



MID-YEAR REPORT 2021











Energy
Beyond
Limits





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CHAIRMAN MESSAGE

As the world is beginning to emerge from the shadow cast by the COVID-19 pandemic, OQ Group too is moving forward and has begun reaping the benefits of not only its investments, but its financial and operational initiatives. Our aim is to achieve the required balance for financial and economic sustainability. With this sustainability we can boost the national economy and enhance the added value from refinery projects, as well as maximise return from Oman's hydrocarbon resources.

We are fortunate at OQ Group to not only witness the recent positive changes in Oman's economy, but to be able to make a difference. The Group is nearing the completion of key strategic projects, namely Liwa Plastic Industries Complex, OQ LPG, OQ Ammonia, and Bisat B and the commercial operations start to kick-off. These operations will open wider prospects that will increase returns on Group investments, as well as contribute towards supporting the government's economic diversification policies and enhance In-Country Value.

OQ Group recorded positive results in the first half of this year compared to the same period last year, reporting USD 1.6 billion EBITDA. The Group has also maintained its focus on further boosting In-Country Value by investing USD 374 million in purchasing goods and services locally, a remarkable 27.8% increase compared to the previous year. Furthermore, the Group has also allocated USD 10 million to Corporate Social Investment project and additionally achieved a 79% Omanisation rate.

On the other hand, OQ continues its commitment to the safety and wellbeing of its employees, as we have taken additional steps in making the workplace safer as we gradually welcome them back to the offices.

We are optimistic about the future as we observe our aspired potentials, national indicators, and most notably the developments in the national economy, accelerated economic diversification policies and efforts to attract foreign investment through structured incentives and benefits.

Thanks & Appreciation

On behalf of OQ Board of Directors and employees, I would like to congratulate His Majesty Sultan Haitham bin Tarik and the people of Oman on the occasion of the 51st National Day. I would also like to express my sincere appreciation to the government for its direction and hindsight.

I would like to extend my thanks and appreciation to my colleagues at OQ Board of Directors, our partners, our customers and various government and non-government entities. I would also extend my appreciation to OQ employees all over the world for their boundless enthusiasm and support to the company's aspirations and mandates.

We are confident that our Group efforts coupled with rapid growth in global energy demand and increase in oil prices will play an important role in reviving the national economy. At OQ, we will continue our efforts to translate government directives on economic diversification and improve Oman's investment climate- especially in value added projects in the energy sector. We also aspire to boost Omani petrochemical exports, enhance In-Country Value, augment social investments and embrace innovation.

Mulham Basheer Al Jarf



FIRST HALF 2021 OVERVIEW



14 Oil and Gas fields¹

Production – 100 mbbbl/d of oil & 384 mmcfpd of gas (WI - Working Interest)
2P Reserves – 951 mmboe (WI)²



+ 4,000 km

Owner and operator of materially all of Oman's gas transportation system



16 Downstream Plants³

Sole refiner in the Sultanate of Oman
Includes 6 international specialty chemical plants



Portfolio of 70+ chemical products



1,000+

Customers in 70+ countries



5,996

Total direct employees⁴

Total Assets
June 30, 2021



EBITDA
1H 2021



Note: FX rate of OMR/USD 2.60

1. Including operated, non-operated and exploration blocks; 2. Production for the 1H 2021. The Group's 2P entitlement reserves (being the total technical reserves less the Government's share) were ~562 mmboe; 3. Includes Sohar Refinery 1&2, aromatics plant, polypropylene plant, Liwa Plastics Industries Complex, Mina Al-Fahal refinery, Duqm refinery, Salalah Methanol plant, Ammonia plant, LPG plant, Specialty chemical plants: Germany (2), USA (2), Netherlands (1), China (1), and excludes non-integrated assets, i.e. Musandam Gases Co., Musandam Power Co., OMIFCO, OTTCO, Vale, OARC and Sohar Aluminum; 4. Total workforce directly employed by the Group as of June 30, 2021 (this number excludes workers on temporary contract).



FIRST HALF 2021 OVERVIEW

1H 2021



> **USD 10 bn**
Revenues



> **USD 1.6 bn**
EBITDA



> **USD 0.8 bn**
Net Profit



> **USD 27.6 bn**
Assets

PRODUCTION¹

> Crude Oil & Condensate production (WI)



20.1 mbbbl/d (Operated)

79.9 mbbbl/d (Non-operated)

100.0 mbbbl/d Total

> Natural Gas production (WI)



35.1 mmcfp/d (Operated)

349.0 mmcfp/d (Non-operated)

384.1 mmcfp/d Total

> 2P Reserves

951 mm boe (WI)²

DOWNSTREAM



> Refining capacity:

303.6 kbd



> Petrochemical capacity:

1,356,000 MT



> Methanol capacity:

1,060,000 MT per annum



> OQ Chemicals capacity:

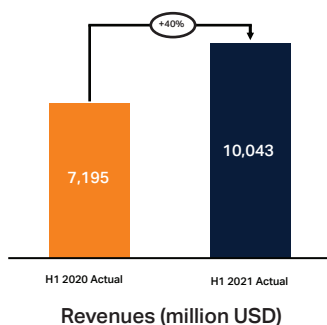
1,400,000 MT per annum

Note: rate of OMR/USD 2.60

FX 1. For the 6 months period ended on June 30, 2021. 2. The Group's 2P entitlement reserves (being the total technical reserves less the Government's share) were ~562 mmboe as of December 31, 2020.

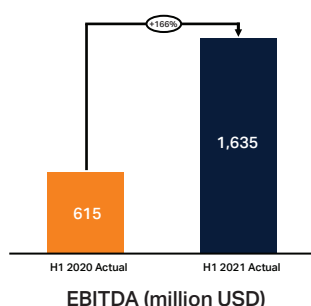


KEY FINANCIALS



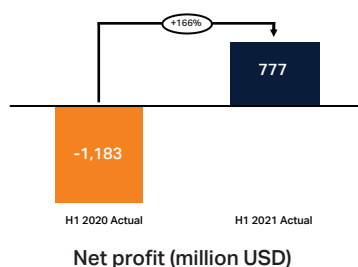
Revenues: **USD 10,043 million**

- Higher realised (OEB) oil price, and increase in production activities across Upstream and Downstream businesses.
- Recovery of demand and prices/spreads for all products within the Downstream spectrum.



EBITDA: **USD 1,635 million**

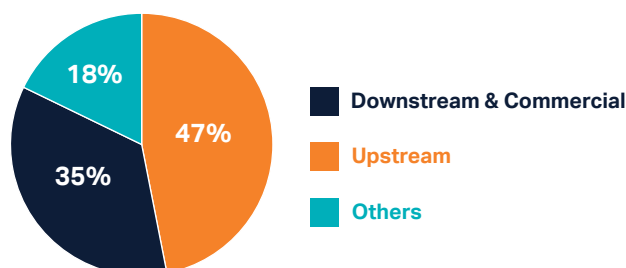
- Strong revenue performance, as illustrated above.
- (Partial) reversal during 1H 2021 of impairments registered during 1H 2020.
- The positive change in fair value of investments in 1H 2021 (vs negative in 1H 2020).
- Net gains from divestment of assets during 1H 2021.
- A favourable FIFO effect in 1H 2021 (vs negative in 1H 2020).



Net Profit: **USD 777 million**

- Strong EBITDA performance, as illustrated above.
- Lower depreciation and finance costs.

H1 2021 EBITDA Breakdown







GROWTH PROJECTS



OQ LPG

OQ's LPG project in Salalah, focuses on Liquefied Petroleum Gas (LPG) products. This wholly-owned operation builds on the Salalah LPG Extraction plant, storage tanks, shipping facilities, and interconnected pipeline system. Enabling the output of LPG products means expanding the extraction capabilities by adding storage and exporting facilities.

- **Achieved the completion of commissioning stage and achieve on-spec production of all its three products (Propane, Butane & Condensate).**

The first cargo was successfully achieved for both Propane and Butane

- **(each 5,000 MT) on 30 June.**



Liwa Plastics Industries Complex (LPIC)

The Liwa Plastics Industries Complex (LPIC) is a wholly-owned petrochemical complex in the Sohar Industrial Port, Oman. LPIC comprises of a polypropylene plant, producing 300,000 tonnes per year, and two polyethylene plants, HDPE and LLDPE producing 880,000 tonnes per year, marking a breakthrough in polyethylene's novel production.

- **Achieved critical milestones during the first half of 2021.**
- **Completion of LPIC polymer plants performance testing and paving the way towards the facility initial acceptance.**



OQ Ammonia

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

- **Initial acceptance is expected to be completed in Q1 2022.**



GROWTH PROJECTS

70.4%
PROGRESS

Oman Tank Terminal Company (OTTCO)

OTTCO, part of the OQ group of companies, is Oman's independent tank storage Company. OTTCO was established in 2014 based on a vision of developing a Crude Oil Hub in the Sultanate of Oman, located at Ras Markaz (Duqm). Today, OTTCO owns, operates and maintains an network of storage and pipelines assets in Oman. Its main focus for growth of terminal network is in Duqm and RasMarkaz. The first phase of the development, with a designed capacity of 25 million barrels, is partly (5.2 million barrels) used to accommodate for the crude oil supply to OQ8 refinery in Duqm.

➤ Initial acceptance is expected to be completed in Q1 2022.

Duqm Refinery and Petrochemical Industries OQ8

84.3%
PROGRESS

OQ8 is a Joint Venture (JV) between OQ and Kuwait Petroleum International (KPI) 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 and LPG are to be its primary products.

➤ Initial acceptance is expected to be completed in Q2 2023.





IN-COUNTRY VALUE (ICV)

2021



USD 374 M

Amount spent on local goods and services



27.8%
ICV Index





SUSTAINABILITY

Since the inception of OQ, we have recognised and highlighted our current progress in targeting environmental issues. We are committed to taking the additional steps needed to demonstrate how environmental integrity, climate change, sustainable development and other sustainability-related key areas are directly aligned with our operations, investments and corporate strategy.



2019

1st Sustainability Report

Stakeholder engagement process to map and highlight OQ stakeholders' expectations and the material issues which they expect the Group to address and pioneer.



2020

Roadmap and KPI's identification

- › Establishment of the Sustainability roadmap and framework 2021- 2023.
- › Inception of the Sustainability roadmap and framework.
- › Identifying, measuring and reporting the initiatives and projects that will be executed.



2021 - 2023

Implementation Phase

- › Implementation of the Sustainability roadmap and framework.
- › Identification of KPI and targets.
- › Awareness session through the business units across the Group for employees' capability developments.
- › Various initiatives for embedding Sustainability within the business.
- › Implementing 3rd party assurance for the Sustainability Report.
- › Annual publishing of the Sustainability Report on a regular basis.





CORPORATE SOCIAL INVESTMENT (CSI)

OQ aims to continuously create a lasting positive impact in the communities it operates in. In 2021 we continue to proactively engage with our key stakeholders for their feedback and input to ensure inclusivity, minimise risk and to ensure we are making the right decisions together. As part of our stakeholder engagement, we signed 10 MoUs with various government organisations (GOs) and non-government organisations (NGOs) on strategic projects and programmes.

We are committed to the environment and are taking several measures in our operations to reduce our environmental footprint, while also actively contributing towards environmental causes such as the OQ Green Initiative that aims to plant half a million trees across Oman. This initiative comes in alignment with the National Initiative for Planting Wild trees and in cooperation with the Ministry of Agriculture, Fisheries and Water Resources and Environment Authority. We have also successfully activated corporate volunteering by engaging our employees who have given more than 12k hours towards our corporate social initiatives.

We make more possible with the support of our employees, partners from GOs, the private sector and NGOs, who have supported and continue to support us towards achieving the best community services in Oman.

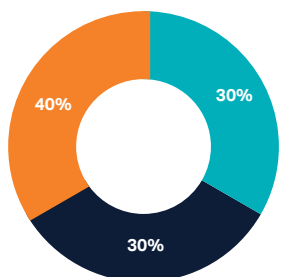
> An overview of implemented CSI projects



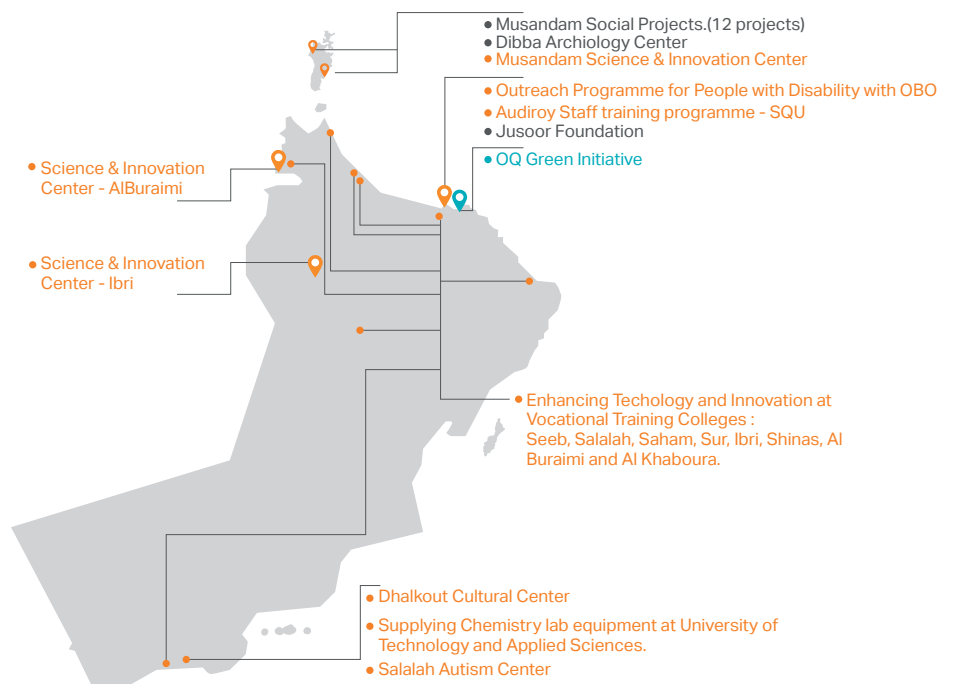
11
Projects



10,216,388 USD
Value of implemented projects



■ Economic Prosperity
■ Environmental Stewardship
■ Education and Health





PEOPLE



5,996
Employees

- Oman Assets: 4,630
- International Assets: 1,366



41,430
Training Hours



79%
Omanisation



2.05%
Turnover Rate



