



ANNUAL REPORT 2021



Energy
Beyond
Limits



HM Sultan Qaboos bin Said
May his soul rest in peace



HM Sultan Haitham bin Tarik

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Disclaimer

The material contained in this report is intended to be general background information on OQ S.A.O.C and its activities.

The information is supplied in summary form and is therefore not necessarily complete. Also, it is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.

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This report contains statements that constitute “forward-looking statements”. The forward-looking statements include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions and results of operations and financial condition, including, without limitation, indicative revenue, EBITDA, Adjusted EBITDA, leverage, among others.

These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We use words such as ‘may’, ‘expect’, ‘indicative’, ‘intend’, ‘forecast’, ‘estimate’, ‘anticipate’, ‘believe’, or similar words to identify forward-looking statements. Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from the expectations described in this report.

When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation, and do not intend, to update any forward-looking statements contained in this report.

Some financial figures in this report have been converted to US\$ for the convenience of the reader. The US dollar translations should not be construed as a representation that the OMR amounts have been or may be converted into US dollars at the rate indicated.

Adjusted EBITDA

Certain sections of this Report, discuss Adjusted EBITDA, which is not a measure of financial performance under IFRS. In determining Adjusted EBITDA, 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: A) Finance expense; B) Impairment losses (charged)/ released, net; C) Income tax expense; D) Changes in fair value of investments; E) Finance income; F) Foreign exchange gains/ losses, net; G) Farm out transaction in 2018, H) Certain non-recurring investment income (for example, investment income on divestments, I) Depreciation and Amortization, and for 2020, j) OQ’s share of asset impairment charges booked by the OQ8 joint venture.

The Company believes that the report of this Alternative Performance Measure is helpful to investors because this and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, Adjusted EBITDA is not a measure of financial performance under IFRS and should not 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.

For more information, please visit **oq.com**

CHAIRMAN MESSAGE

The challenges of the pandemic continued to test the business at the start of 2021, however market demand played in favour of the industry as the world began to recover and demand for energy returned. Consequently, OQ delivered high financial and operational performance, focusing on quality service to its customers, while ensuring high HSSE standards.

OQ realised robust financial performance during 2021 compared to 2020. The exceptional performance was primarily driven by the improved market environment, as well as strong operational performance across the business. The Group generated a consolidated revenue of USD 22,768 Mn, compared USD 14,006 Mn in 2020. OQ's EBITDA for 2021 was USD 3,699 Mn compared to the 2020 EBITDA of USD 1,464 Mn and Net Profit for the year stood at USD 1,818 Mn compared to the 2020 Net Loss of USD 4,460 Mn. OQ's performance for the year significantly improved its Net Debt to EBITDA ratio, decreasing it from 7.80 times in 2020 to 2.95 in 2021.

On the operational front, OQ celebrated major milestones during the year, including the commissioning of a number of its strategic projects, namely, OQ Plastics, Bisat B and Yibal export line, and achieving the Initial Acceptance (IA) of OQ LPG. However, due to the ongoing pandemic, OQ continued to face challenges in completing other projects such as OQ8, OQ Ammonia and OTTCO but remains committed to completing these projects within their revised timelines.

Evidently, 2021 tested OQ's resilience and commitment to achieving its targets and objectives. It has shown agility and adaptability to changes and has taken advantage of opportunities when presented. As we look forward to 2022, OQ continues its journey to be a resilient and sustainable organisation, daring to take bold steps to position itself towards its future growth as it continues its energy transition journey.



CEO MESSAGE

Following a very difficult 2020, OQ enjoyed a remarkable year in 2021 on many levels. Looking back at the past 12 months, there are many achievements to be proud of. Safety as always was a key priority for OQ and we invested heavily in improving our measures to ensure a safe working place for our employees following their return to the offices. As a result, we managed to end the year with an exceptional performance and exceeded targets across all key safety dimensions.

I would also like to highlight the completion of some of our major projects, including OQ Plastics, OQ LPG and Bisat-B. While delays were encountered – in large part driven by COVID-19 pandemic – the working teams worked tirelessly to deliver world class projects in a safe and professional manner. With that in mind, we still faced challenges and delays in completing other projects (OQ8, OQ Ammonia, OTTCO) but we remain committed to completing them as planned.

Financially, OQ posted an exceptional performance in 2021. Although product prices and spreads improved greatly compared to 2020, it is important to note that OQ delivered stronger operational performances, higher production rates and lower OpEx across most businesses. These efforts were pivotal in OQ delivering strong financials for the year.

2021 also saw us push forward with our Alternative Energy agenda, with many projects progressing amid a strong interest from potential partners, and OQ finalising the decarbonisation policy. I am also proud to share that we managed to achieve our ICV target for the year, as we believe OQ must play a key role in enabling local industries.

Moving forward, I am hopeful for an equally eventful 2022. There is a lot to be excited about as we continue our transformational journey and position ourselves as a true Energy company.



2021 OVERVIEW

2021



> **USD 22,768 Mn**
Revenues



> **USD 3,699 Mn**
EBITDA



> **USD 1,818 Mn**
Net Profit

PRODUCTION*

> Crude Oil & Condensate production



27 mbb/d (Operated)
82 mbb/d (Non-operated)
109 mbb/d Total

> Natural Gas production



34 mmscf (Operated)
401 mmscf (Non-operated)
435 mmscf/d Total

*Production includes service contracts blocks

DOWNSTREAM



> **Total Production Refineries (MBbl)**
264 KBD

The value is considering 96.5 MBBL production volume divided by 365 days



> **Aromatics**
772.4 KMT



> **Polypropylene Production**
204.8 KMT



> **OQ Plastics**
592.0 KMT



> **Methanol Production**
1,112.1 KMT

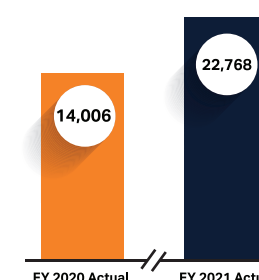


> **OQ LPG Production**
114.2 KMT

Exchange rate of OMR 0.3851 per USD

2021 KEY FINANCIALS

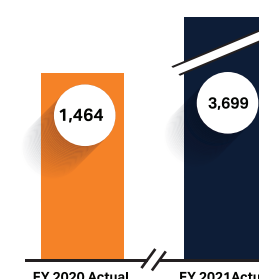
Revenues (USD Mn)



Revenues: USD 22,768 Mn

- > Increase in oil and gas production levels along with higher realised OEB oil prices;
- > Higher refining and petrochemicals revenue due to the recovery of demands and prices of all products within Downstream Spectrum.

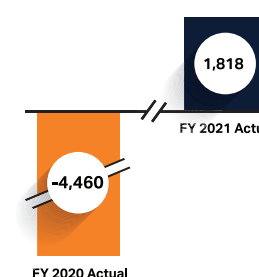
EBITDA (USD Mn)



EBITDA: USD 3,699 Mn

- > Higher oil and gas production, mainly from operated blocks and JV assets, respectively along with higher OEB price;
- > Better than planned prices, strong operational and gross margin performance in Downstream;
- > Commencement of new projects i.e. OQ Plastics and OQ LPG;
- > Lower operating expenses across businesses;
- > Gains from divestments.

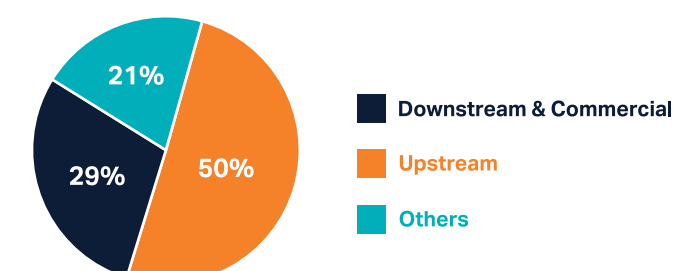
Net Profit (USD Mn)



Net Profit: USD 1,818 Mn

- > Strong EBITDA performance resulted in a high Net Profit;
- > Lower depreciation and financial charges than expected;
- > Net reversal of impairments recorded earlier resulted in higher net profit.

> 2021 EBITDA Breakdown

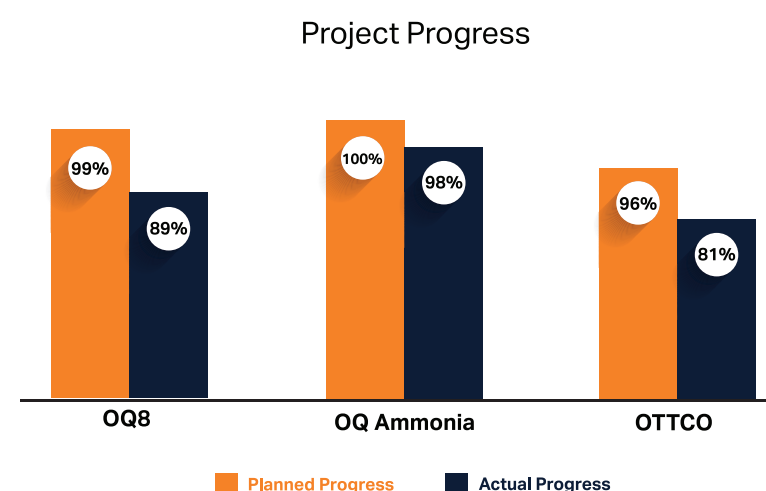


Exchange rate of OMR 0.3851 per USD



GROWTH PROJECTS

All growth projects made good progress in 2021 despite challenges caused by the various restrictions due to COVID-19 pandemic. In 2021, OQ commenced operations in both OQ Plastics and LPG.



OQ8

OQ8 is a Joint Venture (JV) between OQ and Kuwait Petroleum Europe B. V (KPE) based in Duqm. Once commissioned, the refinery will have the capacity to process around 230,000 barrels of crude oil per day. Diesel, jet fuel, naphtha LPG, Sulphur and Petcoke are to be its primary products.

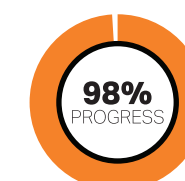
The overall progress at the end of the year was 89%, 11% behind schedule, primarily impacted by constraints resulting from the COVID-19 Pandemic.



OQ Ammonia

OQ's Salalah Ammonia Project represents a USD 463 Mn investment in a 1,000 metric tonnes per day (MTPD) capacity ammonia plant in Salalah. The new plant will be integrated with an existing 1 million tonnes per year capacity methanol plant. In addition to being used as an ingredient in the production of fertilisers, ammonia is an important intermediate chemical in the manufacture of synthetic resins, synthetic fibres, and polyurethanes, among other applications.

During the year 2021, OQ achieved an overall project progress of 98% against the plan of 100%.

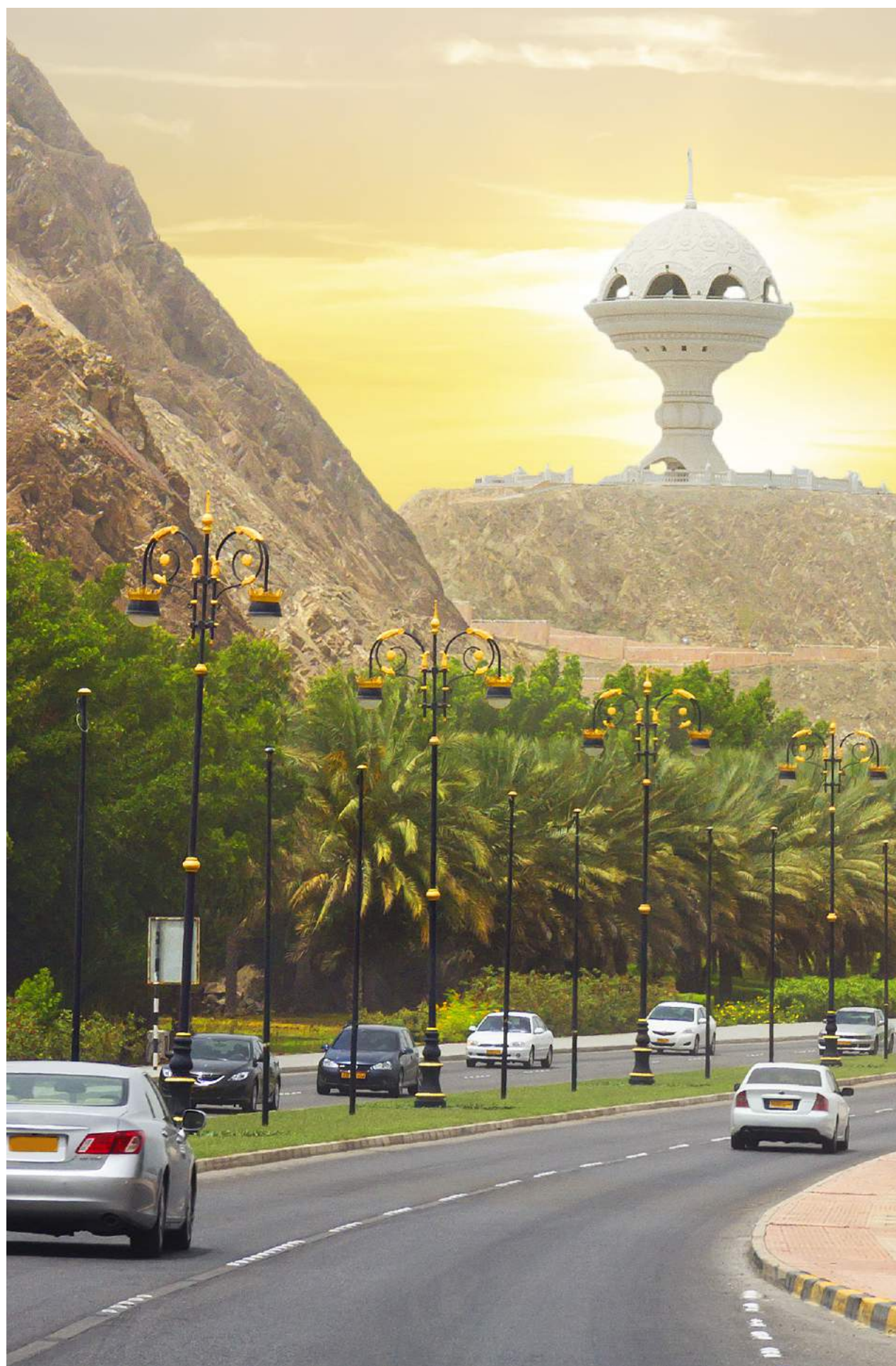


OTTCO

OTTCO, part of the OQ group of companies, is Oman's independent tank storage company. It emerged in 2014 with the objective to develop Oman's Crude Oil Hub in Ras Markaz, 70km south of Duqm, with a potential total storage capacity of up to 200 million barrels. The first phase of the development, with a designed capacity of 26.7 Mn barrels, is partly used to accommodate for the crude oil supply to OQ8 refinery in Duqm.

At the end of 2021, the project achieved an overall progress of 81%, 15% behind schedule primarily impacted by Covid-19 pandemic.



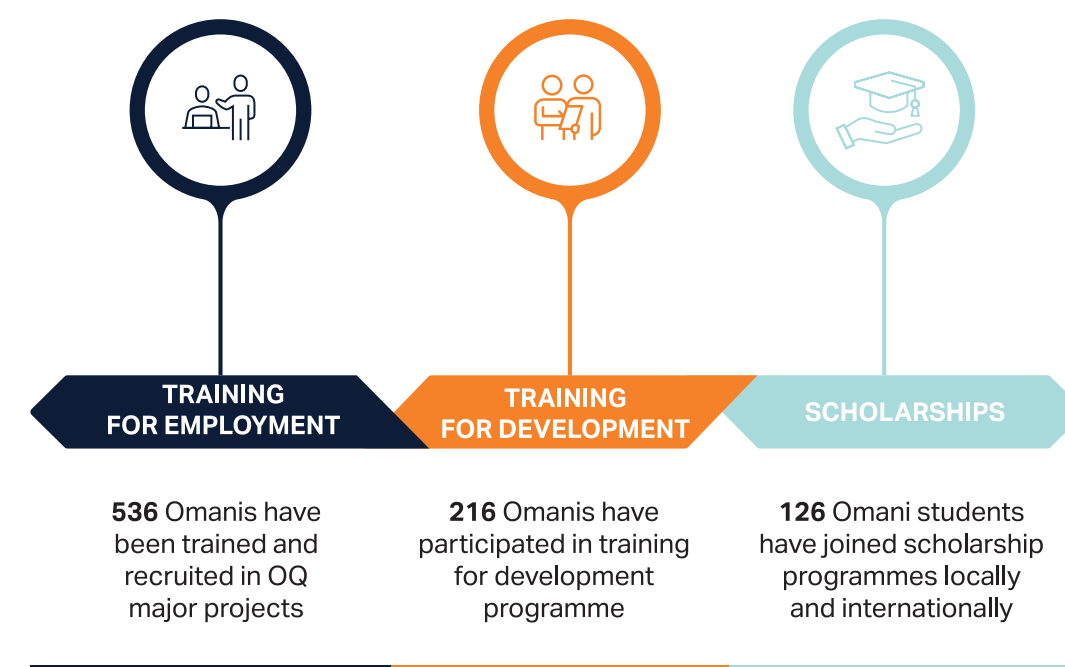


IN-COUNTRY VALUE (ICV)

At OQ, In Country Value (ICV) program is designed to drive supply-chain value across its operations to encourage the development of diverse, sustainable, and globally competitive local companies. OQ is committed to benefit local suppliers and maximising In Country Value (ICV) by increasing the total spend retained in country. The ICV program focuses on developing national manpower mainly in skilled and professional categories and boosting Oman's small and medium enterprises (SMEs), local services and the manufacturing sector.

In 2021, the core assets' spend on local goods, services and SMEs in country was USD 931 Mn out of total procurement spend of USD 1,358 Mn (excluding major projects spend). The value retained (ICV index) was around 29 % with a value of USD 392 Mn. Moreover, OQ contributes to ICV through contractual ICV obligations with its contractors. These terms are periodically reviewed to ensure they are implemented throughout the project.

Furthermore, training and development opportunities were provide in major projects, including the following:



SUSTAINABILITY

OQ aspires to deliver business excellence through sustainability and remains committed to demonstrating efforts directed towards managing environmental, social and economic impacts. As a result, OQ developed a Sustainability policy, processes, and a roadmap in 2021 to embed sustainability across the businesses through Environmental, Social, and Governance (ESG) key performance indicators (KPI)s and targets aligned with Oman Vision 2040 and United Nations Social Development Goals (SDGs).

OQ works towards achieving sustainability through the following pillars:

Environment pillar reflecting Responsible Operations

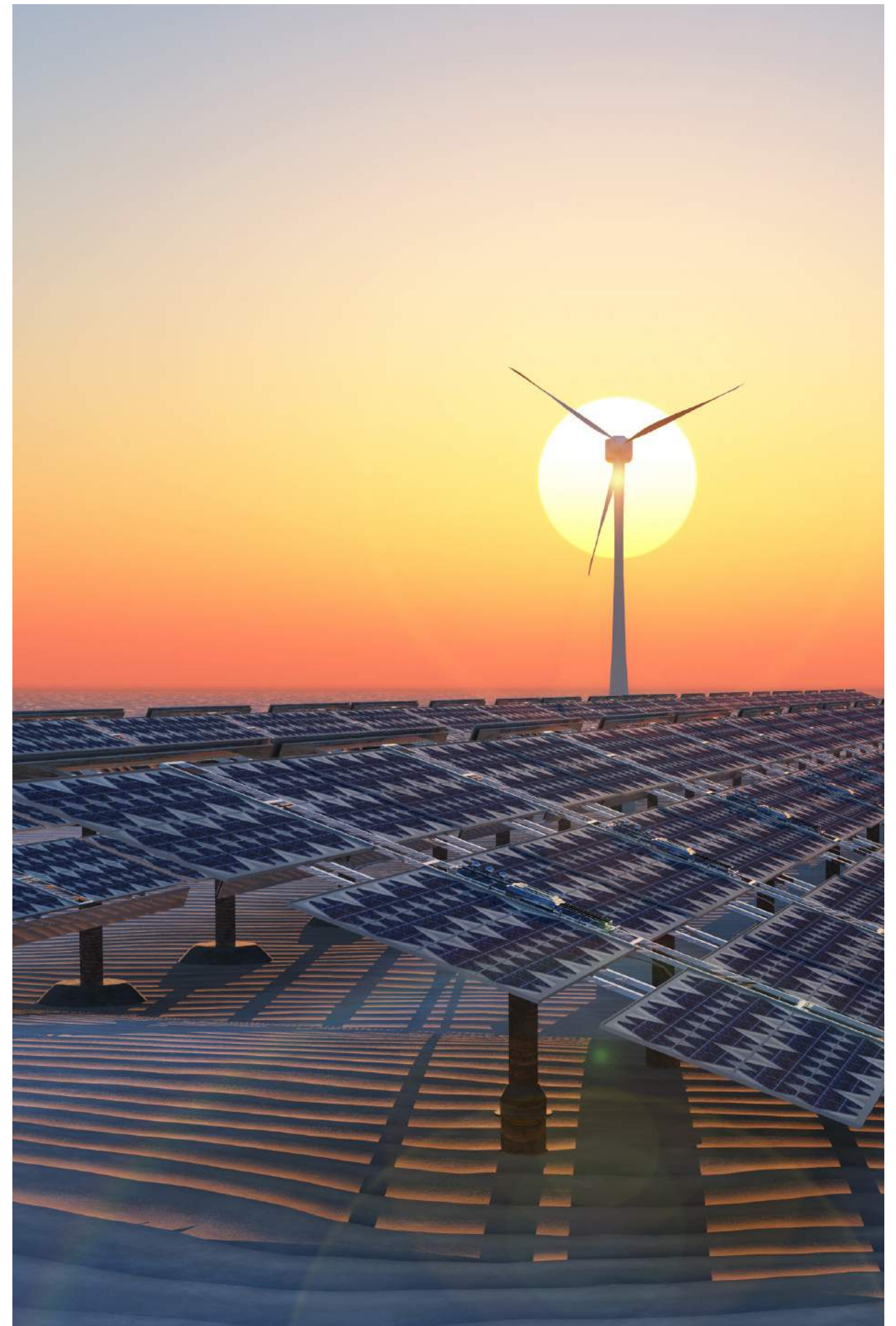
OQ will manage its carbon footprint in greenhouse Gas Emissions (Climate Change) through setting targets to maximise energy efficiency and emission reduction. OQ will focus on its impact on water, biodiversity and the environment through impact management. OQ will invest in renewable energy and environmental technologies to support its agenda in managing impacts through innovation.

Social pillar through Safeguarding and Enriching Lives

OQ will focus on health and safety of its employees, contractors, and communities by measuring and managing impacts. OQ will concentrate on enhancing its workplace diversity, equal opportunities, and training and development opportunities. OQ will continue to support social investments and community engagements to drive the positive change desired.

Economic and governance pillar through Creating Shared Value

OQ aims to increase its economic performance and contribution while enhancing its market presence by offering customers access to responsible energy, focusing on Corporate Governance and Compliance, and enhancing Prevention and Emergency Response Preparedness.





CORPORATE SOCIAL INVESTMENT (CSI)


Corporate Social Investment (CSI) is one of the key pillars demonstrating OQ's commitment towards serving the community and delivering social, environmental, and economic values. OQ seek to build strong relationships with local communities and create new opportunities for growth and partnerships. OQ believes in the benefits that CSI brings to both businesses and the local community through numerous social projects.

In 2021, OQ adopted a new social investment strategy framework that is aligned with Oman's Vision 2040, the United Nation's Sustainable Development Goals 2030, the company's strategic priorities and the needs and aspirations of local communities. As a result, three focus areas were identified: Education and Health, Economic Prosperity and Environment Stewardship.

An overview of CSI projects implemented


27
Projects


USD 10.5 Mn
Total Spending


USD 2.6 Mn
To help those affected
by cyclone Shaheen


2,713
volunteers


22,853
volunteer hours

