%
Oman Oil (Budapest) Limited (OOBL) (held through OOHL)		Cayman Islands	**100%**	100%
Oman Oil (S.E. Asia) Holdings (OOSEAH)		Cayman Islands	**100%**	100%
Oman Oil (Singapore Holdings) (OOSH) (held through OOSEAH)		Cayman Islands	**100%**	100%
Oman Pearls Company Limited (OPCL)		Cayman Islands	**100%**	100%
Oman Oil (Upstream) Holdings Limited (OOUHL)		Cayman Islands	**100%**	100%
OQ Exploration and Production L.L.C (formerly Oman Oil Company Exploration & Production LLC) (OOCEP)	i	Sultanate of Oman	**100%**	100%
Abraj Energy Services SAOC (held through OOCEP)		Sultanate of Oman	**100%**	100%
OOCEP Holding Limited (held through OOCEP)		Cayman Islands	**100%**	100%
Abutubul LLC (held through OOCEP)		Sultanate of Oman	**100%**	100%
Musandam Gas Plant LLC (held through OOCEP)		Sultanate of Oman	**100%**	100%
Makarim Gas Development LLC (held through OOCEP)		Sultanate of Oman	**100%**	100%
Musandam Oil & Gas Company LLC (held through OOCEP)		Sultanate of Oman	**100%**	100%
Oman Oil Company Limited (OOCL)		Bermuda	**100%**	100%
Oman Oil Services Limited (OOSL)		Bermuda	**100%**	100%
Oman Energy Trading Company Limited (OETCL)		Bermuda	**100%**	100%
Takatuf Oman LLC		Sultanate of Oman	**100%**	100%
Oman Oil International Limited (OOIL) (held through OETCL)		Cayman Islands	**70%**	70%
Oman Trading International (OTI) (held through OOIL)	ii	United Arab Emirates	**100%**	70%
Oman Energy Limited (Tanzania)		Tanzania	**-**	100%
Musandam Power Company SAOC (held through OGC)	11 (x)	Sultanate of Oman	**41.85%**	70%
Oman Oil Holding Europe B.V (OOHE)		Netherlands	**100%**	100%
Sumhuram Energy B.V (SE) (held through OOHE)		Netherlands	**100%**	100%
Sumhuram Energy Chile I SpA (SEC I) (held through SE)		Chile	**100%**	100%
Sumhuram Energy Chile II Limitada (SEC II) (held through SEC I)		Chile	**100%**	100%
Mazoon B.V (held through OOHE)		Netherlands	**100%**	100%
Majan Energy B.V (held through OOHE)		Netherlands	**100%**	100%
OXEA S.à r.l. (held through Majan Energy B.V)		Luxembourg	**-**	100%
OXEA Holding S.à r.l. (held through OXEA S.à r.l.)		Luxembourg	**-**	100%
OXEA Holding Drei GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OPG OXEA Beteiligungs-GmbH		Germany	**100%**	100%

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

2 Group entities (continued)

Company name	Notes	Country of incorporation	% holding 2019	% holding 2018
OXEA Holding Vier GmbH		Germany	**100%**	100%
OXEA Holding Zwei GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA Holding GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA Infrastruktur GmbH & Co. KG (held through Majan Energy B.V)		Germany	**98%**	98%
OXEA Nederland B.V (held through Majan Energy B.V)		Netherlands	**100%**	100%
OIG OXEA Infrastruktur GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA Japan K.K. (held through Majan Energy B.V)		Japan	**100%**	100%
OXEA Singapore Pte. LTD (held through Majan Energy B.V)		Singapore	**100%**	100%
OXEA UK LTD. (held through Majan Energy B.V)		United Kingdom	**100%**	100%
OXEA Holding Corporation (held through Majan Energy B.V)		United States of America	**100%**	100%
OXEA Corporation (held through Majan Energy B.V)		United States of America	**100%**	100%
OXEA Services LLC (held through Majan Energy B.V)		United States of America	**100%**	100%
OXEA Bishop LLC (held through Majan Energy B.V)		United States of America	**100%**	100%
OXEA Finance S.à r.l. (held through OXEA S.à r.l.)		Luxembourg	**-**	100%
OXEA Finance LLC (held through OXEA S.à r.l.)		United States of America	**-**	100%
OXEA Finance & Cy. S.C.A. (held through OXEA S.à r.l.)		Luxembourg	**-**	100%
OXEA do Brasil Participações LTDA (held through Majan Energy B.V)		Brasil	**100%**	100%
OXEA International GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA (Nanjing) Advanced Derivatives LTD. (held through Majan Energy B.V)		China	**100%**	100%
OXEA Holding 2 S.à r.l. (held through OXEA S.à r.l.)		Luxembourg	**-**	100%
OXEA Production GmbH & Co. KG (held through Majan Energy B.V)		Germany	**100%**	100%
OXEA Services GmbH (held through Majan Energy B.V)		Germany	**100%**	100%
Oman Pearls Company Limited – UK (OPCL)		United Kingdom	**100%**	100%
Oman Oil Marketing Company SAOG (OOMCO)	iii	Sultanate of Oman	**49%**	49%
OQ Methanol(SFZ) L.L.C. formerly (Salalah Methanol LLC) (SMC)		Sultanate of Oman	**100%**	100%
Takamul Investment Company LLC (TIC)		Sultanate of Oman	**100%**	100%
Oman Aluminium Rolling Company LLC (held through TIC)		Sultanate of Oman	**100%**	100%
Rolling Mill Holding Company Limited (held through TIC)		Cayman Islands	**100%**	100%
Sohar Sulphur Fertilizer LLC (held through TIC)		Sultanate of Oman	**68.75%**	68.75%
Oman Blending Services LLC (held through TIC)		Sultanate of Oman	**-**	100%
Centralised Utilities Company LLC (held through OOFDC)		Sultanate of Oman	**100%**	73.8%
Duqm Power Company LLC (DPCL) (held through CUC)		Sultanate of Oman	**-**	51.1%
Sohar Paper Cores LLC (held through TIC)		Sultanate of Oman	**100%**	100%
Oman Purified Isophthalic Acid Company LLC (held through TIC)		Sultanate of Oman	**100%**	100%
Duqm Management & Services LLC (held through TIC)		Sultanate of Oman	**70%**	70%
Tamasuk Eco Solutions LLC (held through TIC)		Sultanate of Oman	**-**	60%
Takamul Holding Company Limited		Cayman Island	**100%**	100%
Duqm Petroleum Terminal Company LLC (DPTC)		Sultanate of Oman	**100%**	90%
Oman Tank Terminal Company LLC (OTTCO)		Sultanate of Oman	**100%**	100%
OQ Gas Networks S.A.O.C formerly (Oman Gas Company SAOC) (OGC)		Sultanate of Oman	**100%**	100%
Oman Oil Duqm Development LLC		Sultanate of Oman	**100%**	100%
Oman Oil Facilities Development Company LLC		Sultanate of Oman	**100%**	100%
Oman International Petrochemical Industry Company LLC		Sultanate of Oman	**70%**	70%
OQ L P G (SFZ) L.L.C formerly (Salalah LPG SFZCO LLC) (SLPG)		Sultanate of Oman	**100%**	100%
Oman Gas International		Cayman Island	**100%**	100%
OQ Refineries and Petroleum Industries L.L.C formerly (Oman Oil Refineries and Petroleum Industries Company SAOC) (ORPIC)	iv	Sultanate of Oman	**100%**	25%
OQ Refineries L.L.C formerly (Orpic Refineries LLC)	iv	Sultanate of Oman	**100%**	25%
OQ Aromatics L.L.C formerly (Orpic Aromatics LLC)	iv	Sultanate of Oman	**100%**	25%
OQ Plastics L.L.C formerly (Orpic Plastics LLC)	iv	Sultanate of Oman	**100%**	25%
OQ Depots L.L.C formerly (Orpic Depot LLC)	iv	Sultanate of Oman	**100%**	25%
OQ Marketing L.L.C formerly (Orpic Polymer Marketing LLC)	iv	Sultanate of Oman	**100%**	25%

2 Group entities (continued)

i. The Group has the following material interests, all of which are located within the Sultanate of Oman.

Name	Participating Interest	Operator	Activity
Block 60	100%	OOCEP	Exploration and production
Block 48	100%	OOCEP	Exploration
Block 42	50%	OOCEP	Exploration
Block 9	45%	Occidental	Exploration and production
Block 61	30%	BP	Exploration and production
Block 65	27%	Occidental	Exploration and production
Block 30	27%	Occidental	Exploration and production
Block 53	20%	Occidental	Exploration and production
Block 52	15%	ENI	Exploration
Karim	25%	Medco	Production service agreement
Rima	25%	Petrogas	Production service agreement

All interests of less than 100% are Joint Operations. OOCEP also has interests in gas purchase and sale contracts relating to Dolphin field.

In 2018, Makarim Gas Development LLC farmed out a 10% of working interest in Block 61.

ii. On 27 June 2019, Oman Energy Trading Company Limited (OETCL); a wholly owned subsidiary of OOC, purchased 30% shares of Oman Trading International Limited (OTI) from Eagle Properties (No 21) Limited; a wholly owned subsidiary of State General Reserve Fund (SGRF) at a purchase consideration of RO 53 million, which resulted in 100% ownership by the Group in OTI. The settlement of the purchase consideration was made partially in cash and by divesting shares of Mineral Development Oman and Innovation Development Oman Holding Company SAOC. Excess of the purchase consideration (as determined below) is recorded in the statement of changes in equity:

	RO'000
Mineral Development Oman	14,834
Innovation Development Oman Holding Company SAOC	18,910
Cash	19,256
Total purchase consideration	**53,000**
30% of OTI net worth	37,742
Excess	**15,258**

iii. Although the Group owns less than half of the total share capital of OOMCO, the management of the Parent Company assessed that the Group has control over its investment in OOMCO based on whether the Group has the practical ability to direct the relevant activities of OOMCO unilaterally. The management considered the Group's absolute size of holding in OOMCO and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, the management, concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of OOMCO.

2 Group entities (continued)

Therefore, the Group has control over OOMCO by virtue of Article 5 of chapter two of OOMCO's Articles of Association, which entitles the holder of multi vote share to two votes at the Annual General Meeting of OOMCO. The Group holds 3,225,000 multi vote shares and 28,380,000 ordinary shares, which give it an overall voting power of 51.43% in OOMCO.

iv. The Parent Company was holding 25% shares in ORPIC as an investment in associate until 31 December 2018, amounting to RO 299.04 million. In accordance with the decision of Finance and Energy Resource Council, Ministry of Finance (MOF) agreed to transfer its holding of 75% in ORPIC to OOC with effect from 1 January 2019 (the "Effective Date") at a consideration of RO 302.312 million, which is settled by OOC issuing additional shares at nominal value of RO 1 each. The terms of transfer is based on "net assets" of ORPIC on the effective date of transfer based on audited financial statement at 31 December 2018. As disclosed in note 48, management has consolidated ORPIC as if the Group owns 100% of OPRIC from 1 January 2018.

3. Basis of preparation

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB, applicable provisions of the requirements of the Commercial Companies Law of 2019 the Sultanate of Oman.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019, which has replaced the Commercial Companies Law 1974. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

The consolidated financial statements are prepared under the historical cost convention except for investments at fair value through profit and loss and derivatives, which are measured at fair value.

The Group comprises operations with a number of functional currencies. The Parent Company's functional currency is Rial Omani ("RO"). Management uses RO for controlling and maintaining the performance and financial position of the Group and accordingly the consolidated financial statements are presented in Rial Omani.

All financial information presented in RO has been rounded to the nearest thousand, unless otherwise indicated.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not separately tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Investment in associates and joint ventures (continued)

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss and represents share of profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Impairment' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

3. Basis of preparation (continued)

3.2 Basis of consolidation (continued)

Interest in joint operations (continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for changes in accounting policies as explained below:

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

In the current year, the Group, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets, when such recognition assumptions are adopted.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

Initial application of IFRS 16

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group has not restated any comparative information.

The Group recognize:

- a lease liability at the date of initial application for leases previously classified as an operating leases applying IAS 17. The Group measured that lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of initial application; and

- a right-of-use asset at the date of initial application for leases previously classified as an operating leases applying IAS 17. The Group measure that right-of-use asset an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact of the new definition of a lease (continued)

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019, (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group had carried out an implementation project and implemented IFRS 16 from 1 January 2019. Based on the implementation it has been concluded that the new definition in IFRS 16 had not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in the statement of profit or loss.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Impact on Lessee Accounting (continued)

Former finance leases

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the consolidated financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in the leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Group has reclassified certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit loss has been recognised on the finance lease receivables.

Financial impact of initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the year December 31, 2019

Impact on profit or loss

	2019
	RO'000
Increase in depreciation and amortisation expense	(26,094)
Increase in finance costs	(8,660)
Decrease in other expenses	31,477
Decrease in profit for the year	**(3,277)**

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16 (continued)

Impact on statement of cash flows

	31 Dec 2019 RO'000
Interest expense	9,110
Net cash flows from operating activities	**9,110**
Payment of lease liabilities (note 28)	31,477
Net cash flows from financing activities	**31,477**

Impact on assets, liabilities and equity as at 1 January 2019

	1 Jan 2019 RO'000
Right-of-use assets	202,639
Net impact on total assets	**202,639**
Lease liabilities	201,126
Net impact on total liabilities	**201,126**

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities as of 1 January 2019.

	RO'000
Operating lease commitments disclosed as of 31 December 2018	327,946
Short-term leases and leases of low-value assets	(6,428)
Discounted using the lessee's incremental borrowing rate as at 1 January 2019	(120,392)
Lease liability recognised as at 1 January 2019	**201,126**

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Financial impact of initial application of IFRS 16 (continued)

	RO'000
Of which are:	
Current lease liabilities	35,444
Non-current lease liabilities	175,157
	210,601

The recognized right of use of assets relates to leasehold lands, plant & equipment, drilling, land & rigs and vehicles with cumulative balance as follows:

	31 Dec 2019 RO'000	1 Jan 2019 RO'000
Right-of-use assets (note 8)	184,623	212,114

Lessee

- The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortization expense and in interest expense.

- The lease incentives liability previously recognised with respect to operating leases has been derecognised and the amount factored into the measurement of the right-of-use assets and lease liabilities.

Under IFRS 16, lessees must present

- Short-term lease payments, payments for leases of low-value assets not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);

- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include the interest paid as part of financing activities); and

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Lessee (continued)

- Cash payments for the principal portion for leases liability, as part of financing activities. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

Lessor

IFRS 16 does not have significant impact at the Group financial statement.

New and amended IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements.

New and revised IFRS	Summary
Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial liabilities	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

New and revised IFRS	Summary
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	The Group has adopted the amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs *IAS 12 Income Taxes* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. *IAS 23 Borrowing costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. *IFRS 3 Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

New and revised IFRS	Summary
Annual Improvements to IFRS Standards 2015 - 2017 Cycle (continued)	<u>*IFRS 11 Joint Arrangements*</u> The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.
Amendments to IAS 19 Employee Benefits	The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and • the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).
IFRIC 23 Uncertainty over Income Tax Treatments	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
IAS 28 Investment in Associates and Joint Ventures	This amendment affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRS in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRS	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those consolidated financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Definition of a Business – Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020

3. Basis of preparation (continued)

3.3 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2022.	1 January 2022
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the year of initial application.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

4.1 Oil and natural gas exploration, evaluation and development expenditure

Oil and natural gas exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount.

If there are indicators of impairment or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of profit or loss and other comprehensive income. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets.

Exploration and evaluation costs

Exploration and evaluation (E&E) activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Costs directly associated with exploration wells are capitalised as E&E intangible assets until the drilling of the well is complete and the results have been evaluated. Costs include directly attributable to employee remuneration, materials and fuel used, rig costs and payments made to contractors. Geological and geophysical costs are expensed as incurred.

If no potentially commercial hydrocarbons are discovered, the E&E asset is written off. If potentially commercial hydrocarbons are found the costs continue to be carried as an intangible asset while the discovery is appraised. Costs directly associated with appraisal activity are initially capitalised as an intangible asset. All capitalised E&E costs are subject to technical, commercial and management review, as well as a review for indicators of impairment at least once a year. Where it is determined that a discovery is not potentially commercial the costs are written off as an exploration expense.

4. Summary of significant accounting policies (continued)

4.1 Oil and natural gas exploration, evaluation and development expenditure (continued)

Exploration and evaluation costs (continued)

On commencement of development capitalised E&E expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to fixed assets. Other than licence costs, no amortisation is charged during the E&E phase.

Farm-outs - in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained.

Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest.

Farm-outs - other than in the exploration and evaluation phase

In accounting for a farm-out arrangement other than in the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee.
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor.
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets.
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within fixed assets.

4. Summary of significant accounting policies (continued)

4.2 Oil and gas properties and other property, plant and equipment

Initial recognition

Oil and gas assets and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to asset additions, improvements or new developments.

Major maintenance, inspection and repairs

Expenditure on major maintenance, refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Depreciation / amortisation

The net book value of producing assets are depreciated on a unit-of-production basis over the total proven and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The total proven and probable reserves of the field are reviewed at least annually. The unit-of-production rate calculation takes into account expenditures incurred to date, together with sanctioned and projected future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives, and major inspection costs are amortised over three to five years, which represents the estimated period before the next planned major inspection. Property, plant and equipment held under finance/capital leases are depreciated over the shorter of lease term and estimated useful life.

Items of property, plant and equipment are measured at cost less accumulated depreciation / depletion and impairment losses.

4. Summary of significant accounting policies (continued)

4.2 Oil and gas properties and other property, plant and equipment (continued)

Depreciation / amortisation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue.

Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost.

The estimated useful lives for other assets are as follows:

	Years
Buildings	5 - 30
Furniture and office equipment	2 - 15
Plant, equipment and vehicles	2 - 30

Useful lives and residual values are reviewed at each reporting date.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Capital work-in-progress

Capital work-in-progress is stated at cost less any impairment losses. When commissioned, capital work-in-progress is transferred to the appropriate plant and equipment category and depreciated in accordance with depreciation policies of the Group.

4. Summary of significant accounting policies (continued)

4.3 Business combinations and goodwill

Business combinations are accounted for using the acquisition method except for transaction under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.3 Business combinations and goodwill (continued)

Transactions under Common Control

The Group follows the predecessor accounting method when there is business combination under common control. Moreover, the Group adopts retrospective presentation method as if both acquirer and acquiree had always been combined or using the results from the date when either entity joined the Group, where such a date is later.

Under predecessor accounting method, the acquirer continues to adopt the value of the assets and liabilities as per the book value in the acquired entity, even after transfer of shareholding. Any excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the book value of the net identifiable assets acquired and liabilities assumed is transferred to other reserves in equity.

4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment, whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.4 Intangible assets

Technology, customer relationship and trademarks

As part of the purchase price allocation performed by the Group on the acquisition of Oxea Group, the Group had identified and recorded intangible assets relating to trademarks, customer relationships and technology (refer to note 9).

A summary of the policies applied to the Group's major intangible asset classes are as follows:

	Trademarks	**Customer relationships**	**Technology**
Useful lives	Indefinite	Finite (10 years)	Finite (10 – 20) years
Amortisation method used	No amortisation	Amortised on a straight line basis	Amortised on a straight line basis
Internally generated or acquired	Acquired	Acquired	Acquired

4.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in selling. Work in progress on long term contracts is calculated at cost plus attributable profit, to the extent that this is reasonably certain after making provision for contingencies, less any losses foreseen in bringing contracts to completion and less amounts received and receivable as progress payments. Cost for this purpose includes direct labour, direct expenses and an appropriate allocation of overheads. The cost of the inventory is determined using FIFO method.

The valuation approach for Oman Trading international's (OTI) inventory is based on OTI's specific activities in relation to each product. Physical commodities principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin are held at fair value less costs to sell. These commodities include crude oil, refined products, petrochemicals and liquefied natural gas. Movements in the fair value of inventory between reporting dates are directly recognised in cost of sales. The fair value is measured with reference to observable market prices.

4.6 Employees' end-of-service benefits

The Group's obligation for contributions to defined contribution pension plans are recognised as an expense when due. The Group's obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

4. Summary of significant accounting policies (continued)

4.6 Employees' end-of-service benefits (continued)

Group entities registered in Oman make payment to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees, calculated as a percentage of the employees' salary. The Group's obligations are limited to these contributions, which are expensed when due.

The Group entities operating in Oman also provide end-of-service benefits to its Omani and expatriate employees. End-of-service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Liabilities for defined benefit plans for Oxea Group are measured using the projected unit credit method, taking into account not only the pension obligations and vested pension rights known at the reporting date, but also expected future salary and benefit increases. Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recorded in other comprehensive income. Service costs are classified as administrative expenses. Interest costs are charged to the consolidated statement of comprehensive income. The amounts payable under defined contribution plans are expensed when the contributions are due and classified as administrative expenses. Past service costs are recognized immediately in the consolidated statement of comprehensive income, regardless of vesting requirements. For funded plans, Oxea offsets the fair value of the plan assets with the benefit obligation.

These defined benefit plans expose Oxea to actuarial risks, such as longevity risk, currency risk and interest rate risk. For funded plans, Oxea offsets the fair value of the plan assets with the benefit obligation.

4.7 Foreign currency transactions

Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies (including monetary assets and liabilities considered as a net investment in foreign operation) are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

4. Summary of significant accounting policies (continued)

4.7 Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

4.8 Leases

Leases under IFRS 16, applicable from 1 January 2019

Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Leases under FRS 16, applicable from 1 January 2019 (continued)

Group as a lessee (continued)

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position. The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss. As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Leases under IFRS 16, applicable from 1 January 2019 (continued)

Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Leases under IAS 17, applicable before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

4. Summary of significant accounting policies (continued)

4.8 Leases (continued)

Leases under IAS 17, applicable before 1 January 2019 (continued)

Group as a lessor

Leases where the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. For a finance lease, the Group recognises a lease receivable which falls within the scope of IFRS 9's derecognition and impairment provisions.

4.9 Concession arrangement

Infrastructure

As disclosed in note 13, the Group has applied IFRIC 12 in relation to the Concession Agreement with the Government of Sultanate of Oman.

Infrastructures within the scope of the IFRIC 12 are not recognized as property, plant and equipment of the Group. Under the terms of the Concession Agreement the Group acts as an operator. The Group constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

In accordance with the requirements of the IFRIC 12 a financial asset has been recognised where the Group constructs or upgrades the infrastructure, and is permitted to operate it over the concession period for an agreed revenue to be received during the period of operation. This financial asset covers the costs incurred in relation to the construction of the Gas Transmission Network.

In the financial asset model, the amount due from the Government or the shipper meets the definition of a financial asset which is accounted for in line with the accounting policies stated below relating to the financial assets.

The Group recognizes and measures revenue in accordance with IFRS 15 for the services it performs.

Revenue and costs relating to the construction or upgrade are being recognised in income over the construction phase of the arrangement in accordance with International Financial Reporting Standards 15 "Revenue from Contracts with Customers". Therefore, subject to the requirements of IFRS 15, revenue is being recognised by reference to the stage of completion of the construction project. Contract revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. Accounting policy details are stated below in the revenue recognition section.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments

In the normal course of business the Group uses financial instruments, principally investments in equity securities, trade and other receivables, cash and cash equivalents, term deposits, loans and borrowings, trade and other payables and derivatives.

4.10.1 Classification

Financial assets

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. *T*he *business* model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.1 Classification (continued)

Financial liabilities

All financial liabilities are classified as “amortised cost” other than negative fair value of derivatives which are carried at “fair value through profit or loss”.

4.10.2 Recognition / derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of profit or loss or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

4.10.3 Measurement

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.3 Measurement (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Cash and cash equivalents, trade and receivables, contract assets, due from associates and other assets are classified as financial assets at amortised cost.

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the consolidated statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to consolidated statement of profit and loss.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by- instrument basis. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the consolidated statement of financial position at fair value.

Changes in fair values and dividend income are recorded in the consolidated statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.3 Measurement (continued)

Financial liabilities

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

4.10.4 Impairment

Group recognizes ECL for cash and bank balances, due from related parties, contract assets and other assets using the general approach and uses the simplified approach for trade receivables as allowed by IFRS 9.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.4 Measurement (continued)

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default.

The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL

4.10.5 Derivative financial instruments and hedging activities

The Group enters into a derivative financial instruments to manage its exposure to interest rate and commodity price due to market fluctuation. Further details of derivative financial instruments are disclosed in note 21.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.5 Derivative financial instruments and hedging activities (continued)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates derivatives as hedging instruments in respect of interest rate risk in cash flow hedges and commodity price due to market fluctuation.

At the inception of the hedge relationship, the Group entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Note 21 sets out details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are detailed in note 26.

4. Summary of significant accounting policies (continued)

4.10 Financial instruments (continued)

4.10.5 Derivative financial instruments and hedging activities (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of Cumulative changes in fair values, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

This transfer does not affect other comprehensive income. Furthermore, if the Company expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively.

Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

4.10.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

4. Summary of significant accounting policies (continued)

4.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of this discounting is recognised as finance cost.

Amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Group records a provision for site restoration mainly relating to oil wells and fuel stations. Site restoration costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of site restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

4.13 Fair values

A number of the Group’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods.

Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.13 Fair values (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

4.14 Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and interpretations within IFRSs.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled for those goods and services.

The process for applying the new standard is separated into five steps:

- Step 1 – Identify the contract with a customer
- Step 2 – Identify the separate performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the separate performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group 's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance obligation completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group’s activities. Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be measured reliably and is stated net of sales taxes if applicable (such as VAT) and discounts. If advances are received from customers for future contractual services, the revenue is deferred until the services are provided.

Where revenue contains a significant financing element, the financing element is shown as a financing item and revenues are adjusted by a corresponding amount.

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Company considers the terms of the contracts with customers and the Price Control Maximum Allowed Revenue for the relevant period as approved by the RAB Joint Management Committee to determine the transaction price.

Revenue from sale of oil and gas

The Group has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligor, and is also exposed to inventory except in the case of Gas Purchase and Sale agreement with Dolphin Energy.

Revenue from the sale of oil and petroleum products is recognised when the control over the goods or services passed on to the customer.

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

Revenue from rendering services

Revenue from rendering services is recognised as the services are rendered, including where they are based on contractual daily rates for providing messing services which include catering services.

Revenue from services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Revenue from Oil field services

Revenue from the oil field services are recognised when the control of services passed on to the customer. The customer simultaneously receives and consumes the benefits or performance creates, enhances an asset that the customer controls and recognizes revenue over time.

Revenue from services rendered overtime is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on output method.

Mobilisation revenue net of delayed startup penalty, if any, for newly commissioned capital assets are recognised over the firm contract period. Mobilisation costs that are expected to be recovered are capitalized and amortised over the firm contract period.

Revenue from contracts

Revenue from the field services is recognised when the control of services passed on to the customer. Satisfied performance obligation passed the services to the customer and recognizes revenue over time, if the customer simultaneously receives and consumes the benefits or performance creates, enhances an asset that the customer controls.

Concession income

The Group recognises finance income on concession receivable based on effective interest rate method.

Construction revenue

The Group upgrades or constructs the Gas Transmission Infrastructure (the "Infrastructure") under the Concession Agreement. Under the terms of the Concession Agreement, the infrastructure can only be used by the Shipper and OGC has an enforceable right to payment for work done. Revenue from upgrade or construction of the Infrastructure is therefore recognised over time on a surveys of performance completed to date or milestones reached.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

Concession income (continued)

Construction revenue (continued)

The Group consider that this output method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. Construction revenue is the fair value of the amount due from the Government for the construction activity. The construction revenue recognised to date is recognised as a contract asset. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group becomes entitled to invoice the Shipper for construction of the infrastructure when the infrastructure asset is commissioned. Under the Concession Agreement and RAB Rules, the Company invoices the Shipper for the revenue allowed under the RAB rules.

The Group considers all relevant facts and circumstances in assessing whether a contract contains a financing component and whether that financing component is significant to the contract. In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer.

Expenditures are determined and allowed under the price control with no ex-post adjustment (except for specific events / triggers).

Pass through costs

Pass through cost represents taxation, fuel gas and regulator fees which are reimbursable on actual incurred basis.

Revenue from power generation

Revenue from power generation comprises tariffs for power capacity, electrical energy and fuel charges. Tariffs are calculated in accordance with the power purchase agreement entered with Oman Water and Power Procurement Company SAOC.

Capacity charge represents amounts payable to the Group for each hour during which the plant is available for power generation. Capacity charges income is recognised on a straight line basis over the lease term. Energy charge revenue which compensates the Group for the fuel and variable cost of power is recognised based on the supply of generated power.

Rental income

Rental income is recognised in profit or loss on a straight line basis over the term of the lease.

4. Summary of significant accounting policies (continued)

4.15 Government grants

Interest subsidy is recognised in the balance sheet initially as a deferred government grant when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. This deferred government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred government grant is recognised within net financing costs.

4.16 Finance income and expenses

Finance income comprises foreign exchange gains and interest income. Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset at the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are added to the cost of the respective assets. Interest revenue earned on deposits of borrowed funds is netted off against the cost of the borrowed funds added to the cost of the respective assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

4.17 Investment income

Investment income comprises dividend income, impairment losses on investments, gains and losses on sale of investments and fair value changes on investments held at fair value through profit and loss and held for trading. Dividend income is recognised when the right to receive the dividend is established.

4.18 Income tax

Income tax expense comprises current and deferred tax. Taxation is provided based on relevant laws of the respective countries in which the Group operates. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

4. Summary of significant accounting policies (continued)

4.19 Income tax on subsidiaries, associates and joint ventures

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group entity or an associate or a joint venture operates and its subsidiaries and associates operate and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

4.20 Directors' remuneration

The board of directors' remuneration is accrued within the limits and the requirements of the Commercial Companies Law of the Sultanate of Oman.

4.21 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

4.22 Carry of a partner

In the course of joint operations during exploration and appraisal stage one partner can fund (or carry) the expenditures of another. The interest could be recognised on the funds borrowed which will be capitalised in the main carry. The repayment of carry shall be recognised based on the agreed base from future benefits flowing in from future sales of extracted hydrocarbons. If no commercial discovery occurs, the carrier shall not recover the carry and the funded amount would be expensed in the same accounting period.

4.23 Transferred assets

Government assistance. For assistance provided by the Government of the Sultanate of Oman, an assessment is made as to whether it is acting as a shareholder or as the Government. Assistance is accounted for as a Government Grant or deemed equity contribution accordingly.

Transferred assets. Transferred assets are assets which are acquired by the Group either through transfer from another entity, donation or for no consideration and no issue of shares. Transferred assets are valued at fair value and classified according to the nature of the asset. Transferred assets with a fair value of below a de minimums level are accounted for at nil. For assets or rights transferred to the Group primarily due to Government ownership and without consideration, credit relating to fair valuation (in line with Level 3 of fair value measurement) is maintained in a separate reserve ("other reserve").

4. Summary of significant accounting policies (continued)

4.24 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segment operating results are reviewed regularly by the Group Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Group Chief Executive Officer (Chief Operating Decision Maker), in deciding how to allocate resources and in assessing performance.

The accounting policies of the operating segments are the same as the Group's accounting policies described in this note, except that IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the Chief Operating Decision Maker. For further information see note 47.

4.25 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is calculated by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

4.26 Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

4.27 Events after the reporting date

The Group consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting are disclosed in the consolidated financial statements when material.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.1 Critical judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in these consolidated financial statements:

Control over investments in subsidiaries

Management assesses whether or not the Group has control over its investment in subsidiaries based on whether the Group has the power to direct the relevant activities of the investees unilaterally.

Management considers the Group's absolute size of holding in subsidiaries and relative size of and dispersion of the shareholding owned by the other shareholders. After assessment, management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of subsidiaries and therefore Group has control over investment in subsidiaries, refer note 2(iii).

Concession arrangement

The analysis on whether the IFRIC 12 applies to an arrangement involves various factors and depends on the interpretation of contractual arrangement. Therefore, the application of IFRIC 12 requires judgment in relation with, amongst other factors,

(i) the identification of certain infrastructures in the scope of IFRIC 12;

(ii) the understanding of the nature of the payments in order to determine the classification of the infrastructure as a financial asset or as an intangible asset; and

(iii) the recognition of revenue from construction and concessionary activity.

Changes in one or more of the factors may affect the conclusions as to the appropriateness of the application of IFRIC 12.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.1 Critical judgements (continued)

Concession arrangement (continued)

As disclosed in note 13 of these consolidated financial statements, during 2018, the Government of Sultanate of Oman acting by the Ministry of Oil and Gas and the Ministry of Finance ("the Government") has entered into a concession agreement with the Group entity “OGC” whereby granting OGC exclusively the concession to develop (or upgrade), operate and maintain the Natural Gas Transportation Network. Under the concession, the Government controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement. The concession is for the period of 50 years starting from 1 January 2018. Management has evaluated the applicability of IFRIC 12 and concluded that the concession agreement falls within the purview of the "financial assets" model as defined in IFRIC 12, which requires OGC to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15. Accordingly, OGC has applied IFRIC 12 and recognised a financial asset (concession receivables), contract asset and financial income. If the arrangement had not fallen under IFRIC 12, OGC would have recorded property, plant and equipment and revenue calculated under the RAB rules.

Contract claims

Contract claims are recognised as revenue only to the extent that it is probable that they will not result in a significant reversal of revenue in subsequent periods. Management reviews the judgment related to these contract claims periodically and adjustments are made in the future periods, if assessments indicates that such adjustments are appropriate.

5.2 Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of oil producing assets & gas properties and other property, plant and equipment

Carrying value of oil & gas properties and other property, plant and equipment

Management performs impairment reviews on the Group’s oil & gas properties and other property, plant and equipment assets at least annually with reference to indicators in IAS 36 Impairment of Assets. Where indicators are present and an impairment test is required, the calculation of the recoverable amount requires estimation of future cash flows within complex impairment models. Key assumptions and estimates in the impairment models relate to: commodity prices and the long-term corporate economic assumptions thereafter, discount rates that are adjusted to reflect risks specific to individual assets, oil and gas reserves and the related cost profiles. Assumptions reflect all oil and gas reserves that a market participant would consider when valuing the asset. Judgment is also required in establishing the appropriate grouping of assets into cash generating units.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Estimates (continued)

Useful lives of oil producing assets & gas properties and other property, plant and equipment (continued)

Carrying value of oil & gas properties and other property, plant and equipment (continued)

Reserves estimates used in the calculation of Depreciation, Depletion and Amortisation (DD&A) and impairment of oil & gas properties and other property, plant and equipment

The determination of the Group's oil and gas reserves requires significant judgement and estimates to be applied. These are regularly reviewed and updated. Proven and probable reserves are estimates of the amount of oil and gas that can be economically extracted from the Group's oil and gas assets. The Group estimates its reserves using standard recognised evaluation techniques applied by the in-house reserve engineer.

Further, these reserve estimates are evaluated by external reserve engineers every three year. Proven and probable reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the government under the terms of the Exploration and Production Sharing Contracts.

Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

Estimates of oil and gas reserves are used to calculate depreciation, depletion and amortisation charges for oil and gas properties. The impact of changes in oil and gas reserves is dealt with prospectively. Oil and gas reserves also have a direct impact on the assessment of recoverability of asset carrying values. If oil and gas reserves are revised downwards, earnings could be affected by changes in depreciation expense or by immediate write-downs of asset carrying values.

Useful life of intangible assets

Amortisation is charged so as to write off the cost of the intangible assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as:

- Expected usage of the assets by the Group;
- Typical product life cycle for the asset and public information on estimates of useful lives of similar type of assets used in similar way;

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Estimates (continued)

Useful life of intangible assets (continued)

- Technical, technological, commercial or other types of obsolescence and the period of control over the assets.
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. Refer note 4.2 for details.

Impairment loss on investments in associates and joint ventures

The Group reviews its investments in associates and joint ventures periodically and evaluates the objective evidence of impairment. Objective evidence includes the performance of associate, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investments in associates and joint ventures. Refer notes 11 and 12 for details.

Provision for site restoration and abandonment cost

Provision for site restoration and abandonment cost is based on management assessment of various factors such as average cost per oil well and fuel stations for restoration and abandonment, estimated life of the oil wells and fuel stations and average inflation rate and discount rate to be used for estimating and discounting the expected cash flows over the estimated life of the oil wells and fuel stations. Refer note 30 for details.

Income tax

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Estimates (continued)

Income tax (continued)

The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Refer note 41 for details.

Deferred tax

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Refer note 41 for details.

Percentage of completion method

The Group uses the output method to recognise revenue on the basis of Group's efforts or inputs to the satisfaction of a performance obligation in accounting for its construction contracts. This is done by measuring surveys of performance completed to date or milestones reached.

At each reporting date, the Group is required to estimate stage of completion. Effects of any revision to these estimates are reflected in the year in which the estimates are revised. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately, as soon as foreseen, whether or not work has commenced on these contracts.

The Group uses its project managers to measure the surveys of performance completed to date or milestones reached. Factors such as delays in expected completion date, changes in the scope of work, changes in material prices, increase in labour and other costs are included in the construction cost estimates based on best estimates updated on a regular basis.

Valuation of unquoted investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; and
- Other valuation models

Refer note 16 for details.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.3 Estimates (continued)

Accounting for commodity purchase and sale contracts

At inception, physical commodity purchase and sales transactions which support Group entity's (OTI's) principal activities which are capable of net settlement and are not entered into (or continue to be held) for the purpose of receipt or delivery of a non-financial item in accordance with Group entity's expected purchase, sale or usage requirements fall within the scope of IFRS 9.

Certain physical commodity contracts do not fall within the scope of IFRS 9. These contracts are accounted for as executory contracts. Revenue from the sale of goods and provision of services under these contracts is recognised on an accrual basis as the resources are delivered or the services are provided. The related purchase costs are recognised on an accrual basis within cost of sales. Refer note 21 for details.

Impairment of property, plant and equipment

A decline in the value of property, plant and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Refer note 6 for further details.

Expected credit loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Judgements are required in assessing the recoverability of overdue trade receivables and lease receivables and determining whether a provision against those receivables is required. Factors considered include the creditworthiness of the counterparty, timing and value of anticipated future payments and actions that can be taken to mitigate the risk of non-payment.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Estimates (continued)

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Group incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease by inquiring it from local banks.

6. Property, plant and equipment

	Freehold land	Buildings	Furniture and office equipment	Plant, equipment and vehicles	Site restoration cost	Capital spare part	Capital work-in-progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost								
At 1 January 2018	408	174,200	21,614	1,373,260	-	-	282,090	1,851,572
Adjustment due to common controlled transaction (note 48)	-	65,705	25,313	1,656,433	21,114	4,631	2,120,309	3,893,505
At 1 January 2018 - restated	408	239,905	46,927	3,029,693	21114	4631	2,402,399	5,745,077
Additions	-	2,420	859	52,049	-	980	970,759	1,027,067
Transfers	-	142,192	1,773	988,072	26,823	585	(1,185,889)	(26,444)
Transferred to contract assets (note 15)	-	-	-	-	-	-	(2,661)	(2,661)
Transferred on application of IFRIC 12 to:								
- concession receivables (note 13)	-	(3,096)	(2,809)	(460)	-	-	-	(6,365)
- contract assets (note 15)	-	-	-	-	-	-	(83,123)	(83,123)
Disposals	-	(724)	(1,309)	(9,165)	-	-	(1,290)	(12,488)
Translation differences	-	(3,146)	(182)	(11,320)	-	-	(2,218)	(16,866)
Write off/adjustments	-	-	-	-	-	-	(3,490)	(3,490)
At 31 December 2018-restated	408	377,551	45,259	4,048,869	47,937	6,196	2,094,487	6,620,707
At 1 January 2019	**408**	**377,551**	**45,259**	**4,048,869**	**47,937**	**6,196**	**2,094,487**	**6,620,707**
Additions	**-**	**1,439**	**10,868**	**35,303**	**-**	**-**	**686,696**	**734,306**
Transfers	**-**	**(2,662)**	**1,364**	**(20,648)**	**-**	**-**	**(61,441)**	**(83,387)**
Disposals	**-**	**(614)**	**(747)**	**(59,583)**	**-**	**-**	**(20,256)**	**(81,200)**
Translation differences	**-**	**(1,676)**	**(124)**	**(7,599)**	**-**	**-**	**(170)**	**(9,569)**
At 31 December 2019	**408**	**374,038**	**56,620**	**3,996,342**	**47,937**	**6,196**	**2,699,316**	**7,180,857**

6. Property, plant and equipment (continued)

	Freehold land RO'000	Buildings RO'000	Furniture and office equipment RO'000	Plant, equipment and vehicles RO'000	Site restoration cost RO'000	Capital spare part RO'000	Capital work-in-progress RO'000	Total RO'000
Accumulated depreciation and impairment								
At 1 January 2018	-	65,435	15,827	582,718	-	-	10,356	674,336
Adjustment due to common controlled transaction (note 48)	-	34,736	20,471	861,318	9,503	2,697	-	928,725
At 1 January 2018 - restated	-	100,171	36,298	1,444,036	9,503	2,697	10356	1,603,061
Charge for the year	-	11,867	3,242	186,107	3,878	1,684	-	206,778
Transfers	-	-	(38)	-	-	-	-	(38)
Impairment reversal	-	-	-	(1,116)	-	-	-	(1,116)
Disposals	-	(49)	(1,199)	(4,613)	-	-	-	(5,861)
Transferred to concession receivables	-	(2,117)	(2,577)	(153)	-	-	-	(4,847)
Translation differences	-	(378)	(124)	(3,867)	-	-	-	(4,369)
At 31 December 2018 - restated	-	109,494	35,602	1,620,394	13,381	4,381	10,356	1,793,608
At 1 January 2019	**-**	**109,494**	**35,602**	**1,620,394**	**13,381**	**4,381**	**10,356**	**1,793,608**
Charge for the year	**-**	**13,404**	**4,237**	**186,815**	**-**	**-**	**-**	**204,456**
Transfers	**-**	**(1,437)**	**(133)**	**(4,095)**	**-**	**-**	**-**	**(5,665)**
Impairment charge	**-**	**-**	**-**	**33,753**	**-**	**-**	**22,569**	**56,322**
Disposals	**-**	**(196)**	**(615)**	**(25,876)**	**-**	**-**	**(1,187)**	**(27,874)**
Translation differences	**-**	**(233)**	**-**	**(2,245)**	**-**	**-**		**(2,478)**
At 31 December 2019	**-**	**121,032**	**39,091**	**1,808,746**	**13,381**	**4,381**	**31,738**	**2,018,369**
Net book value At 31 December 2019	**408**	**253,006**	**17,529**	**2,187,596**	**34,556**	**1,815**	**2,667,578**	**5,162,488**
Net book value At 31 December 2018 - restated	408	268,057	9,657	2,428,475	34,556	1,815	2,084,131	4,827,099

(i) Break up of impairment charge / (reversal) for the year:

	2019 RO'000	2018 (restated) RO'000
ORPIC (ii)	**32,734**	-
Oman Oil Marketing Company SAOG (iii)	**1,019**	-
Oman International Petrochemical Industries Company LLC (iv)	**22,569**	-
OOCEP	**-**	(1,116)
Net impairment charge / (reversal)	**56,322**	(1,116)

(ii) Impairment assessment of ORPIC

During the current year, the Group entity, ORPIC has carried out an impairment analysis of aromatics plant and equipment due to continued losses which has resulted in an impairment of RO 32,734,000 (USD 85,000,000) (2018: nil) as the recoverable amount of the CGU is assessed to be lower than its carrying value.

For the purpose of impairment analysis of the Aromatics plant, the Group used the base case model and the following key assumptions were used in the base case model:

6. Property, plant and equipment (continued)

(ii) Impairment assessment of ORPIC (continued)

Projection period and discount rate

Value in use cash flows have been discounted by applying a pre-tax discount rate of 8.6% for the period from FY20 to FY43.

The cash flows are based on a 5 year business plan of Orpic Aromatics LLC (OAL) and an extrapolation by Management until FY43 being the end of the life and lease arrangements of OAL plants.

EBITDA

EBITDA margins at OAL level are projected to be on average 2% between FY20 and FY43 mainly due to lower projected production margin spreads forecasted by external consultant. From FY24, EBITDA margins fluctuations are highly correlated with production margins, spreads, fluctuations where the Management has looked into the past 12 historical years of aromatics business which faced cyclical downward and upward trends and projected similar trends and average production margin spreads to take place in periods from FY24 to FY43.

The following table shows the valuation technique used in measuring the fair value of property plant and equipment, as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the CGU, taking into account the expected production rate, demand, maximum capacity of plans, and shutdown period. The expected net cash flows are discounted using risk-adjusted discount rates.	Expected demand growth (2019: 2 to 3%, weighted average 2.75%; 2018: 2 to 3%, weighted average 2.75%). Risk-adjusted discount rates for 2019: 8 to 10%, (2018: weighted average of 8.6%);	The estimated fair value would increase (decrease) if: expected demand growth were higher (lower); the risk-adjusted discount rate were lower (higher).

(iii) Impairment assessment of Oman Oil Marketing Company SAOG

In 2018, the main storage depot at Mina Al Fahal became non-operational and a termination notice was issued for the lease agreement of the land on which the main storage depot and buildings are located. Hence, a provision for impairment amounting to RO 0.8 million was made.

Provision for impairment consists of an amount of RO 0.18 million for assets constructed on customer sites.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

6. Property, plant and equipment (continued)

(iv) Represents impairment of Oman International Petrochemical Industry Company LLC amounting to RO 22.57 million (2018: RO nil) due to lack of feasibility of the project.

(v) Capital work-in-progress pertains to the following subsidiaries:

	2019	2018 (restated)
	RO'000	RO'000
OQ Refineries and Petroleum Industries L.L.C	**2,152,216**	1,779,080
Oman Oil facilities development Company	**330,318**	-
OQ Methanol(SFZ) L.L.C.	**122,085**	77,795
Oman Tank Terminal Company LLC	**25,427**	15,473
OOC Holding Europe BV	**20,099**	12,901
OQ Exploration and Production L.L.C.	**10,632**	1,988
Oman Oil Marketing Company SAOG	**5,291**	7,263
Takamul Investment Company SAOC	**1,456**	18,838
Takatuf Oman LLC	**54**	-
OQ Gas Networks S.A.O.C.	**-**	148,310
Oman International Petrochemical Industry Company LLC	**-**	20,505
Duqm Petroleum Terminal Company LLC	**-**	1,978
	2,667,578	2,084,131

(vi) At 31 December 2019, property, plant and equipment with a carrying amount of RO 5,085.87 million (2018: RO 4,638.30 million) were mortgaged as security for bank borrowings (refer note 27).

The depreciation and amortisation charges for the year have been dealt with in the consolidated statement of comprehensive income as follows:

	2019	2018 (restated)
	RO'000	RO'000
Included in cost of sales relating to:		
Property, plant and equipment	**189,881**	192,844
Intangible assets (note 9)	**1,755**	1,195
Oil and gas exploration and producing assets (note 7)	**260,490**	220,007
Right-of-use assets (note 8)	**26,139**	-
	478,265	414,046
Included in general and administration charges relating to:		
Property, plant and equipment (note 38)	**14,575**	13,934
Intangible assets (note 9 and 38)	**17,866**	17,951
	32,441	31,885
Total depreciation and amortization charges for the year	**510,706**	445,931

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

7. Oil and gas exploration and production and development assets

The details of the Group's share of oil exploration and production and development assets as of 31 December is as follows:

	Production and development assets		Gas transportation facilities	Exploration assets		
	OOCEP (Mukhaizna Oil field ,Abu Tubul, Malarim Block 9 etc.) (i) RO'000	**Dunga oil field (ii) RO'000**	**OGC (note 13) RO'000**	**OOCEP RO'000**	**Caspian off shore (iii) RO'000**	**Total RO'000**
Cost						
At 1 January 2018	2,314,672	34,452	215,408	13,250	74,738	2,652,520
Additions during the year	282,630	2,792	234	1,713	434	287,803
Disposal	(177,631)	-	-	-	-	(177,631)
Change in decommissioning provision	(19,960)	-	-	-	-	(19,960)
Transfers	13,249	(696)	-	(13,249)		(696)
Transferred on application of IFRIC 12 (note 13) to concession receivables	-	-	(215,642)	-	-	(215,642)
At 1 January 2019	**2,412,960**	**36,548**	**-**	**1,714**	**75,172**	**2,526,394**
Additions during the year	**307,488**	**3,201**	**-**	**8,251**	**-**	**318,940**
Change in decommissioning provision	**3,436**	**-**	**-**	**-**	**-**	**3,436**
Transfers	**(639)**	**-**	**-**	**-**	**-**	**(639)**
At 31 December 2019	**2,723,245**	**39,749**	**-**	**9,965**	**75,172**	**2,848,131**
Accumulated depreciation and impairment						
At 1 January 2018	1,055,180	28,599	118,825	-	74,738	1,277,342
Charge for the year	220,007	-	-	-	-	220,007
Impairment (iv)	33,366	-	-	-	434	33,800
Transfers	-	(1,397)	-	-	-	(1,397)
Transferred to concession receivables	-	-	(118,825)	-	-	(118,825)
Disposals	(3,221)	-	-	-	-	(3,221)
At 1 January 2019	**1,305,332**	**27,202**	**-**	**-**	**75,172**	**1,407,706**
Charge for the year	**260,490**	**-**	**-**	**-**	**-**	**260,490**
Impairment (iv)	**(43,974)**	**-**	**-**	**-**	**-**	**(43,974)**
At 31 December 2019	**1,521,848**	**27,202**	**-**	**-**	**75,172**	**1,624,222**
Net book value						
At 31 December 2019	**1,201,397**	**12,547**	**-**	**9,965**	**-**	**1,223,909**
At 31 December 2018	1,107,628	9,346	-	1,714	-	1,118,688

(i) Note 2 gives details of Group's participating interest in different oil and gas exploration and production sharing agreements in Oman. Oil and gas production and development assets include RO 103.041 million in respect of the fair value recognised on transfer of 45% interest in Block 9 from the Government of Oman (the 'State') at nil consideration. The fair value was determined based on considerations paid by two non-related parties to the State for renewal of their interest in Block 9 (Level 3). As the Group is ultimately owned by the Ministry of Finance of the Sultanate of Oman, the related fair value adjustments arising from the transfer was recorded in the statement of changes in equity.

(ii) The Group has a 20% interest in the exploration rights and license for exploring for oil in an oilfield concession located in Dunga, Kazakhstan. OOCL, a 100% subsidiary of the Group, has entered into a joint operating agreement with Partex (Kazakhstan) Limited and Maersk Oil, wherein Maersk Oil is the operator of the project.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

7. Oil and gas exploration and production and development assets (continued)

(iii) Located in the North Caspian Sea, the Caspian Offshore project is an exploration and production sharing agreement between the Group, Kazakhstan's National Oil Company, KazMunaiGaz, and Shell International E&P. Signed in December 2005, with 20% ownership by Oman Pearls Company Limited, a 100% subsidiary of the Group, 25% by KazMunaiGaz and 55% by Shell International E&P. The production sharing agreement covers an 895sq km exploration license containing a group of exploration prospects known as the "Pearls". During 2017 and 2018 the assets pertaining to this project have been fully impaired.

In 2019, the JV partners decided not to go for further development of the project and started relinquishment of the whole contract area in December 2019. It is planned that by 2020 the contract area will be returned to the Republic of Kazakhstan.

(iv) Impairment (note 39)

	2019	2018
	RO'000	RO'000
Block 53	**15,427**	33,366
Block 9	**2,215**	-
Block 60	**(61,616)**	-
Caspian off shore	**-**	434
Total impairment charge – net of reversals	**(43,974)**	33,800

During the year, the Group's management carried out impairment analysis for assets where indicators of impairment, or reversal of impairment, are present. Impairment reversals and charges were mainly due to the fluctuations in the expected future commodity prices and development plans at the reporting dates.

The recoverable amount for oil and gas assets is based on their fair value less costs of disposal ('FVLCD'). Where a market transaction reference case is not available FVLCD is determined using appropriate discounted cash flow valuation models, incorporating market based assumptions. The key assumptions for the oil and gas assets FVLCD calculations are outlined below together with the approach management has taken in determining the value to ascribe to each. The valuation models are life of asset models and therefore no extrapolation assumptions have been necessary or applied. The fair value measurements were categorised as Level 3 fair values based on the inputs to the valuation models.

The calculation of FVLCD for oil and gas assets is based upon the following key assumptions:

- Reserves;
- Inflation rates;
- Commodity prices; and
- Discount rates.

7. Oil and gas exploration and production and development assets (continued)

(iv) Impairment (continued)

Reserves

Reserves form the basis of the production profiles within the discounted cash flow models. Cash flows were projected for each field based on the development plans approved by senior management and reasonable assumptions that an external party would apply in appraising the assets which, in some cases, may be broader in scope than Proved and Probable reserves.

Reserves are verified once in every three years by third party independent reserves valuation experts as per the Group's management policy. During the intermittent period, the management adjusts the verified reserves for the actual production during the period.

Inflation rates

Estimates are obtained from published indices for the countries from which products and services are originated, as well as data relating to specific commodities. Forecast figures are used if data is publically available. The inflation rate used for 2019 was 2% (2018: 2%).

Commodity prices

To ascertain future oil prices, the Group has used Brent forward curve for the first two years and Consensus Economics from third year to sixth year i.e. for four years forecast which is to take an average view. From seventh year onwards, the Group escalated the prices by an inflation rate of 2%, which is extrapolating the stable year of forecast by applying an inflation rate. Further, to net off any differences between Oman crude and Brent, the arrived price deck for Brent was discounted by 3% (2018 – 3%).

A quality bank adjustment of approximately, 5.9% was applied on estimated Oman Crude prices to arrive at the estimated Mukhaizna realised oil prices. The gas price for Block 60, Block 9 and Block 61 are fixed in terms of the EPSA signed with Ministry of Oil and Gas (MOG) and the underlying calculations and terms are considered.

	2019	**2020**	**2021**	**2022**	**2023**
Oil price / bbl (USD) 31 December 2019	**-**	**58**	**56**	**62**	**63**
Oil price / bbl (USD) 31 December 2018	63	62	69	69	69

Discount rates

Discount rates used reflect the estimated weighted average cost of capital rates specific to the CGU's from market participant's perspective. The cash flows were discounted using a post-tax discount rate of 8.50 % (2018: 9.16%).

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

7. Oil and gas exploration and production and development assets (continued)

(iv) Impairment (continued)

Sensitivity to changes in assumptions

With regard to the assessment of VIU for the CGU's, management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

(v) At 31 December 2019, oil and gas exploration and production and development assets with a carrying amount of RO 27.70 million (2018: RO 27.79 million) were mortgaged as security for bank borrowings (refer note 27).

8. Right-of-use assets

The Group leases mainly comprise of leasehold lands, plant and machinery, equipment and vehicles. Previously, these leases were classified as operating leases under IAS 17. Information about leases for which the Company is a lessee is presented below.

Amounts recognized in statement of financial position

	Land and buildings RO'000	Plant and equipment RO'000	Drilling and rigs RO'000	Vehicles RO'000	Total RO'000
On adoption	**101,848**	**93,841**	**1,580**	**5,370**	**202,639**
Additions	**9,475**	**-**	**-**	**-**	**9,475**
Exchange difference	**2**	**172**	**-**	**2**	**176**
Disposals / termination of lease	**(57)**	**(1,414)**	**-**	**(57)**	**(1,528)**
Charge for the year	**(8,265)**	**(16,633)**	**-**	**(1,241)**	**(26,139)**
31 December 2019	**103,003**	**75,966**	**1,580**	**4,074**	**184,623**

Amounts recognized in profit and loss	**2019 RO'000**
Depreciation on right-of-use assets	**26,139**
Interest on lease liabilities	**9,110**
Variable lease payments not included in the measurement of lease liabilities	**484**
Income from sub-leasing right-of-use assets	**(28)**
Expenses relating to short-term leases	**2,392**
Expenses relating to low-value assets, excl. short-term leases of low-value assets	**854**

Amounts recognized in statement of cash flows - 2019

Total cash outflow for leases	**31,477**

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

9. Intangible assets

	ERP and software RO'000 (i)	Subsoil rights RO'000 (ii)	Technology, customer relationship, trade marks, patents and other intangible assets RO'000 (iii)	Total RO'000
Cost				
At 1 January 2018	9,884	1,411	224,467	235,762
Adjustment due to common controlled transaction (note 48)	-	-	31,806	31,806
At 1 January 2018 - restated	9,884	1,411	256,273	267,568
Additions	752	-	5,326	6,078
Transfers	(6)	-	-	(6)
At 1 January 2019	**10,630**	**1,411**	**261,599**	**273,640**
Additions	**3,124**	**-**	**1,518**	**4,642**
At 31 December 2019	**13,754**	**1,411**	**263,117**	**278,282**
Accumulated amortization				
At 1 January 2018	7,774	824	59,816	68,414
Adjustment due to common controlled transaction (note 48)	-	-	17,393	17,393
At 1 January 2018 - restated	7,774	824	77,209	85,807
Charge for the year	745	112	18,289	19,146
Translation differences	-	-	7,278	7,278
At 1 January 2019	**8,519**	**936**	**102,776**	**112,231**
Charge for the year	**4,152**	**112**	**15,357**	**19,621**
Translation differences	**-**	**-**	**3,296**	**3,296**
At 31 December 2019	**12,671**	**1,048**	**121,429**	**135,148**
Net book value				
At 31 December 2019	**1,083**	**363**	**141,688**	**143,134**
At 31 December 2018 - restated	2,111	475	158,823	161,409

(i) The Group has incurred expenditure for consultancy charges relating to upgrade of existing ERP software. The intangible assets are amortised over 3 years.

(ii) Subsoil rights relate to Dunga (OOCL) and Pearl (OPCL) oil fields.

9. Intangible assets (continued)

(iii) During 2013, Majan Energy B.V., a wholly owned subsidiary of the Parent Company acquired 100% shareholding in Oxea Group.

Technology, customer relationship, trademarks, patents and other intangible assets primarily represent intangible assets acquired through acquisition of Oxea Group which includes patents and trademarks of RO 37.71 million (2018: RO 38.69 million), customer relationship of RO 23.26 million (2018: RO 29.82 million) and Technology and other intangible assets of RO 58.99 million (2018: RO 68.64 million). Useful life of intangible assets range between 1 to 20 years. None of Group's intangible asset has indefinite useful life, except patents and trademarks which amounts to RO 37.71 million (Euro 87.7 million) as at the reporting date (2018: RO 38.69 million (Euro 87.7 million)).

The Group carried out an impairment analysis of its intangibles assets relating to Oxea Group as at reporting date. The recoverable amount of the Oxea Goup was based on a fair value less cost of disposal calculation which uses cash flow projections based on financial budget approved by the directors covering a 10 year period and a pre-tax discount rate of 8.6% (2018: 8.40%) for existing business and 9.6% (2018: 9.40%) for growth business. Cash flow projections during the budget period are based on the expected gross margin and price inflation throughout the budget period. A terminal growth rate of 1% (2018: 1%) has been used. The results showed no impairment loss. The sensitivity analysis revealed that an impairment trigger might occur on intangible assets with indefinite useful life if the discount rate used for existing business is at least 12.20% or higher, keeping all other factors constant.

10. Goodwill

Cost	Oxea Group RO'000 (i)	OOMCO RO'000 (ii)	Total RO'000
At 1 January 2018	320,890	3,683	324,573
Additions	-	-	-
At 31 December 2019	320,890	3,683	324,573
Impairment and translation differences			
At 1 January 2018	311,522	-	311,522
Translation differences	577	-	577
At 1 January 2019	**312,099**	**-**	**312,099**
Translation differences	**146**	**-**	**146**
At 31 December 2019	**312,245**	**-**	**312,245**
Net book value			
At 31 December 2019	**8,645**	**3,683**	**12,328**
At 31 December 2018	8,791	3,683	12,474

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

10. Goodwill (continued)

(i) During the year 2013, the Parent acquired 100% shareholding stake in Oxea Group for a total consideration of RO 378 million (Euro 714 million) through its 100% subsidiary, Majan Energy BV from Advent International. The Group, during 2013 had performed a purchase price allocation exercise relating to its Oxea acquisition and accordingly recorded goodwill and certain intangible assets amounting to RO 311.5 million and RO 264.5 million respectively.

The Group carried out an impairment analysis of its investment in Oxea Group, whose long term projected cash flows and operating margin had decreased due to multiple reasons including general market and industry downturn. Accordingly, goodwill arising out of acquisition of Oxea has been fully impaired during 2013 and 2014.

The balance goodwill of Oxea Group represents the goodwill which arose on acquisition of Oxea International GmbH by Oxea GmbH in 2014. The impairment test resulted in no impairment loss on goodwill in current year.

The annual impairment testing took place in the fourth quarter of the year. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management and covering a five-year period. For the time period after the fifth year, a terminal value was calculated using a forward projection from the last detailed planning year as a perpetual annuity. Forecasting is built on past experience, current performance and management's expectations on the future development of individual parameters such as raw material and future selling prices as well as sales volumes and costs. Market assumptions regarding economic development and market growth were made on the basis of external macroeconomic and industry-related conditions and factors.

The value in use is calculated by discounting the cash flows using a discount rate of 9.52% (2018: 9.56%) and a long term growth rate of 1% (2018: 1.4%).

The sensitivity analysis revealed that an impairment trigger might occur on goodwill if the Oxea Group future EBITDA is at least 12.4% less than expected (2018- if the future EBITDA is at least 34.6% less than expected), or WACC is at least 11.1% or higher (2018: 16.7% or higher).

(ii) Goodwill arises on account of the Parent Company acquiring 49% investment in OOMCO. The management has assessed the recoverable amount and noted that it exceeds value in use, accordingly, no impairment was recorded.

11. Investment in associates

The Group has the following investment in associates:

31 December 2019					Summarised financial information of associates										
Company name	Country of incorporation	Principal activities	Notes	% holding %	Total assets RO'000	Current assets RO'000	Total liabilities RO'000	Current liabilities RO'000	Net assets RO'000	Revenue RO'000	Profit / (loss) for the year RO'000	Other compre-hensive income RO'000	Group's share of results RO'000	Carrying value RO'000
GSEPS Company Limited (GSEPS)	Korea	Power generation	*i.*	30	717,096	116,956	437,335	133,135	279,762	307,757	35,579	780	10,674	88,271
Gulf Energy Maritime PJSC (GEM)	UAE	Investing in subsidiaries involved in ownership of vessel and ship chartering	*ii.*	30.53	-	-	-	-	-	-	-	-	-	-
Bharat Oman Refineries Limited (BORL)	India	Processing crude oil	*iii.*	26	1,030,552	417,780	875,559	424,248	154,993	2,224,219	16,417	(54)	4,269	44,174
Oiltanking Odjfell Terminals & Co. LLC (OOTCO)	Oman	To acquire, develop own, operate and manage tank terminals, storage facilities		25	122,874	6,117	74,320	13,636	48,554	24,268	9,520	(11,340)	2,380	12,139
Orient Power (Pvt) Ltd (OPC)	Pakistan	Power generation	*iv*	42.8	56,695	31,294	23,580	23,520	33,115	32,714	6,047	-	2,588	14,173
Quingdao Lidong Chemical	China	Manufacturing petrochemical products	*v*	30	359,305	183,355	241,123	199,053	118,182	44,788	(7,925)	-	(2,378)	47,469
Quingdao Lixing Logistics	China	Logistics company		30	23,780	3,839	1,136	1,136	22,644	6,058	1,709	-	513	6,793
Oman Shipping Company SAOC (OSC)	Oman	Making investments in subsidiaries involved in ownership of vessel and ship chartering	*vi*	8.8	1,062,610	153,728	739,933	112,254	322,677	244,279	42,689	(4,878)	3,623	27,785

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

11. Investment in associates (continued)

31 December 2019 (continued)

Company name	Country of incorporation	Principal activities	Notes	% holding %	Total assets RO'000	Current assets RO'000	Total liabilities RO'000	Current liabilities RO'000	Net assets RO'000	Revenue RO'000	Profit / (loss) for the year RO'000	Other comprehensive income RO'000	Group's share of results RO'000	Carrying value RO'000
					Summarised financial information of associates									
Germany Pipeline Development Company GmbH	Germany	Pipeline development		30	20,674	-	12,624	-	8,050	-	-	-	-	2,521
Mineral Development Oman	Oman	Mining	*ix*	25	-	-	-	-	-	-	-	-	167	-
Haas Petroleum Group	East Africa	Trading in petroleum products	*vii*	40	105,475	54,385	73,122	60,699	32,353	244,553	907	(318)	363	20,044
Muscat Gases Company SAOG	Oman	Manufacturing and distribution of industrial and cooking gases	*viii*	41.84	9,537	4,784	2,529	1,572	7,008	11,966	355	-	-	2,140
Lubechem International Industry LLC	Oman	Manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending		40	1,076	140	479	218	598	789	(427)	-	(171)	216
Innovation Development Oman Holding Company SAOC	Oman	Private equity investment and venture capital funding activates	*ix*	35	-	-	-	-	-	-	-	-	75	-
Amin Renewable Energy Company SAOC	Oman	Design, construction, ownership, financing, operation and maintenance of an independent solar power plant		30	-	-	-	-	-	-	-	-	-	76
Musandum Power Company SAOC	Oman	Power generation	*x*	41.85	97,395	23,259	87,802	22,338	9,593	-	-	-	-	4,021
Air Liquide Sohar Industrial Gases LLC	Oman	Production and sale of industrial gases	*xi*	29.9	14,678	1,681	9,019	2,955	5,659	4,007	1,431	-	428	1,692
					3,621,747	997,318	2,578,561	994,764	1,043,188	3,145,398	106,302	(15,810)	22,531	271,514

11. Investment in associates (continued)

31 December 2018 – restated

Company name	Country of incorporation	Principal activities	Notes	% holding %	Summarized financial information of associates: Total assets RO'000	Current assets RO'000	Total liabilities RO'000	Current liabilities RO'000	Net assets RO'000	Revenue RO'000	Profit / (loss) for the year RO'000	Other compre-hensive income RO'000	Group's share of results RO'000	Carrying value RO'000
GSEPS Company Limited (GSEPS)	Korea	Power generation	*i.*	30	705,198	98,224	438,103	123,979	267,095	359,590	35,777	(296)	10,733	84,471
Gulf Energy Maritime PJSC (GEM)	UAE	Investing in subsidiaries involved in ownership of vessel and ship chartering	*ii.*	30.53	-	-	-	-	-	-	-	-	-	22,310
Bharat Oman Refineries Limited (BORL)	India	Processing crude oil	*iii.*	26	1,011,331	370,433	869,014	382,034	142,318	1,675,603	(677)	4	(176)	40,878
Oiltanking Odjfell Terminals & Co. LLC (OOTCO)	Oman	To acquire, develop own, operate and manage tank terminals, storage facilities		25	112,497	5,698	58,122	12,525	54,375	25,107	6,588	1,050	1,647	13,594
Orient Power (Pvt) Ltd (OPC)	Pakistan	Power generation	*iv*	42.8	62,859	33,445	30,794	28,294	32,065	48,951	5,657	-	2,421	13,724
Quingdao Lidong Chemical	China	Manufacturing petrochemical products	*v*	30	425,019	226,340	296,790	292,053	128,229	645,274	4,910	-	1,473	50,483
Quingdao Lixing Logistics	China	Logistics company		30	25,925	5,859	9,673	5,385	21,637	4,556	1,460	-	438	6,660
Oman Shipping Company SAOC (OSC)	Oman	Making investments in subsidiaries involved in ownership of vessel and ship chartering	*vi*	8.8	1,064,972	148,220	780,471	105,118	284,501	207,085	14,466	24,564	1,273	25,079

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

11. Investment in associates (continued)

31 December 2018 – restated

Company name	Country of incorporation	Principal activities	Notes	% holding %	Total assets RO'000	Current assets RO'000	Total liabilities RO'000	Current liabilities RO'000	Net assets RO'000	Revenue RO'000	Profit / (loss) for the year RO'000	Other compre-hensive income RO'000	Group's share of results RO'000	Carrying value RO'000
					Summarized financial information of associates									
Germany Pipeline Development Company GmbH	Germany	Pipeline development		30	21,182	14,469	12,935	12,925	8,246	3	-	-	-	2,225
Mineral Development Oman	Oman	Mining	*ix*	25	58,721	57,579	166	145	58,555	-	(80)	-	(20)	14,639
Haas Petroleum Group	East Africa	Trading in petroleum products	*vii*	40	102,058	57,245	69,602	61,195	32,456	264,673	(963)	(281)	(385)	19,944
Muscat Gases Company SAOG	Oman	Manufacturing and distribution of industrial and cooking gases	*viii*	41.84	8,438	4,084	1,638	1,241	6,800	8,669	186	-	78	8,255
Lubechem International Industry LLC	Oman	Manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending		40	161	-	140	411	107	-	(148)	161	(59)	387
Innovation Development Oman Holding Company SAOC	Oman	Private equity investment and venture capital funding activates	*ix*	35	53,748	44,367	42	350	53,706	-	133,429	-	467	18,797
Air Liquide Sohar Industrial Gases LLC	Oman	Production and sale of industrial gases	*xi*	29.9	13,713	3,747	9,087	1,515	4,626	3,054	841	-	251	1,383
					3,665,822	1,069,710	2,571,192	1,027,170	1,094,716	3,242,565	201,446	25,202	18,141	322,829
Less: impairment recorded on GEM and MGC			*xii*		-	-	-	-	-	-	-	-	-	(27,818)
					3,665,822	1,069,710	2,576,577	1,027,170	1,094,716	3,242,565	201,446	25,202	18,141	295,011

11. Investment in associates (continued)

The movement in carrying value of investment in associates is as follows:

	2019 RO'000	2018 (restated) RO'000
At 1 January	**295,011**	424,940
Adjustment due to common controlled transaction (note 48)	**-**	(136,360)
At 1 January - restated	**295,011**	288,580
Additional investments	**-**	13,750
Dividends received	**(6,123)**	(9,741)
Foreign currency translation	**(6,059)**	(7,346)
Share of results	**22,531**	18,141
Provision for impairment on associates	**(529)**	(9,789)
Other movements in associates	**(3,296)**	(5,110)
Share of other comprehensive income of associates	**(363)**	6,526
Divestment during the year	**(33,687)**	-
Dilution of subsidiary into associate	**4,029**	-
At 31 December	**271,514**	295,011

(i) In accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(ii) Investment in GEM is fully impaired and it is the intention of the management to not to invest any further in GEM. The associate is incurring continuous losses and its net assets are negative and the Group has fully impaired its investment in earlier years.

(iii) BORL has issued share warrants against cash and cost of government land received by BORL from Bharat Petroleum Company Limited (BPCL) and the Government of Madhya Pradesh, India. As of 31 December 2019, the legal formalities for conversion of these warrants into equity shares had not been completed.

However, the management of BORL considers these warrants to be equity. Further, BPCL has also granted a subordinated loan to BORL, part of which is to be repaid when BORL makes an offering to the public for shares. The management considers this subordinated loan to be equity and as a result the Parent's shareholding in BORL was diluted from 50% to 26% of total equity of BORL as of 31 December 2019.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

11. Investment in associates (continued)

(iv) The shares acquired are pledged to a commercial bank in Pakistan against facilities availed by OPC. In accordance with the Share Purchase and Sale Agreement, the shares acquired by the Parent cannot be transferred or sold without the prior consent of the other shareholders.

(v) As per guidance given in IAS 28, the goodwill amount is included within the carrying value of investment in Quingdao Lidong Chemical.

(vi) During 2014, Ministry of Finance (majority shareholder) authorised conversion of its loans and related accrued interest in the amount of RO 229.43 million into share capital of OSC. The Group decided not to contribute any additional capital to maintain its 20% stake in OSC, consequent to which its shareholding was diluted to 8.8%. The Parent has significant influence through a Board representative in OSC and hence its investment in OSC is classified under “investment in associate”.

(vii) OTI purchased a non-controlling 40% equity stake in the Hass Petroleum Group on 5 December 2017. The investment is held via a holding company, "AAH (BVI) Limited", which is incorporated in the British Virgin Islands. The principal place of business of Haas Petroleum Group is in East Africa. Haas Petroleum Group purchases petroleum products and distributes and sells them to its businesses and retail customers throughout East Africa and the Horn of Africa. Included in the carrying amount is a goodwill amounting to RO 7.79 million.

(viii) TIC acquired 13.04% of the share capital of Muscat Gases Company SAOG (“MGC”), listed on Muscat Securities Market, in 2010 and further acquired 19.62% of the share capital in 2012. OOMCO, a subsidiary, also acquired 9.18% of the share capital of MGC in 2012. Consequently, the Group holds 41.84% of the share capital of MGC and has thus, classified the investment as an associate.

(ix) On 27 June 2019, Oman Energy Trading Company Limited (OETCL); a wholly owned subsidiary of OOC, purchase 30% shares of Oman Trading International Limited (OTI) from Eagle Properties (No 21) Limited; a wholly owned subsidiary of State General Reserve Fund (SGRF) at a purchase consideration of RO 53 million by divesting Mineral Development Oman and Innovation Development Oman Holding Company SAOC at a fair value of RO 33.7 million as disclosed in note 2 (ii).

(x) During the year, the Group sold 40% of its shareholding in Musandam Power Company SAOG through IPO. As a result of the divestment, Company’s holding in MPC reduced to 41.85% which resulted in the Company losing control of MPC. Accordingly, investment in MPC is classified as an investment in associate.

(xi) On 28 May 2005, OQ Refineries and Petroleum Industries Company SAOC; a wholly owned subsidiary of OOC, purchase 29.9% of Air Liquide Sohar Industrial Gases LLC.

(xii) Impairment testing of investment in associates was carried out as required under IAS 28 and IAS 36 and the results showed an impairment charge amounting to RO 0.53 million (2018: RO 9.8 million).

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

12. Interest in joint ventures

31 December 2019					**Summarised financial information of joint ventures**									
Company name	**Country of incorporation**	**Principal activities**	**Notes**	**% holding %**	**Total assets RO'000**	**Current assets RO'000**	**Total liabilities RO'000**	**Current liabilities RO'000**	**Net assets RO'000**	**Revenue RO'000**	**Profit / (loss) for the year RO'000**	**Other compre-hensive income RO'000**	**Group's share of results RO'000**	**Carrying value RO'000**
Oman India Fertilizer Company SAOC (OMIFCO)	Oman	Manufacturing of fertilizer products		50	204,515	50,562	46,117	24,043	158,398	134,253	20,464	(24)	10,220	79,199
Sohar Aluminum Company LLC (SAC)	Oman	Aluminum smelting	*i*	40	626,325	117,317	326,977	72,471	299,348	274,607	20,117	0	8,047	119,028
Oman Aluminum Processing Industries LLC	Oman	Manufacturing and marketing of aluminum bars and conductors	*ii*	-	-	-	-	-	-	-	-	-	252	-
REFRACO Middle East LLC	Oman	Refectory maintenance services		40	-	-	-	-	-	-	-	-	-	-
Omanoil Matrix Marine Services LLC	Oman	Marketing of petroleum products		50	-	-	-	-	-	-	-	-	-	70
Gulf Specialty Steel Industries LLC (GSSI)	Oman	Manufacturing of galvanised cables	*iv*	49	-	-	-	-	-	-	-	-	-	-
Takatuf Petrofac Oman LLC	Oman	Training institute		60	15,195	3,856	2,320	1,359	12,875	3,755	1,123	-	674	7,743
Capability Development Institute LLC	Oman	Training institute		60	7,731	5,293	2,777	2,325	4,954	459	(846)	-	(508)	2,972
Duqm Refinery and Petrochemical Industries Company LLC (Duqm Refinery)	Oman	Processing crude oil		50	1,339,770	4,563	885,118	275,065	454,652	-	(9,540)	-	(4,770)	229,358
Al Batinah International School (ABIS)	Oman	Educational institute	*v*	50	9,832	831	8,269	2,314	1,563	-	(4,600)	-	(2,300)	1,240
					2,203,368	182,422	1,271,578	377,577	931,790	413,074	26,718	(24)	11,615	439,610

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

12. Interest in joint ventures (continued)

31 December 2018 - restated

Company name	Country of incorporation	Principal activities	Notes	% holding %	Total assets RO'000	Current assets RO'000	Total liabilities RO'000	Current liabilities RO'000	Net assets RO'000	Revenue RO'000	Profit / (loss) for the year RO'000	Other compre-hensive income RO'000	Group's share of results RO'000	Carrying value RO'000
					Summarised financial information of joint ventures									
Oman India Fertilizer Company SAOC (OMIFCO)	Oman	Manufacturing of fertilizer products		50	197,183	40,360	39,396	21,761	157,787	139,522	26,652	19	13,326	78,893
Sohar Aluminum Company LLC (SAC)	Oman	Aluminum smelting	*i*	40	661,423	137,316	383,207	91,034	278,216	312,517	69,695	-	27,878	111,286
Oman Aluminum Processing Industries LLC	Oman	Manufacturing and marketing of aluminum bars and conductors	*ii*	49	23,017	12,301	13,967	13,410	9,050	52,202	(163)	531	(80)	4,435
Caspian Meruerty Operating BV	Germany	Oil exploration	*iii*	20	-	-	-	-	-	-	-	-	-	-
Omanoil Matrix Marine Services LLC	Oman	Marketing of petroleum products		50	234	234	95	95	139	-	-	-	-	70
Gulf Specialty Steel Industries LLC	Oman	Manufacturing of galvanised cables	*iv*	49	10	-	(47)	-	-	-	-	-	-	-
Takatuf Petrofac Oman LLC	Oman	Training institute		60	11,000	931	706	672	10,294	987	(72)	-	(43)	6,171
Capability Development Institute LLC	Oman	Training institute		60	5,686	716	1,935	1,935	3,751	236	(540)	-	(324)	2,252
Duqm Refinery and Petrochemical Industries Company LLC (Duqm Refinery)	Oman	Processing crude oil		50	503,951	90,783	443,344	442,276	60,607	-	(5,036)	-	(2,519)	30,308
Al Batinah International School	Oman	Educational institute	*v*	50	11,025	1,221	6,645	2,040	4,380	1,576	(1,782)	-	(891)	3,540
					1,413,529	283,862	889,248	573,223	524,224	507,040	88,754	550	37,347	236,955

12. Interest in joint ventures (continued)

(i) As per the Shareholders' agreement, the Group exercise joint control over Sohar Aluminum Company LLC (SAC). Included in the carrying value is a subordinated loan granted by the Parent Company amounting to RO 32 million (2018: RO 32 million) which is considered as net investment in SAC as the loan is interest free and without any repayment schedule. A cash sweep arrangement under the Common Terms Agreement effective on 31 May 2016, restricts SAC from shareholders' distribution until 31 May 2021, or until the relevant Debt Service Account is funded with the required balance for the balloon repayment of SAC's borrowings.

(ii) The Group held 49% of the share capital of Oman Aluminium Processing Industries LLC (OAPIL), a limited liability company, registered in the Sultanate of Oman. The principal activities of OAPIL include manufacturing and marketing of aluminium bars and conductors. In December 2019, the Group sold its equity interest to other joint venture partner Oman Cables Industry SAOG.

(iii) Oman Pearls Company Limited (OPCL), a subsidiary, owns 20% of the share capital of Caspian Meruerty Operating BV ("CMO"), a limited liability company. OPCL has a 20% interest in the exploration rights and license for exploring for oil and oil field concession located in Pearl, Kazakistan of which CMO, is the Operator. The production sharing agreement is entered between OPCL, Shell EP Offshore Venture Limited (Shell) and KazMunai Teniz Company (KMT) with Republic of Kazakhstan. The Group exercises joint control over CMO, governed by the Joint Operating Agreement signed between OPCL, Shell and KMT. In 2019, JV Partner decided not to go for further development, for detail please refer (note 7(iii)).

(iv) In 2017, as a result of continuous losses incurred, GSSI's operations were ceased and the plant was moved to moth-ball modus. The Group's subsidiary, TIC, had provided a corporate guarantee to banks in relation to a term loan disbursed to GSSI. Further, TIC has also provided a shareholder loan to GSSI. The Group management has carried out an impairment assessment and decided to fully provide for its investment and loan to GSSI and accrued its share in GSSI's bank liabilities amounting to RO 5.81 million. The Group's management believes that they do not have any further exposure in GSSI. Accordingly, the Group's share of losses in excess of its overall exposure have been reversed in 2018. In Q4 2018, the shareholders decided to liquidate the company and accordingly its in progress.

(v) In 2015, the Group entity Orpic Refineries LLC (ORL) and Sohar Aluminum LLC (SAL) has signed a joint venture agreement in ABIS with an equity share ownership of 50% each and an initial investment of RO 1.4 million (USD 3.7 million) each. The objective of this investment is to provide education standard linked with the ORPIC community scholarship programme with fees comparable to the Sultanate school and to provide international standard education to the employees. During 2018, the Group has made an additional investment of RO 0.19 million towards the establishment of the joint venture, however the related equity accounting was not performed in 2018 as it was assessed as immaterial.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

12. Interest in joint ventures (continued)

On 31 July 2017, ORL advanced a loan of RO 4.1 million (USD 10.65 million) to Al Batinah International School (ABIS), a 50% JV investment of Orpic Refineries LLC which is an ORPIC group undertaking. This loan carries an interest rate of 3% p.a payable at an interval of 6 months (These loans are repayable within 3 years from the date of the agreement). During 2018, the ORL advanced interest free loan of RO 1 million (USD 2.6 million) to ABIS. These loans are repayable within 3 years from the date of the agreement.

The movement in carrying value of investment in joint ventures is as follows:

	2019 **RO'000**	2018 (restated) RO'000
At 1 January	**236,955**	200,759
Adjustment due to common controlled transaction (note 48)	**-**	3,350
Increase in investments in joint ventures (a)	**205,952**	8,979
Dividends received	**(9,916)**	(12,707)
Share of results (note 36)	**11,615**	37,347
Share of changes in other comprehensive loss, net of tax	**(309)**	(773)
Divested during the year	**(4,687)**	-
At 31 December	**439,610**	236,955

(a) This includes an amount due from a joint venture of RO 122.7 million converted into an investment during the year.

13. Concession receivables

	2019 **RO'000**	2018 RO'000
At 1 January	**370,329**	-
Transferred on adoption of IFRIC 12	**-**	98,112
Acquisition under ATA	**226,286**	273,467
Transferred from contract assets (note 15)	**50,668**	15,102
Income during the year (note 34)	**58,589**	41,324
Transferred to property, plant and equipment	**(995)**	-
Payments received during the year	**(73,849)**	(57,676)
At 31 December	**631,028**	370,329
Current / non-current		
Non-current portion	**610,366**	348,644
Current portion	**20,662**	21,685
	631,028	370,329

13. Concession receivables (continued)

Concession receivables have an effective interest rate of 8.1% (2018: 7.673%) per annum and will be settled / recovered over the term of the Concession Agreement.

For the purposes of impairment assessment, the Concession receivables are considered to have low credit risk as the counterparty of this receivable is MOG (which is considered as equivalent of the Government of Oman) having a Baa1 credit rating. For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

None of the balances at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings, the management of the Group have assessed that ECL is insignificant, and hence has not recorded any loss allowances on these balances. (2018: nil).

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

Revised concession agreement

The Government of Sultanate of Oman, acting through the Ministry of Oil and Gas and the Ministry of Finance (the “Government" or “GOSO”), has entered into a revised concession agreement (the “Concession Agreement”) with a Group entity (“OGC”) whereby grants exclusively to the OGC to own, acquire, finance, design, construct, operate, maintain, repair and augment the Natural Gas Transportation Network (the “concession”).

The Concession Agreement is dated 25 December 2018 and is effective from 1 January 2018 for the period of 50 years. At the end of the term of the Concession Agreement, (the “Infrastructure”) including assets other than Gas Transportation System (“GTS”) assets will be transferred to the Government.

Under the Concession Agreement, the Government controls or regulates what services the operator must provide using the Infrastructure, to whom, and at what price, and also controls any significant residual interests in the Infrastructure at the end of the term of the Concession Arrangement. GOSO, acting through the Ministry of Oil and Gas (“MOG”) and using the device of price control for gas transportation, controls the level of cash generated and the profit of the OGC.

As per the terms of the Concession Agreement, the Infrastructure is available to the MOG (the “Shipper”) to transport gas using the Infrastructure to the consumers of the Gas in Oman.

Management has evaluated the applicability of IFRIC Interpretation 12 *Service Concession Arrangements* (“IFRIC 12”) to the new arrangement effective from 1 January 2018 and concluded that the Concession Agreement falls within the purview of the "financial assets" model as defined in IFRIC 12. Accordingly, effective from 1 January 2018, OGC recognised financial asset (“Concession receivables”) and has derecognised the assets recognised under the old arrangement as property, plant and equipment.

13. Concession receivables (continued)

Revised concession agreement (continued)

Also IFRIC 12, requires OGC to recognise revenue for the construction and operation phases in accordance with International Financial Reporting Standards 15 *Revenue from Contracts with Customers* ("IFRS 15") (refer to the note 4 of the consolidated financial statements for the accounting policies and judgements applied).

The following documents form part of revised concession agreement:

RAB Revenue Rules

These rules describe the Price Control / Tariff Setting process, provide regulatory accounting guidelines and provide the computation mechanism of maximum allowed revenues.

RAB Tariff Rules

These rules focus on cost reflectivity and a stable tariff development and establish gas transportation tariff charges payable by the shippers and connected parties.

Transportation Framework Agreement ("TFA")

TFA entered into between the OGC (as gas transporter) and the MOG (as the Shipper). The purpose of TFA is to establish the contractual framework between the OGC and the shippers making the Transportation Code binding.

Transportation Code

The Transportation Code contains the terms for the transportation services provided for by the Company and the shipper. Transportation Code includes: Description of services provided by the TSO; Obligation on shipper to pay for services provided; Capacity booking regime, capacity charges; Nominations and balancing regime; Capacity expansion regime; Metering and gas quality; Invoicing and payment and Dispute resolution.

Previous concession agreement

The previous concession agreement (the "Previous Concession Agreement") with Government of the Sultanate of Oman was for the period of 27 years stating from 22 August 2000. Under the Previous Concession Agreement, OGC was granted a concession for the construction, ownership, operation and maintenance of two gas pipelines from Fahud to Sohar and from Saih Rawl to Salalah and the ownership, operation and maintenance of the Government Gas Transportation System. Under the Previous Concession Agreement, OGC was operating as an Agency of the Government.

13. Concession receivables (continued)

Asset transfer agreements

The Group has entered into an asset transfer agreement (the "Asset Transfer Agreement" or "ATA") with the Government of the Sultanate of Oman dated 13 May 2018, whereby acquired the ownership of gas transportation facilities from the Government with effect from 1 January 2018. The Group:

(a) acquired certain gas transportation facilities including pipelines, gas supply stations, metering stations and compressor stations;

(b) acquired certain assets under construction;

(c) settled the liabilities of the Government in respect of certain gas transportation assets transferred by the Government to the OGC under an asset transfer agreement dated 22 August 2000;

(d) settled the liabilities of the Government in respect of an asset package, procured by the OGC from the Government, financed by a commercial loan repaid by the Government; and

(e) settled the liabilities of the Government in respect assets directly financed by the Government pursuant to gas transportation and tariff agreement dated 22 August 2000.

As per the Asset Transfer Agreement purchase price amounting to RO 174,821,600 has been settled by issuing the shares to the Company's shareholders and remaining amount would be settled in cash.

Asset transfer agreement entered in 2019

During 2019, the Group entity has entered into two separate ATAs with the Government of the Sultanate of Oman effective from 1 July 2019 and 31 December 2019 for purchase of gas transportation pipeline system and ancillary assets at a purchase price amounting to RO 183,669,552 and RO 42,616,114 respectively. As per the Asset Transfer Agreement, 50% of the purchase price is to be settled by issuing the shares to the shareholders and remaining amount would be settled in cash. The Parent Company is in the process of issuing share capital (note 23).

Under ATA, the amount of the assets acquired and liabilities settled were as follows:

	2019 **RO'000**	2018 RO'000
Gas transportation assets transferred to :		
- Concession receivables (note 13)	**226,286**	273,467
- Contract assets (note 15)	**-**	14,877
	226,286	288,344
Liabilities settled	**-**	72,313
Total purchase price payable	**226,286**	360,657
In-kind equity contribution:		
Issuance of share capital against purchase price	**(113,143)**	(174,822)
Net cash settlement	**113,143**	185,835

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

13. Concession receivables (continued)

Liabilities and certain receivables were settled as follows:

	2019	2018
	RO'000	RO'000
Current portion of term loan	-	26,950
Deferred capacity charge tariff	-	49,640
Deferred commodity charge tariff	-	20,257
Settlement against deferred commodity and capacity charge	-	(7,232)
Capacity tariff receivable	-	(17,302)
	-	72,313

The Group has adopted IFRIC 12 to the revised concession agreement with GOSO. Under the IFRIC 12, financial asset account model has been adopted and IFRS 15 has been followed for the construction or upgrade services undertaken by the Group.

Pursuant to the foregoing and Asset Transfer Agreement, following balances have been transferred from property, plant and equipment to concession receivables and contract assets as of 1 January 2018:

	Concession receivables	Contract assets	Total
	RO'000	RO'000	RO'000
Property, plant and equipment (note 6)	98,112	83,123	181,235
Receivable from government	-	68,952	68,952
	98,112	152,075	250,187

Previously the Group Entity "OGC" entered into an asset transfer agreement (the "Previous Asset Transfer Agreement") with the Government of the Sultanate of Oman dated 22 August 2000, whereby the Government transferred ownership of a major part of its existing gas transportation facilities to OGC with effect from 2 December 2000 against a purchase price of RO 26,950,000 (US$ 70,000,000).

The loan was settled against the purchase of assets through the asset transfer agreement entered in 2018. The purchase price payable was converted into an unsecured interest-free loan payable in ten equal semi-annual instalments commencing six months after repayment of all other loans of OGC.

14. Lease receivables

The lease income recognised in these consolidated financial statements relates to the Supplementary Tariff Agreement (STA) between the Group entity (OOCEP) and the Government of the Sultanate of Oman. (the "State"). The Group has concluded that the STA is an arrangement which contains a lease and has accounted for the investment in the Plant and revenue from the State accordingly.

Under the STA the Group constructed, and now operates, the Musandam Gas Plant (the Plant/MGP), located in the Musandam province of Oman. The State directs the Group to make the processing capacity of the Plant available to third parties. The term of the STA is 20 years from the date of first gas processing, which occurred in early 2016, and at the end of the term the assets of the Plant revert to the State. The Group retains substantially no risk in the underlying asset.

The lease payments to be made to the OOCEP from the State under the STA comprise of a number of elements, each payable monthly:

- A Capacity Charge of USD 790 million, to allow the Group to recover costs of construction over a 20 year period;

- An Annual Processing Costs (APC) charge, to allow the Group to recover operating costs up to a contractual cap. A credit is given for any amounts recovered from third parties;

- A Fixed Remuneration Charge, to be paid over 20 years in such a manner to yield an initial internal rate of return to the Group of 7%;

- Income tax to be paid by the Group.

The lease income is recognized in the consolidated statement of profit and loss with an effective interest rate of 9.08%.

Lease income	**2019**	2018
	RO'000	RO'000
Finance income on the net investment in lease (note 37)	**25,646**	26,273

The net investment in the lease constitutes the cost of construction of the underlying assets.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

14. Lease receivables (continued)

Net investment in lease	**2019**	2018
	RO'000	RO'000
Opening	**274,730**	281,652
Repayments	**(7,542)**	(6,922)
Closing	**267,188**	274,730
Presented as		
Current asset	**8,227**	7,542
Non-current asset	**258,961**	267,188
	267,188	274,730
Finance lease receivable		
2019	**-**	33,431
2020	**33,188**	33,431
2021	**33,188**	33,431
2022	**33,188**	33,431
2023	**33,188**	33,431
2024	**33,188**	33,431
Remaining	**367,027**	365,573
	532,967	566,159
Less: interest element	**(265,779)**	(291,429)
Net investment in lease	**267,188**	274,730

15. Contract assets

	Due from MOG		**Due from others**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
At 1 January	**275,266**	-	**10,037**	-	**285,303**	-
Transferred on adoption of IFRIC 12 (note 13)	-	152,075	-	-	-	152,075
Acquisition under ATA (note 13)	-	14,877	-	-	-	14,877
Transfer from property, plant and equipment (note 6)	-	-	-	2,661	-	2,661
Additions during the year	**56,075**	123,416	**3,939**	8,510	**60,014**	131,926
Received from a related party	-	-	**(283)**	(1,134)	**(283)**	(1,134)
Accrued during the year	-	-	**2,468**	-	**2,468**	-
Invoiced and transferred to related party	-	-	**(6,566)**	-	**(6,566)**	-
Transferred to concession receivables (note 13)	**(50,668)**	(15,102)	-	-	**(50,668)**	(15,102)
At 31 December	**280,673**	275,266	**9,595**	10,037	**290,268**	285,303

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

15. Contract assets (continued)

(a) A contract asset is recognised for the period in which the construction services are performed to represent the Company's right to consideration for the services rendered to date. Contract asset represents the construction revenue and the finance income on the contract asset calculated under IFRIC 12.

(b) Under the RAB rules, the Company receives an allowed rate of return on the work in progress infrastructure asset. Accordingly, contract asset is reduced by any such payments received.

(c) Contract asset is reclassified to concession receivables at the point at which it is commissioned and becomes operational.

(d) For the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. None of the amounts due from customers at the end of the reporting period is past due as payments will be made in the form of reimbursement of depreciation once the contract asset is commissioned and transferred to concession receivable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the amounts due from customers under construction contracts. There were no impairment losses recognised on any contract asset in the reporting period (2018: Nil).

(e) Due from others represents the projects undertaken for certain related parties.

16. Investments

	2019	2018
	RO'000	RO'000
Investments at fair value through profit or loss	**366,805**	386,784

Management assessed that the Group has no significant influence over these companies, hence these investments have been classified as fair value through profit and loss investments. Management has not exercised its irrevocable option to designate these investments at FVOCI on the initial application of IFRS 9.

	2019	2018
	RO'000	RO'000
Quoted investments	**314,512**	333,843
Unquoted investments	**52,293**	52,941
	366,805	386,784

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

16. Investments (continued)

	2019	2018
	RO'000	RO'000
Quoted investments		
MOL PLC (i)	**220,672**	247,837
Redes Energéticas Nacionais (ii)	**93,840**	86,006
	314,512	333,843

(i) In 2008, the Parent Company established OOHL as a 100% subsidiary, registered in the Cayman Islands. OOHL has 100% holding interest in OOBL, which further holds 7% shares of MOL PLC, a company listed in Hungary, designated as an investment at fair value through profit or loss.

The purchase price per share was HUF 1,577 and the market price per share as at 31 December 2019 was HUF 2,940 (2018: HUF 3,078).

(ii) During 2012, Mazoon BV, a 100% subsidiary, acquired 15% shares in Redes Energéticas Nacionais, SGPS, S. A (REN). The purchase price per share was Euro 2.56 and the market per share price as at 31 December 2019 was Euro 2.72 per share (2018: Euro 2.44 per share).

Unquoted investments

(i) During 2012, the Parent Company invested RO 48.138 million under a Shareholder's Agreement between the Parent Company, and Vale International SA and Vale Oman Pelletizing Company LLC ("VOPC") dated 29 May 2010 (the "Shareholder's Agreement").

Under the Shareholder's Agreement, the Parent Company holds 30% of the share capital of VOPC, however, it will not be entitled to either 30% of the net profits or share of net worth of VOPC. Further, the Shareholder's Agreement entitles the Parent Company to a minimum fixed dividend.

(ii) During 2013, the Parent Company acquired a 16.48% shareholding in Perpetual Global Technologies Limited (PGTL), a company registered in Mauritius for a total consideration of RO 5.20 million.

(iii) During 2013, the Group recorded an impairment loss towards its investment of RO 5.20 million on account of significant or prolonged decline in the value of investment. The Company further invested RO 0.43 million in 2015. Due to continued losses, management has fully impaired the investment in 2016 considering the fair value of PGTL to be nil and recognised an impairment loss of RO 5.7 million in previous years.

(iv) During 2012, the Parent Company's board approved the acquisition of up to 25% of the issued share capital in Black Rock Metals Inc. subject to a maximum investment of CAD 90 million (RO 34.92 million). Under the agreement the Parent Company subscribed for 6.76% share capital for an amount of CAD 10 million (RO 3.88 million).

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

17. Term deposits

	2019 RO'000	2018 RO'000
Short-term-deposits	**172,563**	788,108

Deposits more than one year are denominated in Rial Omani and US Dollars, classified as short term as the option to break the deposits rests with the Group at not breakage cost and are held with commercial banks, with maturities of more than one year as at reporting date. They carry interest at effective annual rates ranging between 0.1% to 3.5% (2018: between 0.1% to 4.35%).

Deposits less than one year are denominated in US Dollars and Rial Omani and are held with commercial banks. They carry interest at effective annual rates ranging between 0.25% to 4.55% (2018: 0.25% to 2.25%), with maturities ranging from one to twelve months from the reporting date. Interest on deposits accrues on a monthly basis.

Term deposits are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12 month ECL. None of the balances with banks at the end of the reporting period are past due, and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that there is no significant expected credit loss.

18. Other non-current assets

	2019 RO'000	2018 (restated) RO'000
MGP receivables (i)	**-**	53,093
OOFDC - receivables and advances	**11,670**	-
Other assets	**5,685**	6,039
	17,355	59,132
MGP receivables:		
MGP receivables	-	75,099
Impairment of MGP receivables	-	(22,006)
	-	53,093

18. Other non-current asset (continued)

(i) MGP receivables relating to the years 2016 and 2017 were transferred to non-current assets in 2018 based on the agreed delays in the payment outlined in assurance letter from Ministry of Oil and Gas. Since there was no specific repayment plan addressed in the assurance letter, the management believed that these amounts will be received from year 2021 equally over four years closing at year 2024 and the time value of money was adjusted based on the implicit rate of interest of lease of 9.08%.

However during the current year, the Group entity received the entire balance of RO 75 million (USD 195 million) and accordingly the impairment provided against the receivables was reversed amounting to RO 22 million (USD 57 million).

19. Inventories

	2019 **RO'000**	2018 (restated) RO'000
Finished goods	**133,763**	146,106
Oil and lubricants	**143,256**	214,093
Stores and spares	**237,363**	157,380
	514,382	517,579
Allowance for slow-moving and obsolescence inventories	**(2,058)**	(3,111)
	512,324	514,468

Movement in allowance for slow-moving and obsolescence:

At 1 January	**3,111**	2,263
Adjustment due to common controlled transaction (note 48)	**-**	331
Net (reversal) / addition during the year	**(1,053)**	517
At 31 December	**2,058**	3,111

Inventories related to Oxea Group amounting to RO 94.435 million (2018: RO 87.72 million) have been pledged against loans and borrowings of Oxea Group (note 27).

Inventories related to OTI amounting to RO 89.156 million (2018: RO 108.48 million) are pledged as security against banking facilities (note 27).

Inventories amounting to RO 88.19 million (2018: RO 107.37 million) are held at fair value less costs to sell. Fair value of inventory is a level 2 fair value measurement (note 44) using observable market prices obtained from reference exchange traded reference indices or market data providers adjusted for location and quality differentials. There are no significant unobservable inputs in the fair value measurement of such inventories.

20. Trade and other receivables

	2019 RO'000	2018 (restated) RO'000
Trade receivables	**489,361**	758,143
Less: expected credit losses	**(4,417)**	(9,373)
	484,944	748,770
Other receivables	**124,081**	82,419
Advances to suppliers	**48,731**	75,036
Advances to employees	**1,482**	3,828
Prepaid expenses	**15,778**	25,799
	675,016	935,852

Substantially all receivables of Oman Oil Holding Europe BV amounting to RO 35.89 million (2018: 47.52 million) are either assigned and transferred for security purposes or pledged.

21. Derivatives

	Derivatives assets		Derivatives liabilities	
	2019 RO'000	2018 (restated) RO'000	2019 RO'000	2018 (restated) RO'000
Derivatives held for trading	**75,590**	27,249	**53,688**	31,190
Cash flow hedges	**-**	20,673	**49,537**	-
	75,590	47,922	**103,225**	31,190
Less: current portion	**(75,590)**	(28,184)	**(64,385)**	(31,190)
Non-current portion	**-**	19,738	**38,840**	-

Commodity contracts relating to OTI

As part of its business operations, the Group uses derivative financial instruments ("derivatives") in order to manage exposure to fluctuations in commodity prices arising from its physical commodity business.

Trading activities are undertaken sometimes using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods.

Within the ordinary course of business the Group entity routinely enters into sale and purchase transactions for commodities. These transactions are within the scope of IFRS 9 due to the trading nature of the Group's activities.

21. Derivatives (continued)

Commodity contracts relating to OTI (continued)

As a result, these physical contracts are treated as derivatives in accordance with IFRS 9. These contracts include pricing terms that are based on a variety of commodities and indices. They are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Statements of comprehensive income.

The Group also uses various commodity based derivative instruments to manage some of the risks arising from its normal operating activities that give rise to commodity price exposures. Such instruments include financial forwards, futures and swaps. These are recognised in the Statements of financial position at fair value with movements in fair value recognised in the Statements of comprehensive income.

For the Group, all derivatives are classified as held-for-trading instruments.

Held-for-trading derivatives

The Group's physical and financial commodity contracts, other than those which do not meet the criteria under IFRS 9, are classified as held for trading and are recognised at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. The net of these exposures is monitored using VaR techniques.

Cash flow hedge relating to ORPIC

In accordance with article 8.3 of its Common Terms Agreement for long term loans (note 27), a subsidiary of the Group is required to enter into an interest rate hedging agreement with a view to cap the Group's exposure to fluctuating interest rates.

OQ Plastics LLC has entered into hedging agreements which are designed to cap its exposure to fluctuating interest rates for the period of construction of the LIWA Plastic Plant. Thereafter the subsidiary will release 44% of the hedging arrangement and maintain approximately that relationship to the outstanding loan balance by reducing the principal covered under the hedging arrangement on a periodic basis until its expiry on 15 December 2031.

As at the reporting date, a principal amount of approximately USD 1,842 million (RO 709.38 million) [2018: USD 1,675.0 million (RO 645.0 million)] was covered under this agreement.

The hedging arrangement obliges the Subsidiary to pay fixed interest at the rate as below per annum semi-annually.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

21. Derivatives (continued)

Cash flow hedge relating to ORPIC (continued)

Bank Name	**Year**	**Fixed rate**	**Amount RO'000**
BNP Paribas	5 Year		**127,053**
BNP Paribas	10 Year		**74,115**
Credit Agricole CIB	5 Year		**148,229**
Credit Agricole CIB	10 Year		**74,115**
Societe Generale	5 Year	Commercial	**42,351**
Societe Generale	7 Year	rate	**84,702**
HSBC	13 Year		**67,762**
ING Group	13 Year		**16,940**
JP Morgan	7 Year		**42,351**
MUFG	7 Year		**31,763**
Notional amount as at 31 Dec 2019			**709,381**
Notional amount as at 31 Dec 2018			645,043

22. Cash and cash equivalents

	2019 RO'000	2018 (restated) RO'000
Bank balances (current and call accounts)	**567,365**	620,448
Cash balance	**136**	15
	567,501	620,463

Cash and cash equivalents included in the consolidated statement of cash flows include bank balances, cash and call deposits with a maturity of three months or less from the date of acquisition.

Call deposits carry annual interest at rates ranging between 0.25% to 3.50% per annum (2018: 0.25% to 2.25% per annum).

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

23. Share capital

	Authorised		Issued and paid up	
	2019	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000
Ordinary shares of RO 1 each	**5,000,000**	5,000,000	**3,315,293**	3,012,980

The Parent Company is fully owned by Ministry of Finance (MOF).

During the year, the Parent Company issued 302,313,000 shares at a face value of RO 1 each to MOF against acquisition of ORPIC. The issue of shares and acquisition of OPRIC is accounted for as a transaction under common control.

In 2018, the Parent Company issued 174,800,000 shares at a face value of RO 1 to the Ministry of Gas against RAB assets received by a Group entity "OGC".

The Group entity OGC has received certain assets from the Ministry of Oil and Gas (MOG). As per agreement, the Parent Company will issue 113,337,000 shares at a face value of RO 1 each to MOG.

24. Statutory reserve

As required by Article 106 of the Commercial Companies Law of the Sultanate of Oman, the Parent Company transfers 10% of its profit for the year to such reserve until such time as the statutory reserve amounts to at least one third of the Parent Company's capital. Accordingly, during 2019, RO 4.16 million (2018: RO 2.085 million) of the Parent Company's annual profit was transferred to the legal reserve. The reserve is not available for distribution.

25. Other reserve

Other reserve mainly relates to the following:

- Fair valuation gain amounting to RO 103 million (USD 267 million) on transfer of Block 9 to the Group entity by the Sultanate of Oman for nil consideration in 2016.

- As disclosed in note 48, the Parent Company applied predecessor accounting using the net carrying value resulting in recording the excess of consideration paid over the net carrying value of assets acquired amounting to RO 90.4 million, as an adjustment in consolidated statement of changes in equity under "other reserves".

26. Fair value reserve

	2019 RO'000	2018 RO'000
Hedging reserve	**(68,634)**	3,772
Share of other comprehensive income of associates and joint ventures	**3,748**	4,420
	(64,886)	8,192

Movement in fair value reserve during the year is as follows:

	Hedging reserve RO'000	Share of other comprehensive income of associates and joint ventures RO'000	Available -for-sale investment fair value reserve RO'000	Total RO'000
At 1 January 2018	709	(1,332)	77,620	76,997
Recycling accumulated fair value reserve to retained earnings on adoption of IFRS 9	-	-	(77,620)	(77,620)
Fair values changes, net of non-controlling interest (NCI)	28,291	-	-	28,291
Share of OCI of joint ventures and associates	-	(555)	-	(555)
At 1 January 2019	**29,000**	**(1,887)**	**-**	**27,113**
Fair values changes, net of NCI	**(72,406)**	-	**-**	**(72,406)**
Share of OCI of joint ventures and associates	**-**	**(672)**	**-**	**(672)**
At 31 December 2019	**(43,406)**	**(2,559)**	**-**	**(45,965)**

27. Loans and borrowings

The following Group entities have availed loans and borrowings which are detailed below:

	2019 RO'000	2018 (restated) RO'000
Parent Company (i)	**-**	231,060
OOCEP (ii)	**461,498**	482,698
Oman Oil Holding Europe B.V. (iii)	**378,419**	382,831
Oman Trading International Limited (iv)	**38,462**	55,626
SMC (v)	**168,726**	145,218
Takamul Investment Company SAOC (vi)	**99,335**	100,725
OGC (vii)	**422,180**	308,432
Oman Oil Marketing Company SAOG (viii)	**578**	2,313
ORPIC (ix)	**2,986,559**	2,856,071
Oman Oil Facilities Development Company LLC (x)	**216,770**	-
	4,772,527	4,564,974
Less: current portion	**(836,766)**	(255,155)
Non-current portion	**3,935,761**	4,309,819

27. Loans and borrowings (continued)

(i) Parent Company

During 2014, the Parent Company signed a USD 1.85 billion Revolving Credit Facility (RCF) with 16 local, regional and international banks, to be used for the general corporate purpose of the Group. The facility contains two tranches as follows:

- Tranche A: USD 1,000 million for a period of 3 years at LIBOR + margin p.a interest; and

- Tranche B: USD 850 million for a period of 5 years at LIBOR + margin (depending on Oman Sovereign rating) p.a interest.

Applicable financial covenants of the facility agreement include a requirement for a minimum tangible net worth of Oman Oil Company SAOC and its subsidiaries.

Tranche A expired in 2017.

During 2017, the Company entered into a new RCF agreement amounting to USD 1,150 million for a period of 5 years (until June 2022) at LIBOR + margin p.a. interest (depending on Oman Sovereign rating). Applicable financial covenants of the facility agreement include a requirement for a minimum tangible net worth of Oman Oil Company SAOC and its subsidiaries. Further, the balance will be immediately prepaid and its commitments cancelled if requested by a lender if:

The Government of the Sultanate of Oman ceases to retain the direct or indirect legal ownership of at least 100% of the issued share capital of the Company; or

The Sultanate of Oman is not rated by at least one of Standard & Poor or Moody’s.

Tranche B refinanced in 2018 prior to expiry in 2019.

During 2018, the Parent Company signed a Supplemental Agreement whereby Tranche B was increased to USD 1,350 million for a period of 5 years (until December 2023) at LIBOR + margin p.a interest (depending on Oman Sovereign rating). Applicable financial covenants of the facility agreement include a requirement for a minimum tangible net worth of Oman Oil Company SAOC and its subsidiaries. Further, the balance will be immediately prepaid and its commitments cancelled if requested by a lender if:

The Government of the Sultanate of Oman ceases to retain the direct or indirect legal ownership of at least 100% of the issued share capital of the Company; or

The Sultanate of Oman is not rated by at least one of Standard & Poor or Moody’s. As at reporting date, the Company had a drawdown of RO nil (2018: RO 231.06 million (USD 600 million)) from Tranche B of the RCF.

27. Loans and borrowings (continued)

(ii) OOCEP

OOCEP has entered into a Forward Sales Agreement and other ancillary contracts with OOCEP PXF 1 B.V. (the Buyer) to physically deliver all of the Group's oil liquid entitlements from Block 60, Block 9, Block 61 and Block 53 to the Buyer for a 5 year period from December 2017. The Buyer advanced the Company USD 1,000 million (the PXF Facility) and is expected to make further payments as oil is delivered, depending on market prices. Under limited circumstances the OOCEP may make cash payments in lieu of oil delivery. The carrying amount of the PXF Facility is approximate to its fair value.

The advance will be settled in 13 equal quarterly instalments starting from 30 September 2019 to 13 September 2022. During the current year, the OOCEP restructured the loan and extended the term of loan by 2 years. Accordingly, the loan is now for 7 years and the repayment of the advance will be settled in 13 equal installments starting from 30 September 2021 to 30 September 2024.

Interest charges are settled through the delivery of crude oil over the period of the arrangement. The Group has recognised this arrangement as a financial liability. Under the agreement the Buyer will retain cash received from the ultimate sale of oil to fund its debt service obligations and administrative expenses, with the balance being paid to the OOCEP conditional on meeting certain banks covenants. Where the benefits of such retentions are expected to ultimately flow to the Group they are presented as restricted cash.

Term loan facilities availed by Abraj Energy Services LLC, a subsidiary of OOCEP, under credit facilities agreements with commercial banks are detailed below:

	Maturity	2019 RO'000	2018 RO'000
Term loan I (a)	November 2019	**-**	6,582
Term loan II (b)	August 2019	**-**	7,119
Term loan III (c)	November 2020	**11,660**	14,073
Term loan IV (d)	May 2021	**3,733**	4,433
Term loan V (e)	April 2023	**20,900**	23,540
Term loan VI (f)	December 2023	**29,723**	33,254
Term loan VII (g)	December 2025	**10,489**	11,533
Term loan VIII (h)	December 2028	**3,884**	-
		80,389	100,534

Term loans are provided by various commercial banks and some are denominated in US Dollar, others in Omani Rials. The term loans carry interest at LIBOR plus fixed margins and are repayable in variable instalments.

27. Loans and borrowings (continued)

(ii) OOCEP (continued)

(a) Term loan I

- Tranche I – Total outstanding amount was US Dollars 8.60 million (RO 3.31 million) as of 31 December 2018. The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half-yearly instalments of US $ 992,307 (RO 382,137) each. The final instalment of US $ 8.60 million (RO 3.31 million), representing 40% of the term loan, was repaid in June 2019. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

- Tranche II – Total outstanding amount was US Dollars 8.49 million (RO 3.27 million) as of 31 December 2018.The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half yearly instalments of US $ 1,015,380 (RO 391,023) each. The final instalment of US $ 7.48 million (RO 2.88 million), representing 40% of the term loan, was repaid in November 2019. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

(b) Term loan II

- Tranche I – Total outstanding amount was US Dollars 8.72 million (RO 3.36 million) as of 31 December 2018. The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half yearly instalments of US $ 1,006,062 (RO 387,434) each. The final instalment of US $ 8.72 million (RO 3.36 million), representing 40% of the term loan, was repaid in April 2019. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

- Tranche II – Total outstanding amount was US Dollars 9.77 million (RO 3.76 million) as of 31 December 2018. The term loan was denominated in US Dollars and 60% of the term loan was repayable in 13 consecutive half yearly instalments of US $ 1,010,363 (RO 389,091) each. The final instalment of US $ 8.76 million (RO 3.37 million), representing 40% of the term loan, was repaid in August 2019. Interest on the term loan was payable at 3 months LIBOR plus fixed margin.

(c) Term loan III

- Tranche I – Total outstanding amount is US Dollars 17.41 million (RO 6.70 million) as of 31 December 2019. The term loan is denominated in US Dollars and 60% of the term loan is repayable in 13 consecutive half-yearly instalments of US $ 1,801,544 (RO 693,775) each. The final instalment of US $ 15.61 million (RO 6.01 million), representing 40% of the term loan, is repayable in November 2020. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

- Tranche II – Total outstanding amount is US Dollars 10.56 million (RO 4.07 million) as of 31 December 2019. The term loan is denominated in US Dollars. 60 % of term loan is repayable in 13 consecutive half-yearly instalments of US $ 1,093,394 (RO 421,066). The final instalment of US $ 9.48 million (RO 3.65 million), representing 40% of term loan, is repayable in October 2020. Interest on term loan is payable at 3 months LIBOR plus fixed margin.

27. Loans and borrowings (continued)

(ii) OOCEP (continued)

(c) Term loan III (continued)

- Tranche III – Total outstanding amount is US Dollars 2.29 million (RO 0.88 million) as of 31 December 2019. The term loan is denominated in US Dollars and 60% of the term loan is repayable in 13 consecutive half-yearly instalments of US $ 237,383 (RO 91,416) each. The final instalment of US $ 2.05 million (RO 0.79 million), representing 40% of the term loan, is repayable in November 2020. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

(d) Term loan IV

The term loan is denominated in US Dollars and 60% of the term loan is repayable in 13 consecutive half-yearly instalments of US $ 908,836 (RO 349,993) each. The final instalment of US $ 7.88 million (RO 3.03 million), representing 40% of the term loan, is repayable in May 2021. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

(e) Term loan V

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 28 quarterly instalments of RO 660,000 each. The final instalment of RO 12.32 million, representing 40% of the term loan, is repayable in year 2023. Interest on term loan is payable at fixed percentage below base lending rate of the lender. Interest to be serviced on monthly basis.

(f) Term loan VI

The term loan is denominated in Omani Rials and 60% of the term loan is repayable in 28 quarterly instalments of RO 882,857 each. The final instalment of RO 16.48 million, representing 40% of term loan, is repayable in year 2023. Interest on the the term loan is payable at fixed commercial rate and to be serviced on quarterly basis.

(g) Term loan VII

The term loan is denominated in Omani Rials 27 quarterly instalments of RO 255,822 each. The 28th final instalment of RO 4.6 million, representing 40% of term loan, is repayable in year 2025. Interest on the term loan is payable at fixed commercial rate and to be serviced on monthly basis.

(h) Term loan VIII

During the year, the company has availed the term loan to finance the new projects for the purchase of four Rigs and two Hoists units amounting to RO 3.88 Million which is denominated in USD. The loan is repaid in 8 years as 32 equal quarterly instalments. The first repayment will commence on 31st March 2021. The final maturity of the loan will be on 31st December 2028. Interest on the term loan is payable at 3 months LIBOR plus fixed margin.

27. Loans and borrowings (continued)

(ii) OOCEP (continued)

Security terms for the above loans

Securities for the loans are as follows:

- assignment of revenues for the assets financed through that commercial bank.
- negative lien over the assets financed through that commercial bank.

Securities provided for the Abraj Energy Services S.A.O.C loans are as follows:

- an assignment of all revenues arising from the assets financed through a loan to the relevant commercial bank.
- a negative lien over the assets financed through facilities.

(iii) Oman Oil Holding Europe B.V.

Oxea Group, a 100% subsidiary of OOC Holding Europe BV has the following facilities:

Facilities	**2019 RO'000**	2018 RO'000	Interest rate
Term loan – First Lien B-1 (Euro)	**202,834**	204,255	Refer note below
Term loan – First Lien B-2 (USD)	**172,624**	172,469	Refer note below
Other loans	**2,961**	6,107	1.0% - 4.85%
	378,419	382,831	

On 12 October 2017, OXEA Corporation, Dallas (TX) and OXEA Holding Drei GmbH, Monheim am Rhein, established a new Senior Facilities Agreement comprising: (i) term loans of RO 219.23 million (Euro 475 million) and RO 192.5 million (USD 500 million) with a maturity in October 2024 and quarterly mandatory repayments (for the USD-tranche only) of 0.25% of the principal, and; (ii) a revolving credit facility of RO 63.46 million (Euro 137.5 million) with a maturity in October 2023. In line with the credit agreements, OXEA made mandatory term loan repayments in an amount of US$ 5 million in 2018. Furthermore OXEA made a voluntary repayment of US$ 35.0 million in 2018. The interest rates of the Term Loans are based on EURIBOR/ USD-LIBOR plus a margin. The margins are reduced according to a margin grid if the leverage ratios have reached a defined level.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

27. Loans and borrowings (continued)

(iii) Oman Oil Holding Europe B.V. (continued)

OXEA Holding Vier GmbH, Monheim am Rhein / Germany, and certain of its subsidiaries (collectively the "Guarantors") guaranteed the full and prompt payment of the obligations of the Borrowers and the other Guarantors. All obligations under the First Lien Credit Agreement and the First Lien Guarantee are secured by a first priority security interest in favor of the First Lien Administrative Agent for the benefit of the First Lien Lenders. The collateral includes pledges over the equity interests in the Borrowers and certain of the Guarantors. The Borrowers and Guarantors in Germany have pledged substantially all of their capital stock, bank accounts, intellectual property, receivables and moveable assets. The Borrowers and Guarantors in the United States have pledged substantially all of their assets except real estate. All of the collateral is subject to certain exclusions as set forth in further detail in the First Lien Credit Agreement.

In June 2013, OXEA (Nanjing) Advanced Derivatives Ltd., entered into a long-term financing contract with China Construction Bank for the building of its plant in China. The remaining outstanding amount of CNY45.0 million was in line with the contract repaid in June 2019 and the outstanding securities were released. Furthermore, OXEA (Nanjing) Advanced Derivatives Ltd. has access to local working capital facilities of CNY191.0 million, thereof CNY85.0 fully committed. Of those facilities CNY48.0 million, thereof CNY18.0 million from committed facilities, were drawn at December 31, 2019.

Additionally, OXEA GmbH, Monheim am Rhein/Germany and OXEA Services LLC, Houston (TX)/USA maintain an Asset Backed Commercial Paper (ABCP) Program with Landesbank Baden-Württemberg, which provides a facility for the sale of trade receivables. As customer collections are permanently being paid into Group's bank accounts at year-end there were liabilities of €2.8 million and USD 4.5 million to the bank resulting from collections that have not yet been passed onward.

(iv) Oman Trading International Limited (OTI)

The Group entity's, OTI trading activities are primarily financed via a syndicated USD 1,000m (2018: USD 1,000m) secured uncommitted Borrowing Base Facility to finance the OTI working capital requirements. The facilities have a 12-month term ending June 2020. The facility carries bank charges and interest at prevailing competitive commercial market rates and is secured by a charge on specific assets of the OTI primarily comprised of trade accounts receivables, inventories, bank balances and cash. Applicable financial covenants for the facility include a requirement for a minimum tangible net worth and current ratio of the OTI.

The OTI also has access to uncommitted financing via bilateral working capital credit facilities totaling approximately USD 500 million (2018: USD 425 million).

At 31 December 2019, the OTI Group had an overdraft balance of USD 100 million (2018: USD 144 million) drawn from its facilities, presented as loans and overdrafts in the consolidated statement of financial position. Additional utilisations under the Group's facilities in the form of contingent commitments such as letters of credit are disclosed in Note 43.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

27. Loans and borrowings (continued)

(v) SMC

SMC has syndicated long-term loan facilities ("syndicate facilities") in the aggregate maximum amount of RO 280.35 million (USD 728 million) under a facilities agreement dated 13 July 2017 comprising of term loan facility only. As at 31 December 2019, RO 173.29 million (USD 450 million) is drawn against total loan commitment of RO 280.35 million (USD 728 million). The aggregate amount of new term loan facility is repayable in eighteen semi-annual instalments, in amounts ranging from RO 7.40 million (USD 19.22 million) to RO 43.03 million (USD 111.75 million). Repayment will commence from December 2020. The new term loan facility and standby term loan facility bear interest at US LIBOR rates plus applicable margins, subject to repricing on a semi-annual basis. The margins vary depending upon outstanding facilities and status of the project in relation to completion.

The syndicated loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of SMC. The syndicated facilities agreements contain certain general and project undertakings pertaining to, amongst other things, compliance with laws, negative pledges, disposals, loans or credit, dividends, share redemption and subordinated shareholder loan, financial indebtedness, merger, change of business and acquisitions. The new syndicated loan facility was obtained to refinance the old term loan facility, repayment of loans provided by the Shareholders and to fund Ammonia Project Costs.

(vi) Takamul Investment Company SAOC

Oman Aluminium Rolling Company LLC (OARC)

In 2011, the Group entity, OARC obtained syndicated term loan facilities from commercial banks in Oman for an amount of US$ 193 million (RO 74.3 million) [US Dollar Base Facility and Omani Rial Base Facility]. Further, in 2011 the company obtained working capital facilities denominated in US Dollar amounting to US$ 65 million (RO 25 million) and Omani Rial denominated facilities amounting to US$ 7.8 million (RO 3 million).

Considering the liquidity position of the OARC, the commercial lenders have restructured the term loan facilities of the Company on 4 November 2018 and provided an additional term loan facility of US$ 58.6 million towards repayment outstanding amount under existing working capital facility. Further the repayment dates and interest rates have also been restructured as detailed below. The management has assessed the impact of modification as substantial and accordingly derecognized the old facility and recognized the new facility. Further the deferred finance costs have been charged to profit or loss account.

27. Loans and borrowings (continued)

(vi) Takamul Investment Company SAOC (continued)

Oman Aluminium Rolling Company LLC (OARC) (continued)

As of 31 December 2019, the OARC has withdrawn US$ nil (2018 - US$ 198,250,000) from the US Dollar denominated facility and RO nil (2018 - RO 22,330,000) from the RO base facility.

US Dollar denominated facility and standby facility bears variable interest rate at US$ Libor plus margin of 3 % (2018: US$ Libor plus margin) and mandatory costs, if any.

Omani Rial denominated facility bears fixed interest rate:

- for the first twelve months following the first drawdown date at a fixed rate per annum; and
- for each subsequent twelve-month period, the rate notified by the Facility Agent to the OARC prior to the commencement of such twelve-month period, provided such rate would not be less than previous one.

The loans are repayable in 20 semi-annual instalments commencing from the first repayment date of 30 June 2021. Prior to restructuring, the loans were repayable in 18 semi-annual instalments commencing from earlier of 15 October 2016 or 30 months from the commercial operation date.

However, based on restructuring of the term loan facilities on 4 November 2018, the loans have been classified as non-current as at 31 December 2018 and 2019.

The OARC had an overdraft outstanding as of 31 December 2019 of RO nil (2018 - RO 1.41 million) carrying interest at 4.5% per annum. The OARC has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

OARC had an overdraft outstanding as of 31 December 2018 of RO 1.41 million (US$ 3.67 million) carrying interest at 4.5% per annum.

OARC has created a commercial mortgage on all the assets and also assigned its rights on all the insurance proceeds related to project assets in favour of the lenders as a security against the borrowings.

27. Loans and borrowings (continued)

(vii) OGC

a. The Group entity, OGC had obtained syndicated term loan facilities ("syndicate facilities") in 2018 in the aggregate maximum amount of RO 423.5 million (equivalent to USD 1,100 million) under the facilities agreement dated 23 August 2018 ("the Facilities Agreement").

The aggregate amount of term loan facility is repayable in bullet within 2 years from the date of agreement. The term loan facility is unsecured and bears interest at LIBOR rates plus applicable margins.

The facility is obtained to pay for the acquisition of assets from GOSO, repayment of shareholder loan and to fund ongoing capital projects under construction.

The management intends to re-finance the facility through a long term bond.

Subsequent to the year end, the Group entity has partially replaced this loan with a long term syndicated loan facility and intends to refinance the remaining loan before the settlement date.

b. In 2017, an interest free loan from the Government of Sultanate of Oman represented the consideration for the transfer of existing gas facilities by Oman Gas Company SAOC to the Government of Sultanate of Oman for the ownership of the existing Gas Transportation facilities in accordance with the Asset Transfer Agreement dated 22 August 2000.

The loan was unsecured, interest - free and was repayable in ten equal semi-annual instalments of RO 2.695 million commencing six months after repayment of the loan from commercial banks.

The repayment of this loan was expected to be made from the capacity charges receivable from the Shipper. Up to 31 December 2017, the OGC had not re-paid any installment as it had not received the capacity charges from the Shipper. The Company's management expected to repay all the outstanding installments in 2018.

During the year 2018, this loan has been settled as part of asset acquisition transaction with GOSO based on ATA.

c. The senior facility loan by Musandam Power Company SAOC (subsidiary of OGC till 26 December 2019), denominated in Rial Omani and carries interest at commercial rates. The loan is to be repaid in 30 half yearly instalments.

27. Loans and borrowings (continued)

(vii) OGC (continued)

The loan was secured by:

- Legal mortgage over MPC's immovable assets;
- Pledge over the owner's shares;
- Pledge over the project accounts; and
- Assignment / charge over all of MPC's rights, titles and interest in and to the project documents, the insurances and reinsurance's, the consents and any other material agreements to which MPC is a party and other material property, asset and revenue of MPC.

(viii) Oman Oil Marketing Company SAOG

Term loan facilities availed by Oman Oil Marketing Company SAOG, under credit facilities agreements with a commercial bank are detailed below:

	2019	2018
	RO'000	RO'000
Current portion	**578**	1,735
Non-current portion	**-**	578
	578	2,313

These loans are denominated in Rial Omani and represent facilities obtained from a local bank, for the purpose of construction of filling stations. These loan are unsecured and carry interest at commercial rates (2018 - same terms and conditions).

(ix) ORPIC

Term loan I

ORPIC has entered into a long term facility agreement dated 30 April 2014 with various commercial banks and export credit agencies amounting to USD 2,850 million. The new term loan was utilized partly to repay in full the previous outstanding term loans of ORPC and OPP on 30 June 2014 and the remaining USD 1,819 million was availed for financing the Sohar Refinery Improvement Project (SRIP).

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan I (continued)

Interest on new term loans

The loan carries interest at LIBOR plus margin for the following facility:

- Commercial Facility
- K-EXIM Facility
- SACE Facility
- K-Sure Facility
- K-Exim Guaranteed Facility

With the exception of Commercial and K-EXIM covered Facilities, the above margins are fixed up to the first repayment date (which is defined as May 2018) and subsequently the interest rate will be restated as per the market rate.

For the K-EXIM Facilities, the margins will change as follows:

- Fixed margin from 30 April 2014 to but excluding third anniversary of the FRD; and then
- Fixed margin from and including third anniversary of FRD to but excluding sixth anniversary of the FRD; and then
- Fixed margin from and including sixth anniversary of FRD to and including the Discharge Date.

Interest is payable semi annually. If the Subsidiary fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

Repayments

The loans are repayable in semi-annual instalments starting from May 2018. The maturity profile of the term loan is as follows:

	2019	2018
	RO'000	RO'000
Amount due:		
Less than 1 year	**77,376**	80,230
From 1 to 2 years	**94,169**	77,376
From 2 to 5 years	**318,505**	307,859
Over 5 years	**453,282**	558,097
	943,331	1,023,562

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan I (continued)

Fair value

The term loan facility carries an interest rate which varies with market rates, and therefore the fair value of the loan approximates its carrying value.

Support

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

Term loan II

On 18 May 2015, ORPIC entered in to a corporate loan agreement for the amount RO 350.0 million (USD 909.0 million) in order to meet the working capital needs of the ORPIC group. The purpose of the loan is to support its subsidiaries. At 31 December 2019, the Group Company had drawn RO 350.0 million (USD 909.0 million) and had repaid RO 15.4 million (USD 40.0 million).

Interest

The loan carries fixed interest for the first 36 months and will be subsequently reviewed.

Interest is payable semi-annually. If the ORPIC fails to pay any amount payable by it under the facility agreement, the interest will be accrued on the overdue amount at 2% above the rate.

Repayments

The loan is repayable in semi-annual instalments starting from June 2018 and the maturity profile of the term loan is as follows:

	2019	2018
	RO’000	RO’000
Amount due:		
Less than 1 year	**74,159**	36,594
From 1 to 5 years	**262,641**	276,254
Over 5 years	**57,152**	117,699
	393,952	430,547

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan II (continued)

With the exception of Commercial and K-EXIM covered Facilities, the above margins are fixed up to the first repayment date (which is defined as May 2018) and subsequently the interest rate will be restated as per the market rate.

For the Commercial Facilities, the margins will change as follows:

- from 30 April 2014 to but excluding the first repayment date (FRD); and then
- from and including FRD to but excluding third anniversary of the FRD; and then
- from and including third anniversary of FRD to but excluding sixth anniversary of the FRD; and then
- from and including sixth anniversary of FRD to and including the Discharge Date.

Loan Finance Covenant

- Total Borrowing to Total Equity
    - ❖ As long as any amount is outstanding under the Finance Documents, the ratio of Total Borrowing to Total Equity shall at all time not exceeding 3:1;
    - ❖ The Borrower shall on each Calculation Date demonstrate to the Agents satisfaction that is in Compliance with the ratio of Total Borrowings to Total Equity;
    - ❖ For the avoidance of doubt, any shareholder loan to the Borrower (unless expressly subordinated to the amount outstanding at any time under the Facility) shall form part of Total Borrowings for the above ratio.
- Debt to Equity Ratio

    The Debt Service Coverage Ratio shall not be less than 1.2:1 for any Calculation Period, commencing from 31 December 2018.

    On 19 April 2018, the bank and Group Company amended certain clause of the contract which include among agreed was removing the limit on financial covenants.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan III

On 16 December 2014, a Group Company entered into a long term loan facility agreement with a commercial bank with the purpose to support the MSPP project. During the year ended 31 December 2019, RO 90.5 million (USD 235.0 million) has been utilized and the Group entity had repaid RO 7.5 million (USD 19.6 million). The loan is denominated in US Dollars.

Interest

The loan carries interest at LIBOR plus margin per annum.

Repayments

The repayment of loan is in 24 equal instalments on which an amount reduces the outstanding aggregated loan amount by an amount equal to 1/24 of all the loan borrowed at the last day of the availability period. The first payment is 6 month from the last day of availability period or from the project completion date which is the earliest.

	2019	2018
	RO'000	RO'000
Amount due:		
Less than 1 year	**7,542**	7,542
From 1 to 2 years	**7,542**	7,542
From 2 to 5 years	**22,625**	22,625
Over 5 years	**37,708**	45,249
	75,417	82,958

Loan Finance Covenant

- Minimum Debt Service Coverage Ratio

  - ❖ Starting from a date falling 6 (six) months after the MSPP Project Completion Date and for as long as any amount is owing by the Borrower to the Finance Parties under the Finance Documents, the Borrower shall ensure that the Debt Service Coverage Ratio at all times shall not be less than 1.2:1;

  - ❖ The Debt Service Coverage Ratio shall be calculated on each Test Date starting from a date falling 6 (six) months after the MSPP Project Completion Date until all amounts owing by the Borrower to the Finance Parties under the Finance Documents are paid in full.

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan III (continued)

Loan Finance Covenant (continued)

- Debt to Equity Ratio
  - For as long as any amount is owing by the Borrower to the Finance Parties under the Finance Documents, the Borrower shall ensure that the Debt-to-Equity Ratio shall not exceed a ratio of 70:30;
  - The Debt-to-Equity Ratio shall be calculated on each Test Date until all amounts owing by the Borrower to the Finance Parties under the Finance Documents are paid in full.

Term loan IV

A subsidiary of the Group entity has entered into long term facility agreements dated 3 March 2016 with various commercial banks and export credit agencies amounting to USD 3,800 million. The new term loan is availed for financing the Liwa Plastics Industrial Complex (LPIC) project. During the year ended 31 December 2019, RO 1,443.6 million (USD 3,748.7 million) [2018:RO 1,143.6 million (USD 2,969.5 million)] has been utilised.

	2019	2018
	RO'000	RO'000
Commercial Facility	**546,842**	433,353
Atradius Covered Facility	**225,669**	192,213
K-Sure Covered Facility	**115,530**	82,067
SACE Covered Facility	**308,217**	243,103
UKEF Covered Facility	**60,461**	54,756
K-EXIM Facilities Direct	**97,045**	80,742
K- Exim Covered Facility	**40,971**	32,399
Euler Hermes Facility	**48,889**	24,919
	1,443,624	1,143,552

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan IV (continued)

Interest on new term loans

The loan carries interest at LIBOR plus margin for the following facility:

- Commercial Facility
- Atradius Facility
- K-Sure Facility
- SACE Facility
- UKEF Facility
- K-EXIM Facility
- K-EXIM Covered Facility
- Euler Hermes Facility

With the exception of Commercial Facility, the above margins are fixed up to the first repayment date (which is defined as the earlier of (i) the first date after the Actual Completion Date; and (ii) 15 June 2020) and subsequently the interest rate will be restated as per the market rate.

For the Commercial Facility, the margins will change as follows:

- 3 March 2016 to and including Scheduled Completion Date (SCD); and then
- from and excluding SCD to and including fourth anniversary of the SCD; and then
- from and excluding fourth anniversary of SCD to and including eighth anniversary of the SCD; and then
- from and excluding eighth anniversary of SCD until the Discharge Date.

Interest is payable semi annually. If the subsidiary fails to pay any due balances as per the facility agreements, then interest will be accrued on the overdue amount at 2% above the rate.

Repayments

The loans are repayable in semi-annual instalments starting from the earlier of (i) the first date after the Actual Completion Date; and (ii) 15 June 2020, hence has been classified as non current at the statement of financial position. The maturity profile of the term loan is as follows:

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan IV (continued)

Repayments (continued)

	2019	2018
	RO'000	RO'000
1 to 2 years	**143,360**	5,718
2 to 5 years	**316,702**	306,757
More than 5 years	**983,562**	831,077
	1,443,624	1,143,552

Fair value

The term loan facilities carries an interest rate which varies with market rates, and therefore the fair value of the loan approximates its carrying value.

Support

The loan is supported by standby equity via an equity subscription, share retention and subordination agreement signed by the shareholders.

Term loan V

On 10 April 2017, ORPIC entered in to an Islamic Facility "Wakala Investment" agreement for an amount of RO 21.0 million (USD 54.5 million) in order to develop a petroleum coke storage facility within Sohar Refinery complex. At 31 December 2019, the Group company had drawn RO 21.0 million (USD 54.5 million) [2018: RO 21.0 million (USD 54.5 million)].

Tenor

7 years (2 years availability period, 2 years moratorium and 3 years repayment).

Expected profit rate reset mechanism

Al Izz Islamic Bank will use its current one-year wakala deposit investment rate plus margin to determine the new profit rate for the new run period.

Floor expected wakala profit rate to remain at 5.5% in case the new wakala profit rate comes up lower than fixed rate.

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan V (continued)

Expected profit rate

The Group expects fixed profit rate per annum to be fixed for the first one year and reset annually thereafter as per expected profit rate reset mechanism.

Repayment

Repayment mode will be based on "end of year installment". Repayment of principle amount to be over 3 annual instalments as below:

- End of 5th year (2022) RO 4.0 million
- End of 6th year (2023) RO 6.0 million
- End of 7th year (2024) RO 11.0 million

Profit component will be accrued during the availability period of 2 years and will be due for settlement at the end of first quarter of the 3rd year. After availability period, profit to be serviced on quarterly basis.

	2019	2018
	RO'000	RO'000
2 to 5 years	**10,000**	4,000
More than 5 years	**11,000**	17,000
	21,000	21,000

Term loan VI

On 2 August 2018, a subsidiary of the Group has entered into a long term loan facility agreement with a commercial bank for the amount of RO 173.3 million (USD 450.0 million) in order to refinance the old Orpic Aromatics LLC loan. During the year ended 31 December 2019, the loan has been fully utilized and the Group entity had repaid RO 3.4 million (USD 8.7 million).

Interest

This carries interest at a variable rate as given for the below periods:

a) From the date of this Agreement 2 August 2018 and ending 30 Months after the date of this Agreement

b) From the day after the end of the period in point (a) ending on the Initial Termination Date

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

27. Loans and borrowings (continued)

(ix) ORPIC (continued)

Term loan VI (continued)

Repayments

The classification of the term loans based on the remaining period to maturity from the reporting date is as follows:

	2019	2018
	RO'000	RO'000
Less than 1 year	**5,147**	3,362
1 to 2 years	**6,932**	5,147
2 to 5 years	**156,173**	163,105
	168,252	171,614

Working Capital loan facilities

A subsidiary of the Group entity renewed its working capital facility agreement with a commercial bank as per agreement dated 28 February 2017 whereby the amount available to draw down was increased to RO 192.55 million (USD 500 million) valid for 24 months.

Interest

Interest is payable at LIBOR plus agreed margin.

Financial covenants

The Group entity is required to comply with the Debt Service Cover Ratio of 1:3, maximum gearing ratio of 4 and current ratio of 1:1, associated with the term loan as at 31 December 2019. The Group entity obtained a waiver of the breach of the covenant in for the calculation period ending 31 December 2019.

(x) Oman Oil Facilities Development Company LLC

SLPG

	2019	2018
	RO'000	RO'000
At 1 January	**118,586**	53,903
Loan obtained during the year	**75,464**	64,683
At 31 December	**194,050**	118,586
Unamortised transaction cost	**(4,102)**	(4,035)
Carrying amount at 31 December	**189,948**	144,551

27. Loans and borrowings (continued)

(x) Oman Oil Facilities Development Company LLC (continued)

SLPG (continued)

Syndicated facility

The Group entity has syndicated long-term loan facilities ("syndicate facility") from the consortium of the financial institutions in the aggregate maximum amount of RO 246.41 million (2018: RO 246.41 million) under a facilities agreement dated 17 May 2017 ("the Facilities Agreement").

Facilities repayments

The aggregate amount of the term loan facility and standby term loan facility is repayable in 24 semi-annual installments. Repayment under the term loan facility will commence from 31 December 2020.

Interest

The term loan facility and standby term loan facility bear interest at US LIBOR rates plus applicable margins (2018: US LIBOR rates plus applicable margins).

Security

The syndicated loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Group entity. The NGSA waterfall mechanism ensures priority rights of lenders on revenue. The Government further secures the lenders right if the Group entity is unable to meet the obligations whereby full liability transferred to the Government.

Covenants

The syndicated facility agreement contains certain general and project covenants pertaining to, amongst other things, project finance ratios, liquidation and merger, entering into material new agreements, negative pledges, change of business, loans and guarantees. The syndicated loan facility was obtained to finance the total construction cost of the LPG plant, which is to be shared between the bank creditors and the Company's shareholders in the ratio of 77.5 % and 22.5 % (2018: 77.5% and 22.5%), respectively.

Duqm Power Company LLC (DPC)

During the period, the DPC obtained loan from other shareholder amounting to RO 26.82 million to fund the construction of the project. This loan is interest free until the Commercial Operations Date ("COD"). The DPC shall repay the loan at the times and in the amounts as agreed with the shareholder but only once the COD has occurred. Accordingly, these loans have been classified as non-current in these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

27. Loans and borrowings (continued)

(x) Oman Oil Facilities Development Company LLC (continued)

Duqm Power Company LLC (continued)

The interest on loan shall be charged at the rate of 5% from the commercial operation date (COD). The Company measures its shareholder's loans at fair value at initial recognition. The fair value differential, being the difference between the amount of the shareholders advances and its fair value, is initially recognized as credit to equity contributed surplus with a corresponding decrease in shareholder's loan liability.

At the end of each year, fair value differential is unwound to statement of comprehensive income and recorded as finance costs with a corresponding entry to shareholder's loan. The Company transfers an equivalent amount recorded as finance costs from equity contributed surplus to retained earnings, considering equity contributed surplus as a distributable reserve.

28. Lease liabilities

	2019 RO'000
Gross lease liability related to right-of-use assets	**287,628**
Future finance charges on finance leases	**(99,394)**
Present value of lease liabilities	**188,234**

	2019 RO'000
As at 1 January 2019	**-**
On adoption	**201,126**
Addition during the year	**9,475**
Interest charged	**9,110**
Payment of lease liabilities	**(31,477)**
Balance as at 31 December 2019	**188,234**
Analysed as:	
Current	**31,108**
Non-current	**157,126**
	188,234

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

29. Employees' end-of-service benefits

	2019	2018 (restated)
	RO'000	RO'000
At 1 January	**58,238**	42,599
Adjustment due to common controlled transaction (note 48)	**-**	7,923
Accrued during the year	**16,553**	9,225
End-of-service benefits paid	**(4,438)**	(1,509)
At 31 December	**70,353**	58,238

30. Provision for site restoration and abandonment cost

	2019	2018 (restated)
	RO'000	RO'000
At 1 January	**133,127**	91,603
Adjustment due to common controlled transaction (note 48)	**-**	58,818
Additions / (reversals) - net	**32,273**	(16,109)
De-recognition of site restoration cost	**(58,737)**	(7,817)
Unwinding of discount	**6,729**	6,632
At 31 December	**113,392**	133,127

The Group makes full provision for the future cost of site restoration and abandonment oil and gas assets by discounting the future expected cash flows at a pretax rate that reflect current market assessment of the time value of money and the risk specific to the liability. The site restoration and abandonment provision represent the present value of site restoration and abandonment costs relating to oil and gas assets, which are expected to be incurred up to 2043 which is when the producing oil and gas assets are expected to cease operations. These provisions have been created based on the Group's internal estimates.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time.

Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The discount rate used in the calculation of the provision as at 31 December 2019 were in range from 4% to 10% (2018: 4% to 5.5%).

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

31. Related party transactions and balances

Related parties represent associated companies, shareholder, directors and key management personnel of the Group, and companies over which they are able to exert significant influence. Pricing policies and terms of these transactions are approved by the Group's Management.

The aggregate value of transaction with related parties is as follows:

	Parent	TIC	OOMCO	OOCEP	OET	ORPIC	Total
31 December 2019	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Board sitting fee	**-**	**-**	**37**	**51**	**-**	**-**	**88**
Sales	**-**	**-**	**8,999**	**-**	**14,877**	**-**	**23,876**
Purchases	**-**	**70,842**	**66,363**	**-**	**680,203**	**1,805,395**	**2,622,803**
Director's remuneration	**50**	**-**	**164**	**-**	**-**	**-**	**214**
Net interest paid	**-**	**-**	**95**	**-**	**-**	**-**	**95**
31 December 2018 (restated)							
Board sitting fee	-	-	36	51	-	-	87
Sales	-	-	10,020	-	205,931	-	215,951
Purchases	-	69,531	4,428	-	1,022,856	2,212,103	3,308,918
Director's remuneration	88	-	164	-	-	-	252
Net interest paid	-	-	68	-	-	-	68

	2019 RO'000	2018 (restated) RO'000
Amount due to related parties – current		
Ministry of Finance	**212,262**	328,841
Related parties of Oman Trading International Limited	**35,939**	36,347
JV partner in OPCL (i)	**-**	26,957
Takatuf	**1,252**	**-**
Others	**589**	651
	250,042	392,796
Amount due to related parties – non-current		
Ministry of Finance	**9,271**	**-**
	9,271	**-**

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

31. Related party transactions and balances (continued)

(i) Represents amounts payable to JV partner in OPCL who has carried the Group's share of exploration cost of RO 26.96 million (USD 70 million). This amount is no longer payable as project is already relinquished in 2019.

	2019 RO'000	2018 (restated) RO'000
Amount due from related parties – non-current		
Sohar Aluminium Company LLC (SAC)	**46,583**	44,631
Oman Oil Facilities Development Company LLC	**2,668**	-
KazMunai Teniz Company (Joint Venture partner)	**5,100**	-
Al Batinah International School (ABIS)	-	5,100
	54,351	49,731
Amount due from related parties – current		
Parent	**-**	39,024
Due from Ministry of Finance	**236,462**	-
Due from Duqm Refinery	**3,933**	122,673
Related parties of Oman Trading International Limited	**12,198**	70,950
Due from MPC and DRPIC	**50**	-
Others	**180**	1,175
	252,823	233,822

Interest on SAC loan is charged at an annual rate equal to the lowest rate of interest payable on the Phase 1 Senior Debt less a discount of 5 bp as approved by the shareholders' representatives. There is no fixed repayment schedule.

Amounts due from related parties are unsecured. The loan does not have a fixed repayment schedule and the management does not expect repayments in the next twelve months. Accordingly, these amounts are classified as non-current.

The remuneration of members of key management of the Group during the year was as follows:

	2019 RO'000	2018 (restated) RO'000
Short-term benefits	**11,060**	9,009
Employees end-of-service benefits	**1,215**	910

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

31. Related party transactions and balances (continued)

RO'000	Transaction values for the year ended 31 December 2019	2018	Balance outstanding as at 31 December 2019	2018
Sale of goods and services				
-Others	**8,999**	10,020	**-**	-
Purchase of goods				
-Associates	**85,719**	275,462	**-**	-
-Parent of the Group & others	**2,551,961**	3,239,387	**-**	-
Other transactions/ balances				
Parent of the Group				
-Receivables	**-**	-	**245,733**	39,024
-Purchases	**248,201**	365,188	**-**	-
Joint ventures				
-Loans	**-**	-	**5,100**	5,100
-Services	**1,252**	-	**-**	-
-Payable to Operators	**-**	-	**-**	26,957
Associates				
-Loans	**-**	-	**46,583**	44,631
-Receivables	**-**	-	**12,428**	72,125
Others				
-Board sitting fees	**88**	87	**-**	-
-Director's remuneration	**214**	252	**-**	-
-Interest paid (net)	**95**	68	**-**	-
-Services	**589**	651	**-**	-
-Loans	**-**	-	**6,601**	122,673

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2019, the Group has not recorded any impairment of amounts owed by related parties (2018: nil).

32. Other liabilities – non-current

	2019 RO'000	2018 (restated) RO'000
Deferred payment obligation	**2,962**	1,993
Deferred income	**3,405**	2,963
Land lease rental – non-current portion	**-**	2,603
Payable to the joint operator (i)	**19,714**	17,196
Other payables	**4,126**	5,671
	30,207	30,426

i. During 2014, the Group entity ORPIC and Compañía Logística de Hidrocarburos CLH, S.A. ("CLH") set up a joint operation company, Orpic Logistics LLC (OLC) with a equity share ownership of 60% and 40% respectively.

Orpic Logistics LLC purpose was to, at its cost and expense, design, develop, finance (including any third party financing), construct and implement, acquire or have, on its behalf, designed, developed, constructed and implemented the Muscat Sohar Pipeline Project ("MSPP").

The contractual arrangement provides ORPIC and CLH rights to control Orpic Logistics LLC as the decisions about the relevant activities require unanimous resolutions to be passed at a duly convened meeting of the board of directors. CLH will provide staff members who shall locate in Oman for the operation of the Orpic Logistics LLC.

Accordingly considering the requirements of IFRS 11, it has been concluded that the joint arrangement between ORPIC and CLH is a joint operation. In accordance with IFRS 11 the joint operator recognises its:

- assets, including its share of any assets held jointly

- liabilities, including its share of any liabilities incurred jointly

Shareholders' agreement specifies minimum period of stay of CLH within the share capital of OLC as 5 years post commissioning of the MSPP project which happened in March 2018. This will open an "option period" of six months during April to September 2023 where either ORPIC can activate a call option or CLH can activate a put option.

32. Other liabilities – non-current

At the moment of execution of the call option, ORPIC will pay to CLH an amount in cash that ensures that the equity invested by CLH compared to the annual dividends received by CLH provides a profitability of 15% (per annum).. Similarly, in the event of CLH exercising a put option, ORPIC will guarantee a profitability of 12% (per annum) return to CLH on its equity invested in OLC.

In accordance with the contractual agreement, ORPIC and CLH collectively have rights to net assets of OLC. Considering the nature of the logistic assets they can only be used by ORPIC as it the sole refinery in Sultanate of Oman and in accordance with the Government mandate the marketing companies can procure oil only from ORPIC.

Therefore ORPIC has the rights to substantially all of the economic benefits of the assets of the joint arrangement. ORPIC will pay rentals to OLC for using logistics assets. The rental paid by ORPIC to OLC would be the only source of cash flows for the OLC, which will be utilized by OLC to pay its operating expenses and bank debt. In accordance with IFRS 11, ORPIC shall recognise all assets and liabilities to the extent of its holding including the funds provided by CLH would also need to be presented as liabilities of ORPIC.

Summarised financial information of the Group's share of assets and liabilities which have been included in consolidated statement of financial position are set out below:

	2019 RO'000	2018 (restated) RO'000
Non-current assets	**123,088**	126,896
Current assets	**10,997**	7,737
Current liabilities	**(14,019)**	(3,083)
Non-current liabilities	**(70,713)**	(82,958)
	49,353	48,592
CLH Share in Orpic Logistics LLC (40%)	**(19,714)**	(17,196)
Investment by ORPIC in Orpic Logistics LLC	**29,639**	31,396

As at 31 December 2019, no amounts have been accrued in relation to the buy-back options as the Orpic Logistics LLC return of 16% was higher than the minimum guaranteed profitability to CLH of 12%.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

33. Trade and other payables

	2019 RO'000	2018 (restated) RO'000
Trade payables	**748,090**	808,189
Accrued expenses	**344,293**	310,309
Payable to PASI towards annual contribution	**-**	1,394
Withholding tax payable	**-**	9,882
Other payable	**139,745**	383,166
	1,232,128	1,512,940

34. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines.

	2019 RO'000	2018 (restated) RO'000
Sale of petroleum products	**4,104,499**	3,417,300
Services	**2,358,781**	3,963,800
Others	**867,532**	1,486,225
	7,330,812	8,867,325

35. Farm out transaction and investment income

	2019 RO'000	2018 (restated) RO'000
Farm out transaction (i)	**-**	614,457
Investment income:		
Dividend income on investments	**23,886**	22,209
Net gain on disposal of investments	**2,422**	2,083
Changes in fair value of investments	**(17,345)**	(15,508)
	8,963	8,784

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

35. Farm out transaction and investment income (continued)

(i) During the year 2018, the Group entity OOCEP entered in to a farm out agreement dated 2 September 2018 with PC Oman Ventures Limited registered in the Republic of Mauritius ("buyer" or "PC Oman") to divest its 10% Working Interest ("WI") in Block 61 for a consideration of RO 781.617 million which was received on 27 December 2018. The Government approved the above agreement with effective from 1 January 2018 vide Royal Decree 44/2018. The details of farm-out transactions was as follows:

	2018 RO'000
Consideration received	781,617
Less : 10% working interest disposed :	
Expenses capitalized as per Joint interest billing (net of depreciation)	(174,316)
Working capital and other adjustments as per farm-out agreement	8,325
Less : Transaction costs	(1,349)
Gain on farm-out	614,277

36. Share of result of equity accounted investments

	2019 **RO'000**	2018 (restated) RO'000
Share of results of associates (note 11)	**22,531**	18,141
Share of results of joint ventures (note 12)	**11,615**	37,347
	34,146	55,488

37. Other income / expenses - net

	2019 **RO'000**	2018 (restated) RO'000
Lease income (note 14)	**25,646**	26,273
Other gains/losses	**2,025**	-
Recovery against liquidated damages	**19,255**	-
Reversal of site restoration provision	**21,000**	-
Other operating income	**20,407**	28,781
	88,333	55,054

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

38. Administrative expenses

	2019 RO'000	2018 (restated) RO'000
Staff related expenses	**88,481**	96,996
Amortisation	**17,866**	17,951
Depreciation	**14,575**	13,934
Professional fees	**19,629**	17,385
Exploration expenditure, including write offs	**6,773**	1,585
Selling and distribution expenses	**17,914**	22,301
Traveling expenses	**6,974**	3,519
Corporate social responsibility (CSR) expenses	**7,159**	3,948
Research and development	**3,763**	4,133
Other administration expenses	**80,519**	77,017
	263,653	258,769

Staff related expenses of the Group included in administrative expenses comprise the following:

Wages and salaries	**53,300**	69,129
Performance bonus	**10,686**	14,464
Contributions to defined contribution scheme	**5,537**	4,615
Other	**18,958**	8,788
	88,481	96,996

39. Impairment losses - (released) / charged - net

Impairment of investment in associates (i)	**529**	9,789
Net (release) / charge of impairment relating to investment in oil exploration and production assets (ii) - restated (note 7(iv))	**(43,974)**	33,800
Net charge / (release) of impairment of property, plant and equipment (iii)	**56,451**	(1,116)
Impairment (release) / charge of other non-current assets [note 18 (i)]	**(21,245)**	22,006
(Release) / impairment of other assets (iv)	**(26,108)**	5,430
	(34,347)	69,909

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

39. Impairment losses - (released) / charged - net (continued)

(i) Represents the impairment of investment for 2018 in Gulf Energy Maritime PJSC and Muscat Gases [note 11 (ii) and (ix)].

(ii) Includes the net effect of an impairment charge, mainly relating to Block 53 of OOCEP amounting to RO 15.43 million (2018: RO 33.37 million) which offset with reversal of impairment of Block 60 of OOCEP amounting to RO 61.62 million (2018: RO nil) (note 7).

(iii) Represents a release of impairment charge towards property, plant and equipment (note 6 (i)).

(iv) It mainly represents amounts payable to JV partner in OPCL who has carried the Group's share of exploration cost of RO 26.96 million (2018: RO nil). Till 2018 the amount is fully impaired while in 2019 the impairment is reversed as the project is already relinquished in 2019.

40. Net finance cost

	2019 **RO'000**	2018 (restated) RO'000
Finance income		
Interest income	**20,023**	11,805
Finance expense		
Interest expense on borrowings	**149,218**	141,504
Amortization of deferred financing costs	**8,002**	5,841
Interest on lease liabilities	**7,232**	-
Other finance charges	**10,444**	13,500
	174,896	160,845
Foreign exchange gains / (losses) – net		
Realised exchange (loss) / gain	**(177)**	158
Unrealised exchange gain	**1,285**	2,394
	1,108	2,552
Net finance cost	**153,765**	146,488

41. Income tax

Taxation in respect of the Group's taxable entities represents the aggregate of the Omani and foreign income taxes applicable to the Parent Company and subsidiary companies in accordance with the relevant fiscal regulations. The tax rate applicable to the Group companies operating in the Sultanate of Oman is 15% (2018: 15%). The tax authorities in the Sultanate of Oman follow the legal entity concept. There is no concept of group taxation in Oman. Accordingly, each legal entity is taxable separately.

For the purpose of determining the taxable result for the year, the accounting results of the individual Group entities have been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Management believes that additional taxes, if any, assessed in respect of the open tax years of the Parent Company and its subsidiaries would not be material to the Group's financial position at 31 December 2019 or to its results for the year then ended.

	2019 **RO'000**	2018 (restated) RO'000
Current liabilities		
Current year	**13,198**	129,658
Prior year	**1,424**	1,476
	14,622	131,134

	2019 **RO'000**	2018 (restated) RO'000
Profit or loss		
Current tax expense		
Current year	**18,155**	128,047
Prior year	**1,013**	(9)
	19,168	128,038
Deferred tax (income) / expense	**(9,406)**	30,868
Tax expense for the year	**9,762**	158,906
Movement in net deferred tax (liability) / asset		
At 1 January	**(126,229)**	(102,562)
Movement during the year (statement of profit or loss)	**9,406**	(26,068)
Movement during the year (statement of other comprehensive income)	**6,778**	2,401
	(110,045)	(126,229)

41. Income tax (continued)

The deferred tax (liabilities) / assets are attributable to the following:

	At 1 January 2019 RO'000	Movement RO'000	At 31 December 2019 RO'000
Investment in associates	**12,635**	**687**	**13,322**
Provisions	**26,119**	**6,316**	**32,435**
Un-realised exchange differences on loans to related parties	**(2,907)**	**2,907**	**-**
Tax losses of subsidiaries	**-**	**49,588**	
Property, plant and equipment	**(210,566)**	**(11,068)**	**(221,634)**
Others	**48,490**	**(32,246)**	**16,244**
	(126,229)	**16,184**	**(110,045)**

This is presented in the consolidated statement of financial position as follows:

	2019 RO'000	2018 (restated) RO'000
Deferred tax assets	**31,696**	31,343
Deferred tax liabilities	**(141,741)**	(157,572)
	(110,045)	(126,229)

Profit before tax	**241,026**	838,561
Income tax on Parent and subsidiaries in Oman at 15%	**36,154**	125,784
Effect of tax in foreign jurisdictions	**(3,618)**	(1,917)
Overseas withholding tax credit not available due to excess rates	**(871)**	1,906
Tax exempt revenue	**(43,308)**	(13,604)
Under provision in earlier years	**1,493**	7,844
Previously unrecognised deferred tax asset	**12,721**	31,872
Non-deductible expenses	**7,191**	7,021
Tax expense for the year	**9,762**	158,906

Parent Company

The income tax assessments for the Parent Company for the years up to 2015 have been completed by the Secretariat General for Taxation (SGT).

Management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Group's financial position as at 31 December 2019.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

41. Income tax (continued)

Subsidiaries

The tax assessments of subsidiaries are at different stages of completion. Management does not expect any additional tax liabilities to be incurred relating to the open tax years.

For the Netherlands' subsidiaries, the deferred taxes as of the reporting date were calculated with a tax rate of 25% (2018: 25%).

Tax rate on Mukhaizna and Block 9 concession

Revenue from certain Exploration Production Sharing Agreements (EPSAs) are taxed at the rate specified in the relevant EPSA, is excluded from the Group's income tax expenses and paid by the Government from their share of profit oil. The tax rate on profit oil and gas from Block 53, Block 9 and Block 61 is 55% (2018: is 55%).

42. Earnings per share

Earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Parent Company by the weighted average number of shares in issue during the year as follows:

	2019	2018 (restated)
Profit attributable to shareholders (RO'000)	**229,894**	666,479
Weighted average number of shares for basic and diluted EPS	**3,372,059**	3,315,487
Basic and diluted earnings per share (RO)	**0.068**	0.201

43. Contingencies and commitments

The following contingent liabilities have not been provided for in the consolidated financial statements, as it is not anticipated that any material liabilities will arise from these contingencies:

	2019 RO'000	2018 (restated) RO'000
Letter of credit	**211,727**	111,142
Performance guarantees and bonds	**1,698,292**	1,469,413
	1,910,019	1,580,555
Capital and expenditure commitments	**1,009,697**	2,326,774

43. Contingencies and commitments (continued)

Following are the contingent liabilities specific to each Group entity:

Parent Company

The Parent Company has made commitment to Orient Power Company Pvt Ltd, a company domiciled in Pakistan, in respect of a project, to open stand by letter of credit in the amount of RO 0.6 million (2018: RO 0.7 million).

In September 2007, the Parent Company executed and delivered a payment guarantee on behalf of Oman Trading International (OTI) in favour of the Government of the Sultanate of Oman (the Government), pursuant to which the Company guarantees on a several basis 70% of any amounts due and payable by OTI to the Government pursuant to crude supply contract entered into from time to time by OTI with the Ministry of Oil and Gas.

In August 2017, the Parent Company has provided a guarantee to banks towards the Salalah Ammonia Project owned by its subsidiary, Salalah Methanol Company LLC, to fund up to RO 15.4 million towards a cost overrun account for a period of 36 months.

In June 2017, the Parent Company has provided a guarantee to the extent of RO 112.24 million towards the Salalah LPG project owned by its subsidiary, Salalah LPG SFZCO LLC, in line with the equity subscription, share retention and subordination agreement signed with the lenders of the Salalah LPG project.

During the year the Parent Company has provided irrevocable and unconditional guarantee in respect of the repayment of the stand-by letter of credit facility for ORPIC for a total amount of RO 63.16 million.

The Parent Company has provided a guarantee in favour of Musandam Power Company (MPC), in order to release the pre-IPO DSRA balance to the sponsors (OOC and LGI), Bank Muscat required an undertaking from each of OOC and LGI to return its pro rata portion of the released funds in the event there is a call on DSRA being funded from MPC cash flows.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

43. Contingencies and commitments (continued)

Parent Company (continued)

In November 2018, the Company in its capacity as shareholder of OGC has guaranteed repayment of the financing as part of the process to implement Regulated Asset Base ("RAB") model, OGC obtained third party financing in the form of RO 424 million term facility as a bridge to a future bond issuance.

In November 2018, the Company provided completion guarantee in favour of DRPIC financing to the extent of approximately RO 946.58 million.

Pre-completion shareholder support of DRPIC obligations under finance department in favour of the Offshore Security Agent (for and on behalf of each secured party) provided by OOC and KPE pro rata based on their respective holdings. Obligation of OOC and KPE are several (but not joint and several).

Neither is responsible for the obligation of any other completion guarantor under the Completion Guarantee Agreement.

The Company have provided DSRA to OARC in favour of the terms and working capital lenders for an aggregate approximate amount of RO 115.5 million.

The Company has provided support letters to Takamul, OTTCO, DPTC, OPCL, ORPIC and OOCL which states that the Company will continue providing financial support to these companies for the next twelve months to enable them to meet their liabilities as they fall due.

The Company has provided support to Takatuf for its performance of RO 1.50 million.

Following are the contingent liabilities specific to each subsidiary:

OOCEP

OOCEP has contingent liabilities in respect of claims made on it under certain construction contracts. It is a part of the normal course of business for contractors to make claims for additional payments and for the clients to dispute such claims or file counterclaims.

As of 31 December 2019, the Company claim has been settled at RO 16.17 million (USD 42 million) (2018: RO 17.33 million [USD 45 million]) and the liability accrued is Nil (2018: RO 17.33 million [USD 45 million]). Management does not expect the ultimate liabilities to differ from the liability accrued.

43. Contingencies and commitments (continued)

OOCL

Capital commitments

The capital commitment for Dunga project as per Dunga's annual work program and approved budget in 2018 is RO 7.2 million (USD 18.7 million) (2018: RO 7.2 million (USD 18.7 million).

Contingent liabilities

OOCL is a party to various legal proceedings related to business operations, such as property damage claims and employee claims. OOCL does not believe that pending or threatened claim of these types, individually or in aggregate, are likely to have any material adverse effect on the OOCL Branch's financial position or results of operations.

CWS Arbitration Claim

In 2017, the Operator received a notice of arbitration from Caspian Well Services LLP ("CWS") claiming compensation of RO 2.69 million ($7 million) for losses arising under a contract for the supply of pulling units. The Operator has rejected these claims and the matter is expected to proceed to arbitration. The OOCL's share of this contingent liability was assessed by the management as $ nil and the liability accrued was $ nil.

ORPIC

Nitrogen supply agreements

ORPIC Group was having two agreements with ALSIG to supply nitrogen to its plants. During the year the agreements have been unified under one agreement to all its plants including Aromatics, PP, Refinery and SRIP. Under the Agreement, ORPIC undertake to purchase from ALSIG all its nitrogen requirements from the first cubic meter of nitrogen required by all its plants up to the NCQs set forth in the agreement. Quantity to be purchase maximum at 9,720 normal metric cube per hour.

Contingent liabilities

The ORPIC Group have ongoing trial for various labor cases filed. The management is of the view that no material losses will arise in respect of the legal claim at the date of these consolidated financial statements.

44. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Commodity price risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Management has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has entrusted the Management with the responsibility of development and monitoring the Group's risk management policies and procedures and its compliance with them.

The Group Internal Audit oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated below:

Break down of financial assets	Classification	2019 RO'000	2018 (restated) RO'000
Due from related parties	Amortised cost	**307,174**	283,553
Trade and other receivables	Amortised cost	**675,016**	935,852
Concession receivables	Amortised cost	**631,028**	370,329
Lease receivables	Amortised cost	**267,188**	274,730
Contract assets	Amortised cost	**290,268**	285,303
Cash and cash equivalents	Amortised cost	**567,501**	620,463
Term deposits	Amortised cost	**172,563**	788,108
Investments - at fair value through profit and loss	FVTPL	**366,805**	386,784
Derivatives	FVOCI	**75,590**	28,184
Other non-current assets	Amortised cost	**17,355**	59,132
		3,370,488	4,032,440

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

44. Financial risk management (continued)

Credit risk (continued)

	2019 RO'000	2018 (restated) RO'000
Details of trade receivables by geographic region		
Sultanate of Oman	**256,193**	273,692
Other GCC	**140,900**	316,193
Other Asian countries	**27,085**	49,449
Europe and US	**65,183**	118,809
	489,361	758,143
Details of trade receivables by type of customer		
Retail customers	**7,994**	9,038
Wholesale customers	**481,367**	749,105
	489,361	758,143

The ageing trade receivables at the reporting date was:

	2019					2018				
	Weighted average loss rate %	**Receivables RO'000**	**Impairment RO'000**	**Net carrying amount RO'000**	**Credit impaired**	Weighted average loss rate %	Receivables RO'000	Impairment RO'000	Net carrying amount RO'000	Credit impaired
Not Past due	**0.21%**	**444,772**	**919**	**443,853**	**No**	0.94%	686,097	6,418	679,679	No
Past due 1-90 days	**0.19%**	**14,418**	**28**	**14,390**	**No**	0.07%	39,456	28	39,427	No
Past due 91-360 days	**3.51%**	**27,562**	**968**	**26,594**	**No**	4.09%	23,640	968	22,672	No
More than one year	**95.90%**	**2,609**	**2,502**	**107**	**Yes**	21.89%	8,950	1,959	6,991	Yes
		489,361	**4,417**	**484,944**			758,143	9,373	748,769	

Movement in impairment provisions is as follows:

	2019 RO'000	2018 (restated) RO'000
At 1 January	**9,373**	6,150
Adjustment due to common controlled transaction (note 48)	**-**	23
Provided during the year	**-**	5,677
Currency translation adjustment	**106**	(141)
Written off during the year	**(120)**	(2,313)
Reversal during the year	**(4,942)**	(23)
At 31 December	**4,417**	9,373

44. Financial risk management (continued)

Credit risk (continued)

In determining the recoverability of trade receivables the Group considers any change in the credit quality of trade receivable from the date the credit was initially granted up to the end of the reporting period.

The Group limits its credit risk with regard to bank deposits by only dealing with reputable banks. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

As at 31 December 2019 the status of past due balances of financial assets are as follows:

31 December 2019	Carrying amount	Not due	Upto 90 days	Upto 360 days	Over 365 days	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Gross carrying amount:						
Due from related parties	**307,174**	**307,174**	-	-	-	**307,174**
Trade and other receivables	**675,016**	**630,426**	**14,418**	**27,562**	**2,610**	**675,016**
Concession receivables	**631,028**	**631,028**	-	-	-	**631,028**
Lease receivables	**267,188**	**267,188**	-	-	-	**267,188**
Contract assets	**290,268**	**290,268**	-	-	-	**290,268**
Cash and cash equivalents	**567,501**	**567,501**	-	-	-	**567,501**
Term deposits	**172,563**	**170,655**	-	**1,908**	-	**172,563**
Investments	**366,805**	**366,805**	-	-	-	**366,805**
Derivatives	**75,590**	**75,590**	-	-	-	**75,590**
Other non-current assets	**17,355**	**17,355**	-	-	-	**17,355**
	3,370,488	**3,323,990**	**14,418**	**29,470**	**2,610**	**3,370,488**
31 December 2018 (restated)						
Gross carrying amount:						
Due from related parties	283,554	283,554	-	-	-	283,554
Trade and other receivables	935,853	863,808	39,455	23,640	8,950	935,853
Concession receivables	370,329	370,329	-	-	-	370,329
Lease receivables	274,730	274,730	-	-	-	274,730
Contract assets	285,303	285,303	-	-	-	285,303
Cash and cash equivalents	620,463	620,463	-	-	-	620,463
Term deposits	788,108	788,108	-	-	-	788,108
Investments	386,784	386,784	-	-	-	386,784
Derivatives	28,184	28,184	-	-	-	28,184
Other non-current assets	59,132	59,132	-	-	-	59,132
	4,032,440	3,960,395	39,455	23,640	8,950	4,032,440

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

44. Financial risk management (continued)

Credit risk (continued)

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL for trade and other receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group limits its liquidity risk by ensuring bank facilities and shareholders' advances are available, where required. Liquidity requirements are monitored on a regular basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

All financial liabilities are carried at amortised cost except for derivative financial liability, which is carried at fair value through other comprehensive income. Details of maturities of financial liabilities and excluding the impact of netting agreements, are as follows:

31 December 2019	**Carrying amount**	**6 months or less**	**6 to 12 months**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Loans and borrowings	**4,772,527**	**178,894**	**636,850**	**474,889**	**1,886,050**	**1,595,844**
Lease liability	**188,234**	**15,554**	**15,554**	**34,218**	**102,654**	**20,254**
Other liabilities	**30,207**	**9,151**	**405**	**699**	**-**	**19,952**
Due to related parties	**259,313**	**250,042**	**9,271**	**-**	**-**	**-**
Trade and other payables	**1,232,128**	**1,230,861**	**1,267**	**-**	**-**	**-**
Interest rate swaps used for hedging	**103,225**	**27,331**	**26,324**	**24,560**	**16,850**	**8,160**
Total	**6,585,634**	**1,711,833**	**689,671**	**534,366**	**2,005,554**	**1,644,210**
31 December 2018 (restated)						
Loans and borrowings	4,564,974	44,834	310,108	651,970	1,704,797	1,853,265
Other liabilities	30,426	25,015	1,193	1,139	-	3,079
Due to related parties	392,796	392,796	-	-	-	-
Trade and other payables	1,512,940	840,834	672,106	-	-	-
Interest rate swaps used for hedging	31,190	31,190	-	-	-	-
Total	6,532,326	1,334,669	983,407	653,109	1,704,797	1,856,344

44. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, equity prices, foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Commodity price risk

The Group maintains a relatively low level of exposure to market risk primarily by entering into offsetting physical or financial instrument contracts whereby the commercial terms of such transactions are broadly matched. The Group however does hold some imperfectly hedged positions, subject to certain approved limits. At the reporting date, the Group has open commodity futures and swap contracts to manage its exposure to expected fluctuations in the prices of crude oil and other oil products. The Group has provided deposits as margin requirements for these contracts. The Group uses Value-at-Risk ("VaR") to measure, monitor and review its exposure to short-term market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a given statistical confidence interval. The Board of Directors has approved VaR limits through trading mandates granted and regularly reviews the limits and monitors performance against these limits. It is recognised that VaR cannot be relied upon solely to predict the size of potential losses and additional techniques are employed to monitor market risk. Based upon VaR, taking into account approved limits and other risk management techniques, the Group's senior management will determine the need to adjust the Group's market risk profile. The 95% trading VaR during the year was:

Group	**2019**		2018	
	Average RO'000	**Year End RO'000**	Average RO'000	Year End RO'000
Trading VaR	**638**	**598**	456	823

These VaR values are within the limits approved by the Group's Board of Directors.

The Group's revenues and cash flows are sensitive to the underlying price of a number of commodities, including crude oil, refined oil products, petrochemicals, LNG and dry bulk (and related spreads) which are dependent on a number of factors and on global supply and demand. The Group is exposed to a relatively low level of commodity price risk because the timing and volumes of purchase and sale contracts are matched wherever possible. Risks relating to open physical positions are managed through commodity futures and cleared swaps wherever such contracts are available.

The Group trades both physical commodity and financial instrument contracts that are treated as derivative instruments within the scope of IFRS 9. These contracts are carried at fair value with changes in fair value recorded in the Statements of comprehensive income. Physical dry bulk contracts are not financial instruments under IFRS 9 and are accounted for as executory contracts. Changes in fair value of these contracts do not immediately impact profit or equity and as such, the contracts are not exposed to commodity price risk as defined by IFRS 7: Financial Instruments - Disclosure.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

44. Financial risk management (continued)

Equity price risk

Equity price risk arises from equity securities. The Group has maintained the portfolio of investments. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Sensitivity analysis – equity price risk – quoted investments

The following table demonstrates the sensitivity of the Company's equity to a 5% change in the price of its quoted equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	2019 RO'000	2018 (restated) RO'000
Effect on profit or loss	**15,726**	16,723

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group financial instruments are consisting of various currencies and the exposure to various currencies based on notional amounts is as detailed below*:*

	31 December 2019			31 December 2018 (restated)		
	Euro	**Canadian Dollar**	**HUF**	Euro	Canadian Dollar	HUF
	'000	**'000**	**'000**	'000	'000	'000
Investments at fair value through profit and loss	**218,185**	**10,000**	**172,079,235**	196,424	10,000	180,156,423
Other receivables	**127,496**	**-**	**-**	223,371	-	-
Other payables	**(345,681)**	**-**	**-**	(223,996)	-	-
Gross / net exposure	**-**	**10,000**	**172,079,235**	195,799	10,000	180,156,423

44. Financial risk management (continued)

Currency risk (continued)

	31 December 2019		31 December 2018 (restated)	
	Average rate	**Spot rate**	Average rate	Spot rate
Foreign currency				
Euro	**0.4271**	**0.4307**	0.4382	0.4411
HUF	**0.0013**	**0.0013**	0.0014	0.00138
Canadian Dollar	**0.2900**	**0.2900**	0.2958	0.2834

As the Rial Omani is pegged to US Dollars, management perceive the related currency risk to be minimal.

A 10% strengthening of the RO against the following currencies at 31 December would have impacted equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	10% effect	
	Equity RO'000	**Profit and loss RO'000**
31 December 2019		
Euro	**(10,319)**	**486**
Canadian Dollar	**290**	**-**
HUF	**(22,067)**	**(1,590)**
	(32,096)	**(1,104)**
31 December 2018		
Euro	(9,910)	(230)
Canadian Dollar	283	-
HUF	(24,784)	(637)
	(34,411)	(867)

44. Financial risk management (continued)

Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group has not designated any derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% in interest rates at the reporting date would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Equity	
	100bps increase RO'000	**100 bps decrease RO'000**
2019		
Interest bearing liabilities	**4,773**	**(4,773)**
Financial assets	**42**	**(42)**
	4,815	**(4,815)**
2018 - restated		
Interest rate swap	(1,709)	1,709
Financial assets	42	(42)
	(1,667)	1,667

The Group may face increased borrowing costs on some of its Group borrowings, should lenders invoke their rights under standard market disruption clauses (where applicable), if the cost to lenders of obtaining matching deposits exceeds LIBOR for the relevant currency and interest period

At the reporting date the interest rate profile of the Group's variable interest-bearing financial instrument was:

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

44. Financial risk management (continued)

Interest rate risk (continued)

	Carrying amount	
	2019	2018 (restated)
	RO'000	RO'000
Variable rate instruments		
Interest rate swap	**49,537**	20,673
Financial assets	**41,578**	41,578
Financial liabilities	**4,772,527**	4,564,974

	Currency	Nominal interest rate %	Year of maturity	31 December 2019		31 December 2018	
				Fair value	**Carrying amount**	Fair value	Carrying amount
				RO'000	**RO'000**	RO'000	RO'000
Secured bank loan	USD	Libor + Margin	2022	**173,295**	**168,726**	150,189	145,218
Secured bank loan	USD / OMR	Libor + Margin	2033	**117,290**	**99,335**	118,679	100,724
Secured bank loan	USD	Libor + Margin	2020-28	**81,589**	**81,589**	100,535	100,535
Secured bank loan	USD	Libor + Margin	2022	**385,100**	**379,909**	385,100	382,163
Oxea - First Lien B-1	Euro	Libor + Margin	2024	**204,591**	**202,998**	209,540	207,408
Oxea - First Lien B-2	USD	Libor + Margin	2024	**174,449**	**172,764**	172,814	169,219
Secured bank loan	Euro	Commercial Rate	2021	**2,644**	**2,657**	6,204	6,204
Short term loan	USD	Commercial Rate	2020	**38,462**	**38,462**	55,626	55,626
Secured bank loan	OMR	Libor + Margin	2032	**423,522**	**422,180**	315,116	308,432
Secured bank loan	USD	Libor + Margin	2022-23	**-**	**-**	231,060	231,060
Secured bank loan	OMR	Commercial Rate	2020	**578**	**578**	2,313	2,313
Secured bank loan	USD	Libor + Margin	2027	**943,331**	**932,726**	1,023,559	1,011,323
Secured bank loan	OMR	Commercial Rate	2025	**327,600**	**325,051**	343,000	340,017
Secured bank loan	USD	Libor + Margin	2029	**75,415**	**74,804**	82,957	82,301
Secured bank loan	USD	Libor + Margin	2030	**1,443,624**	**1,364,600**	1,143,552	1,143,552
Secured bank loan	OMR	Commercial Rate	2023	**21,000**	**21,000**	21,000	21,000
Secured bank loan	USD	Libor + Margin	2022	**168,252**	**168,252**	171,614	171,614
Short term loan	USD	Libor + Margin	2029	**100,126**	**100,126**	77,020	77,020
Equity bridge loan	USD	Commercial Rate	None	**-**	**-**	9,244	9,244
Secured bank loan	USD	Libor + Margin	2032	**194,050**	**189,948**	-	-
Loan from shareholder	USD	Commercial Rate	None	**30,254**	**26,822**	-	-
				4,905,172	**4,772,527**	4,619,122	4,564,973

Financial instruments comprise financial assets, financial liabilities and derivatives. Financial assets consist of cash and bank balances, investments, lease receivables, due from related parties and trade and other receivables. Financial liabilities consist of payables, loans and borrowings and accrued expenses. Derivatives consist of interest rate swaps contracts.

44. Financial risk management (continued)

Interest rate risk (continued)

The fair values of the financial instruments, with the exception of certain loans and borrowings carried at cost are not materially different from their carrying values. Their fair value cannot be determined in the absence of repayment period.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2019		31 December 2018 (restated)	
	Fair value	**Carrying amount**	Fair value	Carrying amount
	RO'000	**RO'000**	RO'000	RO'000
Investments at fair value through profit or loss	**366,805**	**366,805**	386,784	386,784
Concession receivables	**631,028**	**631,028**	370,329	370,329
Lease receivables	**267,188**	**258,961**	274,730	267,188
Contract assets	**290,268**	**290,268**	285,303	285,303
Term deposits	**170,655**	**172,563**	788,108	788,108
Due from related parties	**510,998**	**307,174**	283,555	283,553
Trade and other receivables	**675,015**	**675,016**	935,853	935,852
Cash and Cash equivalents	**567,501**	**567,501**	620,463	620,463
Loans and borrowings	**(4,772,528)**	**(4,772,527)**	(4,564,974)	(4,564,974)
Due to related parties	**(259,313)**	**(259,313)**	(439,176)	(392,796)
Other liabilities	**(30,208)**	**(30,207)**	(30,426)	(30,426)
Derivative financial instruments	**(103,225)**	**(103,225)**	(31,190)	(31,190)
Trade and other payables	**(1,231,926)**	**(1,232,128)**	(1,466,564)	(1,512,940)
	(2,917,742)	**(3,128,084)**	(2,587,205)	(2,594,746)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. Financial risk management (continued)

Fair value hierarchy (continued)

	31 December 2019			31 December 2018		
	RO'000	**RO'000**	**RO'000**	RO'000	RO'000	RO'000
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Investments in equity securities	**314,512**	**-**	**52,294**	334,465	-	52,319
Derivatives held for trading (financial assets) (note 21)	**-**	**75,590**	**-**	-	27,249	-
Derivatives held for trading (financial liabilities) (note 21)	**-**	**(53,688)**	**-**	-	(31,190)	-
Cash flow hedges (note 21)	**-**	**(49,537)**	**-**	-	20,673	-
Inventory (note 19)	**-**	**88,187**	**-**	-	107,375	-
	314,512	**60,552**	**52,294**	334,465	187,422	52,319

Movement in level 3 fair value is as follows:

	2019	2018 (restated)
	RO'000	RO'000
Balance as at 1 January	**52,319**	52,041
Changes included in OCI	**(25)**	278
Balance at 31 December	**52,294**	52,319

Investments at fair value through profit or loss amounting to RO 52.29 million (2018: RO 52.32 million) are carried at fair value which approximates their cost. During the year ended 31 December 2019, there were no transfers between the levels for fair value measurement of the financial instruments held by the Group (2018: None).

Capital management

The Board seeks to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Board monitors the Group's liquidity and financial position on a regular basis. The Group periodically reviews its long term financial commitments. There were no changes in the Group's capital management policy during the year. The Group also uses gearing ratio to monitor its capital, which is calculated as debt divided by total capital. The Group includes within debt, interest bearing loans and borrowings. Capital includes equity attributable to the equity holders including retained earnings, revaluation and other reserves.

	2019	2018 (restated)
	RO'000	RO'000
Interest bearing borrowings	**4,772,527**	4,564,974
Share capital	**3,315,293**	3,012,980
Share capital pending registration	**113,337**	194
Retained earnings	**940,046**	736,764
Statutory reserve	**95,730**	91,575
Other reserves	**(81,804)**	4,349
Total capital	**4,382,602**	3,845,862
Ratio of debt to equity	**1.09**	1.19

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

45. Reconciliation of liabilities arising from financing activities

The below table details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	At 1 January 2019	Financing cash inflows	Financing cash outflows	Non cash transaction	At 31 December 2019
	RO'000	RO'000	RO'000	RO'000	RO'000
Term loan	4,564,974	573,777	(374,226)	8,002	4,772,527

	At 1 January 2018	Adjustment for common controlled transaction	Elimination of bride loan	Financing cash inflows	Financing cash outflows	Non cash transaction	At 31 December 2018
	RO'000	RO'000		RO'000	RO'000	RO'000	RO'000
Term loan	1,504,451	2,352,186	(3,081)	1,136,850	(431,273)	5,841	4,564,974

46. Summarised financial information of subsidiaries with material non-controlling interest

Summarised statement of financial position

	OOMCO		OTI	
	2019	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000
Current				
Assets	**89,732**	97,425	-	674,496
Liabilities	**(65,651)**	(67,149)	-	(563,895)
Total current net assets	**24,081**	30,276	-	110,601
Non-current				
Assets	**63,084**	45,398	-	21,291
Liabilities	**(10,607)**	(869)	-	(5,287)
Total non-current net assets	**52,477**	44,529	-	16,004
Net assets	**76,558**	74,805	-	126,605

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

46. Summarised financial information of subsidiaries with material non-controlling interest (continued)

Summarised statement of profit or loss and other comprehensive income

	OOMCO		OTI	
	2019	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000
Revenue	**583,670**	625,387	-	5,518,367
Profit before income tax	**6,743**	9,765	-	27,595
Income tax expense	**(1,120)**	(1,677)	-	(88)
Profit for the year	**5,623**	8,088	-	27,507
Other comprehensive income	**-**	-	-	148
Total comprehensive income for the year	**5,623**	8,088	-	27,655
Total comprehensive income allocated to non-controlling interests	**2,868**	4,125	-	8,296
Dividends paid to non-controlling interests	**1,974**	1,974	-	-

Summarised statement of cash flows

	OOMCO		OTI	
	2019	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000
Cash flows from operating activities				
Operating activities	**9,569**	19,805	-	111,981
Investing activities	**(8,143)**	(15,549)	-	(81)
Financing activities	**(9,004)**	(5,605)	-	-
Net change in cash and cash equivalents	**(7,578)**	(1,349)	-	111,900
At 1 January	**27,232**	28,581	-	(141,087)
At 31 December	**19,654**	27,232	-	(29,187)

During 2019, OTI became wholly owned subsidiaries of the Parent Company.

The information above is before inter-company eliminations.

47. Operating segments

Basis for segmentation

The Group's organizational structure reflects various activities in which it is engaged. At 31 December 2019, the Group had two reportable segments: Upstream and Downstream.

Upstream's activities include oil and natural gas exploration, field development and production; midstream transportation, storage and processing of oil and natural gas.

Downstream's activities include the refining, manufacturing, marketing, transportation, and supply and trading of crude oil, petroleum, petrochemicals products and related services to wholesale and retail customers.

Other businesses and corporate mainly comprises of the Group's shipping, marketing, manufacturing and corporate activities worldwide. None of these segments met the quantitative thresholds for reportable segments in 2019 or 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. However, IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the chief operating decision maker for the purposes of performance assessment and resource allocation. For the Group, this measure of performance is profit or loss before tax.

Sales between segments are made at prices substantially in line with market prices, taking into account the volumes involved. Segment revenues and segment results include transactions between business segments.

These transactions and any unrealized profits and losses are eliminated on consolidation, unless unrealized losses provide evidence of an impairment of the asset transferred. Sales to external customers by region are based on the location of the Group subsidiary which made the sale.

Information about reportable segments and reconciliation

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

47. Operating segments (continued)

Information about reportable segments and reconciliation (continued)

2019 RO'000	Reportable segments Upstream	Reportable segments Downstream	All other segments	Consolidation adjustment and eliminations	Total
External revenues	337,867	6,631,916	361,029	-	7,330,812
Inter-segment revenues	451,276	-	-	(451,276)	-
Segment revenue	789,143	6,631,916	361,029	(451,276)	7,330,812
Cost of sales (excludes direct depreciation)	(59,271)	(5,854,873)	(268,874)	451,276	(5,731,742)
Depreciation and amortization	(262,748)	(209,391)	(39,641)	1,074	(510,706)
Share of profit / (loss) of equity accounted investees	-	355	33,791	-	34,146
Other material non-cash items					
- Impairment losses	-	(55,872)	-	-	(55,872)
- Reversal of impairment losses	65,279	-	24,940	-	90,219
Net other operating expenditure	(198,204)	(522,020)	(40,733)	-	(760,957)
Interest income	5,224	144	22,175	(7,521)	20,022
Interest expense	(33,609)	(132,364)	(16,444)	7,521	(174,896)
Profit / (loss) before tax	305,814	(142,105)	76,243	1,074	241,026
Taxation	(13,415)	9,669	(6,016)	-	(9,762)
Profit / (loss) after tax	292,399	(132,436)	70,227	1,074	231,264
Segment assets	2,888,616	6,439,992	2,023,506	-	11,352,114
Segment liabilities	1,242,665	5,376,750	306,327	-	6,925,742

2018 RO'000	Reportable segments Upstream	Reportable segments Downstream	All other segments	Consolidation adjustments and eliminations	Total
External revenues	425,073	7,617,068	825,184	-	8,867,325
Inter-segment revenues	404,740	-	-	(404,740)	-
Segment revenue	829,813	7,617,068	825,184	(404,740)	8,867,325
Cost of sales (excludes direct depreciation)	(289,277)	(7,279,769)	(742,330)	404,740	(7,906,635)
Depreciation and amortization	(207,198)	(189,042)	(50,739)	1,048	(445,931)
Share of profit / (loss) of equity accounted investees	-	251	55,237	-	55,488
Other material non-cash items					-
- Impairment losses	(55,372)	(158)	(14,378)	-	(69,909)
Profit on divestment of Block 61	614,457	-	-	-	614,457
Net other operating expenditure	(82,731)	(40,520)	(3,944)	-	(127,195)
Interest income	1,992	6,201	15,019	(11,407)	11,805
Interest expense	(12,081)	(131,579)	(28,592)	11,407	(160,845)
Profit before tax	799,603	(17,548)	55,458	1,048	838,561
Taxation	(123,771)	(26,512)	(8,623)	-	(158,906)
Profit after tax	675,832	(44,060)	46,836	1,048	679,655
Segment assets	518,479	10,177,121	554,023	-	11,249,623
Segment liabilities	323,191	6,343,858	345,348	-	7,012,397

47. Operating segments (continued)

Geographic information

The upstream and downstream segments are managed on a worldwide basis. The geographic information analyses the Group's revenue and non-current assets by the Group entity's country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	Domestic		**Foreign**	
	2019	**2018**	**2019**	**2018**
	RO'000	RO'000	**RO'000**	RO'000
Revenue	**2,154,865**	2,672,032	**5,175,947**	6,195,293
Non-current assets	**7,932,846**	7,039,131	**767,757**	673,584

The Group's sales to customers of crude oil and oil products were substantially made by the Downstream segment. No customer individually contributed to 10% or more of the Group's total revenue.

48. Prior year restatements

Adjustment due to common controlled transaction

During 2019, MOF transferred its 75% shareholding in ORPIC to OQ SAOC with effect from 1 January 2019. The Parent Company completed its acquisition of the shares for a consideration of RO 302,312,000 which was settled in the form of 302,312,000 shares issued to MOF at RO 1 each. ORPIC therefore became wholly owned subsidiary of the Parent Company with effect from 1 January 2019 after the completion of the transaction. The Parent Company's acquisition of ORPIC is considered to be a business combination under Common Control as both ORPIC and the Parent Company are ultimately controlled by MOF. As such, these consolidated financial statements have been restated by following merger accounting rules, as if the business combination had occurred from the beginning of the earliest period presented. The adaption of merger accounting has resulted in changes to the presentation of certain comparative figures which have been restated to conform with the current year's presentation.

IFRS 9 and 15

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The standards brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The impairment model in IFRS 9 also applies to lease receivables, loan commitments and financial guarantee contracts. Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognised in opening retained earnings as at 1 January 2018. The impact on adoption is the reclassification of Available-for-sale investments of RO 405 million to Investments - carried at fair value through profit or loss and unrealized loss on these investments recycled from fair value reserve to retained earnings.

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

48. Prior year restatements (continued)

1 January 2018		Impact of change in accounting policy			
	As previously reported RO'000	Common controlled transaction RO'000	IFRS 9/15 RO'000	Others RO'000	As restated RO'000
ASSETS					
Non-current assets					
Property, plant and equipment	1,177,236	2,964,780	-	-	4,142,016
Oil and gas exploration and production and development assets	1,375,178	-	-	-	1,375,178
Intangible assets	167,347	14,413	-	-	181,760
Goodwill	13,051	-	-	-	13,051
Investment in associates	424,940	(136,360)	-	-	288,580
Interest in joint ventures	200,759	4,632	-	-	205,391
Deferred tax assets	33,513	-	-	-	33,513
Lease receivables	275,194	-	-	-	275,194
Contract assets	-	-	-	-	-
Due from related parties	46,329	1,019	-	-	47,348
Available-for-sale investments	405,299	-	(405,299)	-	-
Long term deposits	3,265	-	-	(3,265)	-
Other non-current assets	13,807	3,030	-	-	16,837
Total non-current assets	4,135,918	2,851,514	(405,299)	(3,265)	6,578,868
Current assets					
Inventories	359,845	217,970	-	-	577,815
Trade and other receivables	714,260	276,042	-	-	990,302
Concession receivables	-	332	-	-	332
Lease receivables	6,458	-	-	-	6,458
Due from related parties	135,342	(35,181)	-	-	100,161
Investments - at fair value through profit and loss	-	-	405,299	-	405,299
Derivatives	11,936	-	-	-	11,936
Short term deposits	79,616	-	-	3,265	82,881
Cash and cash equivalents	350,394	107,900	-	-	458,294
Total current assets	1,657,851	567,063	405,299	3,265	2,633,478
Assets held for sale	30,808	-	-	-	30,808
Total assets	5,824,577	3,418,577	-	-	9,243,154
EQUITY AND LIABILITIES					
EQUITY					
Share capital	2,838,159	-	-	-	2,838,159
Share capital pending registration	194	-	-	-	194
Shareholder’s contribution	-	364,324	-	-	364,324
Statutory reserve	89,490	-	-	-	89,490
Other reserve	103,227	(90,400)	-	-	12,827
Fair value reserve	71,997	-	(72,620)	-	(623)
Translation reserve	6,774	-	-	-	6,774
Accumulated losses	(71,621)	(9,199)	72,620	-	(8,200)
Equity attributable to equity holders of the parent	3,038,220	264,725	-	-	3,302,945
Non-controlling interests	78,818	-	-	-	78,818
Total equity	3,117,038	264,725	-	-	3,381,763
Non-current liabilities					
Loans and borrowings	1,194,094	2,231,270	-	-	3,425,364
Employees’ end of service benefits	42,600	7,923	-	-	50,523
Provision for site restoration and abandonment cost	91,603	58,817	-	-	150,420
Due to related parties	277	-	-	-	277
Deferred tax liabilities	126,752	9,322	-	-	136,074
Derivative - non current	-	3,105	-	-	3,105
Other liabilities	87,008	14,624	-	-	101,632
Total non-current liabilities	1,542,334	2,325,061	-	-	3,867,395
Current liabilities					
Trade and other payables	604,309	406,780	-	-	1,011,089
Loans and borrowings	310,357	117,835	-	-	428,192
Lease liabilities	-	-	-	-	-
Derivatives	30,197	2,360	-	-	32,557
Due to related parties	168,458	301,816	-	-	470,274
Income tax	51,884	-	-	-	51,884
Total current liabilities	1,165,205	828,791	-	-	1,993,996
Total liabilities	2,707,539	3,153,852	-	-	5,861,391
Total equity and liabilities	5,824,577	3,418,577	-	-	9,243,154

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

48. Prior year restatements (continued)

31 December 2018		Impact of change in accounting policy			
	As previously reported RO'000	Common controlled transaction RO'000	IFRS 9/15 RO'000	Others RO'000	As restated RO'000
ASSETS					
Non-current assets					
Property, plant and equipment	1,199,533	3,627,566	-	-	4,827,099
Oil and gas exploration and production and development assets	1,118,688	-	-	-	1,118,688
Intangible assets	145,714	15,695	-	-	161,409
Goodwill	12,474	-	-	-	12,474
Investment in associates	592,669	(297,658)	-	-	295,011
Interest in joint ventures	233,415	3,540	-	-	236,955
Deferred tax assets	31,343	-	-	-	31,343
Concession receivables	348,644	-	-	-	348,644
Lease receivables	267,188	-	-	-	267,188
Contract assets	285,303	-	-	-	285,303
Due from related parties	47,712	2,019	-	-	49,731
Long term deposits	13,403	-	-	(13,403)	-
Derivatives	-	19,738	-	-	19,738
Other non-current assets	56,549	2,583	-	-	59,132
Total non-current assets	4,352,635	3,373,483	-	(13,403)	7,712,715
Current assets					
Inventories	308,932	205,536	-	-	514,468
Trade and other receivables	784,964	150,888	-	-	935,852
Concession receivables	21,685	-	-	-	21,685
Lease receivables	7,542	-	-	-	7,542
Due from related parties	201,852	31,970	-	-	233,822
Investments - at fair value through profit and loss	386,784	-	-	-	386,784
Derivatives	27,249	935	-	-	28,184
Short term deposits	774,705	-	-	13,403	788,108
Cash and cash equivalents	461,475	158,988	-	-	620,463
Total current assets	2,975,188	548,317	-	13,403	3,536,908
Total assets	7,327,823	3,921,800	-	-	11,249,623
EQUITY AND LIABILITIES					
EQUITY					
Share capital	3,012,980	-	-	-	3,012,980
Share capital pending registration	194	-	-	-	194
Shareholder’s contribution	-	302,313	-	-	302,313
Statutory reserve	91,575	-	-	-	91,575
Other reserve	103,227	(90,400)	-	-	12,827
Fair value reserve	8,192	91,541	(72,620)	-	27,113
Translation reserve	(16,670)	-	-	-	(16,670)
Retained earnings	736,764	(91,542)	72,620	-	717,842
Equity attributable to equity holders of the parent	3,936,262	211,912	-	-	4,148,174
Non-controlling interests	89,052	-	-	-	89,052
Total equity	4,025,314	211,912	-	-	4,237,226
Non-current liabilities					
Loans and borrowings	1,557,201	2,752,618	-	-	4,309,819
Employees’ end of service benefits	48,823	9,415	-	-	58,238
Provision for site restoration and abandonment cost	71,340	61,787	-	-	133,127
Deferred tax liabilities	125,751	31,821	-	-	157,572
Other liabilities	13,230	17,196	-	-	30,426
Total non-current liabilities	1,816,345	2,872,837	-	-	4,689,182
Current liabilities					
Trade and other payables	953,988	558,952	-	-	1,512,940
Loans and borrowings	151,702	103,453	-	-	255,155
Derivatives	31,190	-	-	-	31,190
Due to related parties	218,150	174,646	-	-	392,796
Income tax	131,134	-	-	-	131,134
Total current liabilities	1,486,164	837,051	-	-	2,323,215
Total liabilities	3,302,509	3,709,888	-	-	7,012,397
Total equity and liabilities	7,327,823	3,921,800	-	-	11,249,623

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

48. Prior year restatements (continued)

31 December 2018	Impact of change in accounting policy			
	As previously reported	Common controlled transaction	Other	As restated
	RO'000	RO'000	RO'000	RO'000
Revenue	7,355,597	1,470,404	41,324	8,867,325
Cost of sales	(6,911,285)	(1,376,096)	-	(8,287,381)
Gross profit	444,312	94,308	41,324	579,944
Investment income and farm out transaction	638,748	(157)	(15,350)	623,241
Share of results of equity accounted investments	28,259	27,229	-	55,488
Other income / expenses	89,546	6,832	(41,324)	55,054
Administrative expenses	(163,585)	(95,184)	-	(258,769)
Impairment losses – net of reversals	(66,419)	(3,490)	-	(69,909)
Operating profit	970,861	29,538	(15,350)	985,049
Finance income	9,751	2,054	-	11,805
Finance expense	(70,821)	(90,024)	-	(160,845)
Foreign exchange gains	2,552	-	-	2,552
Changes in fair value of investments	(15,350)	-	15,350	-
Profit for the year before tax	896,993	(58,432)	-	838,561
Income tax expense	(136,407)	(22,499)	-	(158,906)
Profit for the year	760,586	(80,931)	-	679,655
Other comprehensive (loss) / income:				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation difference relating to subsidiaries	(16,098)	-	-	(16,098)
Foreign currency translation difference on investment in associates	(7,346)	-	-	(7,346)
Share of other comprehensive income of associates and joint ventures	5,752	(6,307)	-	(555)
Effective portion of changes in fair value of cash flow hedges	3,063	25,228	-	28,291
Items not to be reclassified to profit or loss in subsequent periods				
Transfer to defined benefit plan, actuarial gains and losses	(279)	-	-	(279)
Other comprehensive (loss) / income for the year, net	(14,908)	18,921	-	4,013
Total comprehensive income for the year	745,678	(62,010)	-	683,668
Profit attributable to:				
- Equity holders of the parent	747,412	(80,933)	-	666,479
- Non-controlling interests	13,176	-	-	13,176
Profit for the year	760,588	(80,933)	-	679,655
Total comprehensive income attributable to:				
- Equity holders of the parent	732,502	(62,010)	-	670,492
- Non-controlling interests	13,176	-	-	13,176
Total comprehensive income for the year	745,678	(62,010)	-	683,668

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

48. Prior year restatements (continued)

Consolidated statement of cash flows

31 December 2018	Impact of change in accounting policy		
	As previously reported	Common controlled transaction	As restated
	RO'000	RO'000	RO'000
Operating activities			
Profit before tax	896,993	(58,432)	838,561
Adjustments for: non cash and other items			
Impairment losses – net	66,419	3,490	69,909
Share of results of equity accounted investees	(28,259)	(27,229)	(55,488)
Farm out transaction	(614,457)	-	(614,457)
Realised gain on sale of investments	(2,083)	-	(2,083)
Depreciation	312,006	114,779	426,785
Provision for site restoration and abandonment cost	3,664	2,968	6,632
Amortization of intangible assets	16,382	2,764	19,146
Accrual for end of service benefits	7,732	-	7,732
Amortization of deferred financing costs	-	5,841	5,841
Finance cost	-	150,426	150,426
Unrealized gain on investment	-	15,508	15,508
Concession income	-	(41,324)	(41,324)
Employees' end of service benefits paid	(1,509)	-	(1,509)
Finance income	-	(11,805)	(11,805)
Other movements in non-current assets and liabilities	(113,529)	7,503	(106,026)
Operating cash flows before working capital changes	543,359	164,489	707,848
Working capital changes:			
Inventories	50,542	10,317	60,859
Trade and other receivables	(89,090)	10,974	(78,116)
Concession receivables	(98,646)	-	(98,646)
Lease receivables	6,922	-	6,922
Contract assets	(146,804)	-	(146,804)
Trade and other payables	349,459	179,308	528,767
Due from related parties	-	(137,044)	(137,044)
Due to related parties – net	(18,478)	1,574	(16,904)
Cash from operations	597,264	229,618	826,882
Taxes paid	(48,786)	-	(48,786)
Net cash from operating activities	548,478	229,618	778,096
Investing activities			
Acquisition of property, plant and equipment	(241,809)	(777,583)	(1,019,392)
Proceeds from disposal of property, plant and equipment	6,768	2,763	9,531
Acquisition of investment in equity accounted investees	(215,089)	192,361	(22,728)
Acquisition of oil and gas exploration and production assets	(287,803)	-	(287,803)
Proceeds from disposal oil and gas exploration and production assets	780,041	-	780,041
Proceeds from assets held-for-sale	30,808	-	30,808
Dividend received from equity accounted investees	22,299	150	22,449
Payment for intangible assets	(2,032)	(4,047)	(6,079)
Net movement in term deposits	(705,228)	-	(705,228)
Finance income	-	11,805	11,805
Net cash used in investing activities	(612,045)	(574,551)	(1,186,596)
Financing activities			
Finance cost	-	(148,372)	(148,372)
Proceeds from share capital introduced by non-controlling interests	(968)	-	(968)
Dividends paid to non-controlling interests	(1,974)	-	(1,974)
Net movement in loans and borrowings	204,452	501,125	705,577
Net cash from financing activities	201,510	352,753	554,263
Net change in cash and cash equivalents	137,943	7,820	145,763
Translation adjustments	(26,864)	43,270	16,406
Cash and cash equivalents at the beginning of the year	350,395	107,899	458,294
Cash and cash equivalents at end of the year	461,474	158,989	620,463

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

49. Events after the reporting period

The Group has been closely monitoring the impact of the developments on the Group's businesses of the outbreak of COVID-19 ("Coronavirus") during first quarter of 2020 and has put in place contingency measures. These contingency measures include reviewing the production capacities closely, reassessing the required level of inventory, assessing our logistics readiness and negotiating with customers on delivery timetable. The Group will keep contingency measures under review as the situation evolves.

As far as the Group's businesses are concerned, the outbreak has a significant impact in the change in oil prices which is currently being managed by the natural hedge arrangements in place. The management believes that this will not have any significant impact on the Group's businesses. As the situation is fast evolving, the effect of the outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown.

50. Approval of consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 23 March 2020.

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Qurum Area
Muscat 258
Sultanate of Oman

since 1 January 2020
KPMG LLC
Children's Public Library Building 4th Floor
P.O. Box 641, P.C. 112
Shatti Al Qurum
Sultanate of Oman