



# OO Gas Networks



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# Agenda



Operational Performance and HSE



Key achievements



Financials



Questions and Answers



# Operational Performance and HSE<sup>(1)</sup>

## Scale



**~4,045 km**

Pipeline Network



**40.5 bn SCM**

Natural Gas transported



**>90%**

Oman power generation  
supplied by OQGN Natural Gas

## Reliability



**100%**

Gas availability with no  
interruption to customers



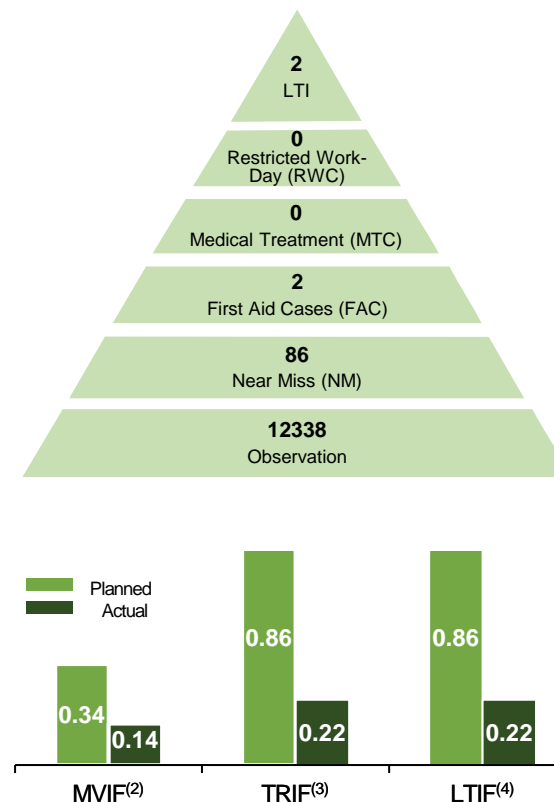
**0**

Recovery time (no gas  
interruption has been  
recorded in of 2023)

## Certified Asset base

Certified ISO 55001 asset management in gas  
transportation and distribution, ISO 9001:2015 quality  
standard, ISO 14001 environmental standard and  
OHSAS<sup>(6)</sup> 18001:2007 standard

## Safety



## Environment



**0.19 g CO<sub>2</sub>e/MJ<sup>(5)</sup>**

GHG Emissions Intensity (2022)



**No Significant  
Leakage Incidents**

1) As of 2023  
 2) Motor Vehicle Incident Frequency = [(Nb of Vehicle Incidents \* 1m) / Total KM driven]  
 3) Total Recordable Injury Frequency = [(Nb of TRI \* 1m) / Total manhours]  
 4) LTIF: Lost Time Injury Frequency [(Nb of LTI \* 1m) / Total manhours]  
 5) Tons of carbon dioxide equivalent by millions of standard cubic meters  
 6) Occupational Health and Safety Assessment Series

# Key achievements 2023

## PC 3

### Successful timely submission of the Price Control 3:

1. The regulator has confirmed the final Return on Capital (weighted average cost of capital) of 7.79% per annum for Price Control 3 (PC-3).
2. The Regulator approved the Capex of OMR 191.5 million for PC-3.
3. The Regulator has introduced a new mechanism that allows for earning revenue on additional Capex that same Price Control Period of such increase rather than the next Price Control Period.
4. The Regulator has also approved **additional allowance** of OMR 5.276 million for PC-2 (2021-2023) related to actual costs incurred by the company, which are added to the Allowed Revenues for PC-3



**The largest Sharia Compliant financing in Oman** at competitive prices & terms. USD 1.2Bn with a total of 16 Banks



**Successful completion of OQGN's IPO** as the largest Initial Public Offering in the Sultanate of Oman, with the subscription volume in the company's shares amounting to more than 4 billion Omani Rial

# Key achievements 2023



Setting up a **Strategic Partnership** with Fluxys, a leading Belgian based energy transportation company, to support the global energy transition



**MoU signed with Hydrom** on 1st June 2023 enabling OQGN to further conceptualize the national hydrogen transportation and storage infrastructure in line with Hydrom's masterplans



**Signing (MoU) with Oxy** outlining commitment for mutual collaboration to study the development and deployment of CCUS projects in Oman.

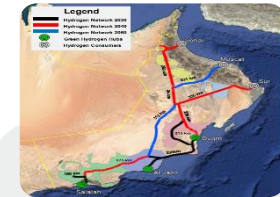
# Key achievements 2023



Successful launch of the OQGN corporate identity



Successful completion of **9 projects** with an actual cost of **USD 154Mn**



MEM recognized OQGN as **national champion for hydrogen transportation and storage**, mandating OQGN to lead the planning and development of an open access hydrogen network in Oman.





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# Financials



ital" information, Please share this information on a "Need-to-Know" basis.



# OQGN'S IFRS INCOME BUILD-UP

## Total Income (as per IFRS Financials)

OMRm

Net Profit

43

46

56

Net Profit  
Margin

27.4%

28.4%

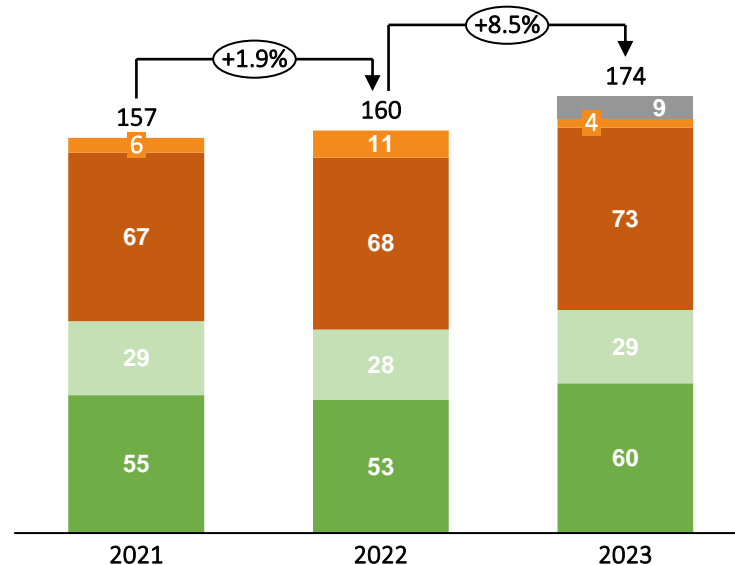
31.9%

YoY Income  
Growth (%)

(5.2%)

1.9%

8.5%



- 1 Construction revenue
- 2 Allowance for expenditures and pass-through cost
- 3 Finance income (concession receivables and contract assets)
- 4 Interest on fixed deposits, other income and project mgmt. services
- 5 Transfer from OCI on termination of hedge

## Observations and Remarks

OQGN's income has been steadily increasing over the past years, highlighting its business model's stability against commodity prices fluctuations

- 1 Construction revenue has increased in 2023 vs 2022 due to more construction work carried out during the period
- 2 Allowance for expenditures and pass-through cost has remained stable
- 3 Company's finance income slightly increased 2023 due to increase in asset base and increase in future cashflows due to WACC increase for 2024-2027 from 7.3% to 7.79%
- 4 OQGN's other income has increased in 2022 predominantly due to increased reversal of provisions that are no longer required to be paid to sub-contractors
- 5 The increase in total income in 2023 compared to 2022 was mainly driven by increase in finance income and OMR 9m transferred from other comprehensive income to finance income on termination of hedging arrangements under the Intra-Group Hedging Transactions with OQ

# OQGN IFRS ASSETS EVOLUTION

## Contract Assets and Concession Receivables

OMRm

Finance  
Income<sup>(1)</sup>

67

68

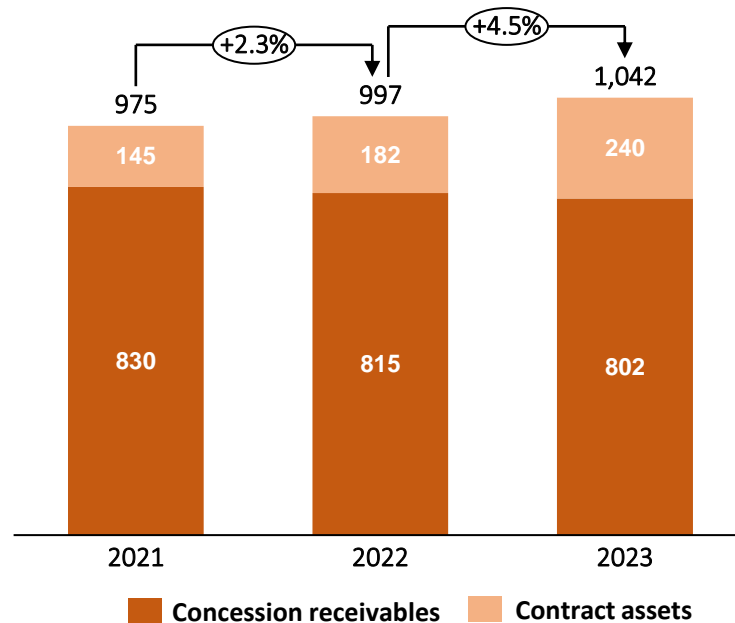
73

Effective  
Interest Rate

7.28%

7.23%

7.43%



## Observations and Remarks

- Total Contract Assets and Concession Receivables grew with a CAGR of 3.4% from 21-23 as a result of network acquisition, upgrades and expansion projects
- The balance of concession receivables and contract assets have increased by:
  - The acquisition of additional gas transportation infrastructure assets
  - Construction work carried out during the year
  - Finance income recognised based on IRR of concession cashflows
- and reduced by:
  - Payments by the Shipper against return on assets and depreciation allowance

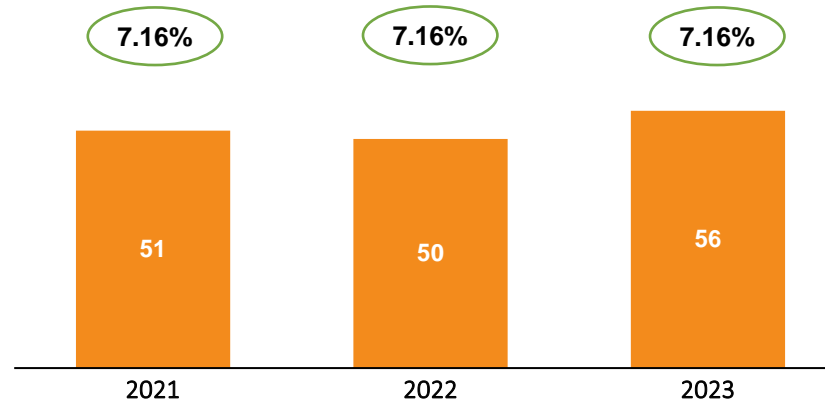
(1) Includes finance income on contract assets and concession receivables. Total finance income was OMR45m, OMR69m, OMR67m and OMR75m in H1 2023, FY 2022, FY 2021 and FY 2020 respectively.

(2) Only including contract assets due from MEM.

# OQGN COSTS OVERVIEW

## Construction Costs

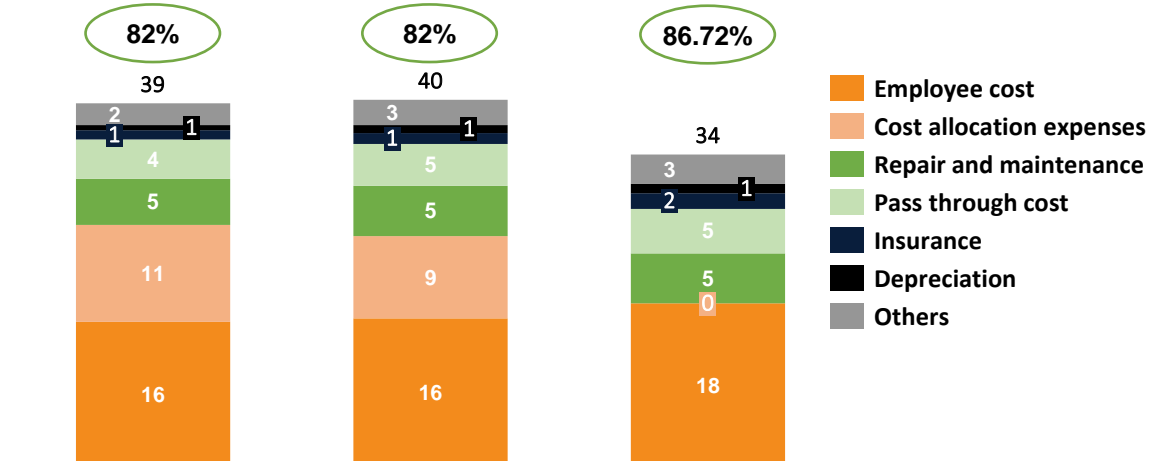
OMRm  
Construction  
Margin<sup>(1)</sup>  
(%)



## Opex and Admin Expenses

OMRm

Operating Expenditures and Pass-through costs allowances as a % Opex and Admin expenses (net of shared costs income)



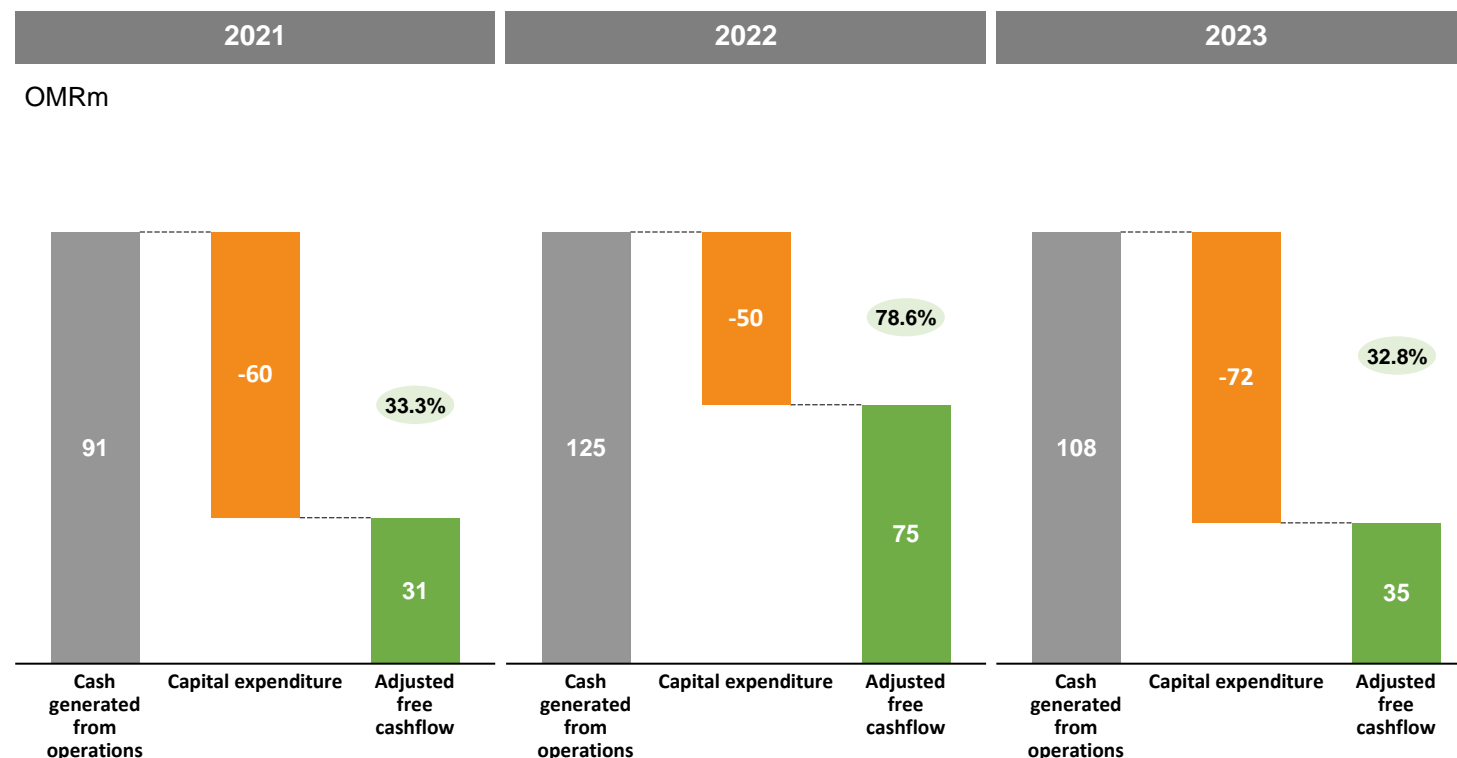
## Observations and Remarks

- QOQGN recorded an increase in Construction Costs in 2023 compared to 2022 on the back of higher construction work
  - Construction margin is equal to the CWIP WACC
- Opex and admin expenses remained predominantly flat between 2022 vs 2021 and decreased in 2023 due to a decrease in cost allocation expenses incurred in connection with services provided by OQ group companies under a shared cost model applicable (e.g. employee related costs, overheads such as rent, maintenance and house keeping of the shared office space, marketing, security etc.). The cost allocation discontinued from 2023 onwards as OQGN moved to its own office following decentralization.

(1) (Construction Revenue – Construction Costs) / Construction Costs.



# CASH GENERATION SUPPORTED BY ATTRACTIVE RAB TERMS



Regulated Adjusted Cash Conversion<sup>(1)</sup>

## Observations and Remarks

- Increased change in net working capital in 2022 has supported operational cash flows, which, in combination with reduced capex have led to the generation of the largest unlevered free cash flows during this three-year horizon
- Decrease in cash generation in 2023 primarily due to a decrease in cash generated from operations, primarily due to a decrease in changes in trade and other receivables in relation to invoices billed to the Shipper in 2021 that were received in 2022, compared to no deferred payments received 2023 relating to invoices for the preceding period
- Increase in capital expenditure in 2023 is due to acquisition of pipeline and connection assets from OQLPG of RO 16.8mn

(1) Regulated Adjusted Cash Conversion = Adjusted FCF (i.e., cash generated from operations (before deducting income tax paid, employees' end of service benefits paid, interest paid, interest income received on fixed deposits and receipt of Connection Fee) minus Capital Expenditures) / Regulated Adjusted EBITDA.

# COMMITMENT TO A ROBUST CAPITAL STRUCTURE ALLOWING FOR FUTURE CAPEX FUNDING AND SUSTAINABLE DIVIDEND DISTRIBUTION

## Efficient Capital Structure...

OMRm	As of Dec-22	As of Dec-23
Term Loan	251	329
Loan from Parent Company	138	-
<b>Total Debt</b>	<b>388</b>	<b>329</b>
Cash and Cash Equivalents	(49)	(26)
Short Term Deposits	(19)	-
<b>Adjusted Net Debt</b>	<b>321</b>	<b>306</b>
<i>Adjusted Net Debt / Regulated Adjusted EBITDA</i>	<i>3.3x</i>	<i>2.9x</i>
<i>Adjusted Net Debt / RAB</i>	<i>0.3x</i>	<i>0.3x</i>

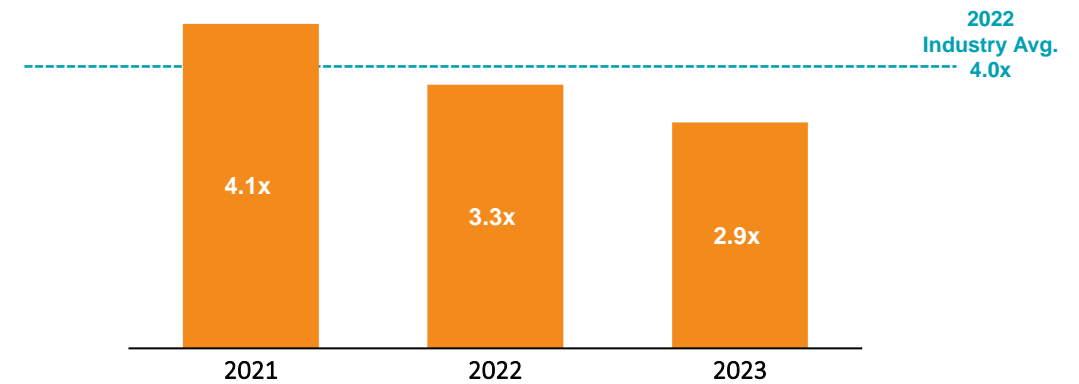
## New Financing Terms

	Facility USD	Facility OMR
Amount (m)	620	225
Years Tenor	7	10
Interest Rate	SOFR + 1.9%	5.7% / CBO + 2.0% <sup>(1)</sup>

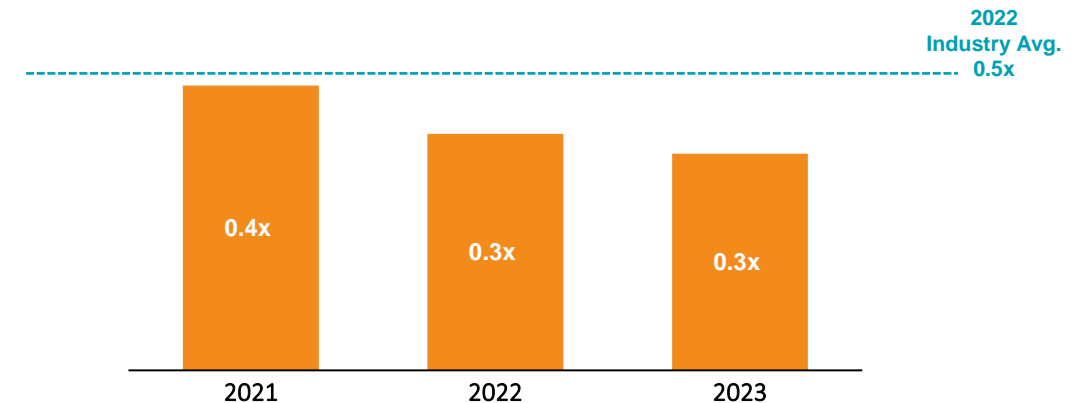
- QOQN made a drawdown of OMR334m in June 2023 to repay the existing loan facilities and the shareholder loan and further drawdown of OMR 4m in Dec 2023.
- Semi-annual repayments starting December 2023 with the final installment in year 7 for the USD facilities and year 10 for the OMR facilities

## ... Ensuring Ample Room for Leverage Capacity

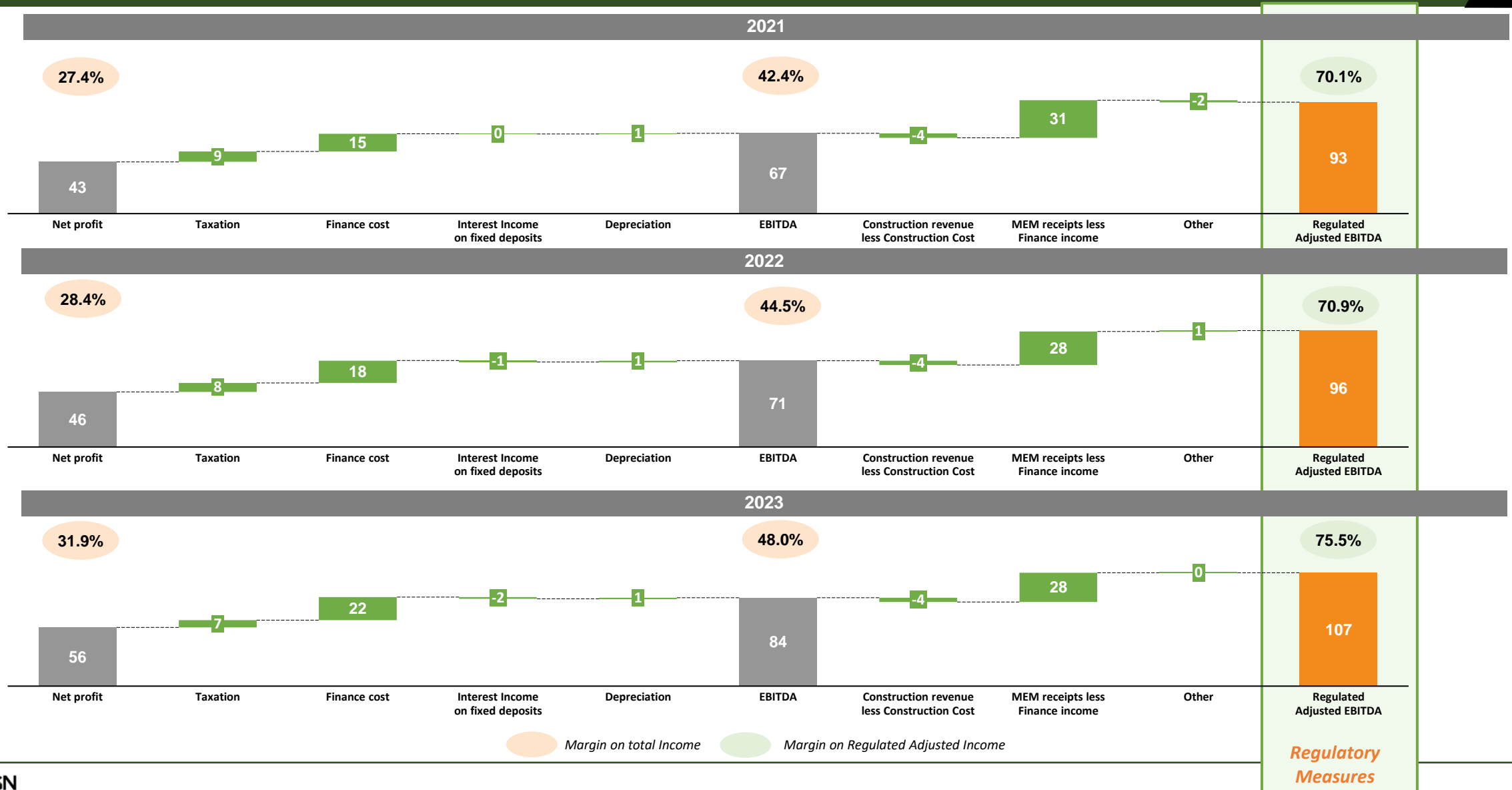
### Historical Net Debt / Adjusted EBITDA



### Historical Net Debt / RAB



# NET PROFIT TO REGULATED ADJUSTED EBITDA BRIDGE





# Questions and Answers

# Thank You!

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